SANDERSON
DESIGN GROUP

Sanderson Design Group
Annual Report & Accounts 2022

live beautiful

SANDERSON
DESIGN GROUP

WE ARE A LUXURY INTERIOR FURNISHINGS GROUP UNITED IN A SINGLE PURPOSE

"To Bring the Beautiful into People's Homes and Lives."

CONTENTS

KEY READS

FINANCIAL HIGHLIGHTS

Revenue up 19.6% at £112.2m (FY2021: £93.8m; FY2020: £111.5m), reflecting the receding impact of Covid-19 and the Group's strategy for growth.

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Third party manufacturing sales up 30.9% from FY2021 and up 8.0% against FY2020, with total sales (including sales to Group brands) up 46.8% from FY2021 and up 17.5% against FY2020 contributing substantially to Group profitability.

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Brand product sales up 17.8% compared with FY2021 and up 0.8% compared with FY2020 in constant currency:

- Morris & Co. brand performing very well in all regions, up 32.4% on FY2021 and up 45.1% on FY2020 in constant currency.
- North America has continued to deliver a very strong performance with all brands.
- Licensing income delivered £5.2m (FY2021: £3.7m; FY2020: £5.5m) including accelerated licensing income of £1.4m (FY2021: £0.9m; FY2020: £2.3m) with strong and exciting collaborations with NEXT, Bedeck and Blinds2Go in the UK, Sangetsu, Nishikawa and Kawashima in Japan and Williams Sonoma in the US.

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Adjusted underlying profit before tax of £12.5m (FY2021: £7.0m; FY2020: £7.5m) reflecting stronger sales and the full-year impact of the operational measures introduced to reduce and control discretionary and fixed costs. Reported profit before tax of £10.4m is up 112.2% on the year ended 31 January 2021 (FY2021: £4.9m; FY2020: £4.5m).

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Liquidity and headroom of £31.6m (FY2021: £27.9m; FY2020: £13.8m) with net cash of £19.1m (FY2021: £15.1m; FY2020: £1.3m).

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Proposed final dividend of 2.75p per share (FY2021: nil; FY2020: nil) to give a total dividend of 3.50p (FY2021: nil; FY2020: 0.52p).

OPERATIONAL HIGHLIGHTS

Morris & Co. sales driven in part by its 160th anniversary year in 2021 with a compilation of best-sellers performing significantly ahead of management expectations and the Simply Morris collection showing encouraging sales since its September 2021 launch.

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Sanderson One Sixty compilation collection of re-worked classic designs, has exceeded management expectations with the positive impact of the Very Sanderson media campaign, featuring British sports personality Maro Itoje, launched in April 2021.

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Harlequin's Own The Room TV campaign launched in September 2021 renewed the momentum in the brand.

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Direct-to-consumer digital incubator projects advanced with the launch of our direct-to-consumer website franchise collaboration, Scion Living | Uplifting Design For Your Home, and the online launch of Archive by Sanderson Design, a consumer brand targeting a new customer demographic for the Group.

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Planet Mark certification for Year 4 of carbon reduction, reflecting our Live Beautiful sustainability pledge.

HIGHLIGHTS

Sanderson Design Group PLC (AIM: SDG), the luxury interior furnishings group, is pleased to announce its financial results for the 12-month period ended 31 January 2022.

£112.2m

Group revenue
2021: £93.8m (+19.6%)
2020: £111.5m (+0.6%)

£12.5m

Group adjusted underlying profit before tax*
2021: £7.0m (+78.6%)**
2020: £7.5m (+66.7%)**

11.1%

Group adjusted underlying profit before tax (%)
2021: 7.5% (+3.6 bps)**
2020: 6.7% (+4.4bps)**

13.75p

Adjusted underlying EPS
2021: 7.89p (+74.3%)**
2020: 9.35p (+47.1%)**

£19.1m

Net cash***
2021: £15.1m (+26.5%)
2020: £1.3m (>1,000%)

£10.4m

Group profit before tax
2021: £4.9m (+112.2%)**
2020: £4.5m (+131.1%)**

9.2%

Group profit before tax (%)**
2021: 5.2% (+4.0 bps)**
2020: 4.0% (+5.2 bps)**

10.93p

Basic EPS
2021: 5.39p (+102.8%)**
2020: 5.41p (+102.0%)**

* Excluding share-based incentives, defined benefit pension charge and non-underlying items see reconciliation on note 11.

** Refer to note 30 to the financial statement for details on the prior year restatements for FY2021 and FY2020.

*** Net cash is defined as cash and cash equivalents less borrowings. For the purpose of this definition borrowings does not include lease liabilities.

A STRONG RECOVERY WITH AN EXCELLENT MANUFACTURING PERFORMANCE

Introduction

The financial year ended 31 January 2022 was a successful year for the business during which the receding impact of Covid-19 and the Group's strategy for growth resulted in a year of strong trading and cash generation. Trading highlights included an excellent manufacturing performance, continued strong growth from our Morris & Co. brand, strong licensing income and more than 40% sales growth in the USA in constant currency.

Our business benefited from consumers' growing interest in pattern, colour and design, which has helped drive our three key revenue streams of manufacturing, brands and licence income.

Our manufacturing operations, which print fabric and wallpaper for our own brands and third parties, deserve special mention. Third party manufacturing sales in the year were up 30.9% compared with the year ended 31 January 2021 (up 8% on FY2020), reflecting the quality and competitiveness of our printing along with the design strength in our factories' studios. Manufacturing, particularly digital printing, remains a significant opportunity for the Group and our manufacturing order books remain strong.

Our heritage brands, Morris & Co. and Sanderson, continued to lead sales growth in our brands portfolio whilst Clarke & Clarke, our biggest selling brand, achieved fantastic sales in the USA.

We have continued to advance our Group strategy with the objective of becoming a sustainable, efficient, and growing business. Our sustainability strategy, Live Beautiful, was launched in April 2021 and I am excited by the motivation across the entire Group to achieve our sustainability objectives.

Further details of the Group's progress are included in the Chief Executive Officer's Strategy and Operating Review.

Financial results

The results for the year ended 31 January 2022 show a strong recovery from Covid-19, which had a very significant effect on the first half of the previous financial year. Adjusted underlying profit before tax at £12.5m is up 78.6% on the year ended 31 January 2021 (FY2021: £7.0m; FY2020: £7.5m). Reported profit before tax of £10.4m is up 112.2% on the year ended 31 January 2021 (FY2021: £4.9m; FY2020: £4.5m).

The Group's balance sheet strengthened considerably throughout the year, resulting in net cash excluding leases at the year end of £19.1m compared with £15.1m at 31 January 2021 (FY2020: £1.3m).

Dividend

The Directors recommend the payment of a final dividend of 2.75p per share (FY2021: nil; FY2020: nil) which, subject to shareholder approval at the Company's forthcoming Annual General Meeting, will be payable on 12 August 2022 to shareholders on the register as at 15 July 2022. This brings the total dividend for the year to 3.50p per share (FY2021: nil; FY2020: 0.52p).

The Board remains committed to a progressive dividend policy as part of the capital allocation priorities of the Group.

Going concern

The Directors reviewed a Management Base Case ('MBC') model and considered the uncertainties regarding the further impact of Covid-19, supply chain and inflationary pressures and the Russian invasion of Ukraine for the assessment of going concern. The Directors consider that, having reviewed forecasts prepared by the management team which have been stress tested, the Group has adequate resources to continue trading for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details are included in note 1 to the financial statements.

Board and people

The Company's Board continued to evolve during the year. On 1 November 2021, we were delighted to welcome Mike Woodcock, who has a strong track record in consumer and brand-based businesses, as Chief Financial Officer. Mike replaced Michael Williamson, who stepped down as Chief Financial Officer on 31 October 2021. We thank Michael for his contribution to the Company, particularly during the challenging periods of Covid-19 and Brexit.

We were also pleased to appoint two new independent Non-executive Directors, Juliette Stacey and Patrick Lewis, who joined the Board on 3 November 2021. They bring a wealth of governance, operational management and consumer sector experience to the Board. Vijay Thakrar stepped down as a Non-executive Director on 27 November 2021 and we thank him for his contribution to the Company.

The success of any business is built on its people. On behalf of the Board, I would like to thank all of our colleagues for their commitment, hard work and adaptability during a year in which Covid-19 continued to impact many aspects of our lives. I am profoundly grateful for the fortitude and resilience of colleagues, which has enabled the Company to emerge strongly from the pandemic.

Outlook

I am extremely pleased to be able to report a strong set of results, not only delivering substantial growth against a year impacted by Covid-19, but also against 2020, prior to the pandemic. We delivered an excellent performance from manufacturing, continued strong growth from the Morris & Co. brand, strong licensing income and more than 40% sales growth in the USA, a key target growth market for us.

Trading in the first three months of the current financial year has performed in line with expectations, with continued demand for manufacturing and strong brand sales, particularly of Morris & Co. and Sanderson. Licence income has also performed strongly. The simplification of the Group has continued with the closure of our French subsidiary, with business in France now managed directly from the UK.

We are mindful of the cost, supply chain and geopolitical issues that impact consumer confidence, along with specific inflationary pressures in our home market. We are monitoring costs closely and passing on price rises where appropriate. We suspended all trade with Russia on 24 February 2022, a distributor-based region that represented only around 2% of global sales for FY2022.

As we carefully navigate another potentially challenging year, the Board remains confident in its strategy and the results that are being delivered.

I D Thompson

Dianne Thompson
Non-executive Chairman
27 April 2022

CHIEF EXECUTIVE OFFICER'S STRATEGY AND OPERATING REVIEW

STRATEGIC PROGRESS ACROSS THE GROUP

Introduction
We have delivered strong financial results compared with both FY2021 and FY2020, reflecting an improving trading environment and progress delivered from our strategy for the business. Group sales of £112.2m and adjusted underlying profit before tax of £12.5m represent significant growth on FY2020, a year unaffected by Covid-19, in which sales were £111.5m and adjusted underlying profit before tax were £7.5m (FY2021: revenue of £93.8m and adjusted underlying profit before tax of £7.0m). Reported profit before tax was £10.4m (FY2021: £4.9m; FY2020: £4.5m) showing the same trend as the adjusted measure.

Manufacturing was the star performer of our three key revenue streams of manufacturing, brands, and licensing. Our two manufacturing businesses, Standfast & Barracks and Anstey, are the printers of choice in our industry for both UK and international customers. Over the next two to three years, we intend to increase investment at these factories to deliver a step change in technology, capability, and productivity and drive capacity to achieve greater returns.

Brand product sales during the year performed broadly in line with expectations with a particularly strong performance from Morris & Co., up 32.4% on FY2021 and up 45.1% on FY2020 in constant currency. Licensing income performed strongly during the year, with income up 40.5% compared with FY2021 in constant currency.

Geographically, North America delivered an excellent performance, recording growth of 42.3% against FY2021 and up 24.1% against FY2020 in constant currency. Our US subsidiary, Sanderson Design Group Inc., had its best year in terms of sales and profits since it was founded in 1998. This performance reflected strategic initiatives, including a greater showroom and road presence in the North American market.

Strategy and progress
We set out our growth strategy for the Group in October 2019 and this strategy remains unchanged. The key elements are summarised below:

Driving the brands: The Group has a strong and broad portfolio of powerful brands, each with clear market positioning. Our intention is to focus precisely on the individuality of each brand, giving each its own market, channel, product, and communications strategy; thereby strengthening their appeal to drive demand in their respective marketplaces.

Focusing on core products: The Group has two strong manufacturing arms that benefit the brands' business. Our strategy is to focus on our core products of wallpaper, fabric and paint and to build our finished goods offer with our licensing partners.

Partnering with core customers: The strategic focus on the individuality of each brand, and our tailored service, will help cement relationships with key customers, while enhanced communication will drive demand for both heritage and contemporary brands from consumers, through our interior design partners, retail channels and hospitality partners. We will continue to deepen our relationships with existing licensing partners and seek new opportunities.

Investing in people: People, and creativity, are at the heart of our business. In our industry, Sanderson Design Group is a favoured destination for emerging new designers, and we will benefit from doing even more to bring in new creative and other talent, nurture it and create a high-performance culture.

Growing key geographies: Our brands have significant international market potential, reflected in their being sold in more than 85 countries worldwide. To ensure focus, we are concentrating our efforts on building market share in three key geographies: the UK, Northern Europe and the USA. Our approach is tailored to each individual region.

We have made significant progress during the year in pursuing this strategy.

Efficiency
Improving the efficiency of the business by reducing the number of stocked items ('SKUs') is an integral part of our strategy. Our focus has been on fewer, stronger collection launches to reduce the number of SKUs. Historically, only a proportion of them sold particularly well whilst others added to costs and inventory.

Launching collections digitally, rather than through pattern books, and monitoring online sample requests has helped us to identify the most popular designs and colourways in new collections. This has saved cost on stock and improved efficiency. The pattern books that we print to forecast comprise designs and colourways that are most likely to become best-sellers.

The Group has now reached its target of SKU reduction. The number of collections launched has reduced and each SKU is much more targeted to the market's requirements. As a result, the number of sales per SKU is increasing and a better return on investment is being achieved. The intention is to keep the number of SKUs at approximately 12,000 with a broadly one-in/one-out SKU merchandising policy.

The simplification of the Group structure has continued with the closure on 31 January 2022 of our French subsidiary, with business in France now managed directly from the UK. The one-off closure cost of £1.1m has been included as a non-underlying item in the accounts. The closure of the French subsidiary, which traded only around break-even at best over the past 25 years, follows the liquidation of our Moscow-based subsidiary as its sales were non-material to the Group.

The Group now has just two trading subsidiaries, one in the UK and one in the US, and a network of distributors worldwide.

Sustainability
We launched our Live Beautiful sustainability strategy in April 2021 with a broad range of initiatives including two major commitments: for the Company to be net carbon ZeroBy30 and to be the employer of choice in the interior design and furnishings industry.

Our employee engagement survey carried out in 2021 gave an overall employee satisfaction rating of 78%, which compares with 58% two years before, in 2019, when the survey was last conducted. We have since raised our target of 70% to 80% for employee satisfaction as we continuously strive for improvement. The survey will next be conducted in 2023.

We were pleased to receive our Year 4 Planet Mark sustainability certification, which measures our carbon footprint. In the year to 31 January 2022, our total carbon footprint was 7,452.9 tonnes, an increase on FY2021's 6,359.3 tonnes reflecting an increase in productivity during the year, but a decrease compared with FY2020's 7,977.8 tonnes despite a sales performance ahead of that year.

CHIEF EXECUTIVE'S STRATEGY AND OPERATING REVIEW CONTINUED

Digital and direct-to-consumer initiatives
Through several incubator projects, we are experimenting with digital and direct-to-consumer routes to market to identify the best approach for brands in our portfolio.

During the year, we launched an online shop for the Scion brand through a franchise; we launched our own direct-to-consumer brand Archive by Sanderson Design; and we have just opened our first store for Morris & Co. as a directly operated concession shop within Harrods, London with the intention to also move that offer online after the initial period. The insights we gain from these projects, and other initiatives such as selling paint online from our brand websites, will shape our future strategy in this area.

Operating Review
The table below shows the Group's sales performance in the year ended 31 January 2022, compared with FY2021 and with FY2020, the most recent pre-pandemic year. The table shows our three key revenue streams of manufacturing, brand product sales, and licensing income. It also gives the four key geographies of our brand product sales: the UK, Northern Europe, North America and Rest of the World.

	Year ended 31 January (£m)			Change (%) 2022 compared with 2021		Change (%) 2022 compared with 2020	
	2022	2021	2020	Reported	Constant currency	Reported	Constant currency
UK Brand product sales	**43.7**	38.1	44.9	14.7%	14.7%	(2.7%)	(2.8%)
International Brand product sales	**40.4**	34.5	39.8	17.1%	21.3%	1.5%	5.0%
– North America	**16.6**	12.5	14.4	32.8%	42.3%	15.3%	24.1%
– Northern Europe	**13.2**	12.5	13.0	5.6%	7.8%	1.5%	2.5%
– Rest of the World	**10.6**	9.5	12.4	11.6%	12.8%	(14.5%)	(13.5%)
Total Brand product sales (includes carriage income)	**84.1**	72.6	84.7	15.8%	17.8%	(0.7%)	0.8%
Licensing income	**5.2**	3.7	5.5	40.5%	43.7%	(5.5%)	(2.2%)
Total Brand sales including Licensing	**89.3**	76.3	90.2	17.0%	19.0%	(1.0%)	0.6%
Total Manufacturing sales*	**41.7**	28.4	35.6	46.8%	–	17.1%	–
Intercompany eliminations*	**(18.8)**	(10.9)	(14.3)	72.5%	–	31.5%	–
Total Revenue*	**112.2**	93.8	111.5	19.6%	–	0.6%	–

* Does not report in constant exchange rate.

Manufacturing
Our unique, integrated vertical supply chain is an important pillar in our growth strategy and will be the focus of increased investment in the next two to three years.

The two factories, Standfast & Barracks and Anstey Wallpaper Company, print for our own brands and for third parties, positioning them at the centre of our industry. Their third-party sales, in the UK, Europe and the USA, reflect their premium print technologies and world-class excellence in manufacturing, customer service and innovation.

Both factories are printing an increasing proportion of their output through digital printing, which will be the focus of investment in the years ahead.

	Year ended 31 January (£m)			Change (%) 2022 compared with 2021	Change (%) 2022 compared with 2020
	2022	2021	2020	Reported	Reported
Sales to Group brands	**18.8**	10.9	14.3	72.5%	31.5%
Third party sales	**22.9**	17.5	21.2	30.9%	8.0%
Total Manufacturing sales	**41.7**	28.4	35.5	46.8%	17.5%

Standfast & Barracks ('Standfast')

Standfast, our fabric printing factory, is widely regarded, internationally, as the destination for creative, innovative and high-quality fabric printing. Standfast continues to exploit its extensive archive and original artwork, with a talented design studio that reinterprets antique, heritage and classic design into prints relevant for today.

Total sales at Standfast increased significantly in the year to £21.3m (FY2021: £14.4m; FY2020: £17.0m).

Digital printing at Standfast as a proportion of factory output was 69% (FY2021: 61%; FY2020: 52%).

Anstey Wallpaper Company ('Anstey')

Anstey, our wallpaper printing and paint-tinting business, is an unrivalled factory in its range of wallpaper printing techniques on one site. We continue to invest in new technology to extend the potential of the factory and to build on its unique capabilities. Third-party customers reference the unique ability of Anstey to work consistently across the range of techniques and to combine them.

Total sales at Anstey increased to £20.4m (FY2021: £14.0m; FY2020: £18.5m).

In line with the Group's stated ambition to increase capacity, Anstey has reviewed shift patterns and completed a restructure that opened a total of 20 new roles in the business to ensure capacity for growth.

Digital printing at Anstey as a proportion of factory output was 18% (FY2021: 15%; FY2020: 13%).

The Brands

The Brands segment comprises Sanderson, Morris & Co, Harlequin, Zoffany, Scion, Clarke & Clarke and Archive by Sanderson Design. During the year, the relatively small Anthology brand was absorbed into Harlequin as detailed in our interim results announced 13 October 2021. Existing Anthology products will continue to be sold and supported by Harlequin but no new products will be launched.

The Brands segment includes licensing income as well as global trading from the brands, including our overseas operations in the USA, Dubai, Netherlands, and Germany.

	Year ended 31 January (£m)			Change (%) 2022 compared with 2021		Change (%) 2022 compared with 2020	
	2022	2021	2020	Reported	Constant currency	Reported	Constant currency
Morris & Co.	**16.4**	12.6	11.4	30.2%	32.4%	43.9%	45.1%
Sanderson	**14.4**	11.6	13.1	24.1%	26.2%	9.9%	11.4%
Zoffany	**8.6**	7.8	9.6	10.3%	11.6%	(10.4%)	(8.8%)
Clarke & Clarke	**24.6**	21.7	25.1	13.4%	14.8%	(2.0%)	(0.5%)
Harlequin	**17.6**	16.0	21.3	10.0%	11.9%	(17.4%)	(16.0%)
Scion	**2.2**	2.4	3.2	(8.3%)	(5.9%)	(31.3%)	(29.4%)

Morris & Co.

Brand product sales for Morris & Co. in the UK were up 31.6%, in Northern Europe were up 6.6% and in North America were up 89.9% in constant currency compared with FY2021 and up 24.7%, 37.6% and 136.1% respectively compared with FY2020.

The brand's sales were driven in part by Morris & Co.'s 160th anniversary year in 2021, with an anniversary compilation collection of the brand's best sellers performing significantly ahead of our expectations. Marketing around the anniversary is continuing into the current financial year, with the brand staging its first-ever show garden at the 2020 Chelsea Flower Show. Award-winning garden designer Ruth Willmott has created an exciting and highly imaginative show garden on the main avenue based on two of William Morris's best known wallpaper designs, Trellis and Willow Boughs.

The Simply Morris collection, a new design concept for Morris & Co., targeted at sunshine states was launched on 25 September 2021. This bright interpretation of Morris & Co. designs using clear grounds represents a fresh take on maximalism. Initial sales have been very encouraging.

We have recently announced several new Morris & Co. initiatives to drive sales in the current year, including the launch of a second capsule of wallpapers and fabrics in collaboration with Ben Pentreath, the influential architect and designer. This new collection, Cornubia, has just been launched to critical acclaim and featured in our Chelsea Harbour showroom during London Design Week 2022.

CHIEF EXECUTIVE'S STRATEGY AND OPERATING REVIEW CONTINUED

In February 2022, we relaunched Morris & Co. paints, which have been out of production since 2008 though frequently requested by customers. This new range of 40 paints are in colours based on historic William Morris colour recipes and on documents from the Company's extensive Morris & Co. design archive. Initial sales are exclusive to UK independent retailers for six months, after which the product will move to general distribution. Retailers have responded positively with all point-of-sale support material taken up and subsequent feedback from sampling has been very positive.

We are also excited by the recent opening of the Morris & Co. Home Emporium, a new shop-in-shop concept at Harrods' flagship Knightsbridge store in London. In addition to fabric and wallpaper, the concession store will sell the full breadth of Morris & Co. products across furniture, bedlinen, cushions, rugs, paint, tableware, scarfs, and leather goods with a range of limited edition products exclusive to the Emporium.

Sanderson

Brand product sales at Sanderson in the UK were up 23.4%, in Northern Europe were up 17.5% and in North America were up 58.8% in constant currency compared with FY2021 and up 6.0%, 6.6% and 63.8% respectively compared with FY2020.

To celebrate the brand's 160th anniversary, in June 2021 Sanderson launched the Sanderson One Sixty compilation collection of re-worked classic designs of fabrics and wallpapers, sales of which have exceeded our expectations. The brand also began an exciting collaboration with Maro Itoje, the England rugby star, who, as a modern British icon, features as the new face of the Very Sanderson media campaign.

In line with our strategy of fewer, stronger launches, Sanderson collections have been rationalised to one big launch each year. Following the successful Sanderson One Sixty launch last year, we have just launched Water Garden, which has been very well received. Water Garden also features the panel designed by our sponsored QEST scholar, Rachel Spelling.

Zoffany

Zoffany's brand product sales in the UK were up 12.1%, in Northern Europe were down 8.3% and in North America were up 36.2% in constant currency compared with FY2021 and down 13.8%, down 15.2% and up 25.9% respectively compared with FY2020.

The Kensington Walk collection of wallpapers and fabrics was last year's key launch for the Zoffany brand and was launched on 13 May 2021. Designer Ruth Blanke's addition to the Palladio collection of wallpapers, Avalonis, was launched in February 2022. Ruth won last year's Royal College of Art award to create a new wallpaper for the Palladio wallpaper collection, an award for new designers offered annually by the Company.

Zoffany also launched a Luxury Coordinates range of fabrics and paints to complement the brand's wallpapers. The range includes a new paint finish, True Matt, which has a chalky finish and is environmentally friendly. True Matt, available in 156 colours, has been very well received, winning the Paint Collection category in Livingetc Style Awards 2021.

Clarke & Clarke

Clarke & Clarke's brand product sales in the UK were up 12.6%, in Northern Europe were up 14.5% and in North America were up 32.9% in constant currency compared with FY2021 and up 2.4%, down 2.1% and down 4.6% respectively compared with FY2020.

FY2022 was a fantastic year for the brand in North America, where it is distributed by Kravet Inc. under a very positive relationship.

Clarke & Clarke's collections in the UK with Emma J Shipley and Tess Daly have continued to grow well. The brand's exciting partnership with heritage tableware company Wedgwood resulted in the launch of Wedgwood homewares in March this year, including fabrics and wallpapers for international distribution through both brands' networks.

Increasing the proportion of the brand's wallpaper output, as historically the brand has been almost exclusively fabric focused, has been a key strategic ambition for the brand. Further progress with this important opportunity is expected later this year with an autumn collection launch.

Harlequin

Harlequin's brand product sales in the UK were up 6.5%, in Northern Europe were down 4.2% and in North America were up 33.8% in constant currency compared with FY2021 and down 19.4%, down 20.4% and up 14.9% respectively compared with FY2020.

Through a number of new initiatives, we are seeking to drive renewed impetus behind the Harlequin brand. In September 2021, the Group used TV advertising for the first time to promote the Harlequin brand through a campaign called Own the Room, which seeks to empower consumers to choose the best designs and colours for emotional and physical well-being.

The Own the Room campaign was based on a specially commissioned white paper by Professor Stephen Westland of Leeds University, exploring our emotional and physical responses to colour. This resulted in a colour quiz being developed on the Harlequin website, to help consumers identify their ideal colour and design choices. Harlequin collections are presented as colour stories to suit each of our four profiles: Rewild, Reflect, Retreat and Renew. The quiz, the white paper and further details of the Own the Room campaign can be found at the Harlequin website via this link: https://harlequin.sandersondesigngroup.com/white-paper/.

Scion
Scion's brand product sales in the UK were down 0.2%, in Northern Europe were down 11% and in North America were down 16% in constant currency compared with FY2021 and down 26%, 28.8% and 25.6% respectively compared with FY2020. The smallest brand in the portfolio, the strategically reduced investment in new designs and the important proportion of licensing, lead to a good level of contribution.

As part of advancing the Group's digital strategy, the Company signed an agreement in November 2020 with Design Online, a business formed by the leading internet retailer Jane Clayton and Company, to launch a direct-to-consumer online shop, Scion Living. The shop, which sells a broad range of Scion's wallpapers, fabrics and licensed products, went live in June 2021 at www.scionliving.com. The metrics of visitors to the site, and sales, are beginning to perform more strongly and we will provide a further update with the current year's interim results.

Scion is proud to have recently entered a collaboration with Designs in Mind, the social enterprise and mental health charity, whose mission is to support those living with mental health challenges through creativity in art. Scion will work with Designs in Mind on a capsule collection of designs in a range of fun and fresh prints, conceptualised through workshops held at the studio.

Archive by Sanderson Design
Archive by Sanderson Design is a completely new, direct-to-consumer brand launched in September 2021. This maximalist brand, which targets digitally native consumers, who are new customers for the Group, is an important part of our experimentation with new routes to market. The brand leverages the Company's design archive, using heritage designs predominantly from Arts & Crafts period designers.

The brand's first collection comprised a capsule range of wallpapers, fabrics, cushions and lampshades. A made-to-measure service for curtains, blinds and smaller furniture items is provided on the brand's website as part of developing the brand as a lifestyle offering. Bedding is due to launch in May 2022.

Selfridges, the leading luxury lifestyle retailer, was the exclusive retail partner for the launch of the brand, which took place in store in mid-October 2021 with distribution expected to widen after the initial period.

As the brand has only recently launched, its sales in FY2022 were non-material but we remain excited by its potential and the insights to be gained from a direct-to-consumer offering.

Licensing
Licensing income performed strongly during the year, with revenue up 43.7% compared with FY2021 in constant currency. Core categories, including bedding and window coverings, remained robust and some exciting new licensing agreements were signed.

Licensing revenue of £5.2m (FY2021: £3.7m; FY2020: £5.5m) includes £1.4m (FY2021: £0.8m; FY2020: £2.3m) of minimum guaranteed income which is recognised on contract signature for both new agreements and renewals in accordance with IFRS 15.

Our core licensing agreements include bedding with Bedeck, window-coverings with Blinds2Go and a number of important strategic partners across the homewares sector in Japan, including bedding with Nishikawa, textiles with Kawashima and wallcoverings with Sangetsu. The agreement with Blinds2Go performed very strongly during the year, particularly with the Harlequin and Scion brands. Core licensing income also benefits from many smaller agreements across a wide range of homewares.

Since signing our first licensing agreement with NEXT in March 2020, NEXT has become an increasingly important licensing partner for the Group across the Morris & Co., Sanderson and Scion brands and across a broad range of home and apparel products.

NEXT's Morris & Co. womenswear was successful from launch in April 2021 through the autumn/winter seasons and it continues for two further seasons in the current calendar year. Our most recent licensing deal with NEXT was announced in October 2021, comprising a homewares collaboration with the Morris & Co. brand.

We also signed a number of other exciting new licensing deals during the year. In May 2021, we signed a new exclusive agreement with Sangetsu for Morris & Co. products in Japan and 14 countries in east and southeast Asia. The first products under this agreement are expected to be launched in autumn this year. In August 2021, we signed our first major licensing agreement in the US, again for the Morris & Co. brand. This agreement, with kitchenware specialist Williams Sonoma, covers a broad range of tableware, cookware and kitchen accessories, due to launch in August 2022.

A Sanderson collaboration with Paige jeans, the upscale US fashion company, launched in February 2022 as a capsule that sells in luxury retailers internationally and on the Paige.com website.

The Group is progressing a pipeline of further licensing opportunities, leveraging its brands and design archives.

Summary
We are very pleased with the performance of the business during the year and the strength with which it has emerged from Covid-19. We were able to accelerate some of our strategic initiatives during the year, for example in achieving our five-year SKU reduction in under three years. We now have a much more efficient and agile business with a strong balance sheet. Investment in the near term will focus on our manufacturing operations, where we see significant further opportunities in digital printing. Recent collection launches across our portfolio of brands have been well received and we continue to support the brands with exciting marketing initiatives and licensing agreements which gives us confidence in the year ahead. Finally, I would like to express my gratitude and thanks to all of our colleagues for making the business a success throughout another challenging year.

Lisa Montague
Chief Executive Officer
27 April 2022

BRINGING THE BEAUTIFUL INTO PEOPLE'S HOMES AND LIVES

LIVE BEAUTIFUL

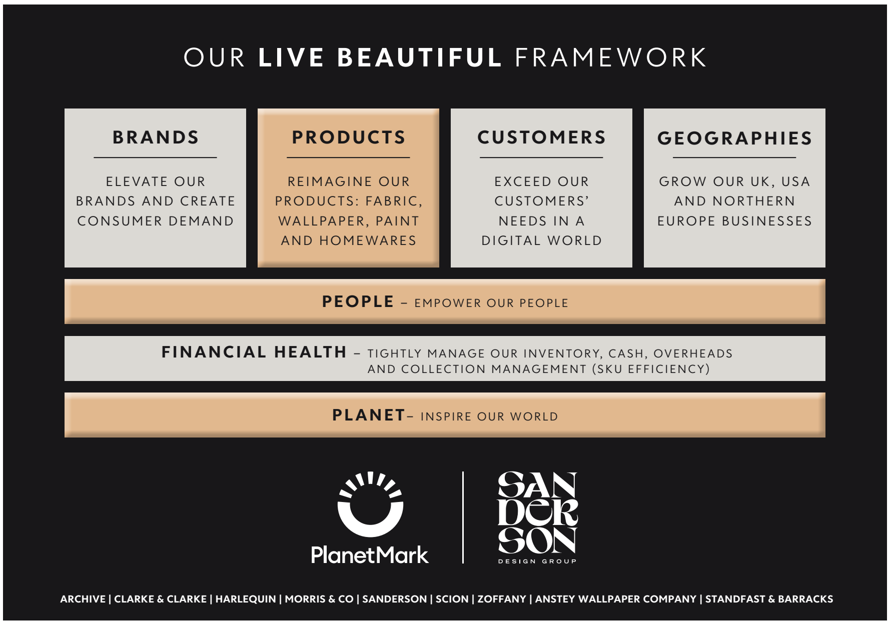
DELIVERING SUSTAINABILITY

Our sustainability strategy, Live Beautiful, was formally launched in April 2021 with the clear vision "to lead the interiors industry in transforming the way we design, manufacture and distribute, enriching people's lives to live beautiful". To Live Beautiful means preserving our heritage and craftsmanship for future generations to enjoy. It means to live well with respect, care and compassion for our world and everyone who lives in it.

The launch of the strategy followed more than two years of working with Planet Mark, the sustainability certification organisation. We were pleased to receive our Planet Mark Year 4 certification earlier this year, for the financial year ended 31 January 2022, which marked the fourth financial year that the sustainability of our business has been measured by Planet Mark.

In launching Live Beautiful, we set out two ambitious targets: to be net carbon ZeroBy30 and to be the employer of choice in our industry. Beneath these big targets are multiple initiatives and workstreams, many of which have started during the past year.

We are very pleased by the progress to date across the three pillars of our sustainability strategy – Product, People and Planet. These 3Ps form an integral part of our overall business strategy as highlighted in the graphic below:



0/30

ZeroBy30

We are committed to being net carbon ZeroBy30.

#1

The employer of choice

We are committed to being a great and happy place to work.

For the rest of the pillars – Brands, Customers, Geographies and Financial Health, they form a crucial part of our long-term strategies as envisaged in the Chief Executive Officer's Strategy and Operating Review and Chief Financial Officer's Review.

LIVE BEAUTIFUL

REIMAGINING THE PRODUCT LIFE CYCLE

By reducing our carbon footprint, we are addressing nine of the United Nations' Sustainable Development Goals.

Products
In this pillar of our sustainability strategy, we are re-examining and reimagining the entire life cycle of our products, from the sourcing of raw materials through how products are manufactured on to the process of sales and distribution. The over-riding objective is to minimise environmental impact, which will in turn protect and preserve the heritage of our brands and the legacy of craftsmanship in our design and manufacturing.

Reimagining our products and processes to become more sustainable and meet our carbon reduction targets has resulted in a broad range of initiatives, which range from printing substrate through production processes to packaging.

Packaging has been a particular focus and we have made significant progress in our programme to replace the use of plastic by using innovative recyclable materials and paper-based products.

A sustainable, biodegradable plastic alternative based on sugar cane is now used for the packaging of fabrics. Our Clarke & Clarke brand now uses re-useable fabric tote bags instead of plastic to package all of its bedding and ready-made products. Paper tape instead of polypropylene is being used for the packing of wallpaper orders, which are shipped in cardboard, and pattern books are now packed in cardboard rather than plastic. Plastic air pockets have also been replaced by recycled alternatives.

The packaging programme is ongoing but is expected to be largely completed this year.

The majority of our 100% cotton base fabrics, along with our cotton velvet and some cotton linen blends, are sourced through Better Cotton Initiative contracts, which brings traceability to the supply chain to ensure sustainability. Our Clarke & Clarke brand launched its first Eco Sustainable Weaves range last year, which uses a fabric made entirely from recycled plastic bottles. A further two collections are planned to be launched by Clarke & Clarke this year using the same fabric, which uses approximately 90 plastic bottles per metre of fabric.

Initiatives at the factories include the development of production processes that are more environmentally friendly. Standfast & Barracks has developed the Ecofast™ pigment-based printing system, which significantly reduces water use.

Changes to the marketing of our products by using digital channels have brought benefits in terms of sustainability. We now launch all new collections digitally first, with customer feedback determining which designs and colourways to include in printed pattern books. This avoids waste as the pattern books now only include products that will sell.

Across the Group, in our offices as well as the factories, huge progress has been made on recycling and re-use. Where possible, reusable product is passed on to charities and schools in our local communities.

LIVE BEAUTIFUL

EMPOWERING PEOPLE

People
Our goal is to be the employer of choice in our industry, which will be achieved through creating a culture of empowerment in a commercially successful company. We will embrace diversity, inclusivity and opportunity underpinned by a strong focus on health, safety and wellbeing.

People are at the centre of our business and the health, safety and wellbeing of all our colleagues continues to be our primary concern, particularly in light of Covid-19. Throughout the year we have continued to change the way we work to provide a secure environment at all our sites. This has included regular Covid-19 testing along with face masks, social distancing and visitor controls.

Our overall focus is to maintain and build on the Health and Safety culture throughout all our operations. We have established Mental Health First Aiders at all our sites, increased our Institution of Occupational Safety and Health ('IOSH') training and, through the use of external independent audits, improved health and safety at all our sites.

We continue to look at how we can improve our performance. Our near miss, or positive observation, policy continues to be strengthened, we are establishing what we need to do to achieve ISO45001 certification and we continue to focus on manual handling across all our sites.

Whilst a high standard of health, safety and wellbeing should be a prerequisite in all businesses, our ambition is to be the employer of choice in our industry, leading our industry's employment practices.

Employee engagement surveys are a key tool in improving and progressing workplaces. In May 2021, we had very encouraging results from our latest survey with employee satisfaction increasing from 58% in 2019 to 78% in 2021. Great progress has been made compared with our 2019 results, including improved communication and a clear strategic framework. Our next survey will be in 2023 and we will be aiming for an even higher level of employee engagement.

We are creating a culture of empowerment, which embraces diversity, inclusivity and sustainability. We have improved the company benefits for all staff, such as a 24-hour online GP service and a health hub, and now offer birthday leave and awards for long service. Our focus on talent development includes the Sanderson Futures Team.

Local community groups have been introduced across the brands and at the manufacturing sites in a network that provides a forum for everyone to focus on the core pillars of our Live Beautiful strategy: Product, People and Planet. Every employee across the Group has a personal objective focused on sustainability.

The community groups have participated in various charitable fundraising events throughout the year, including events organised by The Furniture Makers' Company and QEST, the Queen Elizabeth Sponsorship Trust, along with supporting local charities.

LIVE BEAUTIFUL

COMMITTING TO NET CARBON ZERO

Planet
We have been working closely with Planet Mark, and its ZeroBy30 programme, to enable us to become net carbon zero by 2030, an ambitious target and one of the flagship commitments in our sustainability strategy. We now have a roadmap on how to achieve this target, which will see us move to carbon neutral manufacturing processes.

The programme requires organisations to commit to a rigorous and transparent definition of net zero carbon, which is aligned to the net zero requirements set out by the UN Race to Zero and Science Based Targets Initiative ('SBTI'):

- Direct greenhouse gas emissions from owned or controlled resources and electricity (Scope 1 & 2) emissions have a target of zero.
- Indirect emissions (Scope 3) must be reduced by at least 50% by 2030 against the baseline year and must continue to be reduced after 2030 by at least 90% against the baseline by 2050.
- Residual carbon remaining at the net zero target date must be balanced by carbon removal schemes (note that these differ from carbon offsets, which avoid or mitigate carbon).

The carbon reduction forecast/target trajectory each year to FY2031 has been modelled and provides annual targets for each element of the roadmap, together with the estimated financial impact where applicable. The financial forecast is a 'worst case scenario' based on current pricing and technology. Costs, especially capital investments, may reduce as the marketplace evolves and technology matures. Impact of business growth has been factored into the carbon forecast for Supply Chain and Distribution to customers, where a direct impact on carbon is anticipated.

We look forward to updating shareholders on progress in due course.

SECR METHODOLOGY

We have reported our GHG emissions and energy consumption in accordance with the Companies and Limited Liability Partnership Regulations. To calculate our emissions, we have followed the GHG Protocol Corporate Accounting and Reporting Standard and the emissions factors used were from BEIS conversion factors 2021.

Our Scope 1 emissions were calculated through monthly meter readings and invoice data for stationary emissions and mileage data for mobile emissions. Company vehicle emissions are based on the size, fuel type and annual mileage of each company car during the year.

Our Scope 2 emissions were calculated through monthly meter readings and invoice data, showing market-based emission factors to reflect the change in electricity supply to 100% renewable sourced. We have also calculated our intensity metric both as location and market based.

Our Scope 3 emissions data is business travel in private cars, calculated from refunded business mileage, and emissions from UK Electricity Transmission and Distribution. An average CV and CO_2e factor has been applied to the refunded business mileage as individual private vehicle details have not been provided.

GREENHOUSE GAS EMISSION AND ENERGY CONSUMPTION REPORTING

The Group has reported on greenhouse gas emissions in line with the UK Government's Environmental Reporting Guidelines, including Streamlined Energy and Carbon Reporting ('SECR') guidance.

The Group's UK energy usage is expressed as an annual quantity of emissions in tonnes of carbon dioxide equivalent ('CO_2e'). The amounts disclosed under SECR relate to the total UK energy use from electricity, gas and from transport where fuel is purchased directly by the Company.

The table below shows the energy and GHG emissions from business activities involving the combustion of gas and fuels, the purchase of electricity, and business mileage.

As emissions in FY2021 were affected by the closure of our manufacturing sites due to Covid-19, we have included the comparator for FY2020.

Tonnes CO_2e Greenhouse Gas Emissions		**FY2022**	FY2021	FY2020
Scope 1		**5,749.7**	4,854.5	5,976.2
Scope 2	Location based	**1,555.9**	1,373.1	1,802.5
	Market based	**18.8**		
Scope 3		**147.3**	131.8	198.6
Total Greenhouse Gas Emissions	Location based	**7,452.9**	6,359.3	7,977.8
	Market based	**5,915.8**	6,359.3	7,977.8
Carbon intensity (per £1m Revenue)	Location based	**66.4**	67.8	71.6
	Market based	**52.7**		
Total Energy Use kWh		**38,545,715**	32,124,696	39,161,466

We have selected a carbon intensity metric based on the energy consumption per tonnes of CO_2e per £1m of revenue. We will use this ratio to monitor our energy efficiency performance over time.

Energy efficiency actions taken
Continuation of reduced business travel with more use of online meetings and elimination of petrol and diesel powered fleet vehicle options as vehicle leases expire.

Continuation of the programme of rolling upgrades to LED lighting across all sites and heat-loss and insulation programmes at the manufacturing locations. The main focus of the year was working with Planet Mark to measure and plan our ZeroBy30 roadmap.

Our total energy use, greenhouse gas emissions and intensity ratio calculations have been independently calculated by Planet Mark using activity data collected by us.

QUINTESSENTIALLY BRITISH

HERITAGE

CONTEMPORARY

ELEVATING THE BRANDS

DRIVING BRAND ENGAGEMENT

Market-leading portfolio of British brands
–
Extensive historic archive of design gives us authority, provenance and authenticity
–
Unique design expertise, specialised in colour and scale
–
Strong international appeal
–
Design solutions for consumers of all ages
–
UK's leading high-end wallcoverings and printed fabric manufacturers
–
Innovative production techniques including digital
–
Build engagement of the brands in core markets
–
Digital marketing strategy
–
Targeted PR
–
Social media to attract consumers
–
Content plan to tell rich stories
–
Events and collaborations

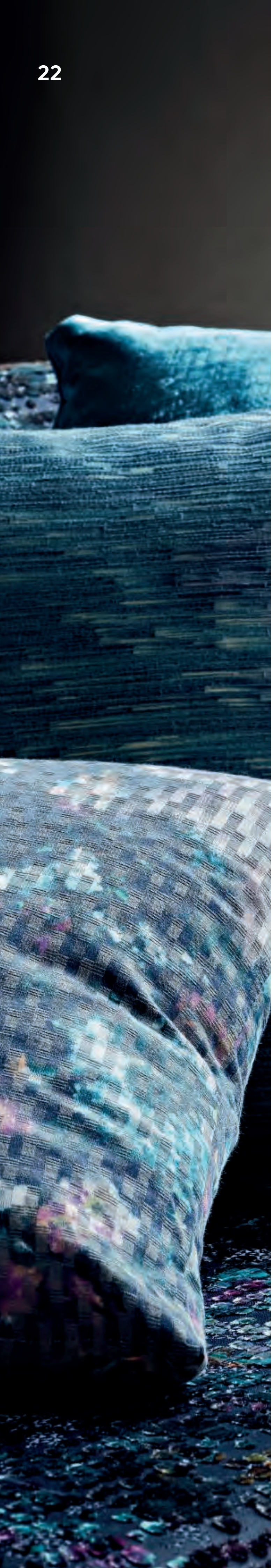
ZOFFANY

LUXURIOUS DESIGN, ARTFULLY CRAFTED TO THE HIGHEST STANDARDS

By looking back to Zoffany's first ever collection, a series of innovatively reproduced wallpapers inspired by the Tudor-Jacobean country house, Temple Newsam, a creative relationship with the past emerges.

Speaking to a taste for sophisticated artistry, when Zoffany draws from its extensive archive, it is never at the expense of producing exquisite designs for modern settings.

Introducing an undeniable opulence, Zoffany captivates and inspires with its decadent fabrics, wallcoverings, paint and furniture pieces. Produced using the finest materials and richly coloured pigments, Zoffany's new and archive designs are celebrated worldwide for their artistry, integrity and authenticity.



CLARKE & CLARKE

POLISHED LOOKS EMBODYING THE BEST OF BRITISH ECLECTICISM

As a forerunner of the Transitional Style, Clarke & Clarke embodies an agile design ethos.

Recognising that interior design is an important expression of the self, the brand responds to the everyday need for versatile, high-quality designs, as well as products with a finger on the pulse of recent trends.

With its extensive portfolio of products appealing to customers and interior designers alike, Clarke & Clarke's business has continued to grow since its inception 20 years ago. Boasting a global reach underpinned by impeccable service, the company's original creative vision remains.

HARLEQUIN

INSPIRED COLOUR STORIES AND BOLDLY EXPRESSIVE PATTERN CREATIONS

Inspired colour stories, boldly expressive pattern creations, and luxurious production techniques: this, is Harlequin. Pushing personal and industry boundaries, Harlequin is the perfect vehicle for self-expression.

Uniting high-quality collections with vivacious colours and textures, Harlequin's ambition is to empower all people to express their best selves through creative interior design.

Influenced by fashion and the luxury of boutique hotels, Harlequin brings innovative textures and stunning colours to its range of fabrics and prints. Chosen for interiors the world over, the brand's successful design team are renowned for their forward-thinking approach to creating a destination style.

Sanderson

COMBINING A TIMELESS BRITISH SENSIBILITY WITH HAND-DRAWN PATTERNS

Founded in 1860, Sanderson is one of the most renowned interiors brands worldwide.

Combining a timeless British sensibility with hand-drawn patterns and bold reinterpretations from a historic archive, every Sanderson design arrives with the security that befits a brand of such a prestigious legacy.

Granted a Royal Warrant in 1923, Sanderson still supplies fabrics, paint and wallcoverings to HM Queen Elizabeth II. In 2020, Sanderson celebrated its 160th Anniversary, making it the oldest surviving English brand in its field.

THE ORIGINAL

MORRIS & Co

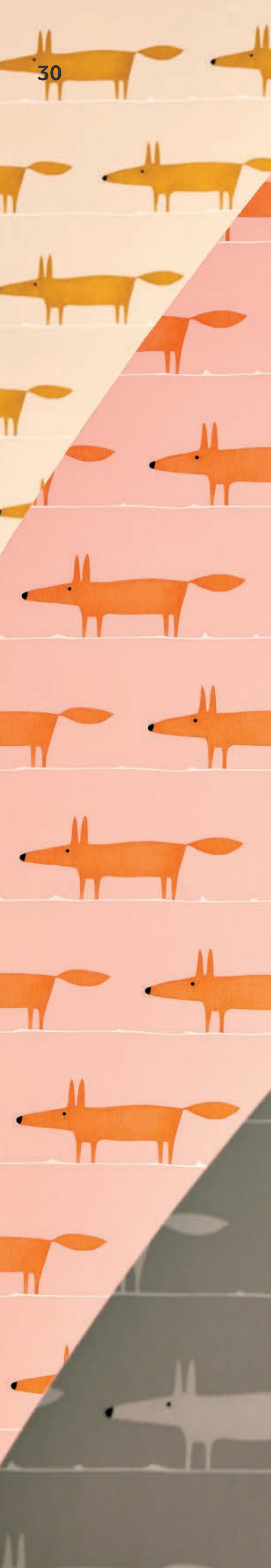
FOUNDED BY WILLIAM MORRIS IN 1861

BEAUTIFULLY CRAFTED PRODUCTS THAT UPHOLD THE LEGACY OF AN ARTS & CRAFTS ICON

William Morris (1834–1896) was one of the single most influential figures of the nineteenth century. Under his direction Morris & Co. grew into a flourishing Arts & Crafts icon.

Always guided by Morris's creative intuition, new designs are inspired by treasures in our archive, which houses historical log books, samples of every wallpaper, printed and woven textiles and original wooden printing blocks.

As custodians of the original company founded by William Morris in 1861, Morris & Co. embodies the ethos and decorative style of this important cultural icon. The incredible Morris & Co. archive provides a wonderful source of inspiration to our teams, ensuring that Morris's legacy lives on with expertly crafted products and reimagined designs.



scion

PLAYFUL BRITISH DESIGNS THAT BRING JOY TO THE EVERYDAY

Putting the joy back into the soul of interior design! Scion presents an uplifting solution to any domestic scheme, with fresh Scandi-inspired designs, zesty colours and rejuvenated ideas for modern living.

Appealing to a broad audience eager for vibrancy, Scion collections are full of spontaneous individuality whilst upholding an enduring appeal.

Packed with Scandi-inspired influences, sketchbook looks and flashes of zesty colour, Scion is a joy to be around. Join Mr Fox and his friends as they share Scion's cheerful personality and upbeat style across a range of fabrics, wallpapers and home accessories.

ARCHIVE
BY SANDERSON DESIGN

WE'VE BLOWN THE DOORS OFF OUR HISTORIC ARCHIVE

Founded in 2021, Archive by Sanderson Design promises a fresh (and boisterous) relationship with classic past design.

Maximalist to its core, Archive by Sanderson Design unleashes iconic designs onto heroic colour stories, turning up the volume and doubling down on patterned repeats. Step into Archive by Sanderson Design.

S&B Est. 1924 STANDFAST & BARRACKS FABRIC PRINTING COMPANY

ONE OF THE MOST VERSATILE AND DISTINCTIVE FABRIC PRINTERS IN THE WORLD

Winners of the Queen's Award for Enterprise, Standfast & Barracks is widely acknowledged as a leader in its field.

For more than 95 years, Standfast & Barracks has proudly produced beautiful prints for many of the world's finest design-led home furnishing and apparel brands. Continued investment in digital printing and innovative techniques ensure the company's success, which was recognised this April with the Queen's Award for International Trade – the highest official UK award for British businesses.

ANSTEY
Wallpaper Company

OFFERING A UNIQUE AND UNPARALLELED COMBINATION OF PRINTING PERMUTATIONS

Anstey Wallpaper Company is the largest contract wallcovering printer in the United Kingdom and has the broadest machine profile in Europe, backed by all the necessary design and technical expertise required to allow us to offer a unique and unparalleled combination of printing permutations on a wide variety of substrates and widths.

Anstey is one of the world's foremost printers of wallcoverings, providing unrivalled versatility and capability throughout its 100-year history. Innovative techniques and a unique combination of printing methods are at the heart of the company's business, which produces for Sanderson Design Group as well as many third-party customers in the UK and around the world.

A YEAR OF STRONG TRADING AND CASH GENERATION

The Chairman's Statement and the Chief Executive Officer's Strategic and Operating Review provide an analysis of the key factors contributing to our financial results for the year ended 31 January 2022. The results show a year of strong trading and cash generation, reflecting the receding impact of Covid-19 on the business and delivery of the Group's strategy for growth.

Revenue
Our reported revenue for the year was £112.2m compared to £93.8m in FY2021 and £111.5m in the pre-Covid-19 year of FY2020.

Revenue	**FY2022 £m**	FY2021 £m	FY2020 £m	Change FY2021	Change FY2020
Brands	**84.1**	72.6	84.7	15.8%	(0.7%)
Licensing	**5.2**	3.7	5.5	40.5%	(5.5%)
Total Brands	**89.3**	76.3	90.2	17.0%	(1.0%)
Manufacturing – External	**22.9**	17.5	21.3	30.9%	7.5%
Group	**112.2**	93.8	111.5	19.6%	0.6%

Gross profit
Gross profit for the full year was £73.8m, compared with £56.9m in FY2021 and £68.2m in FY2020, whilst the gross profit margin at 65.8% represents an increase of 510 basis points over FY2021 and 460 basis points over FY2020 (61.2%).

The Group has adjusted the profit figures for FY2021 and FY2020. Please refer to the end of this section on prior year adjustments for further details.

		2022	2021	2020
Product	Revenue (£m)	**107.0**	90.1	106.0
	Gross profit (£m)	**68.6**	53.2	62.9
	%	**64.1%**	59.1%	59.3%
Licence	Revenue (£m)	**5.2**	3.7	5.5
	Gross profit (£m)	**5.2**	3.7	5.5
	%	**100%**	100%	100%
Total	Revenue (£m)	**112.2**	93.8	111.5
	Gross profit (£m)	**73.8**	56.9	68.2
	%	**65.8%**	60.7%	61.2%

Excluding the impact of licence income, which generates 100% gross profit, margins improved to 64.1% in 2022 versus 59.1% in 2021 and 59.3% in 2020. This improvement was a result of a change in the sales mix towards higher margin brands within the portfolio and volume driven efficiencies at the Group's two manufacturing sites.

Profit before tax
Profit before tax was £10.4m, up from £4.9m in FY2021 and £4.5m in FY2020. This strong profit performance is driven by sales growth, gross margin improvement and a continued focus on cost control.

	2022 £m	Restated 2021 £m	Restated 2020 £m
Revenue	**112.2**	93.8	111.5
Gross profit	**73.8**	56.9	68.2
Distribution and selling expenses	**(25.1)**	(19.1)	(22.9)
Administration expenses	**(42.8)**	(36.5)	(45.8)
Net other income	**4.5**	3.8	5.4
Finance costs – net	**–**	(0.2)	(0.4)
Profit before tax	**10.4**	4.9	4.5

Distribution and selling expenses of £25.1m represented 22% of revenue in the year compared with 20% in FY2021 and 21% in FY2020. A combination of Covid-19 impacts and Brexit contributed to higher container costs and carrier related capacity issues, particularly in the first half of the financial year.

Administration expenses grew to £42.8m in FY2022 from £36.5m in FY2021. In the prior year, as a response to Covid-19, the business cut back on discretionary expenditure, with significant reductions in marketing and travel and a hiring freeze across the business. Although many of these activities recommenced in FY2022, the benefits of our restructuring and ongoing cost efficiency measures are seen in that administration expenses are £3.1m below FY2020 (£45.8m).

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Other operating income of £4,342,000 (FY2021: £3,822,000; FY2020: £5,358,000) comprises consideration received from marketing materials of £4,046,000 (FY2021: £3,822,000; FY2020: £5,358,000) and a research and development expenditure credit ('RDEC') of £296,000 (FY2021: £nil; FY2020: £nil).

Adjusted underlying profit before tax
Adjusted underlying profit before tax was £12.5m, up from £7.0m in FY2021 and £7.5m in FY2020.

	2022 £m	restated 2021 £m	restated 2020 £m
Profit before tax	**10.4**	4.9	4.5
Amortisation of acquired intangible assets	**1.0**	1.0	1.0
Restructuring and reorganisation costs	**1.2**	0.2	1.0
Forgiveness of loan	**(0.4)**	–	–
Release of a provision for legal case	**(0.6)**	–	–
Underlying profit before tax	**11.6**	6.1	6.5
LTIP accounting charge	**0.4**	0.4	0.4
Net defined benefit pension charge	**0.5**	0.5	0.6
Adjusted underlying profit before tax	**12.5**	7.0	7.5

Non-underlying items comprise:
- Amortisation of intangible assets: £1.0m in respect of the acquisition of Clarke & Clarke in October 2016.
- Restructuring and reorganisation costs: As part of the Group's policy to rationalise certain operational and support functions, the decision was taken to close our French subsidiary and to manage all French operations from the UK. This resulted in a charge of £1.1m to reflect the costs of this reorganisation. Other reorganisations in the UK cost £0.1m.
- Forgiveness of loan: On 7 May 2020 the Group entered into a loan contract with Wells Fargo for $0.6m (£0.4m) under the US Paycheck Protection Programme. On 20 April 2021, our application for forgiveness of the loan in accordance with the US Government Small Business Administration guidance was successful.
- Release of an accrual for a legal case: £0.6m release following the settlement of a legal claim in the USA with a former distributor.

Taxation
Tax for the year is charged on profit before tax based on the forecast effective tax rate for the full year. The estimated effective tax rate (before adjusting items) for the year was 25% (FY2021: 18%; FY2020: 15%).

The key driver behind the higher effective tax rate is the impact of the rate at which deferred tax is being recognised (from 19% to 25%) following the announcement in the March 2021 Budget that a Corporation Tax rate of 25% will apply with effect from 1 April 2023.

During the year, the Group successfully applied for £0.3m of research and development expenditure credit ('RDEC') in respect of FY2021 and FY2020. This amount is recognised in other operating income.

Earnings per share
Basic reported EPS for the year was 10.93p (FY2021 restated: 5.39p; FY2020 restated: 5.41p). The Group also reports an adjusted underlying EPS which adjusts for the impact of the LTIP accounting charge, net defined benefit pension charge and other non-underlying items. The adjusted underlying basic EPS for the year was 13.75p (FY2021 restated: 7.89p; FY2020 restated: 9.35p). The diluted EPS for the year was 10.80p (FY2021 restated: 5.27p; FY2020 restated: 5.37p).

Capital expenditure
Capital expenditure in the year totalled £2.1m (FY2021: £1.0m; FY2020: £2.4m). Overall capital expenditure was slightly lower than planned due to later timing of projects. For FY2023 we expect capital expenditure to be around £6-7m as we step up our investment in digital printing technology.

Inventories
Net inventory ended the year at £22.7m compared to a prior year £19.6m and 2020 at £27.8m.

This increase on 2021 reflects a combination of stock re-build following Covid-19 supply chain disruption together with investment to assure strong availability of best sellers as we move into our spring/summer FY2022 trading season. The reduction versus 2020 is evidence of the success of our SKU reduction programme in which we have already achieved our five-year target, set in October 2019, of approximately 12,000 SKUs.

The Group has adjusted the inventory values for FY2021 and FY2020. See the section below on prior year adjustments for further details.

Trade receivables
Trade receivables increased to £13.5m (FY2021: £11.7m; FY2020: £13.1m) due to increases in Brands and Manufacturing revenues.

The ageing profile of trade debtors shows that payments from customers are close to terms. The current economic environment still presents a level of expected credit risk and in addition to specific provisioning against individual receivables, a provision has been made of £0.5m (FY2021: £0.5m; FY2020: £0.4m), which is a collective assessment of the risk against non-specific receivables calculated in accordance with IFRS 9. The Group has experienced limited bad debts and in the last 12 months has enhanced its credit management procedures to improve controls and mitigate potential credit risk.

Cash position and banking facilities
Year-end net cash was £19.1m compared to FY2021 of £15.1m and FY2020 of £1.3m.

In the prior year, owing to Covid-19, the business significantly reduced expenditure and inventory levels and deferred corporation tax payments. Over the course of FY2022 these positions have unwound and we end the year with what we consider to be a normal level of working capital for the business. This contributed to the fall in operating cash flow from £18.2m to £12.7m.

All foreign currencies are bought and sold centrally on behalf of the Group. Regular reviews take place of the foreign currency cash flows. The Group does not trade in financial instruments and hedges are only used for highly probable future cash flows and to hedge working capital exposures. No hedging contracts were put in place in the year but the Group will keep this assessment under review in light of levels of trade in foreign currency and volatility.

The Group has banking facilities provided by Barclays Bank plc. The Group has a £12.5m multi-currency revolving committed credit facility which is due for renewal in October 2024. The agreement also includes a £5m uncommitted accordion facility option to further increase available credit which provides substantial headroom for future growth. Our covenants under the facility are EBITDA and interest cover measures. In May 2020, the Group entered into a loan contract with Wells Fargo for US$565,818 under the US Paycheck Protection Programme scheme. In June 2021, this loan was forgiven and the Group treated the forgiveness as a grant for £440,000.

Net defined benefit pension
The Group operates two defined benefit schemes in the UK. These comprise the Walker Greenbank Pension Plan and the Abaris Holdings Limited Pension Scheme. These were both closed to new members and to future service accrual from 30 June 2002 and 1 July 2005 respectively.

The triennial valuation of the schemes has been carried out based on the schemes' position on 5 April 2021 but has yet to be finalised. The Group has appointed independent pension and actuarial specialists to support the Group through the valuation process.

New deficit contribution schedules will be agreed as part of finalising the valuations and the business expects to continue making cash contributions into the schemes to make good any deficits, as well as making contributions towards the ongoing expenses incurred in the running of the schemes. The business also intends to continue actively looking at whether there are appropriate actions which could be taken to help reduce pension scheme risks within our wider business objectives.

Under IAS 19, the net defined benefit pension scheme asset that can be recognised is the lower of the surplus and the asset ceiling, i.e. the economic benefits available in the form of refunds or reductions in future contributions or a combination of both, in accordance with IFRIC 14 'IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. In order to determine whether there are any restrictions on the surplus as outlined in IFRIC 14, the Schemes' Trust Deeds and Rules were reviewed and legal advice was acquired. It is the Group's understanding that, based on the conditions at the balance sheet date, it is able to: run the Schemes until there are no remaining members; wind up the Schemes at that point; and reclaim any remaining monies. Consequently, the Group is able to recognise in FY2022 the full surplus of £2.6m (FY2021: net liability of £5.6m; FY2020: net liability of £5.7m) calculated in accordance with IAS 19 and IFRIC 14.

Dividend
As a result of the pandemic and in order to protect the Group's liquidity, no dividends were declared or paid during FY2021. For FY2022, an interim dividend of 0.75p per share was paid on 26 November 2021. A final dividend of 2.75p is now proposed, taking the full year dividend to 3.50p. This payment will be made on 12 August 2022 to the shareholders on the Company's register on 15 July 2022 if approved at the Company's forthcoming annual general meeting. The Board remains committed to a progressive dividend policy as part of the capital allocation priorities of the Group.

Capital allocation policy
The improvement in the underlying performance of the business in recent years has left us with a business that is now consistently cash generative.

The level of capital investment required in the coming years is likely to be significantly above historical levels as we look to boost our digital printing capacity in both our factories whilst also investing in improved systems to improve our customer service proposition. Our forward expenditure programme is closely aligned to our Live Beautiful strategy with capital maintenance projects only being approved if they can be proven to support us on our journey to ZeroBy30.

We remain committed to retaining a strong balance sheet and acknowledge that we have two defined benefit pension plans that we are committed to supporting. We continue to look at whether there are appropriate actions which could be taken to help reduce pension scheme risks within our wider business objectives.

Prior year adjustments
The Group has rectified the error in previous years of its cost absorption methodology of the manufacturing units for establishing the profit elimination within inter-group inventories held at the year end. As a result of this error, the value of inventory at 31 January 2021 has reduced by £717,000, the cost of sales for the financial year ended 31 January 2021 has increased by £80,000 and opening retained earnings and inventory at 1 February 2020 have reduced by £637,000. The total impact of these adjustments for the financial year ended 31 January 2022 is a reduction of opening retained earnings of £717,000 with equivalent reduction in the value of opening inventories. In addition, the cash flow statement for the year ended 31 January 2021 and 31 January 2020 has been restated to show a reduced profit before tax by £80,000 with a compensating adjustment to the moment in inventories. There is no overall change to the reported operating cashflow.

The Group has analysed its minimum guaranteed licensing receivables into its current and non-current assets at 31 January 2022 and restated the 31 January 2021 and 31 January 2020 comparatives. This determination is based on the assessment of the operating cycle of the licensing arrangement after considering the nature of the agreement and the cash and invoicing cycle. This assessment was not carried out in the previous year and there have been no changes in the facts and circumstances and therefore a prior year adjustment has been processed to reflect the split in the previous year.

Going concern
The Directors reviewed a Management Base Case ('MBC') model and considered the uncertainties regarding the further impact of Covid-19, supply chain and inflationary pressures and the Russian invasion of Ukraine for the assessment of going concern. The Directors consider that, having reviewed forecasts prepared by the management team which have been stress tested, the Group has adequate resources to continue trading for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details of the review are disclosed in note 1 to the financial statements.

Mike Woodcock
Chief Financial Officer
27 April 2022

KEY PERFORMANCE INDICATORS

REVENUE _ £M

22	**112.2**
21	93.8
20	111.5

Total current year revenue.

PROFIT BEFORE TAX _ £M

22	**10.4**
21	4.9
20	4.5

Statutory profit before tax.

ADJUSTED UNDERLYING PROFIT BEFORE TAX _ £M

22	**12.5**
21	7.0
20	7.5

Underlying profit before tax adjusted for the share-based incentives, defined benefit pension charge and non-underlying items.

PROFIT BEFORE TAX _ %

22	**9.2**
21	5.2
20	4.0

Statutory profit before tax expressed as a percentage of revenue.

ADJUSTED UNDERLYING PROFIT BEFORE TAX _ %

22	**11.1**
21	7.5
20	6.7

Underlying earnings adjusted for accounting charges relating to the share-based incentives, defined benefit pension charge and non-underlying items expressed as a percentage of revenue.

NET CASH _ £M

22	**19.1**
21	15.1
20	1.3

Year end cash and cash equivalents less borrowings and leases. Borrowings do not include lease liabilities.

ADJUSTED EARNINGS PER SHARE _ PENCE

22	**13.75**
21	7.89
20	9.35

Underlying earnings adjusted for accounting charges relating to the share-based incentives, defined benefit pension charge and non-underlying items, less tax at the effective rate, divided by the weighted average number of shares in issue during the year.

INVENTORY _ £M

22	**22.7**
21	19.6
20	27.8

Year end total inventory, net of provision.

BASIC EARNINGS PER SHARE_PENCE

22	**10.93**
21	5.39
20	5.41

Profit after tax, divided by the weighted average number of shares in issue during the year.

CAPEX _ £M

22	**2.1**
21	1.0
20	2.4

Total capital expenditure less proceeds from disposal for the year.

The Group is committed to its' sustainability strategy, Live Beautiful and further details of the relevant key performance measures and targets are set out on page 17.

PRINCIPAL RISKS

The Group has put in place an ongoing process to identify, monitor and manage the risks faced by the Group. Risks are ranked according to their potential financial impact and probability. The Board regularly reviews the risks faced by the Group and the controls in place to mitigate any potential adverse impacts. There are general business risks faced by the Group that are comparable to those faced by most other businesses.

In addition, there are a number of more specific risks which are more relevant to Sanderson Design Group and the industry in which we operate. These risks are principal risks and uncertainties facing the Group that are material to our strategy. The Board recognises that the nature and scope of risks can change; the list is not intended to be exhaustive, and regular review and monitoring form part of the Board's agenda.

KEY

↑	Risk level increased	→	Risk level maintained	New	New Risk identified

MARKETPLACE	CHANGE	CONTROLS TO MITIGATE
Trading environment • Specific macroeconomic and geopolitical factors can influence our business and ability to trade across borders such as Russia's invasion of Ukraine. Governments in key markets influence cross-border control, which could make it more difficult for us to source, buy and move products into and out of the territories we operate in. • The Group operates in major international markets which have different drivers and macroeconomic outlooks. • Given that our products may be viewed as discretionary, there is a risk that these are impacted by consumer confidence. CPI inflation rate is 6.2% and RPI inflation rate is 9.0% in March 2022 according to Office of National Statistics. • Change in consumer trends in interior decoration.	↑	• The Group monitors key markets closely to keep abreast of local changes or developments globally, such as the impact and duration of Russia's invasion of Ukraine, and recommends changes or adaptations to our business operations to mitigate the impact, and these are under constant review. • Focus on product diversification through licensing opportunities, new product categories including ready-made curtains, bedding and furniture all help to strengthen our product offering and adapt to the increasing online homewares share of the market. The change of business model in France is in line with the Group strategy of simplification and agility. • Global inflationary pressure is a reality in FY2023. The group offers a well-balance portfolio of brands and products at the upper end of the market. Cost pressures are carefully monitored and price increases passed on to protect margins. • The Group is broad-based and the design teams constantly monitor trends within and outside our marketplace. Current trends towards decorative style supports the sector in which the Group operates.
Competition • The Group operates in markets that are highly competitive. • The Group owns a rich design archive that supports its heritage brands. There have always existed various external credible sources of historic designs globally. As the visibility of the Group's brands increases through our own marketing activities, there is an inevitable, growing risk of market competition that is difficult to predict and impossible to control.	→	• With seven key Brands, the Group has sought to differentiate itself through high-quality luxury products and continues to develop new product categories and extension of market positions. • We have continued to invest in our British manufacturing sites through innovative printing techniques, including in-house paint tinting and distribution. • There is focus on product extension through global recognition of the Group's heritage brands and the contemporary design excellence, broadening the product range, including selling finished products online and exploring worldwide licensing opportunities. • The Group's focus is on international expansion through the distribution and marketing of our brands, in particular the US market. • We are continuing to make progress with consumer e-commerce development. The Group undertakes rigorous due diligence entering new markets or commencing new business channels. • To mitigate the threat of competitors launching similar looking products, the Group is reinforcing its integrity and authority by investing in the nurturing of its design archive assets, strengthening the organisation's reputation as the destination for high-quality, authentic design capability. This is further supported by our-in house manufacturing skill that enables the Group to make high-value product that upholds the legacy of the historic founders.

FINANCIAL	CHANGE	CONTROLS TO MITIGATE
Foreign exchange • A large proportion of the Group's activities and earnings are denominated in US dollars and euros, giving rise to foreign currency exposure.	→	• The Group monitors revenue and earnings to minimise exposure to foreign exchange losses. Increasing exchange rate volatility may have an adverse effect on the balance sheet and/or profit and loss account. • We continue to monitor the implications of emerging macroeconomic risks to help prepare for any volatility in foreign exchange movements with focus on the US dollar. The Group has specific hedging contracts in US dollars and employs natural hedging in other currencies where possible.

OPERATIONAL	CHANGE	CONTROLS TO MITIGATE
Recruitment and retention of key employees • The Group is reliant upon a number of key employees to design, manufacture and sell its products.	→	• The Group's employees are its key asset. The depth of their experience is a real benefit to the business and, accordingly, the Group focuses on attracting and retaining employees. • The Remuneration Committee monitors the levels and structure of remuneration for Directors, senior management and colleagues generally, and seeks to ensure that they are designed to attract, retain and motivate the key personnel to run the Group successfully. • In addition, the Group offers competitive remuneration packages including annual bonus incentives and long-term incentive schemes designed to retain key individuals. • The Group made a commitment to the Real Living Wage and introduced an all-employee bonus scheme in 2020. The Group aims to be the employer of choice in the industry.
Reputation risk • The Group prides itself on the high quality of its product range. • An unfavourable incident relating to a senior executive, individuals or businesses associated with the Group, erroneous media coverage on products, failure to understand social and cultural issues in marketing contents or negative discussions on social networks could damage the Group's reputation.	→	• There is ongoing emphasis on high quality control throughout the various stages, right from manufacturing through to delivery of the finished product and customer satisfaction. • Monitoring of adherence by employees, contractors, suppliers and other associated individuals and businesses to the requirements in the Group's business principles. • The Group has established corporate responsibility standards, which aim to ensure compliance with labour, human rights, health and safety and environmental standards across our operations and extended supply chain and put in place supplier audits. • Uphold our approval processes and editorial controls to ensure all product and content is reviewed and signed off prior to external release.
Environmental risk • The Group strives to become net carbon ZeroBy30, complies with environmental legislations and seeks to prevent excessive emissions and effluent discharges resulting in fines and closures.	→	• The Group monitors its carbon emission targets by having relevant KPIs to measure carbon footprints certified by Planet Mark and embedding the sustainability values across the organisation. • To deliver on the Group's ZeroBy30 pledge, investment is planned with a medium to long-term plan to adopt new technologies that will reduce energy consumption and environmental impact, improve efficiency and increase capacity, keeping both factories at the forefront of printing in the UK. • There are ongoing reviews of environmental legislation through the membership of professional and trade associations. • Onsite incinerators (that processes vapours and fumes) are installed to ensure that emissions are within the agreed limits and monitored frequently. Waste solvents are barrelled and taken off site. • Waste ink is filtered and the solid residue is taken off site. • At our Anstey factory, Severn Trent monitors the water testing samples on a regular basis. • Effluent discharge at the Standfast factory is monitored daily and there are preventative measures to avoid incidents and appropriate procedures to deal with potential environmental disasters.
Health and safety risk • The Group has robust plans to ensure the health and safety of all employees and third parties are maintained on site, especially during the time of the Covid-19 pandemic.	→	• The Group has immediate response capability via the Group Leadership Team when required, especially for Covid-19. • There are fire, health and safety groups on all sites. • The Group publishes, monitors and reports on health and safety incidents internally and in compliance with regulatory environments. There are established auditing and monitoring systems.

PRINCIPAL RISKS CONTINUED

KEY

↑	Risk level increased	→	Risk level maintained	New	New Risk identified

OPERATIONAL CONTINUED	CHANGE	CONTROLS TO MITIGATE
Major incident or disaster such as a fire/flood • The Group ensures that appropriate measures are implemented to prevent and deal with major incidents or disasters, especially fire and flood.	→	• Business continuity and disaster recovery plans are regularly reviewed to ensure the uninterrupted operation of the Group's core business operations. • The Group holds insurance cover to mitigate the financial consequences of a major incident. • Extensive flood defence measures have been installed at the Standfast site and these measures are constantly monitored. • For fire safety, the Group has emergency planning procedures in place and adequate sprinkler systems together with an alarm system linked to the fire brigade. • The segregation of the Group's central warehousing facility with two warehouses has helped to mitigate risk to stock.
IT • The cyber security landscape is continuously evolving, with threats becoming more sophisticated and aggressive. A significant failure of IT infrastructure or key IT systems, deliberate or accidental, could result in a loss of information, inability to operate effectively, financial or regulatory penalties, and negatively impact our reputation as a result of the impact on the availability of our products and consequently reduce sales.	↑	• The Group has appropriate controls in place to mitigate the risk of systems failure, including an IT disaster recovery plan, off-site and cloud back-up routines, virus protection and network security controls. Security controls and processes are assessed and updated on a regular basis with a continuous improvement plan. IT capability has been strengthened to improve defences, taking account of increased cyber risk to businesses of our size. • The Group employs a framework of IT controls to protect against unauthorised access to our systems and data, which includes the maintenance of firewalls, intruder detection and encryption of data. • The various business units have disparate platforms which helps to reduce the overall risk. • The implementation of the new ERP system at Standfast is progressing within budget and under the supervision of a dedicated project manager.
Supply chain pressure • The Group's manufacturing operations are exposed to global supply chain issues such as disruptions from geopolitical instability, Covid-19, trade restrictions, extreme weather events and key supplier or sourcing issues which could impact on its ability to receive raw materials, purchased goods and deliver orders timely to its customers. • Higher energy, labour, raw materials and other input costs have direct impact on product margins. This risk may be influenced by global supply and demand, supply chain challenges, weather events, political uncertainties, changes in regulations and a new wave of Covid-19. • Higher input costs will lead to either reduction in margin or increased prices for our customers.	New	• The Group has annual utility contracts until October 2023 to protect against the rise in energy prices. • Gas and electricity for various business units are negotiated on a collective basis. The Group is monitoring raw material costs and expects to pass on product price increases for margin protection as necessary. • A strong commercial focus on procurement, pricing and cost improvement initiatives is maintained along with ongoing monitoring of pricing performance. • The Group is monitoring raw material costs and expects to pass on product price increases for margin protection as necessary.

The Group has removed Brexit and pension funding as principal risks. During the financial year, the Group has incorporated Brexit costs and new processes into our operations. The defined benefit schemes are showing a pension asset position on 31 January 2022.

SECTION 172 STATEMENT

ON THE DISCHARGE OF DIRECTORS' DUTIES

In compliance with the Companies Act 2006, the Board of Directors is required to act in accordance with a set of general duties. During the year ended 31 January 2022, the Board of Directors consider they have, individually and collectively, acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole, having regard to a number of broader matters, including:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Board recognises the importance of building and maintaining relationships with its key stakeholders, and considering the external and internal impact of the Group's operations, in order to achieve long-term success.

Our Group comprises a number of business units, all of which have engagement with their own unique stakeholders as well as the other parts of the business that form the Group. The Group's governance delegation of authority framework allows local decision-making at business unit level up to defined limits and is monitored by the Board. This allows the individual business units to take account of the needs of their own stakeholders in their decision-making, whilst the Board routinely monitors and retains ultimate responsibility.

The Group Leadership Team ('GLT'), which comprises the leaders of each business unit, meets weekly, and reports and presentations are made to the Board by the GLT regarding strategy, performance and key decisions taken.

In its consideration of decisions and actions to be taken in approval of business projects and the Group's strategy, the Board takes care to ensure that it takes all views into account in reaching conclusions that will benefit the Group as a whole and that it has regard to the likely consequences on all stakeholders of the decisions and actions it takes. Where possible, decisions are carefully discussed with affected groups so as to ensure they are understood and supported, when actions are implemented.

Principal decisions

Board and Committee activities are organised throughout the year to address matters reserved for the Board. In addition to the continued strategic actions detailed in the operating review, the Board's principal decisions taken during the year, and how stakeholders are affected, are given below:

PRINCIPAL DECISION	STAKEHOLDERS AFFECTED	COMMENTARY
Expansion of the Board	All	New Board appointments, increasing the number of Non-executive Directors to four, bringing additional experience in governance, operational management and the consumer sector.
IT	Customers Suppliers Colleagues Shareholders	The legacy IT platform at Standfast is being replaced with a new ERP system. The project was initiated in July 2021 with the Board updated monthly on progress. The new system will improve the order process for customers and suppliers, with enhanced reporting systems and efficiency savings for colleagues and shareholders and improved governance and IT controls.
Closure of French subsidiary	Colleagues Customers Shareholders	To further improve efficiency and simplify the Group structure, the decision was taken to close the French entity. French customers now order direct through the UK entity. The decision did unfortunately result in the redundancy of seven employees. Advice was obtained to ensure the process was done in a fair and transparent way.

SECTION 172 STATEMENT CONTINUED

Details of the Group's key stakeholders and how we engage with them are set out below.

WHO ARE OUR STAKEHOLDERS?	WHY WE FOCUS ON THESE STAKEHOLDERS	HOW DO WE ENGAGE WITH THEM?	HOW HAS THE BOARD TAKEN ACCOUNT OF THESE INTERESTS?
Colleagues	Our people are key to the success of the Group and we want them to be successful individually and as a team. Our investment in our people protects and strengthens our culture. Through our Live Beautiful sustainability strategy, the Group aims to foster a sustainable workplace and engender a working culture that empowers all.	There are many ways we engage with and listen to our people, including a bi-annual employee engagement survey, Group-wide newsletters, a weekly note to all staff from the CEO, as well as business unit and site briefings, informal meetings and consultation with employees' representatives. In 2020, a Group intranet employee wellbeing hub was introduced. The Group intranet learning hub facilitates personal development. The employee engagement survey carried out in 2021 gave an overall employee satisfaction rating of 78%, increased from 58% in 2019. The Group has made known to the employees its goal is to be the employer of choice in our industry with a target of at least 80% engagement of our colleagues based on workplace culture, diversity and inclusivity.	The results of the 2021 employee engagement survey will be presented to the Board with a follow-up programme of two-way engagement by site and business unit/function by HR teams across the Group, with feedback reported regularly to the Board. There is regular review of talent and succession, reward and benefits as well as health and safety, wellbeing and inclusivity programmes. As reported last year, the Real Living Wage and an all-employee bonus scheme were introduced, enabling all colleagues to share in the Company's success.
Customers and clients	Good relationships with our customers are important for the success of our business.	We build strong lasting relationships with our customers and spend time with them to understand their needs and views and listen to how we can improve our products and services for them. Improved customer experience is a key focus and objective and various initiatives to improve efficiency and simplify the customer journey are being implemented.	As part of its regular monthly reporting pack, the Board has introduced customer and social media engagement feedback as well as service level fulfilment statistical information to better understand the needs of customers and improve the customer experience.
Shareholders	As owners of the Group, we rely on the support of shareholders and their opinions are important to us. Our Shareholders want to work with us to achieve long-term, sustainable growth and returns. We aim to secure long-term sustainable growth and returns by delivering our strategy.	The Chief Executive Officer and Chief Financial Officer have regular dialogue with institutional investors in order to develop an understanding of their views. Presentations are made bi-annually to analysts, investors and prospective investors covering the annual and interim results. Communication methods include investor presentations, regulatory reports and market announcements. The AGM is an important opportunity for private shareholders to meet the Board with all the Directors available to listen to shareholders' views informally immediately following the meeting. The Company website has an investors section giving private investors direct access to business information and reports and presentations; there is also an enquiries mailbox facility.	Discussions with shareholders cover a wide range of topics, including financial performance, strategy, outlook and governance. Shareholder feedback along with details of movements in our shareholder base are regularly reported to and discussed by the Board and their views are considered as part of decision-making. Our NOMAD has regular discussion and review with the Board and advises on wider market-related sentiment. Feedback received is considered by the Board where it impacts on strategy.

WHO ARE OUR STAKEHOLDERS?	WHY WE FOCUS ON THESE STAKEHOLDERS	HOW DO WE ENGAGE WITH THEM?	HOW HAS THE BOARD TAKEN ACCOUNT OF THESE INTERESTS?
Suppliers	We build strong relationships with our suppliers to develop mutually beneficial and lasting relationships.	Engagement with suppliers and business partners is primarily through regular meetings and membership of trade sector organisations. Refreshed supplier manuals communicating our values and expected standards of service and quality so we have shared goals to build collective success.	The Board recognises that relationships with suppliers are important to the Group's long-term success. Feedback from attendance at trade events forms part of the Board presentations. Key areas of focus include product development and innovation, with focus on health and safety and sustainability, as well as regular dialogue between our management team and those of our suppliers on increasing efficiency for all parties.
Communities	We operate from a number of different sites and seek to be a good neighbour with the local communities and to build trust and understand the local issues that are important to them.	We create opportunities to recruit and develop local people and help to support the local economy and look after the environment. Local charities and fund-raising are supported, often through product and time donations.	The Board recognises the importance of good community relations with both internal and external stakeholders as well as our wider social responsibilities. The impact of our operations from an environmental perspective, both locally and globally, is recognised, e.g. capital expenditure projects focused on efficiency and reducing environmental emissions. Further details are contained within our Live Beautiful Sustainability section.
Government and regulators	We wish to operate in an ethical way and in compliance with laws and regulations.	The Group has professional advisers in terms of legal, tax and regulatory compliance and all Directors have access to independent advice.	The Board is updated on legal and regulatory developments and takes these into account when considering future actions. Key areas of focus for the Board are compliance with laws and regulations, health and safety and wellbeing of employees and users of our products.

The Strategic Report was approved by the Board on 27 April 2022.

Lisa Montague
Chief Executive Officer
27 April 2022

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Dame Dianne Thompson
Non-executive Director

Dianne joined the Board in February 2019, initially as a Non-executive Director. In April 2019, following the appointment of the new Chief Executive Officer, Dianne became the Non-executive Chairman. She is a highly experienced sales and marketing executive and is currently a non-executive director of NEXT plc. From 2000 until 2014, Dianne was chief executive of Camelot Group plc, the UK National Lottery provider. Prior to that role, she held marketing and general management positions in a number of consumer and building materials businesses including Signet Group plc, Sandvik Saws & Tools Ltd and ICI Paints.

Committee membership
- Audit Committee
- Remuneration Committee
- Nomination Committee

Christopher Rogers
Non-executive Director

Christopher joined the Board in April 2018 as a Non-executive Director and Chair of the Company's Audit Committee. In October 2018, on the departure of the CEO, Christopher became Interim Executive Chairman and held this role until April 2019 before returning to being a Non-executive Director and Chair of the Remuneration Committee. Other non-executive positions held include Chairman of Wickes plc and Non-executive Director at Kerry plc. He also continues to be a Non-executive Director of Vivo Energy plc until the completion of the sale of the business, after regulatory clearance later this year. Christopher was an executive director of Whitbread plc for 11 years from 2005, first as Group Finance Director for seven years and then as Global MD of Costa Coffee, where he grew the brand internationally to become the world's second largest coffee shop chain. Christopher is the Senior Independent Director.

Committee membership
- Audit Committee
- Remuneration Committee
- Nomination Committee

Juliette Stacey
Non-executive Director

Juliette joined the Board in November 2021 as a Non-executive Director and chairs the Audit Committee. Other non-executive positions she holds include Senior Independent Director and Chair of the Audit Committee at Fuller, Smith & Turner PLC, the hospitality group, Non-executive Director and Chair of the Audit Committee of Reinshaw plc, and strategic adviser to a privately held property consultancy, Middleton Advisors. Prior to her non-executive career, Juliette held executive leadership roles as Group CEO of Mabey Holdings Ltd, the engineering services group, and property group Savills PLC, having gained experience of advisory work at EY, where she qualified as a chartered accountant.

Committee membership
- Audit Committee
- Remuneration Committee
- Nomination Committee

EXECUTIVE DIRECTORS

Patrick Lewis
Non-executive Director

Patrick joined the Board as a Non-executive Director in November 2021. Prior to joining the Group, Patrick gained extensive consumer and retail experience with the John Lewis Partnership, whom he joined in 1994, holding managerial roles across the business before becoming CFO in 2015. Patrick's early career was at the management consultant Bain & Company followed by a move into industry at Procter & Gamble, the consumer brands business.

Committee membership
- Audit Committee
- Remuneration Committee
- Nomination Committee

Lisa Montague
Chief Executive Officer

Lisa joined the Group in March 2019 as an Executive Director and became Chief Executive Officer on 10 April 2019. Lisa is a highly experienced luxury goods executive, with previous roles at Madrid-based international fashion brand Loewe SA, a Spanish luxury fashion house owned by the LVMH Group, Aspinal of London Group Ltd and Mulberry Group plc. She has significant experience of leading and developing UK and international brand-based businesses with manufacturing and multi-channel distribution.

Mike Woodcock
Chief Financial Officer

Mike joined the Group in October 2021 and became Chief Financial Officer in November 2021. Mike qualified as an accountant at KPMG and has significant experience of international luxury and consumer brands in the quoted and private sectors. Prior to joining the Group, Mike was at Richemont Group, where his increasingly senior roles included CFO of Alfred Dunhill and CFO of Montblanc. Since leaving Richemont Group, Mike has served as CFO in a number of private equity backed companies.

Caroline Geary
Company Secretary

Caroline joined the Group in 2000. She is a Chartered Secretary and was appointed Company Secretary in 2012.

GROUP LEADERSHIP TEAM

Carla Barnett
Group Human Resources Director

Carla holds an MA from Warwick Business School, is CIPD qualified and joined the Group in November 2016. She brings a wealth of international experience in Human Resources across manufacturing and commercial business units in a variety of roles. Carla has previously worked at Burberry, Britvic, Scholastic Corporation, Home Group and NEXT.

Nigel Hunt
Group Marketing & Digital Director

Nigel, a highly experienced marketing executive, joined the Group in November 2019 as Group Marketing & Digital Director. He previously worked at Tesco Bank, where he held the role of Brand, Marketing & Corporate Affairs Director. Prior to Tesco Bank, he worked at Barclays for 17 years in various commercial and marketing roles, including Director, Global Brand & Marketing at Barclays plc.

Ben Naylor
Group Operations Director

Ben joined the Group in January 2020. Prior to this, Ben worked at Amtico International, the luxury floorcoverings business, for 13 years, where he built a track record in manufacturing, procurement and logistics and a focus on cost, quality and service. Prior to Amtico, he was at Uniq Prepared Foods and Unipart.

Mauricio Solodujin
Global Commercial Director

Mauricio joined the Group in September 2019 from LVMH, where he had worked for almost 10 years in roles including Senior Vice President of LVMH Fashion Group Americas, based in the US, and Retail & Commercial Director of Loewe, based in Spain. Mauricio's previous experience includes more than 10 years at Liberty of London, where he was Director of Operations. In the role of the Group's Global Commercial Director, Mauricio works across all brands, markets and channels to drive sales growth at the Group.

Claire Vallis
Creative Director

Claire has been with the Group for 25 years. She brings a wealth of experience and knowledge across manufacturing and design, making her an unrivalled industry expert. She personifies the integrity and history of the brands and uses this to inspire a creative vision for the future.

Beth Holman
President, Sanderson Design Group, Inc.

Beth joined the Group in October 2019 with more than 20 years of experience working for subsidiaries of European luxury fashion houses in the United States. Prior to joining the Group, her most recent position was with Celine, the LVMH luxury fashion house, where she was Vice President of Wholesale. In the role of President of SDG Inc, Beth manages the sales, distribution, marketing and operations for the USA and Canada.

Mark Kennedy
General Manager
Clarke & Clarke

Mark joined Clarke & Clarke in 2010 and was an integral part of the success that the brand continues to enjoy today. He brings over 17 years of industry experience with a strong sales and commercial background in both the UK as well as international markets.

INTRODUCTION FROM THE CHAIRMAN

As Chairman of the Board, I am responsible for ensuring that the Company has corporate governance arrangements in place which are appropriate for the size and complexity of the Company and that these arrangements are followed in practice.

The Board is committed to ensuring high standards of governance for the Company and considers that the Quoted Companies Alliance Corporate Governance Code 2018 (the 'QCA Code') provides the most appropriate framework of governance arrangements for a public company of our size and complexity. The QCA Code includes 10 principles that focus on the pursuit of medium to long-term value for shareholders. How the Company has applied these principles is detailed in the Corporate Governance section of the company's website https://sanderson.sandersondesigngroup.com. We have complied with all principles of the QCA Code throughout the year.

All members of the Board recognise the importance of good governance in reducing risk and adding value to our business. Delivering growth and long-term shareholder value with effective and efficient decision-making is of high importance to the Board.

The Board is committed to ensuring the highest legal and ethical standards are upheld, and aims to ensure that the Company and its employees conduct themselves respectfully and honestly. A healthy corporate culture is promoted within the business in various ways, including by linking employees' appraisal objectives and reward and recognition schemes to our vision and values.

The Board assesses the culture of the Group through engagement with employees and other stakeholders, further details of which can be found in the Section 172 statement.

This report, together with the information contained in the Audit Committee Report, the Nomination Committee Report, the Report of the Directors and the Directors' Remuneration Report explains the corporate governance framework within which the Group operates.

Dame Dianne Thompson
Non-executive Director

The Board
The Company is supervised by the Board of Directors. The Board comprises Executive and Non-executive Directors.

Board composition
The Board of Directors who served during the year ended 31 January 2022 and their attendance at meetings is shown in the adjacent table. Biographical details of the current Board are given on pages 50 and 51. The Directors bring strong judgement and expertise to the Board's deliberations and with diversity achieves a balance of skills and experience appropriate for the requirements of the business.

During the year, new Directors joined the Board. Juliette Stacey and Patrick Lewis joined as Non-executive Directors in November 2021 and Juliette became Chair of the Audit Committee when Vijay Thakrar left the Company in November 2021. Mike Woodcock was appointed to the Board as Chief Financial Officer in November 2021, following the resignation of Michael Williamson.

Board programme
The Board meets at least 10 times each year in accordance with its scheduled meeting calendar and the attendance by each Board member at scheduled meetings is shown in the table on page 54.

The role of the Board
The Board is responsible to the shareholders and sets the Group's strategy for achieving long-term success. As explained fully within our Strategic Report, our strategy is focused around five key areas, and the Board is responsible for the management, governance, controls, risk management, direction and performance of the Group to ensure it promotes long-term value for shareholders, whilst being mindful of its impact on others and the threats and opportunities faced.

There is a formal schedule of matters reserved to the Board, which includes approval of major capital expenditure projects; approval of the annual and interim results; setting annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets, their performance in relation to those budgets and their capital expenditure. The schedule of matters reserved to the Board is available on the Company's website.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its performance against its agreed budget, and the Board reviews the monthly update on performance, and any significant variances are reviewed at each meeting.

Senior executives below Board level attend Board meetings where appropriate, to present business updates.

In previous years, the Company's various sites were visited through the year, with Board meetings taking place at the sites giving, in particular, the Non-executive Directors access to the Group's operations to gain a greater understanding of the Group's activities and to show the Board's support of our colleagues throughout the Group. Owing to Covid-19, during the financial year, most meetings were held virtually. It is planned for the forthcoming year that site meetings will be restored.

Directors are expected to attend all meetings of the Board, and of the Committees on which they sit, and to devote sufficient time to the Group's affairs to enable them to fulfil their duties as Directors.

Board performance and evaluation
With the new appointments made to the Board during the year, there has been no formal Board evaluation process undertaken. The Board continually reflects on its performance and will initiate a formal review process in the year ahead.

CORPORATE GOVERNANCE CONTINUED

Attendance at meetings of the Board and its Committees

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Total number of meetings	**11**	**3**	**5**	**1**
Meetings attended:				
D Thompson	11/11	3/3	5/5	1/1
C Rogers	11/11	3/3	5/5	1/1
V Thakrar	9/9	2/2	5/5	1/1
J Stacey	3/3	1/1	0/0	0/0
P Lewis	3/3	1/1	0/0	0/0
L Montague	11/11	–	–	–
M Williamson	8/8	–	–	–
M Woodcock	3/3	–	–	–

The Board scheduled 11 meetings during the year and additional meetings were convened to deal with specific matters and approval of the financial results.

Board Committees
The Board has Remuneration, Audit and Nomination Committees, each of which has written terms of reference which are available on the Company's website. The Committees are composed of the Non-executive Directors. Details of the composition of each of the Committees are included on page 56 of the Directors' Report.

The Company Secretary acts as secretary to the Committees. The Board is satisfied that the Committees discharged their responsibilities appropriately.

Independent advice
All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. The Board reviews its AIM obligations with its Nominated Adviser annually. In addition, the Directors have direct access to the advice and services of the Company Secretary.

Independent Directors
The Board considers that each of the Non-executive Directors bring an independent judgement to bear. Non-executive Directors are expected to dedicate a minimum of 25 days per year, plus Committee duties. The Non-executive Directors' other time commitments are reviewed regularly. All Non-executive Directors have contracts which contain six-month notice clauses. These are available for inspection at the Company's registered office and at the Annual General Meeting ('AGM'). Further details of each of the independent Directors are set out on pages 50 to 51.

Nomination Committee
The Nomination Committee is responsible for reviewing the size, structure and composition of the Board, including consideration of the skills, knowledge and experience of the Board members. The Committee also considers the re-election of Directors retiring by rotation, manages succession planning and selects potential new Board candidates. The HR Director is invited to attend meetings, when appropriate. Where necessary, external search consultants are used to ensure that a wide range of candidates is considered. During the year, Warren Partners were engaged to assist with identification and selection of new Directors. Where new Board appointments are considered, the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender. Further details of the work of the Committee are contained in the Nomination Committee Report on page 59.

Remuneration Committee
The Remuneration Committee is responsible for determining the remuneration policy and the application of the policy in relation to the Executive Directors' remuneration. In framing its policy, the Remuneration Committee may seek advice from external remuneration consultants and does take into account any factors which it deems necessary, including industry standard executive remuneration, differentials between executive and employee remuneration and differentials between executives. The remuneration of the Non-executive Directors is determined by the Board, but no Director is involved in any decisions relating to their own remuneration. Further details of the work of the Committee is contained in the Directors' Remuneration Report on page 60.

Audit Committee
The Audit Committee is responsible for monitoring and reviewing the integrity of the financial reporting process, including the appropriateness of any judgements and estimates taken in preparing the financial statements; internal and external audit functions and internal financial control. Further details of the work of the Committee is contained in the Audit Committee Report on page 64.

Directors are subject to reappointment at the Company's Annual General Meeting following the year in which they are appointed. The Company's Articles of Association stipulate that one third of the Directors, or the nearest whole number below one third, shall retire each year and that all Directors retire for re-election at least every third year. In line with best practice, the Board has decided to adopt voluntarily the practice that all continuing Directors submit themselves for re-election annually.

Internal control
The Board acknowledges that it is responsible for the Group's system of internal control and for reviewing its effectiveness.

The Board keeps its risk control procedures under constant review, particularly with regard to the need to embed internal control and risk management procedures further into the operations of business, both in the UK and overseas, and to deal with areas of improvement which come to management's and the Board's attention.

As might be expected in a group of this size, a key control procedure is the day-to-day supervision of the business by the Executive Directors, supported by the senior managers with responsibility for key operations.

The Executive Directors are involved in the budget-setting process, regularly monitor key performance indicators and review management accounts on a monthly basis, noting and investigating any major variances. All significant capital expenditure decisions are approved by the Board as a whole.

Risk management process
The Group's significant risks, together with the relevant control and monitoring procedures, are subject to regular review to enable the Board to assess the effectiveness of the system of internal control. During the course of its reviews the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant other than disclosed in the Strategic Report and the Report of the Directors.

The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Group's systems are designed to provide reasonable assurance as to the reliability of financial information, ensuring proper control over income and expenditure, assets and liabilities.

The Board has considered the need for an internal audit function, but because of the size and nature of its operations does not consider it necessary at the current time.

Relations with shareholders
The Group encourages two-way communications with both its institutional and private investors and responds in a timely fashion to all queries received.

There is regular dialogue with individual institutional investors, in order to develop an understanding of their views. Presentations are made to analysts, investors and prospective investors covering the annual and interim results.

The Company website https://sanderson.sandersondesigngroup.com has an Investors section giving private investors direct access to business information and Company reports. There is also an enquiries mailbox facility.

All shareholders receive notice of the AGM, at which all committee chairs will be available for questions.

REPORT OF THE DIRECTORS

The Directors submit their Annual Report together with the audited financial statements of the Company and its subsidiary undertakings ('the Group') for the year ended 31 January 2022. The Strategic Report on pages 2 to 43 is incorporated by reference and deemed to form part of this report.

Group result
Reported profit before tax of £10.4m is up 112.2% on the year ended 31 January 2021 (FY2021: £4.9m; FY2020: £4.5m), and profit after tax of £7.8m is up 105.3% on the year ended 31 January 2021 (FY2021: £3.8m; FY2020: £3.8m).

Dividend
The Directors recommend payment of a final ordinary dividend of 0.75p per share (excluding dividends on shares held by the employee benefit trust) which will be recognised in the financial statements for the following year (2021: nil per share). Subject to shareholders' approval at the Annual General Meeting ('AGM') the final dividend is expected to be paid on 12 August 2022 to shareholders on the register at 15 July 2022.

An interim dividend of 0.75p per share was paid during the year.

Going concern
The Directors reviewed a Management Base Case ('MBC') model and considered the uncertainties regarding the further impact of Covid-19, supply chain and inflationary pressures and the Russian invasion of Ukraine for the assessment of going concern. The Directors consider that, having reviewed forecasts prepared by the management team which have been stress tested, the Group has adequate resources to continue trading for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details of the review are disclosed in note 1 to the financial statements.

Post balance sheet events
The Board considers that Russia's invasion of Ukraine to be a material non-adjusting post balance sheet event that occurred between the end of the period and the date of publication of this report. The Board has highlighted this risk as a principal risk and factored it into the going concern assessment.

Business review and future developments
A review of the principal activities during the year and likely developments of the business is contained in the Strategic Report, together with key performance indicators. A description of the Group's exposure and management of risks is provided in the Strategic Report.

Section 172(1) statement
A Section 172(1) statement, which sets out how the Directors have had regard to the matters under s172 of the Companies Act 2006, is also included in the Strategic Report on pages 47 to 49.

Financial risk management
Details of the Group's financial risk management objectives and policies are contained in the Strategic Report on page 45 and in note 2 to the financial statements.

Research and development
The Group continues to invest in its products to retain and enhance its market position. Details of the Group's expenditure on collection design development costs are set out in note 12 of the financial statements.

Employees
The Group is a responsible employer, compliant with all relevant human resources and health and safety regulations. The Group keeps its employees informed on matters affecting them and on the progress of the Group by way of informal meetings and consultation with employees' representatives. All Group businesses apply the principles of equal opportunity in recruitment, career progression and remuneration. Disabled persons are given full and fair consideration for employment where an appropriate vacancy occurs, having regard to their particular aptitudes and abilities. Whenever possible, arrangements are made for the continuing employment of persons who have become disabled during service and for appropriate training of all disabled employees, who are given equal consideration with all other employees in promotion and career development.

Directors
The Board of Directors who served during the year ended 31 January 2022 and up to the date of reporting were as follows:

Name	Position	Date	Committees*
Dianne Thompson	Non-executive Director and Chairman	From 01.02.2021	**N,** A, R
Christopher Rogers	Non-executive Director	From 01.02.2021	**R,** A, N
Vijay Thakrar	Non-executive Director	From 01.02.2021 to 27.11.2021	**A,** R, N
Juliette Stacey	Non-executive Director	From 03.11.2021	**A,** R, N
Patrick Lewis	Non-executive Director	From 03.11.2021	A, R, N
Lisa Montague	Executive Director, CEO	From 01.02.2021	
Mike Woodcock	Executive Director, CFO	From 01.11.2021	
Michael Williamson	Executive Director, CFO	From 01.02.21 to 31.10.2021	

*Bold type denotes Chair

Details of the Directors' service contracts are set out in the Directors' Remuneration Report on pages 60 to 63. No Director has any beneficial interest in the share capital of any subsidiary or associate undertaking. Biographical details of the Directors are set out on pages 50 to 51.

Appointment and retirement of Directors
Subject to applicable law, from time to time the Board may appoint any person to be a Director. Under the Articles, any such Director shall hold office until the next AGM and shall then be eligible for election. The Articles require that at each AGM one-third of the Board should retire as Directors by rotation and that each Director stand for re-election at least every third year.

In our commitment to good corporate governance practice that is relevant to our business, the Board has voluntarily adopted the policy that all continuing Directors stand for re-election on an annual basis, in line with the recommendations of the UK Corporate Governance Code 2018. At the 2022 AGM, all of the Directors will retire and offer themselves for re-election.

Directors' interests in material contracts
None of the Directors had any material interest in any contract during the year which was significant to the business of the Group.

Directors' share interests
The interests of the Directors and their families in the shares of the Company at the beginning and end of the financial year were as follows:

	1p ordinary shares 31 January 2022 Number	1p ordinary shares 31 January 2021 Number
D Thompson	**15,000**	15,000
C Rogers	**110,000**	75,000
L Montague	**108,097**	46,989

There have been no changes in the interests set out above between 31 January 2022 and 27 April 2022.

Directors' and officers' liability insurance
The Group maintains liability insurance for its Directors and officers, including a qualifying third-party indemnity provision, that has been in place during the financial year and to the date of approval of this Report.

Pensions
The Group operates defined benefit and defined contribution schemes in the UK and overseas for all qualifying employees. Further information on the schemes and details of the valuations are given in note 22 to the consolidated financial statements.

Political donations
The Group has not made any political donations (FY2021: nil).

Emissions and energy consumption
Details of the Group's energy usage and disclosures under the SECR framework are contained in the Strategic Report on page 17.

Annual General Meeting
The AGM will be held on 12 July 2022. The notice convening the meeting will be sent to shareholders by way of a separate circular. Explanatory notes on each resolution to be proposed at the meeting will accompany the circular.

Share capital
The Company's issued capital consists of 70,983,505 ordinary shares with a nominal value of 1p each, with each share carrying the right to one vote and the right to distributions from dividends or on winding up of the Company. There are no restrictions on the transfer of securities. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Directors' authority to issue and purchase shares
At the AGM in 2020, the Directors were authorised to allot ordinary shares up to a nominal value of £234,245 and were further authorised to make market purchases of up to 7,098,351 of the Company's ordinary shares. No purchases of Company shares were made during the year. Details of shares allotted during the year are shown in note 24 to the consolidated financial statements.

Substantial shareholdings
As at 7 April 2022, the Company was aware of the following substantial shareholdings in its ordinary share capital. The percentages are calculated from the 70,983,505 ordinary 1p shares allotted, called and fully paid up. Comparatives at 7 May 2021 are shown.

Octopus Investments 13.91% (2021: 12.17%), Close Asset Management 8.92% (2021: 2.67%), Ennismore Fund Management 7.54% (2021: 7.19%), BGF Investments 5.99% (2021: 5.99%), Charles Stanley 5.09% (2021: 4.98%), Interactive Investor 5.07% (2021: 3.98%), Schroder Investment Management 4.99% (2021: 4.99%), and Hargeaves Lansdown 4.94% (2021: 5.30%).

Independent auditors
The auditors, BDO LLP, were appointed by the Directors during the year following a formal tender process as detailed further in the Audit Committee Report on pages 64 to 66. BDO LLP have indicated their willingness to continue in office, and a resolution that they be appointed will be proposed at the AGM.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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 the UK adopted international accounting standards.

Under Company law the 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 101, 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.

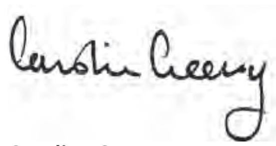
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are also 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 responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' confirmations
In the case of each Director in office at the date the Report of the Directors is approved:
- so far as the Director is aware, there is no relevant audit information of which the Group 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 and Company's auditors are aware of that information.

By order of the Board



Caroline Geary
Company Secretary
27 April 2022

Registered Office
Chalfont House
Oxford Road
Denham UB9 4DX
Registered number 61880

NOMINATION COMMITTEE REPORT

Membership
The Committee is comprised solely of independent Directors, being myself as Chairman and the other Non-executive Directors, Christopher Rogers, Juliette Stacey and Patrick Lewis.

The Company's Articles of Association stipulate that one third of the Directors or the nearest whole number below one third shall retire each year. The Company requires all Directors to submit themselves for re-election at least every three years. In line with best practice, the Board has decided to adopt voluntarily the practice that all continuing Directors submit themselves for re-election annually.

Roles and responsibilities
The role of the Committee is to support the Board in evaluating the characteristics and performance of Board members and is responsible for recommending to the Board on all matters relating to the selection, number, appointment and removal of Executive and Non-executive Directors. The Nomination Committee ensures that the Company has adequate policies and procedures to maintain equality of opportunity for all. In this context, the Nomination Committee's responsibilities are to:

- Review regularly the structure, size and composition, including the skills, knowledge, experience and diversity, of the Board and make recommendations to the Board.
- Monitor executive recruitment closely in order to be aware of succession risks and opportunities.
- Carry out an annual examination of the Board's performance and competence in achieving the Company's objectives and alignment with the overall strategies, which allows them to make decisions on the future of the Company.
- Develop clarity over the Company's long-term strategies and make Board recruitment decisions based on the needs of the Company over different time horizons.
- Inform the new Directors about the Company's strategies, goals, culture and management, and plan the training and development of the new Directors.

The full terms of reference for the Committee can be found on the Company's website.

Meetings
The Committee meets at least once a year and otherwise as required.

Each meeting is attended by the Committee's members. A record of the meeting attendance at formal meetings by Committee members is set out in the Corporate Governance Report on page 53.

During the year, the Committee considered the selection and recommended the appointment of Mike Woodcock, who was appointed an Executive Director and Chief Financial Officer on 1 November 2021, and also Juliette Stacey and Patrick Lewis who were appointed on 3 November 2021 as Non-executive Directors.

Dianne Thompson
Nomination Committee Chairman
27 April 2022

DIRECTORS' REMUNERATION REPORT

As a company listed on the Alternative Investment Market ('AIM'), the Company is not required to comply with the Directors' remuneration report requirements, set out in Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the 'Regulations'). However, transparency with our shareholders is important to us. Whilst the Company is not required to comply with the Regulations, the Company has used them as guidance and voluntarily presents selected disclosures in this report, where relevant and appropriate.

Introduction from the Chair of the Remuneration Committee
This report aims to provide shareholders with the information to understand the Remuneration Policy and its linkage to the Group's financial performance and delivery of its long-term strategy. The Remuneration Committee seeks to achieve a fair reward outcome linked to both the Group's results and the progress achieved in delivering the strategy.

Operation of the Remuneration Committee
The Committee operates under the Group's agreed terms of reference. It is responsible for setting the framework and policy for the remuneration of the Executive Directors and designated senior managers. It determines specific elements of their remuneration, their contractual terms and, where necessary, compensation arrangements. In making remuneration decisions, the Committee considers the Group's overall performance against its long-term goals.

The Committee is comprised solely of independent Directors, being myself as the Chair and the other Non-executive Directors, Dame Dianne Thompson, Juliette Stacey (from 3 November 2021) and Patrick Lewis (from 3 November 2021). Vijay Thakrar was also a member of the Committee until he stepped down from the Board on 27 November 2021.

The number of meetings held during the year and the attendance at each meeting is shown in the table on page 54 of the Corporate Governance Report.

The Chief Executive Officer and the Group HR Director are invited to attend meetings of the Committee, where relevant. However, no Director is involved in any decisions relating to their own remuneration. None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships, or day-to-day involvement in running the business.

The Committee keeps itself informed of all relevant developments and best practice in the field of remuneration. It seeks advice from the Group HR Director and external advisers when it considers it is appropriate. Deloitte LLP was retained during the financial year to provide independent advice to the Committee.

During the year ending 31 January 2022, the Committee agreed to the following to be effective from 1 February 2022:
- In keeping with the Real Living Wage policy introduced last year, the Committee has agreed an uplift in line with the rates announced by the Living Wage Commission, equating to an increase of 4.22%;
- An annual cost of living increase to all other employees of 3%; and
- A continuation of the all-employee bonus scheme enabling colleagues to share in the Company's success with an element of variable pay.

Remuneration policy
The Group's remuneration policy is designed to ensure that the main elements of the remuneration package are linked to the Group's annual performance, delivery of its long-term strategy, as well as being appropriate in quantum and capable of attracting, motivating and retaining Executive Directors and senior managers. The policy aims to reward Executive Directors and senior managers by offering them competitive remuneration packages which are prudently constructed, sufficiently stretching and linked to long-term value creation for all stakeholders.

In particular, the Committee strives to ensure that remuneration packages are:
- aligned with the Group's strategic plan;
- aligned with shareholder interests and the performance of the Group;
- competitive and sufficiently flexible to support the recruitment and needs of the business; and
- paid in a combination of cash and shares.

The performance measurements of the Executive Directors and the determination of their annual remuneration package, including performance targets and underpins, are undertaken by the Remuneration Committee.

Summary of components of Executive Directors' remuneration
There are four main elements of the remuneration package for Executive Directors and other senior management:
- basic annual salary and benefits;
- annual bonus payments;
- long-term incentives; and
- pension arrangements.

Basic salary and benefits in kind

Salary is normally reviewed annually in February or when responsibilities change. In deciding the appropriate levels, the Committee takes into account factors which it considers necessary, including Group and individual performance, market levels of, and trends in executive remuneration and relative pay levels within the Group. For the forthcoming year ending 31 January 2023, the Executive Directors were given the same inflationary increase of 3% which is in line with the increase awarded to most employees. Effective from 1 February 2022, the base salary for the Chief Executive Officer has been set at £353,702 (2022: £343,400) per annum. The base salary for the Chief Financial Officer has been set at £206,000 (2022: £200,000).

In addition to basic salary, each Executive Director is provided with health care benefits and a car allowance, where applicable.

Annual performance-related bonus

The Executive Directors' remuneration package includes a performance-related bonus with maximum bonus potential of up to 100% of basic salary for the Chief Executive Officer and up to 75% of basic salary for the Chief Financial Officer. Bonus achievement is linked to performance against underlying profit targets. The portion of bonus paid is then determined based on performance against individual objectives. In the case of the Executive Directors, there are normally four individual objectives, one of which relates to cash flow generation and one of which relates to ESG.

Long-Term Incentive Plan ('LTIP')

As reported last year, the Committee undertook an extensive review of our long-term incentive arrangements to ensure that they continued to support the sustainable execution of our long-term business strategy and the creation of value for shareholders.

As a result, the Committee determined that starting from 2020 a restricted share plan ('RSP') would replace the existing long-term incentive plan for Executive Directors. The Committee believes that the characteristics of restricted shares better support the business in its execution of strategy and fully aligns executives with the shareholder experience. For the year ending 31 January 2022, the CEO was awarded a maximum opportunity of 67.5% of salary, and the CFO awarded a maximum opportunity of 45% of salary. This represented a greater than 50% discount on the previous levels of the long-term incentive award. The award will vest in year three, with 40% payable on vesting, 40% in year four and 20% in year five, subject to the Committee being satisfied with the achievement of robust underpins at the date of vesting. These underpins are detailed on page 63 of this report.

The Committee intends to continue to issue awards under this RSP plan, with an award to be made to both Executive Directors later this year in respect of the year ending 31 January 2023. The maximum award will be 75% of salary for the CEO and 50% of salary for the CFO. Subject to the Committee being satisfied with the achievement of robust underpins, the award will vest in year three, with 40% issued on vesting, 40% in year four and 20% in year five. In line with best practice, malus and clawback will apply.

Dilution

All equity-based awards are subject to an overall limit on the number of new shares issued of 10% within any 10-year period. The current dilution against this limit is 6.06%.

Pensions

Both Lisa Montague and Mike Woodcock are members of a Group Flexible Retirement Plan ('the Plan') sponsored by the Group. For the purposes of determining employer contributions to that scheme, annual performance-related bonuses are not included in the pensionable pay of the Executive Directors.

Directors' contracts

It is the Group's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of one year's notice for the Chief Executive Officer and six months' notice for the Chief Financial Officer.

In the event of early termination, the Executive Directors' contracts provide for compensation of an amount equal to the gross salary and benefits that they would have received during the balance of the notice period, plus any bonus, once declared, to which they would have become entitled had contractual notice been given.

Michael Williamson stepped down from the Board effective 31 October 2021. The Committee judged that Michael should be treated as a good leaver for the purpose of his incentives and therefore Michael remained eligible for a pro-rated annual bonus for the year ended 31 January 2022 and continues to remain eligible to receive pro-rata vesting from his outstanding LTIP awards. Any vesting will be at the normal time, will remain subject to the achievement of performance conditions and will be pro-rated based on time in employment.

Director shareholding

To align with best practice, a shareholding guidance of 1x salary for Executive Directors is in place, with the shareholding to be built over time from retaining 50% (net of tax) of any LTIP/RSP awards in shares.

Non-executive Directors

The remuneration of the Non-executive Directors comprises only Directors' fees and is determined by the Board.

All Non-executive Directors have service contracts with a three-year initial term subject to a six-month notice provision. Their remuneration is determined by the Board taking into account their duties and the level of fees paid to Non-executive Directors of similar companies. The Non-executive Directors do not participate in the Company's bonus or long-term incentive schemes and no pension contributions are made in respect of them.

For the forthcoming year ending 31 January 2023, the Non-executive Directors were given an inflationary increase of 3% which is in line with the increase awarded to most employees, effective from 1 February 2022.

Title	FY2022 Fee	FY2023 Fee	Committee Chair Fee
Chairman	£110,000	£113,300	–
Non-executive Director	£45,450	£46,813	£5,000

Directors' remuneration (audited)
The following table summarises the total gross remuneration for the reporting period of the Directors who served during the period to 31 January 2022.

Year to 31 January 2022	Salary £000	Bonus £000	LTIP** £000	Benefits £000	Pension £000	Cash allowance in lieu of pension £000	Total £000
Executive Directors:							
Lisa Montague	**358**	**190**	**–**	**2**	**22**	**–**	**572**
Mike Woodcock (from 1/11/21)	**50**	**20**	**–**	**1**	**2**	**–**	**73**
Michael Williamson (up to 31/10/21)	**255***	**58**	**–**	**1**	**–**	**6**	**320**
Non-executive Directors:							
Dianne Thompson	**111**	**–**	**–**	**–**	**–**	**–**	**111**
Christopher Rogers	**51**	**–**	**–**	**–**	**–**	**–**	**51**
Juliette Stacey (from 3/11/21)	**12**	**–**	**–**	**–**	**–**	**–**	**12**
Patrick Lewis (from 3/11/21)	**11**	**–**	**–**	**–**	**–**	**–**	**11**
Vijay Thakrar (up to 27/11/21)	**42**	**–**	**–**	**–**	**–**	**–**	**42**
	890	**268**	**–**	**4**	**24**	**6**	**1,192**

* Includes notice pay and accrued holiday pay of £107,000.

** No LTIP vested during the year.

Year to 31 January 2021	Salary £000	Annual bonus £000	LTIP £000	Benefits £000	Pension £000	Cash allowance in lieu of pension £000	Total £000
Executive Directors:							
L Montague	339	–	–	2	20	–	361
M Williamson	190	–	–	2	–	7	199
Non-executive Directors:							
D Thompson	105	–	–	–	–	–	105
C Rogers	48	–	–	–	–	–	48
V Thakrar	48	–	–	–	–	–	48
	730	–	–	4	20	7	761

Annual bonus for the year ended 31 January 2022
The Chief Executive Officer's maximum bonus potential for the year ended 31 January 2022 was 100% of base salary and the Chief Financial Officer's maximum bonus potential was 75% of base salary, pro-rated for his time in employment. Bonus achievement was linked to performance against underlying profit targets. The portion of bonus paid was then determined based on performance against individual objectives. Based on profit growth for the year and the progress achieved against personal objectives the Committee judged that the Chief Executive Officer should receive a bonus of £190,072. The Chief Financial Officer also received a bonus of £20,000. The former Chief Financial Officer retained entitlement to a pro-rated bonus for the year based on performance and received a bonus of £57,754.

2019 LTIP award
The performance conditions for the 2019 award are based on a mixture of relative TSR performance to 21 November 2022 and targets set for the financial performance of the Company for the year ending 31 January 2022. 25% of the award is against a measurement of TSR of the Company against a comparator group of companies chosen from the retail and home goods sector, and 75% of the award is measured against targets set for the financial performance of the Company based on (i) earnings per share, (ii) revenue and (iii) free cash flow measurements, split 25% each.

The revenue performance target was not met but the earnings per share and free cash flow targets were met in full. TSR performance is assessed from the date of grant of 21 November 2019 to the third anniversary and performance will be assessed at that point. TSR performance is currently forecast to vest in full.

Directors' LTIP awards

	Date of grant	Share price at grant	Exercise price	Maximum awards at 1 February 2021	Granted in year	Exercised in year	Lapsed in year	**Maximum awards at 31 January 2022**
L Montague	21/11/2019[1]	77.0p	nil	662,337	–	–	–	**662,337**
L Montague	11/11/2020[2]	68.0p	nil	292,500	–	–	–	**292,500**
L Montague	14/06/2021[2]	175.0p	nil	–	132,454	–	–	**132,454**
M Williamson[3]	11/11/2020[2]	68.0p	nil	122,757	–	–	83,071	**39,686**
M Williamson[3]	14/06/2021[2]	175.0p	nil	–	48,177	–	42,061	**6,116**

1 In accordance with the rules of the LTIP, which were approved by shareholders at the 2015 AGM, shares awarded will vest three years after the date of grant subject to continued service and the extent to which relevant performance conditions are achieved. The performance conditions for the 2019 award are based on a mixture of compound growth in relative TSR and targets set for the financial performance of the Company for the financial year ending 31 January 2022. 25% of the award is against a measurement of TSR of the Company against a comparator group of companies chosen from the retail and home goods sector, and 75% of the award is measured against targets set for the financial performance of the Company based on (i) earnings per share, (ii) revenue and (iii) free cash flow measurements, split 25% each.

2 As noted above, the 2020 and 2021 awards were made under the restricted share plan. The performance underpins for the 2020 award are based on the adjusted underlying profit before tax*, free cash flow achieved for the relevant measurement period and continuous improvement in sustainability based on a reduction in carbon footprint and contribution to the UN Sustainable Development Goals plus there being no environmental, social or governance issues which have resulted in material reputational damage to the Company. The awards for the Executive Directors will vest in year three subject to the Company meeting the underpins outlined. If the Company fails to meet one or more of the underpins outlined, then the Committee retains the discretion to determine what level of scale back would be appropriate. Vested awards will be released 40% on 11 November 2023, 30% on 11 November 2024 and 30% on 11 November 2025. The fair value at the date of grant for this award has been determined based on the share price at the date of grant discounted by the estimated dividends payable on the shares over the relevant vesting period. The relevant fair values are 61.3p for awards vesting on 11 November 2023, 59.2p for awards vesting on 11 November 2024 and 57.2p for those vesting on 11 November 2025.

3 As noted above, the awards granted to Michael Williamson are shown pro-rated for his leaving date.

* *Underlying earnings adjusted for accounting charges relating to share-based incentives, defined benefit pension charge and non-underlying items.*

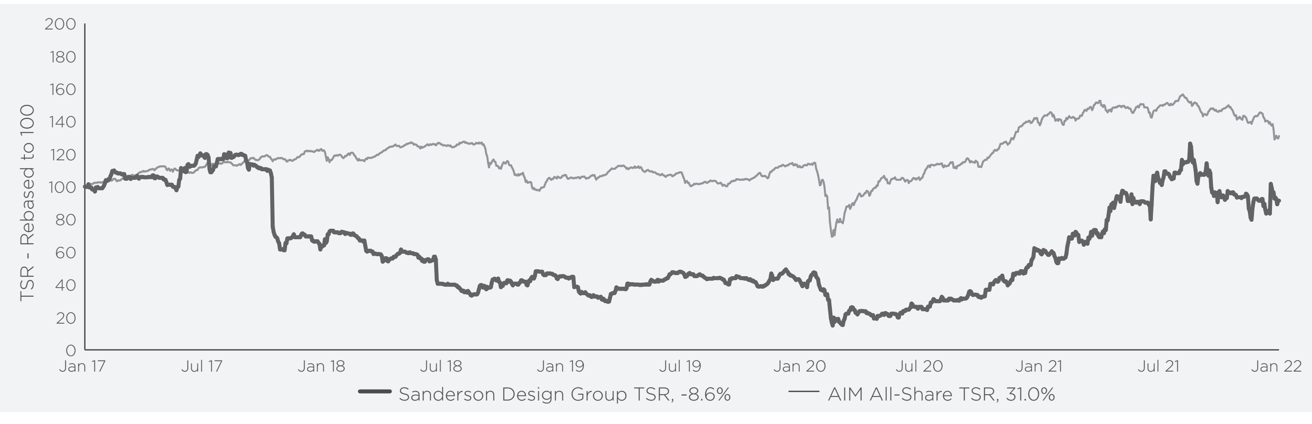
The performance underpins for the 2021 award are based on the underlying profit before tax and free cash flow achieved for the relevant measurement period and continuous improvement in sustainability based on a reduction in carbon footprint and contribution to the UN Sustainable Development Goals plus there being no environmental, social or governance issues which have resulted in material reputational damage to the Company. Subject to the achievement of underpins, the awards will vest following the end of year three, with 40% being released on 14 June 2024, 40% being released on 14 June 2025 and 20% being released on 14 June 2026.

The fair value at the date of grant for this award has been determined based on the share price at the date of grant discounted by the estimated dividends payable on the shares over the relevant vesting period. The relevant fair values are 164.5p for awards vesting on 14 June 2024, 161.1p for awards vesting on 14 June 2025 and 157.8p for those vesting on 14 June 2026.

The full financial details of the performance underpins for each award are not disclosed as they are commercially sensitive but represent outperformance against the recent historical performance of the business.

The share price reached a high of 233.5p and a low of 98.0p during the financial year ended 31 January 2022. The share price on 1 February 2021 was 109.0p, and on 31 January 2022 it was 168.0p.

Total Shareholder Return index for the five financial years ending 31 January 2022



Christopher Rogers
Chairman of the Remuneration Committee
27 April 2022

AUDIT COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Audit Committee Report for the year ended 31 January 2022.

During the year, a key area of work for the Audit Committee has been the audit tender process which resulted in the appointment of BDO LLP ('BDO'). This process was led by my predecessor, Vijay Thakrar, and I would like to thank him and my fellow members of the Committee, and also the wider finance team for their support.

The formal appointment of BDO will be proposed at the AGM, but we have been delighted with their support during the year end and look forward to developing this relationship.

During the year we also welcomed a new CFO, Mike Woodcock.

Membership
The Committee is comprised solely of independent Directors, being myself as Chairman and the other Non-executive Directors, Dianne Thompson, Christopher Rogers and Patrick Lewis. The Board is satisfied that I have significant and relevant experience to chair the Audit Committee in line with the QCA Code.

Roles and responsibilities
The role of the Committee is to support the Board in carrying out its responsibilities for oversight and governance of the Group's financial reporting, its key internal controls and risk management systems and the relationship with the external auditors. In this context, the Audit Committee's responsibilities are to:
- Monitor the integrity of the financial statements of the Company, reviewing any significant reporting issues and key judgements they contain.
- Review the clarity of disclosure and information contained in the Annual Report and Accounts.
- Challenge management on the effectiveness of the Group's internal control and risk management systems.
- Oversee the relationship with the external auditors, reviewing performance and advising the Board on their appointment, independence and remuneration.
- Monitor the statutory audit of the Annual Report and financial statements.
- Ensure appropriate arrangements are in place for individuals to raise concerns regarding breach of conduct and legal and regulatory compliance. A copy of the policy is available on the corporate intranet.

The full terms of reference for the Committee can be found on the Company's website.

Meetings
The Committee meets at least three times a year to review the external auditors' audit plan for the annual audit; the draft Annual Report and Accounts; and the Interim Report. At meetings, the findings of the external auditors are discussed and key risks are reviewed with management and the auditors, including how management are mitigating key risks.

Each meeting is attended by the Committee's members as well as, by invitation, the Executive Directors and the external auditors, where appropriate. A record of the meeting attendance at formal meetings by Committee members is set out in the Corporate Governance Report on page 54.

At each formal meeting, the Committee held a private meeting with the external auditors, without management being present, to receive feedback from them.

The Committee is kept up to date with changes to accounting standards and developments in financial reporting, company law and other regulatory matters through attendance at external technical presentations and updates from the external auditors and the Company Secretary.

The Committee undertook the following activities during the year:

Financial reporting
The Committee reviewed the Annual and Interim reports, including the significant financial reporting issues and key judgements contained therein. The Committee confirms that appropriate accounting standards have been applied and that the financial statements give a true and fair view and the disclosures made are balanced. In reaching this conclusion, the Committee gave due regard to a report prepared by the external auditors which included significant reporting and key accounting matters, summarised below.

Tax
The Committee held two annual meetings with the tax advisers, KPMG, to discuss matters relating to tax compliance, risks, governance and advisory services.

Key accounting estimates and judgements
The major accounting issues discussed by the Committee with the auditors and management in relation to the performance in the financial year to 31 January 2022 were as follows:

a. Inventory
Due to the significant quantum of stock held, there is an ongoing focus by management on inventory levels. The Group has consciously reduced its inventory level through reduction of products and number of collection launches. Inventory is discussed at both Board and Committee level. Management applies a consistent provisioning methodology with regard to the ageing of inventory. There is also an additional management judgement overlay based on specific factors. The continuing appropriateness of the provisioning methodology is tested by both management and the auditors. BDO brought to the Committee's attention errors identified in the historical inventory valuation methodology which resulted in an over-absorption of the manufacturing units' overhead costs.

The Committee reviewed the appropriateness of management's accounting in relation to each of these significant risks and agreed to management's proposed change for the cost absorption methodology of the manufacturing units. Details of this work are provided in BDO's Auditors' Report on pages 66 to 70 and the full details of the prior year adjustments are given in note 30.

b. Defined benefit pension schemes

Details of the Group's defined benefit pension plans are set out at note 22. An independent firm of pension advisers continues to work with the Group and the Trustees of the pension schemes to help manage the Group's costs going forward, while ensuring that the Group's obligations to scheme members are appropriately met.

Management also engaged a third-party actuary to assist them in the preparation of the pension accounting and financial statements disclosures. As at 31 January 2022, there was a surplus of assets over liabilities of £2.5m (FY2021: deficit of £5.6m). Management received legal advice in relation to the Pension Trust Deeds and schemes rules which concluded that the Group has an unconditional right to refund of the surplus on winding up of the pension schemes. BDO considered the recognition of the pension asset as reasonable and have reported as such in their Auditors' Report on page 66.

c. Going concern and impact of Covid-19

As set out in the Report of the Directors on page 56 and the Board decisions specific to the continuing impact of Covid-19 and the impact of the invasion of Ukraine by Russia, the Group continues to manage cash in light of these uncertainties. Management modelled various stress tested trading and cash flow scenarios, which have been shared with the auditors. These have been reviewed by the Audit Committee and the Board, and the Board's conclusion as a whole is set out in the Report of the Directors at page 56. In addition, the Committee has discussed with management and BDO appropriate disclosures relating to the Group's funding position at note 21.

d. Non-underlying income and expenses

The Committee reviewed the appropriateness of management's split of income and expenses in the Strategic Report and the financial statements between underlying and non-underlying and the relevant disclosures to provide sufficient transparency. Items that are both material or items considered to be non-operational in nature and whose nature is sufficient to warrant separate disclosure and identification as non-underlying or adjusted were discussed with the auditors. Non-underlying items typically include amounts in relation to acquisitions, unexpected external events, significant restructuring and reorganisation or material one-off accounting charges.

e. Long term incentive plans

The Committee and BDO discussed the controls around calculating the estimated costs of the Company's long-term incentive plans. BDO does not have any significant observations to report around these incentive plans.

Internal controls and risk management

Management has an ongoing process to identify, evaluate and manage the risks faced by the Group. Each business unit reports monthly on key risks identified and measures that are being taken to mitigate the risk. The Strategic Report includes further detail as to the business risks identified and actions being taken. As part of the year-end preparation, the management did a full refresh of the risk register. This included a bottom-up review of risks across all sites and areas of operation, revising or reconfirming ownership and updating mitigating actions and controls.

The Company has an established internal control framework, the key factors of which include clearly defined levels of responsibility and delegation of authority, a comprehensive monthly reporting process, monthly business performance review of actual results against budget, together with commentary on significant variances and updates of both profit and cashflow, together with a comprehensive budgeting process. All significant capital expenditure is approved by the Board.

Throughout the period, the Executive Directors provided relevant and timely financial commentary to the Board to supplement the financial reporting, ensuring the Board and Audit Committee were informed of the financial position and result of the Group.

Internal audit

The Group does not have a formal internal audit function and the Committee considers that management is able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without one.

External audit

As reported last year, the Committee decided to review the external audit appointment and conducted a competitive audit tender process. A number of firms were invited to tender, and the two shortlisted firms presented their proposals to the Board. Following careful consideration, the Audit Committee recommended the appointment of BDO to conduct the audit of the Group's financial statements for the financial year 31 January 2022, and PwC subsequently resigned.

At its meetings, the Committee had discussions with the external auditors on audit planning, fees, accounting policies, audit findings and internal controls. This included a review with the auditors and management on how management are addressing control recommendations made by the auditors. The effectiveness of the audit was assessed through the review of audit plans, reports and conclusions and through discussions with management and the external auditors.

The Audit Committee reviewed the effectiveness of BDO's performance of the external audit process taking into account the quality and scope of the audit plan, and evaluation of delivery and performance against the plan; qualifications, efficiency and performance of the audit team; the communication between the Company and BDO and BDO's understanding of the Group's business and industry sector. After considering these matters, the Audit Committee was satisfied with the effectiveness of the year end audit process and recommended to the Board that BDO should be proposed for formal appointment at the Company's AGM.

Auditor independence

To ensure auditor objectivity and independence, the Committee has adopted a policy on the engagement of external auditors for the provision of non-audit services, which include financial limits above which the Audit Committee must pre-approve. The policy is available on the website.

Any work by BDO where the fees are likely to be in excess of £10,000 above the agreed annual audit fees must be pre-approved by the Committee before the work commences. There has been no engagement of BDO for provision of non-audit services during the reporting period. Details of fees paid to BDO during the year are disclosed in note 6 of the financial statements.

The Committee has confirmed it is satisfied with the independence, objectivity and effectiveness of BDO.

Juliette Stacey
Audit Committee Chair
27 April 2022

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

OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 January 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Sanderson Design Group PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 January 2022 which comprise the Consolidated Income Statement, the Consolidated and Company Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated and Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of how the Directors undertook the going concern assessment process to determine if we considered it to be appropriate for the circumstances;
- Obtaining the Directors' trading forecasts underlying the going concern assessment and challenging the Directors on the key estimates and assumptions within the forecasts around the forecast levels of revenue, gross profit and working capital cycles, through analysis and comparison of forecasts with prior year actuals;
- Performing data verification and logic checks to confirm the mathematical accuracy of the forecast model;
- Reviewing the Directors' 'stress tested' sensitivity analysis to assess the quantum of adverse variance against forecast that could be sustained without indicating material uncertainties over the going concern assumption;
- Analysing post year end trading results compared to forecast and current year to evaluate the accuracy and achievability of forecasts; and
- Evaluating the adequacy of disclosures in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	97% of Group profit before tax	
	99% of Group revenue	
	98% of Group total assets	
Key audit matters		2022
	Inventory valuation and adequacy of inventory provision	✓
	Accounting for retirement benefit obligations	✓
Materiality	Group financial statements as a whole	
	£518,000 based on 5% of profit before tax	

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We determined that the Group had five significant components, being the UK Brands, US Brands, Anstey manufacturing and Standfast manufacturing trading divisions and the Sanderson Design Group PLC parent company. A full scope audit was performed by the Group engagement team in respect of each of the significant components and this achieved coverage of 97% of Group profit before tax, 99% of Group revenue and 98% of total Group assets.

We determined that the remaining components of the Group were not individually financially significant enough to require a full scope audit for Group purposes, however we performed specific risk-focused audit procedures in respect of cash, along with analytical procedures in order to obtain sufficient appropriate audit evidence to support our opinion on the Group financial statements as a whole.

All audit work was performed by the Group engagement team and we did not utilise component auditors.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Inventory valuation and adequacy of inventory provision (see accounting policies, critical accounting estimates and judgements in Note 3 (b), Note 16 Inventories and Note 30 Prior period adjustment)	The Group has inventory balances of £22.6m which is stated net of material inventory provisions. The provision is calculated based on a formula driven factor table including whether the inventory lines are classed as discontinued, the age of the inventory and sales history. There is management judgement in relation to the inventory provisioning methodology. Our audit testing identified errors in the inventory valuation methodology applied which resulted in an over-absorption of overhead costs and by extension an overstatement to the carrying value of inventory. This has led to a prior period adjustment to restate the comparatives (see note 30). There is a significant amount of judgement involved in determining an appropriate basis of inventory value and provision. There is also a risk of fraud through manipulation of the inventory provision. Owing to the magnitude of inventories held, and the level of estimation and judgement involved in determining both the eligibility of overheads for inclusion within inventory cost and net realisable value, we determined the valuation of inventories to be a key audit matter.	We challenged management on their original inventory costing methodology, by testing overheads absorbed into the cost of inventory and assessing whether they were directly attributable product costs. We performed audit procedures on the quantitative analysis prepared by management to assess the current and prior year overstatement of the inventory carrying value due to the over-absorption of costs. On a sample basis we substantiated the costs absorbed into stock under the revised methodology and considered the eligibility of costs included as production overheads. Our assessment was based on both the nature of the costs corroborated by supporting evidence and also a physical inspection of the manufacturing site. We verified that the adjustments to the inventory carrying value had been appropriately reflected in the financial statements, including the restatement of comparatives. We reviewed the provisioning model and tested the mathematical accuracy of the calculations and verified that the provision was being appropriately calculated in line with the factor tables. We performed data integrity tests on the model to verify that the key inputs to the calculation were appropriately derived from underlying system data. We considered the appropriateness of the provisioning methodology applied in the factor tables by quantifying exposures to inventory lines without sales in the last 12 months and inventory lines designated by management as 'obsolete'. We specifically tested that the provisioning methodology had been applied on a consistent basis year on year to mitigate the risk of manipulation of earnings. We assessed the reasonability of the provisions by performing a 'look-back' assessment which involved comparing inventory written off in the year against the prior year provision as well as inventory provisions that were written back in the current year. **Key observations:** After the prior period restatement, we consider the assumptions and methodology underpinning the inventory provision were deemed to be reasonable, and in line with the requirements of the accounting standards.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SANDERSON DESIGN GROUP PLC CONTINUED

Key audit matter		How the scope of our audit addressed the key audit matter
Accounting for retirement benefit obligations (see accounting policies, critical accounting estimates and judgements in Note 3 (a) and Note 22 Retirement benefit obligation)	The pension obligation is calculated based on actuarial estimates and assumptions related to life expectancy, discount and inflation rates, wages and salary changes, the rate of increase in pensions payments, the market value of equities bonds and other pension assets. Recognition of a defined benefit pension asset is subject to strict criteria being met and the determination that the Group has an 'unconditional right' to a refund of the pension surplus is based upon legal advice. Owing to the magnitude of both the pension assets and obligations, the level of estimation and complex judgement involved in determining the present value of funded obligations and finely balanced legal judgements involved in concluding whether an 'unconditional right' to a refund of the surplus exists, we determined accounting for retirement benefit obligations to be a key audit matter.	**Pension assets** We performed testing of the assets, that are predominantly included in Pooled Investment Vehicles ('PIVs') by: – Obtaining controls reports relating to the asset fund manager and asset custodian and reading those reports to understand the controls in place over the rights and custody, valuation and information management, and to identify any control findings; and – Obtaining direct confirmation of the assets held. We reviewed the legal advice received by management establishing that the Group did have an 'unconditional right' to a refund of the surplus and considered this by reference to the schemes' Trust Deeds. We verified that recognition of the pension asset in the circumstances described was supported by authoritative accounting literature. **Pension obligation** We assessed the competence, capabilities and objectivity of the actuary used by management to assist them in valuing the pension obligation. With the assistance of an actuary, whom we engaged as an 'auditor's expert', we tested the actuarial assumptions applied in valuing pension obligations. We understood and challenged the appropriateness of management's assumptions used in calculating the liability by benchmarking key assumptions to available industry data and reviewed the consistency of the nature of these assumptions with the prior year. We confirmed the final assumptions applied are consistent and within a reasonable range. We performed tests to verify employer contributions made during the year and agreed scheme membership data to the latest audited pension scheme financial statements. **Key observations:** The assumptions applied in valuing the present value of funded obligations were found to be reasonable. Recognition of the pension asset was considered to be appropriate based on legal advice received concerning the application of the scheme rules in a wind-up situation.

Our application of materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements 2022 £000	Parent Company financial statements 2022 £000
Materiality	518	259
Basis for determining materiality	5% of profit before tax	0.5% of total assets capped at 50% of Group materiality
Rationale for the benchmark applied	Profit before tax is considered to be the key driver of the Group's value and is considered to be the measure of most importance to the shareholders.	Total assets was considered to be the most appropriate benchmark as the principal activity of the Parent Company is a holding company. The materiality of the Parent Company was capped at a percentage of Group materiality to respond to aggregation risk.
Performance materiality	343	168
Basis for determining performance materiality	Set at 65% of materiality. A lower threshold has been applied in recognition of this being the first year we have audited the Group.	Set at 65% of materiality. A lower threshold has been applied in recognition of this being the first year we have audited the Parent Company.

Component materiality

We set materiality for each component of the Group based on a percentage of between 39% and 73% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £201,000 to £378,000. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £20,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report	In our opinion, based on the work undertaken in the course of the audit: – the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and – the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: – adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or – the Parent Company financial statements are not in agreement with the accounting records and returns; or – certain disclosures of Directors' remuneration specified by law are not made; or – we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SANDERSON DESIGN GROUP PLC CONTINUED

Responsibilities of Directors
As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included, but were not limited to compliance with the Companies Act 2006, the AIM listing rules, the principles of the Quoted Companies Alliance Corporate Governance Code and the applicable accounting framework.

We focused on areas that could give rise to a material misstatement, including fraud in the Group financial statements which, alongside the key audit matter relating to inventory valuation, included a fraud risk in relation to revenue recognition particularly in the period before year end, the costs capitalised as collection design costs, and the risk of management override of controls. Our testing included:

- enquiries of management and those charged with governance of known or suspected non-compliance with laws and regulations or fraud in the period and other unusual transactions. We corroborated our enquiries through a review of minutes of Board meetings throughout the year;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- challenge of key estimates and judgements, including those applied to key audit matters by management in the financial statements to test that they are free from management bias;
- identifying and testing to supporting documentation, a sample of journal entries for the following journal types:
  - any journals outside of the normal course of business or indicative of manipulation of the financial statements;
  - all journals posted to revenue to ascertain if any unusual transactions exist which are outside the normal course of business; and
  - any manual or late journals posted at a consolidated level;
  - performing, amongst others, the following revenue tests:
    - review of the revenue nominal accounts for any unusual transactions;
    - testing a sample of transactions posted to the nominal ledger in January 2022 to check that revenue had been recorded in the correct period;
    - review of the elimination of intra-group revenue and associated unrealised profit within inventories at consolidation level; and
    - review of transfer prices applied on a sample of intra-group revenue transactions to verify that arm's length prices had been applied;
- verification, on a sample basis, of costs capitalised as collection design costs to ensure that the relevant recognition criteria had been met and costs were not being capitalised to manipulate reported earnings;
- consideration of management's assessment of related parties and any unusual transactions and evaluating the process for identifying and monitoring any such transactions; and
- consideration of the total unadjusted audit differences for indications of bias or deliberate misstatement.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gareth Singleton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK

27 April 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 JANUARY 2022

	Note	2022 Total £000	(restated) 2021 Total £000
Revenue	4	**112,200**	93,760
Cost of sales		**(38,365)**	(36,855)
Gross profit		**73,835**	56,905
Net operating expenses:			
Distribution and selling expenses		**(25,052)**	(19,129)
Administration expenses		**(42,796)**	(36,502)
Other operating income	5	**4,342**	3,822
Profit from operations	4–6	**10,329**	5,096
Finance income		**184**	139
Finance costs		**(154)**	300
Net finance income/(costs)	7	**30**	(161)
Profit before tax		**10,359**	4,935
Tax expense	10	**(2,600)**	(1,109)
Profit for the year attributable to owners of the parent		**7,759**	3,826
Earnings per share – Basic	11	**10.93p**	5.39p
Earnings per share – Diluted	11	**10.80p**	5.27p
Adjusted earnings per share – Basic*	11	**13.75p**	7.89p
Adjusted earnings per share – Diluted*	11	**13.59p**	7.71p

All of the activities of the Group are continuing operations.

The notes on pages 76 to 106 form an integral part of the consolidated financial statements.

Note 30 explains the effect of the prior year restatement for the year ended 31 January 2021.

A credit of £139,000 relating to unwind of discount on minimum guaranteed licensing income was presented as part of interest expense in the prior year. The comparative has been represented to aid comparability.

* These are alternative performance measures as defined in the Glossary on page 119.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 JANUARY 2022

	Note	**2022 £000**	(restated) 2021 £000
Profit for the year		**7,759**	3,826
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension schemes	22	**6,492**	(1,565)
Deferred tax (charge)/credit relating to pension schemes	15	**(1,233)**	297
Total items that will not be reclassified to profit or loss		**5,259**	(1,268)
Items that may be reclassified subsequently to profit or loss			
Currency translation gains/(losses)		**70**	(301)
Other comprehensive income/(expense) for the year, net of tax		**5,329**	(1,569)
Total comprehensive income for the year attributable to the owners of the parent		**13,088**	2,257

The notes on pages 76 to 106 form an integral part of the consolidated financial statements.

Note 30 explains the effect of the prior year restatement for the year ended 31 January 2021.

CONSOLIDATED BALANCE SHEET

AS AT 31 JANUARY 2022

	Note	2022 £000	(restated) 31/01/2021 £000	(restated) 01/01/2020 £000
Non-current assets				
Intangible assets	12	**26,979**	28,325	29,815
Property, plant and equipment	13	**11,258**	12,061	14,101
Right-of-use assets	14	**3,923**	5,783	8,392
Retirement benefit surplus	22	**2,577**	–	–
Minimum guaranteed licensing receivables	18	**1,619**	1,222	1,455
		46,356	47,391	53,763
Current assets				
Inventories	16	**22,652**	19,633	27,819
Trade and other receivables	17	**16,792**	15,885	18,593
Minimum guaranteed licensing receivables	18	**879**	1,221	495
Cash and cash equivalents	19	**19,050**	15,549	3,055
		59,373	52,288	49,962
Total assets		**105,729**	99,679	103,725
Current liabilities				
Trade and other payables	20	**(20,115)**	(20,472)	(22,940)
Lease liabilities	14	**(1,983)**	(2,676)	(2,810)
Borrowings	21	**–**	(412)	(1,719)
		(22,098)	(23,560)	(27,469)
Net current assets		**37,275**	28,728	22,493
Non-current liabilities				
Lease liabilities	14	**(1,920)**	(3,206)	(5,603)
Deferred income tax liabilities	15	**(1,998)**	(514)	(802)
Retirement benefit obligation	22	**–**	(5,637)	(5,659)
		(3,918)	(9,357)	(12,064)
Total liabilities		**(26,016)**	(32,917)	(39,533)
Net assets		**79,713**	66,762	64,192
Equity				
Share capital	24	**710**	710	710
Share premium account		**18,682**	18,682	18,682
Foreign currency translation reserve		**(796)**	(866)	(565)
Retained earnings		**20,610**	7,729	4,858
Other reserves		**40,507**	40,507	40,507
Total equity		**79,713**	66,762	64,192

A third consolidated balance sheet as at 1 February 2020 has been shown above to show the effect of the prior year restatement as detailed in note 30. Minimum guaranteed licensing receivables is analysed into current and non-current assets as detailed in note 18.

The financial statements on pages 76 to 106 were approved by the Board of Directors on 27 April 2022 and signed on its behalf by

Lisa Montague
Director

Mike Woodcock
Director

Registered number: 61880

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 JANUARY 2022

	Note	2022 £000	(restated) 2021 £000
Profit before tax		**10,359**	4,935
Defined benefit pension charge	22	**487**	531
Net finance (income)/costs		**(30)**	161
Depreciation and impairment of property, plant and equipment and right-of-use assets		**5,065**	5,697
Amortisation		**1,725**	1,735
Loss on disposal of fixed assets		**–**	72
Share-based payment charge		**253**	294
Unrealised foreign exchange losses/(gains)		**468**	(52)
Forgiveness of a loan into a grant		**(412)**	–
Defined benefit pension cash contributions	22	**(2,209)**	(2,118)
Cash generated from operating activities		**15,706**	11,255
Changes in working capital:			
(Increase)/decrease in inventories		**(3,018)**	8,186
(Increase)/decrease in trade and other receivables		**(669)**	2,310
Increase/(decrease) in trade and other payables		**716**	(3,529)
Cash generated from operations		**12,735**	18,222
Corporation tax paid		**(3,754)**	(23)
Net cash generated from operating activities		**8,981**	18,199
Cash flows from investing activities			
Interest received		**5**	1
Purchase of intangible assets	12	**(379)**	(245)
Purchase of property, plant and equipment	13	**(1,750)**	(830)
Proceeds from disposal of property, plant and equipment		**–**	75
Net cash used in investing activities		**(2,124)**	(999)
Cash flows from financing activities			
Payment of lease liabilities	14	**(2,686)**	(2,958)
Interest paid		**(76)**	(279)
Proceeds from borrowings		**–**	412
Dividends paid to Company's shareholders	26	**(532)**	–
Net cash used in financing activities		**(3,294)**	(2,825)
Net increase in cash and cash equivalents		**3,563**	14,375
Cash and cash equivalents at beginning of year		**15,549**	1,336
Effect of exchange rate fluctuations on cash held		**(62)**	(162)
Cash and cash equivalents at end of year		**19,050**	15,549

The notes on pages 76 to 106 form an integral part of the consolidated financial statements.

Note 30 explains the effect of the prior year restatement for the year ended 31 January 2021.

Interest paid was presented as part of net cash generated from operations in the prior year. The comparative has been represented to aid comparability.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 JANUARY 2022

	Attributable to owners of the parent			Other reserves			
	Share capital (note 24) £000	Share premium account £000	(restated) Retained earnings £000	Capital reserve (note 25) £000	Merger reserve £000	Foreign currency translation reserve £000	(restated) Total equity £000
Balance at 1 February 2020 as previously stated	710	18,682	5,495	43,457	(2,950)	(565)	64,829
Prior period restatement (note 30)	–	–	(637)	–	–	–	(637)
Balance at 1 February 2020 as restated	710	18,682	4,858	43,457	(2,950)	(565)	64,192
Profit for the year	–	–	3,826	–	–	–	3,826
Other comprehensive income/(expense):							
Remeasurements of defined benefit pension schemes (note 22)	–	–	(1,565)	–	–	–	(1,565)
Deferred tax relating to pension scheme liability (note 15)	–	–	297	–	–	–	297
Currency translation differences	–	–	–	–	–	(301)	(301)
Total comprehensive income/(expense):	–	–	2,558	–	–	(301)	2,257
Transactions with owners, recognised directly in equity:							
Dividends	–	–	–	–	–	–	–
Long-term incentive plan charge	–	–	294	–	–	–	294
Related tax movements on long-term incentive plan (note 15)	–	–	19	–	–	–	19
Balance at 31 January 2021	710	18,682	7,729	43,457	(2,950)	(866)	66,762

	Attributable to owners of the parent			Other reserves			
	Share capital (note 24) £000	Share premium account £000	(restated) Retained earnings £000	Capital reserve (note 25) £000	Merger reserve £000	Foreign currency translation reserve £000	(restated) Total equity £000
Balance at 1 February 2021 as previously stated	**710**	**18,682**	**8,446**	**43,457**	**(2,950)**	**(866)**	**66,762**
Prior period restatement (note 30)	–	–	(717)	–	–	–	(717)
Balance at 1 February 2020 as restated	710	18,682	7,729	43,457	(2,950)	(866)	67,479
Profit for the year	–	–	7,759	–	–	–	7,759
Other comprehensive income/(expense):							
Remeasurements of defined benefit pension schemes (note 22)	–	–	6,492	–	–	–	6,492
Deferred tax charge relating to pension scheme assets (note 15)	–	–	(1,233)	–	–	–	(1,233)
Currency translation differences	–	–	–	–	–	70	70
Total comprehensive income/(expense):	**–**	**–**	**13,018**	**–**	**–**	**70**	**13,088**
Transactions with owners, recognised directly in equity:							
Dividends (note 26)	–	–	(532)	–	–	–	(532)
Long-term incentive plan charge	–	–	253	–	–	–	253
Related tax movements on long-term incentive plan (note 15)	–	–	142	–	–	–	142
Balance at 31 January 2022	**710**	**18,682**	**20,610**	**43,457**	**(2,950)**	**(796)**	**79,713**

Note 30 explains the effect of the prior year restatement for the year ended 31 January 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES AND GENERAL INFORMATION

General information

Sanderson Design Group PLC ('the Company') and its subsidiaries (together 'the Group') is a luxury interior furnishing group whose brands include Morris & Co., Sanderson, Zoffany, Clarke & Clarke, Harlequin, Scion and Archive by Sanderson Design. The brands are targeted at the mid to upper end of the premium market. They have worldwide distribution including prestigious showrooms at Chelsea Harbour, London and the D&D Building, Manhattan, New York. Part of the Brand's inventory is sourced in-house from the Group's own specialist manufacturing facilities of Standfast & Barracks, the fabric printing business situated in Lancaster, and Anstey Wallpaper Company, situated in Loughborough. The manufacturing businesses produce for other interior furnishing businesses both in the UK and throughout the world. The Company is a public limited company which is listed on the Alternative Investment Market of the London Stock Exchange and is registered, domiciled and incorporated in the UK. The Company registration number is 61880 and the address of its registered office is Chalfont House, Oxford Road, Denham, UB9 4DX.

Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into the law in the UK and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted international accounting standards in its consolidated financial statements on 1 January 2021. There was no impact or changes in accounting from the transition. The consolidated financial statements have been prepared under the historical cost convention, except for those assets and liabilities measured at fair value, as described in the accounting policies. The accounting policies set out below have been consistently applied to all periods presented unless otherwise indicated.

Going concern

In the context of the continuing Covid-19 outbreak and the impact of the invasion of Ukraine by Russia, the Board of Sanderson Design Group PLC has undertaken an assessment of the ability of the Group and Company to continue in operation and meet its liabilities as they fall due over the period of its assessment. In doing so, the Board considered events throughout the period of their assessment from the date of signing of the report to 31 January 2024, including the availability and maturity profile of the Group's financing facilities and covenant compliance. These financial statements have been prepared on the going concern basis which the Directors consider appropriate for the reasons set out below.

The Group funds its operations through cash generated by the Group and has access to a £12.5m Revolving Credit Facility ('RCF') which is linked to two covenants. These covenants are tested quarterly at 30 April, 31 July, 31 October and 31 January each year until the debt matures in October 2024. Throughout the financial year and up to the date of this report the Company has met all required covenant tests and maintained headroom of well over £5m. The total headroom of the Group at 31 January 2022 was £31.6m (2021: £30.5m), including cash and cash equivalents of £19.1m and the committed facility of £12.5m. The Group has also access to an uncommitted accordion facility of £5.0m with Barclays. The Group had ended a temporary overdraft facility of £2.5m with Barclays during the financial year.

In assessing going concern management has taken account of the uncertainties caused by Covid-19 and the war in Ukraine. A Management Base Case ('MBC') model has been prepared, together with alternative stress tested scenarios, given the uncertainty regarding the impact of Covid-19 (including variants, further waves of the virus, disruption to supply chain and inflationary pressures) and the Ukraine war (including impact of sanctions, duration of war and inflationary pressures). These scenarios indicate that the Company retains adequate headroom against its borrowing facilities and bank covenants for the foreseeable future.

There remain significant uncertainties concerning the future effects of Covid-19 in terms of variants and the possible escalation of the Russian invasion to other Eastern European countries. The actual results which will be reported will be undoubtedly different from the MBC and other scenarios modelled by the Company. In the event that there are significant negative variations from the MBC, management would act decisively, as they have done in the last year, to protect the business, particularly its cash position. Having considered all of the comments above the Directors consider that the Group and the Company have adequate resources to continue trading for the foreseeable future and will be able to continue operating as a going concern for a period of at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Adoption of new and revised accounting standards and interpretations

On 31 December 2020 EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. This change has no impact on the preparation of the financial statements. No new standards and interpretations issued and effective for the year have had any significant impact on the preparation of the financial statements.

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and all its subsidiaries made up to the year end date. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

Subsidiary undertakings are all entities over which the Company has control. Control is achieved when the Company has the power over the entity; is exposed, or has rights to, variable returns from its involvement with the entity; and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of these three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Subsidiary undertakings acquired during the year are recorded using the acquisition method of accounting and their results are included from the date of acquisition. The separable net assets, including property, plant and equipment and intangible assets, of the newly acquired subsidiary undertakings are incorporated into the consolidated financial statements on the basis of the fair value as at the effective date of control. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

At the time of the Group formation, the acquisition of the trading subsidiaries was achieved principally by way of share for share exchange transactions. The Group determined an accounting policy based on the pooling of interest method provided the most relevant, reliable and representative accounting treatment, which reflected the economic substance of the transaction. In applying this policy when preparing the Group financial statements, the extent the carrying value of the assets and liabilities acquired is different to the cost of investment, the difference is recorded in equity within the merger reserve in the statement of financial position. Under this method, the results of the Group entities were combined from the beginning of the comparative presented as though the combining entities had always been part of the same group. Comparatives were restated on a combined basis and adjustments made as necessary to achieve consistency of accounting principles.

The Employee Benefit Trust ('EBT') controlled by the Group is also included by consolidation. Until shares held by the EBT vest unconditionally in and are transferred to employees, the consideration paid for those shares is deducted from equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of shares, including transfers to and from treasury shares. Dividends receivable on shares held by the EBT are excluded from the Income Statement and are excluded from amounts recognised as dividends payable by the Group.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

The financial statements of the Company as an entity are prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006 and are presented separately from the consolidated financial statements (pages 107 to 118).

Revenue
The Group derives its revenue principally from the following:
- Manufacturing sales. These comprise the sale of wallpaper and fabrics to Brands and third-party customers.
- Brand sales. Sale of home furnishings e.g. wallpaper, fabrics and ancillary interior products.
- Licensing arrangements. These comprise a combination of both minimum guaranteed incomes and time and sales-based royalties receivable from Licensing Partners under contracts for the licensing of our products and designs.

Revenue comprises sales of goods to customers outside the Group less an appropriate deduction for actual and expected returns, discounts and volume-related rebates, and is stated net of value added tax and other sales taxes. Revenue is recognised when performance obligations are satisfied and goods are delivered to our franchise partners or the customer and the control of goods is transferred to the buyer. Online sales are recognised when items are delivered, as this is when the performance obligation is deemed to have been satisfied.

Deposits received from customers in advance of the delivery of goods or services are recognised as deferred revenue. Revenue and cost of sales are adjusted for expected returns values, which are estimated on historical returns experience. A refund liability is recognised within 'trade and other payables', and the asset to be recovered is recognised within stock. The validity of the historical data and assumptions and estimates are assessed at each reporting date.

Licensing contracts give rise to performance-based variable consideration. Income dependent on the performance of the third-party operations is recognised when it is highly probable that a significant reversal in the amount of income recognised will not occur. Fixed minimum guaranteed income amounts receivable under single-year or multi-year licensing agreements from Licensing partners are recognised from the point the licence and hence control has transferred to the licensee, provided there are no further performance obligations to fulfil, and the recoverability of the income is deemed highly probable. The income is recognised as revenue and accrued income reduces as the balance is settled when an invoice is issued upon delivery of the performance obligations.

Carriage costs relating to the delivery of the supply of goods, are classified within 'revenue' as these are contractual sales of distinct services with a separate performance obligation from which consideration is received.

Consideration received or expenses relating to marketing materials and additional services to support the sale of the Group's core products are classified within 'Other operating income'.

Foreign currencies
For the purpose of the consolidated financial statements, the results and financial position are expressed in sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Transactions in foreign currencies, which are those other than the functional currency of the Company, are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at the Balance Sheet date. All unhedged exchange differences are recognised in the Income Statement for the period within administration expenses.

The assets and liabilities of the Group's overseas subsidiaries on consolidation are translated at the rates of exchange ruling at the Balance Sheet date. The income and expenses are translated at the weighted average rate during the period. Differences on translation are recognised in a separate foreign currency translation reserve within equity.

Intangible assets – *Goodwill*
Goodwill arising on acquisition of subsidiaries is initially measured at cost, being the excess of the fair value of the consideration for the acquisition, which includes the amount of any non-controlling interest recognised, over the Group's interest in the net fair value of the acquired entity's identifiable assets and liabilities and any non-controlling interest in the acquiree at the date of acquisition.

Goodwill is not amortised, but reviewed for impairment annually; any impairment is recognised immediately in the Income Statement and is not subsequently reversed. If a significant event occurs that may affect the carrying value of goodwill, an impairment review will be carried out. No such events have occurred in the current or previous financial year. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The measurement basis for goodwill is cost less accumulated impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

1. ACCOUNTING POLICIES AND GENERAL INFORMATION continued
On disposal of a subsidiary or cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets – *Arthur Sanderson and William Morris Archive*
The Arthur Sanderson and William Morris Archive comprises an historical record of unique designs that can be used at any point going forward and is regularly used to generate a significant royalty income in the business. The Directors believe that the Archive has an indefinite useful life and is therefore not subject to amortisation. The carrying value of this asset is reviewed annually and provision made for any impairment in the carrying value if required. If a significant event occurs that may affect the carrying value of the Archive, an additional impairment review will be carried out. No such events have occurred in the current or previous financial year. The measurement basis used for the Archive is historical cost less accumulated impairment.

Intangible assets – *Software*
Acquired computer software licences are capitalised at the cost incurred to bring the asset into use, including where relevant directly attributable internal costs incurred in preparing the software for operation. The costs are amortised to their estimated residual value, over their estimated useful life, which range from three to ten years on a straight-line basis. Software amortisation commences when the asset goes into operational use by the business. The measurement basis used for software is cost less accumulated amortisation and impairment.

Intangible assets – *Collection design*
Research expenditure is recognised as an expense as incurred. Costs incurred on development projects relating to the design of new collections are recognised as intangible assets when the following criteria are fulfilled:
- It is technically feasible to complete the new collection so that it will be available for use or sale.
- Management intends to complete the new collection and use it or sell it.
- There is an ability to use or sell the new collection.
- It can be demonstrated how the new collection will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the new collection are available.
- The expenditure attributable to the new collection during its development can be reliably measured.

Any costs relating to design of new collections that do not meet these criteria are recognised as an expense as incurred. Any such costs recognised as an expense in previous periods are not recognised as an asset in a subsequent period. Capitalised collection design costs are recognised as intangible assets and are amortised to their estimated residual value which is 25% of their historical cost, on a straight-line basis over the life of the asset, and are tested for impairment if any impairment trigger events are identified in accordance with IAS 36. The measurement basis used for Collection design is cost less accumulated amortisation and impairment.

Intangible assets – *Brands*
Brands acquired, separately or as part of a business combination, are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied. Strategic brands are well-known international/local brands with a strong market position and an established brand name. Strategic brands have a finite useful economic life and are carried at cost less accumulated amortisation. Brands are amortised on an individual straight-line basis over the estimated useful life of the brands, being 20 years.

Intangible assets – *Customer-related intangibles*
Customer-related intangibles are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied. If the amounts are not material, these are included in the brand valuation. The relationship between brands and customer-related intangibles is carefully considered so that brands and customer-related intangibles are not both recognised on the basis of the same cash flows.

Customer-related intangibles acquired as part of a business combination are valued at fair value. Customer-related intangibles acquired separately are measured at cost. Customer-related intangibles are amortised on a straight-line basis over the remaining useful life of the customer relationships, currently being six years.

Property, plant and equipment
Property, plant and equipment are stated at historical cost less accumulated depreciation and any recognised impairment loss. Historical cost comprises the purchase price and costs directly incurred in bringing the asset into use. The assets' residual values and useful lives are reviewed annually and adjusted, if appropriate, at each Balance Sheet date.

Depreciation is charged on a straight-line basis on the original costs (excluding freehold land) after deduction of any estimated residual value. The principal annual rates are:

Freehold buildings	2%
Leasehold improvements	Over the length of the lease
Plant, equipment and vehicles	Between 5% and 33%
Computer hardware	33%

Government grants received for property, plant and equipment are included within other payables and deferred revenue and released to the Income Statement over the life of the asset.

Impairment of non-financial assets
Intangible assets with finite useful lives and property, plant and equipment are tested for impairments if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. When an impairment test is conducted, the recoverable amount is assessed by reference to the higher of the value in use (net present value of expected future cash flows of the relevant cash-generating unit), or the fair value less cost to sell.

Goodwill and other intangible assets with an indefinite useful life are tested for impairment at least annually.

If a cash-generating unit is impaired, provision is made to reduce the carrying amount of the related assets to their estimated recoverable amount. Impairment losses are allocated firstly against goodwill, and secondly on a pro rata basis against intangible and other assets.

Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, on a first-in, first-out basis, and direct labour, plus attributable production overheads based on a normal level of activity. Net realisable value is based on estimated selling prices less anticipated costs of disposal. Provision is made for any slow-moving and obsolete inventory. Inventories include marketing materials consisting of patterning books and other saleable marketing assets used to support the sale of the Group's products.

Financial assets and liabilities – *measurement basis*
Financial assets and liabilities are recognised on the date on which the Group becomes a party to the contractual provisions of the instrument giving rise to the asset or liability. Financial assets and liabilities are initially recognised at fair value plus transaction costs and are continually reviewed for impairment going forward. Any impairment of a financial asset is charged to the Income Statement when incurred. Financial assets are derecognised when the Group's rights to cash inflows from the asset expire; financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expired.

Non-derivative financial assets are classified as either amortised cost or fair value through profit and loss. This category includes:

- 'Trade and other receivables' and 'minimum guarantee licensing receivables' – these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides goods directly to a customer, or advances money, with no intention of trading the loan or receivable. Trade receivables are recognised initially at the amount of consideration that is unconditional. Subsequent to initial recognition, loans and receivables are included in the Balance Sheet at amortised cost using the effective interest method less any amounts written off to reflect impairment, with changes in the carrying amount recognised in the Income Statement within distribution and selling or administration expenses. The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 January 2022 or 31 January 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. We use historical credit loss experience for trade receivables to estimate the lifetime expected credit losses as relevant. We apply specific fixed provision rates depending on the number of days that a receivable is past due. We group historical credit loss experience for different customer segments being customer rating and type of customer. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the Income Statement within distribution and selling expenses. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against distribution and selling expenses in the Income Statement.
- 'Cash and cash equivalents' – these comprise deposits with an original maturity of three months or less with banks and financial institutions, bank balances, bank overdrafts with the right of offset and cash in hand.

The Group's non-derivative financial liabilities are classified as 'Other liabilities'. Other liabilities are financial liabilities with fixed or determinable payments that are not quoted in an active market. They arise when the Group receives goods or services directly from a payable or supplier, or borrows money, with no intention of trading the liability. This category includes:

- 'trade and other payables' – these are typically non-interest bearing and following initial recognition are included in the Balance Sheet at amortised cost using the effective interest method;
- 'bank loans and overdrafts' – these are initially recorded at fair value based on proceeds received net of issue costs and subsequently held at amortised cost using the effective interest method; and
- 'borrowings' – these are recorded initially at the fair value, net of direct issue costs, and are subsequently stated at amortised cost. Finance charges, including premiums payable on settlement, or redemption and direct issue costs, are accounted for in the Income Statement, using the effective interest method, and are included within the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Borrowing costs are capitalised as an increase to the carrying value of software or property, plant and equipment on major projects where their impact is material.

Cash and cash equivalents
Cash and cash equivalents represent only liquid assets with original maturity of 90 days or less. Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts that cannot be offset against other cash balances are shown within borrowings in current liabilities on the Balance Sheet.

For the purposes of the Cash Flow Statement it is the Group's policy to classify interest received within 'cash flows from investing activities' and interest paid within 'cash flows from operating activities'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

1. ACCOUNTING POLICIES AND GENERAL INFORMATION continued

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Leases

Definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

Lessee accounting

At the lease commencement date, a right-of-use asset is recognised for the leased item with a corresponding lease liability for any payments due. The right-of-use asset is initially measured at cost, being the present value of the lease payments paid or payable (net of any incentives received from the lessor), plus any initial direct costs and/or restoration costs.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the asset's useful life or the end of the lease term. The lease term is the non-cancellable period of the lease plus any periods for which the Group is 'reasonably certain' to exercise any extension options. If right-of-use assets are considered to be impaired, the carrying value is reduced accordingly.

For assets where the lessor transfers ownership of the underlying asset to the Group by the end of the lease term, or where the lease contains a purchase option at a nominal/notional value, then these assets will be initially classified as property, plant and equipment, and subsequently be depreciated in accordance with the depreciation policy.

The lease liability is initially measured at the value of future lease payments, discounted using the interest rate implicit in the lease. Where this rate is not determinable, the Group's incremental borrowing rate is used, which is then adjusted to reflect an estimate of the interest rate the Group would have to pay to borrow the amount necessary to obtain an asset of similar value, in a similar economic environment, and with similar terms and conditions.

After initial recognition, the lease liability is recorded at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate (e.g. an inflation related increase) or if the Group's assessment of the lease term changes. Any change in the lease liability as a result of these changes also results in a corresponding change in the recorded right-of-use asset. Payments in respect of short-term and/or low-value leases continue to be charged to the income statement on a straight-line basis over the lease term.

Employee benefits – *retirement benefit obligations*

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit retirement schemes, the funding of benefits is determined using the projected unit credit method, with full actuarial valuations being carried out triennially.

The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised service cost, and as reduced by the fair value of the scheme assets. Any asset resulting from this calculation is limited to past service cost, plus present value of available refunds and reductions in future contributions to the plan.

The defined benefit obligation is calculated annually by qualified independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

Scheme expenses met by the Group, expected returns on plan assets, and interest on pension scheme liabilities are classified within 'Net defined benefit pension charge' within the Income Statement as the scheme is now closed to future accruals.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the period in which they occur. They are recognised outside the Income Statement and presented in the Statement of Comprehensive Income.

Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the benefits become vested.

Employee benefits – *share-based payments under Long-Term Incentive Plans ('LTIP')*

The Group issues equity-settled share-based payments to certain employees which must be measured at fair value and recognised as an expense in the Income Statement with a corresponding increase in equity.

The fair values of these payments are measured at the date of grant, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become conditionally entitled to the awards, subject to the Group's estimate of the number of awards which will lapse, either due to employees leaving the Group prior to vesting or due to non-market based performance conditions not being met.

The total amount recognised in the Income Statement as an expense is adjusted to reflect the actual number of awards that vest. National insurance contributions related to the awards are recognised as an expense in the Income Statement with a corresponding liability on the Balance Sheet.

Employee benefits – *short-term bonus plans*
The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Provisions for liabilities and charges
Provisions are required for restructuring costs and employment related benefits when the Group has a present legal or constructive obligation at the reporting date as a result of a past event and it is probable that settlement will be required of an amount that can be reliably estimated.

Other provisions reflect the Directors' best estimate of future obligations relating to legal claims and litigation, together with dilapidation costs for the maintenance of leasehold properties arising from past events such as lease renewals and terminations. These estimates are reviewed at the reporting date and updated as necessary.

Share capital
Ordinary shares are classified as equity. Costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds. Dividend distribution is set by the Board on a regular basis so long as sufficient funds are available.

Share premium
Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares
Consideration paid, including any directly attributable incremental costs (net of income taxes) on the purchase of the Company's equity share capital (treasury shares), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity shareholders. The EBT is treated as an agent of the Group and, as such, EBT transactions are treated as being those of the Group.

Taxation including deferred income tax
The tax expense represents the sum of the current tax and deferred tax charges or credits.

Current tax is based on the taxable profit for the year. Taxable profits differs from the net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date. Current tax includes withholding taxes from sales and licensing income in overseas territories.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

IAS 12 'Income taxes' requires that the measurement of deferred tax should have regard to the tax consequences that would follow from the manner of expected recovery or settlement at the Balance Sheet date of the carrying amount of its assets and liabilities. In calculating its deferred tax liability the Group's policy is to regard the depreciable amount of the carrying value of its property, plant and equipment to be recovered through continuing use in the business, unless included within assets held for resale, where the policy is to regard the carrying amount as being recoverable through sale.

Deferred tax assets are recognised only to the extent it is probable that future taxable profits will be available against which temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax relating to retirement benefit obligations is recognised in equity where the tax relief arises from contributions paid to fund deficits arising in previous periods that were recognised in equity.

A deferred tax asset is recognised relating to share-based payments equal to the intrinsic value (market price at the year-end less the exercise price). Deferred tax is recognised in profit and loss based on the temporary difference between the tax base of the fair value of the employee's services received in the year. The amount recognised in equity is the excess deduction based on the difference between the intrinsic value and the cumulative fair value of share-based payments recognised in profit and loss.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

1. ACCOUNTING POLICIES AND GENERAL INFORMATION continued

Segmental reporting

The Group is a designer, manufacturer and distributor of furnishings, fabrics and wallpaper and manages its operations as two reportable segments, which are Brands and Manufacturing.

Reportable segments consist of one or more operating segments. Aggregation of operating segments into reportable segments occurs when aggregation criteria, as laid down in IFRS 8 'Operating Segments' are satisfied, including similar economic characteristics or when operating segments are less than the quantitative limits as laid down in IFRS 8.

The Group considers its Chief Operating Decision Maker ('CODM') to be the Board of Directors, who are responsible for the allocation of resources and assessing performance of the operating segments.

Interest received

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out at Board level under policies approved by the Board of Directors. Executive Directors identify, evaluate and where appropriate hedge financial risks in close cooperation with the Group's operating units.

a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the euro. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group's policy is, where possible, to allow the Group's entities to settle liabilities in their functional currency with the cash generated from their operations in that currency. Where the Group's entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere in the Group.

For the year ended 31 January 2022, the average sterling to US dollar translation rate applied by the Group was £1:US$1.38. If the rate had been £1:US$1.28 with all other variables held constant, profit before tax would have been higher by £339,000. If the rate had been £1:US$1.48 with all other variables held constant, profit before tax would have been lower by £293,000.

For the year ended 31 January 2022, the average sterling to euro translation rate applied by the Group was £1:€1.19. If the rate had been £1:€1.09 with all other variables held constant, profit before tax would have been higher by £36,000. If the rate had been £1:€1.29 with all other variables held constant, profit before tax would have been lower by £30,000.

The sensitivities tested above reflect movements in the foreign currency exchange rates over the financial year. The sensitivity of movements in other currencies is not considered material to the performance of the Group.

b) Interest rate risk

As the Group has no significant interest bearing assets, its revenue and cash generated from operations are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's borrowings at variable rate are denominated in either sterling or euros. The Group regularly analyses its interest rate exposure, calculating the impact on profit and loss of a defined interest rate shift. Based on the calculations the Board considers refinancing, renewal of existing positions, alternative financing and hedging. The Group has not felt there has been a requirement during the current or previous financial year to enter into any of these options.

In October 2019, the Group renewed its multi-currency revolving credit facility with Barclays Bank plc for a further five-year period. Variable interest rates were negotiated on all the loans. The Board continues to monitor the interest rates monthly.

For the year ended 31 January 2022, had the benchmark interest rate levels been 0.5% higher/(lower) than the actual experience, with all other variables held constant, the impact on profit before tax of the Group would have been negligible as the Group has no borrowings. The 0.5% sensitivity is deemed a reasonable sensitivity analysis based on expected movements in the base rate for the next financial year.

c) Credit risk

Credit risk arises from the Group's trade receivables, cash held with banks and derivative financial instruments. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. Cash at bank and derivative financial instruments are predominantly held with the Group's major relationship bank, Barclays Bank plc, and the Group considers this credit risk to be minimal.

Prior to accepting new customers, an independent credit check is obtained. Based on this information, individual credit limits and payment terms are established. If no independent credit ratings are available, customers are asked to pay on a proforma basis until creditworthiness can be established. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one to three months for its customers. The utilisation of credit limits is regularly monitored. Credit limits may only be exceeded with the authorisation from key management: this is dependent on the amount expected to exceed the limit and the Group's trading history with that customer.

There is no difference between the carrying amount and the maximum credit risk exposure. No collateral is held as security by the Group.

d) Liquidity risk
Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The maturity profile of the Group's debt and other financial liabilities is disclosed in note 23.

During the year the Group had facilities with Barclays Bank plc which are disclosed in note 24.

Management monitors rolling forecasts of the Group's cash and loan facility utilisation on a monthly basis. The Group ensures that it has adequate facilities available to cover both its short-term and medium-term commitments and complies with bank covenants. In addition, the Group's liquidity management policy is to project cash flows in major currencies and consider the level of liquid assets necessary to meet these liabilities as they fall due. Surplus cash held over and above the balance required for working capital requirements is transferred to the Group treasury and held in interest bearing accounts.

e) Capital risk management
The Group's objectives when managing capital are:
- to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return for shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, buy back issued shares, or sell assets to reduce debt.

f) Fair value estimation
The carrying value less impairment provision of trade receivables and payables and cash and cash equivalents approximate their fair values.

g) Impairment of financial assets
The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS
The Group makes estimates and assumptions concerning future events. The resulting accounting estimates will seldom precisely equal the related actual results. The Group applies its best endeavours in setting accounting estimates, and uses historical experience and other factors, including input from experienced and specialist management. Estimates and assumptions are periodically re-evaluated and the resulting accounting balances updated as new information, including actual outcomes, become apparent.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Retirement benefit obligations
The Group recognises its obligations to employee retirement benefits. The quantification of these obligations is subject to significant estimates and assumptions regarding life expectancy, discount and inflation rates, wage and salary changes, the rate of increase in pension payments, and the market values of equities, bonds and other pension assets. In making these assumptions the Group takes advice from a qualified actuary about which assumptions reflect the nature of the Group's obligations to employee retirement benefits. The assumptions are regularly reviewed to ensure their appropriateness.

Under IAS 19, the net defined benefit pension scheme asset that can be recognised is the lower of the surplus and the asset ceiling i.e. the economic benefits available in the form of refunds or reductions in future contributions or a combination of both, in accordance with IFRIC 14 'IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. In order to determine whether there were any restrictions on the surplus as outlined in IFRIC 14, the Schemes' Trust Deeds and Rules were reviewed and legal advice was acquired. It is the Group's understanding that, based on facts and circumstances at the balance sheet date, it is able, without condition or restriction placed on it by the trustees, to run the Schemes until there are no remaining members; wind up the Schemes at that point; and reclaim any remaining monies. Consequently, the Group is able to recognise the full surplus calculated in accordance with IAS 19 and IFRIC 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS continued
The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Details of the estimates and assumptions applied, and carrying amounts of retirement benefit obligations and pension assets, are set out in note 22.

b) Impairment of non-financial assets
The Group tests annually whether goodwill or its indefinite life intangible asset has suffered any impairment, in accordance with its accounting policy. Other intangibles and property, plant and equipment are also reviewed whenever impairment triggers are apparent. The recoverable amounts of cash-generating units have been determined based on value in use ('VIU') calculations. These calculations require use of estimates of future sales, margins, and other operating and administration expenses, and of discount rates.

In assessing whether an impairment of goodwill is required the carrying value of the cash-generating unit ('CGU') or group of CGUs is compared with its recoverable amount. The recoverable amounts for each CGU, being a division of the business operated at a separate site, and collectively for groups of CGUs that make up the segments of the Group's business, have been based on the value in use ('VIU').

The Group estimates the VIU using a discounted cash flow model ('DCF'), where the projected cash flows for separate or collective groups of CGUs are discounted using a pre-tax rate of 9.25% (2021: 10.1%). The discount rate used is the same across all segments.

The Group has used formally approved budgets for the first two years (2021: two years) of its VIU calculation, with extrapolation beyond the last explicit year using an assumption of growth for future years ranging from 1% to 2% (2021: 1% to 2%) depending upon the CGU being tested.

The cash flows used in the calculation of the VIU are derived from past experience and are based on operating profit forecasts, which in turn rely upon assumptions relating to sales growth, price increases, margins and operating and administration expenses. The cash flows have not included the benefits arising from any future asset enhancement expenditure and therefore exclude significant benefits anticipated from future capital expenditure. The 2% growth rates included within the assumptions supporting the VIU calculations do not therefore represent the Group's anticipated total forecast growth, but rather only the growth deriving from capital expenditure completed at the Balance Sheet date.

The Group makes provision for impairment in the carrying amount of its inventories and marketing materials. The nature of the Group's products are exposed to changes in taste and attitudes from time to time, which can affect the demand for those products. The Group has skilled and experienced management who utilise historical sales information, and exercise their judgement, in making estimates about the extent of provisions necessary based on the realisable value of inventory and expected future benefit to the Group of marketing materials taking into account the estimated price and volume of future sales or usage, less the further costs of sale and holding costs.

c) Deferred tax recognition
The Group considers it appropriate to recognise at the Balance Sheet date deferred tax assets resulting from historical trading losses and other temporary differences including pension deficits and the impact of awards under the Long-Term Incentive Plan ('LTIP'). The amount of deferred tax recognised is based on estimates of the timing and amount of future taxable profits of companies within the Group, which in turn relies upon estimates of future operating profits and the occurrence, timing and tax treatment of significant items of income and expenditure including contributions to pension schemes and the vesting of LTIP payment awards. The Group considers the sensitivity on deferred tax recognition to be based on profits generated by the Group and tax rates substantively enacted. There has been no material impact on sensitivity in the current or previous financial year.

4. SEGMENTAL ANALYSIS
The Group is a designer, manufacturer and distributor of luxury interior furnishings, fabrics and wallpaper. The reportable segments of the Group are aggregated as follows:
- Brands – comprising the design, marketing, sales and distribution, and licensing activities of Morris & Co., Sanderson, Zoffany, Clarke & Clarke, Harlequin, Scion and Archive by Sanderson Design brands operated from the UK and its foreign subsidiaries in the US, France, Netherlands and Germany.
- Manufacturing – comprising the wallcovering and printed fabric manufacturing businesses operated by Anstey and Standfast & Barracks respectively.

This is the basis on which the Group presents its operating results to the Board of Directors, which is considered to be the CODM for the purposes of IFRS 8. Other Group-wide activities and expenses, predominantly related to corporate head office costs, defined benefit pension costs, long-term incentive plan expenses, taxation and eliminations of inter-segment items, are presented within 'intercompany eliminations and unallocated'.

a) Principal measures of profit and loss – Income Statement segmental information

Year ended 31 January 2022	Brands £000	Manufacturing £000	Intercompany eliminations and unallocated £000	Total £000
UK revenue	43,682	14,173	–	57,855
International revenue	40,425	8,761	–	49,186
Licence revenue	5,159	–	–	5,159
Revenue – external	89,266	22,934	–	112,200
Revenue – internal	–	18,807	(18,807)	–
Total revenue	89,266	41,741	(18,807)	112,200
Profit/(loss) from operations	5,479	6,602	(1,752)	10,329
Net finance income	_	–	30	30
Profit/(loss) before tax	5,479	6,602	(1,722)	10,359
Tax expense	–	–	(2,600)	(2,600)
Profit/(loss) for the year	5,479	6,602	(4,322)	7,759

Year ended 31 January 2021 (restated)	Brands £000	Manufacturing £000	Intercompany eliminations and unallocated £000	Total £000
UK revenue	38,077	11,339	–	49,416
International revenue	34,549	6,111	–	40,660
Licence revenue	3,684	–	–	3,684
Revenue – external	76,310	17,450	–	93,760
Revenue – internal	–	10,911	(10,911)	–
Total revenue	76,310	28,361	(10,911)	93,760
Profit/(loss) from operations	4,987	1,664	(1,555)	5,096
Net finance costs	–	–	(161)	(161)
Profit/(loss) before tax	4,987	1,664	(1,716)	4,935
Tax expense	–	–	(1,109)	(1,109)
Profit/(loss) for the year	4,987	1,664	(2,825)	3,826

The segmental Income Statement disclosures are measured in accordance with the Group's accounting policies as set out in note 1. The Group has revised its segmental methodology during the year by reviewing the allocation of central costs to the Brands unit and restated the prior year's comparatives to improve usefulness of the segmentation. The amount reclassified from central costs to Brands for the year ended 31 January 2021 is £2.4m relating to administrative cost, share-based charges and IT costs. The reasons this is considered to be more appropriate are the senior management at the central unit spend significant amount of time making strategic and operational decisions for Brands and most of the IT costs are incurred for Brands. Note 30 explains the effect of the prior year restatement as at 31 January 2021.

Inter-segment revenue earned by Manufacturing from sales to Brands is determined on normal commercial trading terms as if Brands were any other third party customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

4. SEGMENTAL ANALYSIS continued
All defined benefit pension costs, and LTIP expenses, are recognised for internal reporting to the CODM as part of Group-wide activities and are included within 'intercompany eliminations and unallocated' above. Other costs, such as Group insurance, rent and auditors' remuneration which are incurred on a Group-wide basis are recharged by the head office to segments on a reasonable and consistent basis for all periods presented and are included within segment results above.

Tax charges have not been allocated to a segment.

b) Additional segmental revenue information
The segmental revenues of the Group are reported to the CODM in more detail. One of the analysis presented is revenue by export market for Brands.

Brands international revenue by export market:	2022 £000	2021 £000
North America	**16,644**	12,521
Northern Europe	**13,189**	12,480
Rest of the World	**10,592**	9,548
	40,425	34,549

Revenue of the Brands reportable segment – revenue from operations in all territories where the sale is sourced from the Brands operations, together with contract and licence revenue:

Brand revenue analysis:*	2022 £000	2021 £000
Harlequin	**17,623**	16,043
Scion	**2,210**	2,391
Sanderson	**14,421**	11,606
Morris & Co.	**16,444**	12,619
Zoffany	**8,564**	7,827
Clarke & Clarke	**24,554**	21,704
Archive by Sanderson Design and other brands	**291**	436
Licensing	**5,159**	3,684
	89,266	76,310

* The Brands reportable segments for the year ended 31 January 2022 have been redefined to provide additional focus on each Brand.

Revenue of the Manufacturing reportable segment – including revenues from internal sales to the Group's Brands:

Manufacturing revenue analysis:	2022 £000	2021 £000
Standfast	**21,310**	14,410
Anstey	**20,431**	13,951
	41,741	28,361

c) Other Income Statement segmental information
The following additional items are included in the measures of profit and loss reported to the CODM and are included within (a) above:

Year ended 31 January 2022	Brands £000	Manufacturing £000	Unallocated £000	Total £000
Depreciation and impairments	**3,795**	**1,270**	**–**	**5,065**
Amortisation	**418**	**12**	**1,295**	**1,725**
Impairment losses – trade receivables	**–**	**50**	**–**	**50**
Reversal of impairment losses – trade receivables	**(242)**	**–**	**–**	**(242)**
Net impairment losses – inventory	**539**	**(271)**	**–**	**268**
LTIP payment charge	**–**	**–**	**406**	**406**

Year ended 31 January 2021	Brands £000	Manufacturing £000	Unallocated £000	Total £000
Depreciation and impairments	4,274	1,423	–	5,697
Amortisation	429	15	1,291	1,735
Impairment losses – trade receivables	11	42	–	53
Reversal of impairment losses – trade receivables	–	–	–	–
Net impairment losses – inventory (restated)	1,952	396	–	2,348
LTIP payment charge	–	–	345	345

Note 30 explains the effect of the prior year restatement for the year ended 31 January 2021.

d) Principal measures of assets and liabilities – Balance Sheet segmental information

Segment assets consist primarily of goodwill, intangible assets, property, plant and equipment, trade and other receivables including inter-segment receivables, and inventories. Segment liabilities consist primarily of trade and other payables including inter-segment payables. Unallocated assets and liabilities consist primarily of cash, deferred tax assets, borrowings, derivative financial instruments, and retirement benefit obligations and elimination of inter-segment balances. Segment assets and liabilities and unallocated assets and liabilities are measured in accordance with the Group's accounting policies as set out in note 1. The Group has revised its segmental methodology during the year and restated the prior year's comparatives to improve usefulness of the segmentation.

Year ended 31 January 2022	**Brands £000**	**Manufacturing £000**	**Unallocated £000**	**Total £000**
Assets	**44,267**	**15,249**	**46,213**	**105,729**
Liabilities	**(16,506)**	**(5,788)**	**(3,722)**	**(26,016)**
Total net assets	**27,761**	**9,461**	**42,491**	**79,713**
Capital expenditure – intangible assets	**290**	**–**	**89**	**379**
Capital expenditure – property, plant and equipment	**546**	**1,200**	**4**	**1,750**

Year ended 31 January 2021 (restated)	Brands £000	Manufacturing £000	Unallocated £000	Total £000
Assets	43,617	14,533	41,529	99,679
Liabilities	(17,786)	(6,535)	(8,596)	(32,917)
Total net assets	25,831	7,998	32,933	66,762
Capital expenditure – intangible assets	227	–	18	245
Capital expenditure – property, plant and equipment	353	459	18	830

The Group has revised its segmental methodology of assets and liabilities during the year by reviewing the allocation of assets and liabilities to the Brands and Manufacturing units from the Central unit and restated the prior year's comparatives to improve usefulness of the segmentation. The impact of the restatements on net assets is a decrease in Brands of £7.3m, a decrease in Manufacturing of £2.9m and an increase in Central of £9.5m. The reasons for these restatements are the movement of cash and cash equivalents under Central control and transfer of right-of-use assets from Central to Brands as these assets are used in Brands. Note 30 explains the effect of the prior year restatement for the year ended 31 January 2021.

e) Additional entity-wide disclosures

Revenue by geographical location of customers:	**2022 £000**	2021 £000
United Kingdom	**60,347**	51,535
North America	**22,199**	16,811
Northern Europe	**15,892**	14,329
Rest of the World	**13,762**	11,085
	112,200	93,760

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. SEGMENTAL ANALYSIS continued

No single customer of the Group accounts for 10% or more of total revenue for either the current or prior year.

Non-current assets by geographical territory:	2022 £000	2021 £000
United Kingdom	**45,625**	46,352
North America	**731**	1,039
	46,356	47,391

Non-current assets included above comprise intangible assets, property, plant and equipment, right-of-use assets, retirement benefit surplus and minimum guaranteed licensing receivables.

5. OTHER OPERATING INCOME

Other operating income of £4,342,000 (2021: £3,822,000) comprises consideration received from the sale of marketing materials and additional services of £4,046,000 (2021: £3,822,000) and a research and development expenditure credit ('RDEC') of £296,000 (2021: £nil).

6. PROFIT FROM OPERATIONS

	2022 £000	2021 (restated) £000
Group profit from operations is stated after charging/(crediting):		
Depreciation and impairments of property, plant and equipment and right-of-use assets	**5,065**	5,697
Amortisation of intangibles	**709**	719
Amortisation of acquired intangibles	**1,016**	1,016
Cost of inventories recognised as expense in cost of sales (restated)	**29,548**	28,021
Net impairment of inventories	**268**	2,268
Impairment of trade receivables	**50**	53
Reversal of impairment of trade receivables	**(242)**	–
Government Covid-19 employee related support	**103**	(2,772)
Provision for closure of Sanderson Design Group Brands SARL in France	**1,100**	–
Transportation expenses	**9,126**	5,094
Advertising costs	**5,176**	1,920
Other selling costs	**10,994**	10,433
Establishment costs	**3,476**	3,400
Net foreign exchange losses/(gains)	**468**	(52)
Forgiveness of a loan into a grant	**(412)**	–
Losses on sale of fixed assets	**–**	72
Short-term rental expense:		
– Hire of motor vehicles and plant and machinery	**38**	72
– Land and buildings	**39**	46

Note 30 explains the effect of the prior year restatement for the year ended 31 January 2021.

	2022 £000	2021 £000
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	**60**	78
Fees payable to the Company's auditors for other services: Audit of the Company's subsidiaries pursuant to legislation	**195**	197
Payroll related services	**–**	3
	255	278

7. NET FINANCE INCOME/(COSTS)

	2022 £000	2021 £000
Interest income:		
Interest received on bank deposits	**5**	1
Unwind of discount on minimum guaranteed licensing income	**179**	138
Total finance income	**184**	139
Interest expense:		
Interest payable on bank borrowings	**(22)**	(97)
Amortisation of issue costs of bank loans	**–**	(21)
Lease interest	**(132)**	(182)
Total finance costs	**(154)**	(300)
Net finance income/(costs)	**30**	(161)

Unwind of discount on minimum guaranteed licensing income was presented as part of interest expense in the prior year. The comparative has been represented to aid comparability.

8. EMOLUMENTS OF DIRECTORS

Information on the remuneration of the Directors, including the highest paid director, is included in the Directors' Remuneration Report set out on pages 60 to 63.

The emoluments of the Directors are detailed below:

	2022 £000	2021 £000
Short-term employee benefits (including short-term incentives)	**1,162**	734
Post-employment benefits (including pension costs)	**30**	27
Total per the Directors' Remuneration Report	**1,192**	761
Share-based payment charge	**202**	169
	1,394	930

9. EMPLOYEE INFORMATION

	2022* £000	2021* £000
Wages and salaries	**24,179**	22,987
Social security costs	**2,382**	2,144
Other pension costs	**1,002**	1,435
Share-based payment charge	**406**	345
Employee benefit expense	**27,969**	26,911

* The 2021 employee benefit expense above is shown before deduction of net UK government Coronavirus Job Retention Support ('CJRS') in the year of £2,772,000 which has been set against the related employee wages and salaries in the income statement. In April 2021, the Group repaid voluntarily CJRS of £103,000.

The average monthly number of employees (including Directors) during the year	2022	2021
Brands, including warehousing	**286**	287
Manufacturing	**270**	272
Overseas	**32**	39
Corporate and administration	**25**	21
	613	619

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9. EMPLOYEE INFORMATION continued

Compensation of key management personnel

	2022 £000	2021 £000
Short-term employee benefits (including short-term incentives)	**3,226**	2,480
Post-employment benefits (including pension costs)	**98**	83
Share-based payment charge	**359**	282
	3,683	2,845

Key management personnel has been redefined to include only the Board of Directors and members of the Group Leadership Team. The comparative figures of the prior year are adjusted to follow the new definition. LTIP awards reflect the charge in the Income Statement and do not reflect the market value of shares expected to vest.

10. TAX EXPENSE

	2022 £000	2021 £000
Current tax:		
– UK current tax	**1,973**	1,018
– UK adjustments in respect of prior years	**224**	39
– overseas, current tax	**117**	24
– overseas, adjustment in respect of prior year	**(107)**	–
Corporation tax	**2,207**	1,081
Deferred tax:		
– current year	**157**	7
– adjustments in respect of prior years	**57**	21
– effect of changes in corporation tax rates	**179**	–
Deferred tax	**393**	28
Total tax charge for the year	**2,600**	1,109

Reconciliation of total tax charge for the year	2022 £000	2021 £000
Profit on ordinary activities before tax	**10,359**	4,935
Tax on profit on ordinary activities at 19.00% (2021: 19.00%)	**1,968**	938
Fixed asset differences	**42**	(27)
Non-deductible expenditure	**173**	63
Income not subject to tax	**(2)**	(2)
Share-based payment	**40**	1
Group income	**–**	(11)
Adjustments in respect of prior years	**117**	39
Adjustments in respect of prior years – deferred tax	**57**	21
Overseas tax suffered	**2**	(33)
Movement in deferred tax not recognised	**(170)**	141
Current tax – other	**–**	47
Effect of changes in corporation tax rates	**373**	(68)
Total tax charge for year	**2,600**	1,109

Note 30 explains the effect of the prior year restatement for the year ended 31 January 2021.

11. EARNINGS PER SHARE

11. (a) Earnings per share

Basic earnings per share ('EPS') is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the year, excluding those held in the Employee Benefit Trust ('EBT') and those held in treasury (note 24), which are treated as cancelled. The adjusted basic earnings per share is calculated by dividing the adjusted earnings by the weighted average number of shares.

	2022			2021 (restated)		
	Earnings £000	**Weighted average number of shares (000s)**	**Per share amount Pence**	Earnings £000	Weighted average number of shares (000s)	Per share amount Pence
Basic earnings per share	**7,759**	**70,983**	**10.93**	3,826	70,980	5.39
Effect of dilutive securities:						
Shares under LTIP*		**850**			1,652	
Diluted earnings per share	**7,759**	**71,833**	**10.80**	3,826	72,632	5.27
Adjusted underlying basic and diluted earnings per share:						
Add back LTIP accounting charge	**406**			345		
Add back net defined benefit pension charge	**487**			531		
Non-underlying items (see below)	**1,207**			1,187		
Tax effect of non-underlying items and other add backs	**(96)**			(287)		
Adjusted underlying basic earnings per share	**9,763**	**70,983**	**13.75**	5,602	70,980	7.89
Adjusted underlying diluted earnings per share	**9,763**	**71,833**	**13.59**	5,602	72,632	7.71

* In calculating the diluted earnings per share, shares under LTIP arrangements have been included to the extent that performance conditions had been satisfied at the balance sheet date. Awards of shares that are contingent on future performance conditions have been excluded. When preparing the calculation for the current year it was noted that the prior year dilutive shares were subject to performance conditions that had not been satisfied at the previous year end and therefore should not have been a dilutive impact of the outstanding LTIP shares. The prior year end reported results have not been restated as the impact is not material.

Sanderson Design Group PLC's issued ordinary share capital with voting rights consists of 70,983,505 (2021: 70,983,505) ordinary shares of which nil (2021: nil) ordinary shares are held in treasury and 220 (2021: 50,000) ordinary shares are held by the Walter Greenbank PLC EBT. Shares held in treasury or by the EBT are treated as cancelled when calculating EPS.

The market value of shares held by the EBT at 31 January 2022 was £370 (2021: £56,000). The total number of shares held in the EBT at the year end represented less than 0.1% (2020: 0.1%) of the issued shares. The number of potentially dilutive shares is 850,000 (2021: 1,652,000).

In calculating the adjusted earnings the Group adjusts for non-underlying items which are material non-recurring items or items considered to be non-operational in nature. The nature of these adjustments is outlined in note 11(b) below. Note 30 explains the effect of the prior year restatement as at 31 January 2021 and 31 January 2020.

11. (b) Adjusted underlying profit before tax

The Group uses an Alternative Performance Measure 'adjusted underlying profit before tax'. This is defined as statutory profit before tax adjusted for the exclusion of share-based incentives, defined benefit pension charge and non-underlying items. This is recognised by the investment community as an appropriate measure of performance for the Group and is used by the Board of Directors as a key performance measure. The table below reconciles statutory profit before tax to adjusted underlying profit before tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

11. EARNINGS PER SHARE continued
Adjusted underlying profit before tax

	2022 £000	2021 (restated) £000
Statutory profit before tax	**10,359**	4,935
Restructuring and reorganisation costs (a)	**1,190**	171
Amortisation of acquired intangible assets (b)	**1,016**	1,016
Forgiveness of loan under the Payment Protection Programme (c)	**(440)**	–
Release of a provision for a legal case (d)	**(559)**	–
Total non-underlying charge included in statutory profit before tax	**1,207**	1,187
Underlying profit before tax	**11,566**	6,122
LTIP accounting charge	**406**	345
Net defined benefit pension charge	**487**	531
Adjusted underlying profit before tax	**12,459**	6,998

In calculating the adjusted underlying profit before tax, the Group adjusts for non-underlying items which are material non-recurring items or items considered to be non-operational in nature. The nature of these adjustments is outlined as follows:

(a) Restructuring and reorganisation costs
These relate to the reorganisation of the Group and comprise of the rationalisation of certain operational and support functions. The costs mainly comprise employee severance and professional fees associated with the closure of Sanderson Design Group Brands SARL in France of £1,100,000 and other reorganisation costs of £90,000 (2021: £171,000).

(b) Amortisation of acquired intangible assets of £1,016,000 (2021: £1,016,000).

(c) In May 2020, the Group entered into a loan contract with Wells Fargo for US$565,818 under the US Paycheck Protection Programme scheme. In June 2021, this loan was forgiven and the Group treated the forgiveness as a grant for £440,000.

(d) Release of an accrual of £559,000 for a legal case in the US that had concluded during the financial year.

Note 30 explains the effect of the prior year restatement for the year ended 31 January 2021.

12. INTANGIBLE ASSETS

	Goodwill £000 (a)	Arthur Sanderson and William Morris Archive £000 (b)	Collection design £000	Brand £000	Customer-related intangibles £000	Software £000	Total £000
Cost							
31 January 2020	17,091	4,300	3,688	5,566	4,427	3,199	38,271
Additions	–	–	225	–	–	20	245
Reclassifications	–	–	(19)	–	–	19	–
Disposals	–	–	–	–	–	(19)	(19)
31 January 2021	17,091	4,300	3,894	5,566	4,427	3,219	38,497
Additions	–	–	290	–	–	89	379
Reclassifications	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–
31 January 2022	**17,091**	**4,300**	**4,184**	**5,566**	**4,427**	**3,308**	**38,876**
Accumulated amortisation							
31 January 2020	841	–	1,868	928	2,462	2,357	8,456
Charge	–	–	418	278	738	301	1,735
Reclassifications	–	–	(15)	–	–	15	–
Disposal	–	–	–	–	–	(19)	(19)
31 January 2021	841	–	2,271	1,206	3,200	2,654	10,172
Charge	–	–	418	278	738	291	1,725
Reclassifications	–	–	–	–	–	–	–
Disposal	–	–	–	–	–	–	–
31 January 2022	**841**	**–**	**2,689**	**1,484**	**3,938**	**2,945**	**11,897**
Net book amount							
31 January 2022	**16,250**	**4,300**	**1,495**	**4,082**	**489**	**363**	**26,979**
31 January 2021	16,250	4,300	1,623	4,360	1,227	565	28,325
31 January 2020	16,250	4,300	1,820	4,638	1,965	842	29,815

(a) Goodwill (£15,691,000), brand (£5,566,000) and customer-related intangibles (£4,427,000) were recognised on the business combination of Clarke & Clarke during the year ended 31 January 2017.

(b) The Arthur Sanderson and William Morris Archive was purchased as part of the acquisition of Arthur Sanderson & Sons on 29 August 2003. It comprises an historical record of unique designs that are used to generate royalty income in the business.

The total amortisation expense of £1,725,000 (2021: £1,735,000) in administration expenses is split £709,000 (2021: £739,000) in underlying items and £1,016,000 (2021: £1,016,000) in non-underlying items. The amount included in non-underlying items relates to the amortisation of acquired intangible assets.

Impairment tests for Goodwill and Arthur Sanderson and William Morris Archive
Within the total carrying value of goodwill at year end of £16,250,000 (2021: £16,250,000), £15,691,000 (2021: £15,691,000) is attributable to the Brands segment and £559,000 (2021: £559,000) to the Manufacturing segment.

The carrying value of the Archive at the year end of £4,300,000 (2021: £4,300,000) is attributable to the Brands segment.

The Group tests goodwill and the Archive for impairment annually or more frequently if there are indications that they might be impaired. There was no impairment charge recognised in the year (2021: £nil). A discount rate of 9.25% (2021: 10.1%) is applied.

The recoverable amount of the Archive intangible asset is estimated based on VIU, and comprises estimated future cash flows from royalty income relating to the Archive. A discount rate of 9.25% (2021: 10.1%) is applied.

The Group does not consider it reasonably possible that any significant changes to the key assumptions will arise that would result in impairment of either goodwill or the Archive as at 31 January 2022. The financial impact of climate change and the 'Live Beautiful' strategy is not anticipated to be material within the timeframe of the forecasts used for impairment reviews and as such is not included. This will be kept under review as the strategy progresses.

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13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £000	Leasehold improvements £000	Plant, equipment and vehicles £000	Computer hardware £000	Total £000
Cost					
31 January 2020	6,059	557	34,804	2,312	43,732
Additions	9	–	793	28	830
Disposals	–	–	(1,598)	(141)	(1,739)
Reclassifications	(15)	15	(34)	34	–
Currency movements	(8)	–	(23)	(1)	(32)
31 January 2021	6,045	572	33,942	2,232	42,791
Additions	167	–	1,527	56	1,750
Disposals	–	–	(344)	–	(344)
Currency movements	–	–	1	(1)	–
31 January 2022	**6,212**	**572**	**35,126**	**2,287**	**44,197**
Accumulated depreciation and impairment					
31 January 2020	2,173	78	25,310	2,070	29,631
Charge	109	112	2,367	129	2,717
Disposals	–	–	(1,457)	(141)	(1,598)
Reclassifications	35	125	(194)	34	–
Currency movements	(1)	–	(18)	(1)	(20)
31 January 2021	2,316	315	26,008	2,091	30,730
Charge	113	112	2,234	87	2,546
Disposals	–	–	(344)	–	(344)
Currency movements	–	–	5	2	7
31 January 2022	**2,429**	**427**	**27,903**	**2,180**	**32,939**
Net book amount					
31 January 2022	**3,783**	**145**	**7,223**	**107**	**11,258**
31 January 2021	3,729	257	7,934	141	12,061
31 January 2020	3,886	479	9,494	242	14,101

The total depreciation expense of £2,546,000 (2021: £2,717,000) has been allocated to the following categories: administration expenses of £2,495,000 (2021: £2,666,000) and distribution and selling costs of £51,000 (2021: £51,000).

The net book amount of freehold land and buildings comprises:	**2022 £000**	2021 £000
Freehold land	**450**	450
Freehold buildings	**3,333**	3,279
Net book amount	**3,783**	3,729

Land and buildings are stated at historical cost less impairment where applicable.

All of the Group’s banking facilities remain secured by a fixed and floating charge over the carrying value of assets (land and buildings) of £3,783,000 (2021: £3,729,000).

14. LEASES

As a lessee

Information about leases for which the Group is a lessee is presented below:

Right-of-use assets

	Leasehold properties £000	Vehicles £000	Plant and equipment £000	Total £000
Cost				
31 January 2021	9,441	936	1,107	11,484
Additions	421	208	108	737
Disposals	(174)	(368)	(179)	(721)
Currency movements	28	–	(2)	26
31 January 2022	**9,716**	**776**	**1,034**	**11,526**
Accumulated depreciation and impairment				
31 January 2021	4,405	703	593	5,701
Charge	2,086	200	234	2,520
Disposals	(108)	(354)	(179)	(641)
Currency movements	24	–	(1)	23
31 January 2022	**6,407**	**549**	**647**	**7,603**
Net book amount				
31 January 2022	**3,309**	**227**	**387**	**3,923**
31 January 2021	5,036	233	514	5,783

Lease liabilities

	Leasehold properties £000	Vehicles £000	Plant and equipment £000	Total £000
Balance				
31 January 2021	5,103	233	546	5,882
Additions	421	197	98	716
Amounts paid	(2,226)	(232)	(228)	(2,686)
Effect of discounting	7	3	5	15
Currency movements	(20)	–	(4)	(24)
31 January 2022	**3,285**	**201**	**417**	**3,903**

Maturity analysis – contractual undiscounted cash flows

	2022 £000	2021 £000
Less than one year	**2,077**	2,719
One to five years	**1,949**	3,544
More than five years	**–**	40
Total undiscounted cash flows	**4,026**	6,303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

14. LEASES continued
Maturity analysis – contractual lease liabilities

	2022 £000	2021 £000
Current	**1,983**	2,676
Non-current	**1,920**	3,206
Total lease liabilities	**3,903**	5,882

15. DEFERRED INCOME TAX

Deferred tax (liabilities)/assets	2022 £000	2021 £000
Taxable temporary differences on property, plant and equipment	**(899)**	(647)
Taxable temporary differences on intangible assets	**(1,140)**	(1,060)
Taxable temporary differences on unutilised tax losses	**332**	–
Taxable temporary differences on share-based payments	**353**	83
Other temporary differences	**–**	39
	(1,354)	(1,585)
Retirement benefit obligations	**(644)**	1,071
	(1,998)	(514)

A deferred tax charge of £1,233,000 (2021: tax credit £297,000) arising on retirement benefit obligations has been recognised within the Statement of Comprehensive Income.

At 31 January 2022, the Company had gross unused UK tax losses of £3,064,000 (2021: £3,225,000) available for offset against future profits. Of the potential £766,000 deferred tax asset on these tax losses, a pro-rated deferred tax asset of £322,000 has been recognised on a prudent basis as these are readily available for offset against the Company's profits for the next three years under existing tax legislation and therefore the realisation of these losses is considered probable. A further deferred tax asset of £444,000 from these tax losses is not recognised as it is not considered that the asset will be utilised in the foreseeable future. In the previous year, the gross UK tax losses of £3,225,000 was deemed not available for offset against future profits, therefore the deferred tax asset of £613,000 was not recognised. The change of UK corporation tax rate from 19% to 25%, effective from 1 April 2023 and substantively enacted during the current year, has also increased the amount of deferred tax asset in future years.

There are also unutilised capital tax losses at 31 January 2022 of £4,881,000 (2021: £4,881,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised in the foreseeable future.

Movements on the deferred income tax account are as follows:

Net deferred tax asset/(liability)	2022 £000	2021 £000
At 1 February	**(514)**	(802)
Income Statement charge	**(393)**	(28)
Tax (charge)/credit relating to components of other comprehensive income	**(1,233)**	297
Tax credited directly to equity	**142**	19
At 31 January	**(1,998)**	(514)

16. INVENTORIES

	2022 £000	(restated) 2021 £000
Raw materials	**3,042**	3,035
Work in progress	**2,064**	1,628
Finished goods	**17,546**	14,970
	22,652	19,633

There is no significant difference between the replacement cost of work in progress and finished goods and goods for resale and their carrying amounts. Inventories are stated after provisions for impairment of £7,979,000 (2021: £8,228,000).

The cost of inventories recognised as an expense and included in cost of sales amounted to £29,548,000 (2021: £28,021,000).

Note 30 explains the effect of the prior year restatement for the year ended 31 January 2021.

17. TRADE AND OTHER RECEIVABLES

Current	2022 £000	2021 £000
Trade receivables	**14,262**	12,632
Less: provision for impairment of trade receivables	**(775)**	(903)
Net trade receivables	**13,487**	11,729
Corporation tax debtor	**339**	–
Other taxes and social security	**842**	1,346
Other receivables	**307**	849
Prepayments	**1,817**	1,961
	16,792	15,885

There is no material difference between the carrying amount and the fair value of the trade and other receivables.

The only financial asset that is subject to IFRS 9's expected credit loss model is trade receivables for sales of inventory.

The IFRS 9 simplified approach has been applied to measure lifetime expected credit losses for all trade receivables. Trade receivables have been grouped based on shared credit risk characteristics and days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 January 2021 or 31 January 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On this basis, the total loss allowance for trade receivables is determined as follows:

31 January 2022 £000	**Current**	**1-30 days past due**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Trade receivables	**11,875**	**482**	**1,105**	**277**	**523**	**14,262**
Loss allowance	**(489)**	**(14)**	**(32)**	**(17)**	**(223)**	**(775)**

31 January 2021 £000	Current	1-30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Trade receivables	10,611	172	815	502	532	12,632
Loss allowance	(514)	(7)	(57)	(31)	(294)	(903)

Due to the nature of the Group's products, there is a limited amount of inventory left in the possession of customers that could act as collateral under terms of trade. As the value of this inventory is immaterial, it has not been disclosed in the financial statements.

Credit quality of financial assets
(i) Not past due

Included in the Group's trade receivable balances are receivables with a carrying value of £11,875,000 (2021: £10,611,000) which are not past due. Under the expected credit loss model a provision is held for the lifetime credit loss on these balances of £489,000 (2021: £514,000). The nature of the Group's business means that it has a long-standing relationship with the majority of its customers, who either have no experience of historical default or only temporary late payments with full recovery of balances due.

(ii) Past due

Included in the Group's trade receivable balances are receivables with a carrying value of £2,063,000 (2021: £1,475,000) which are past due at the reporting date for which the Group does not consider the need to create a specific impairment provision against individually identified receivables, but an expected credit loss provision has been made of £36,000 (2021: £63,000).

(iii) Past due – individually impaired

As at 31 January 2022, trade receivables of £324,000 (2021: £546,000) were individually determined to be impaired and provided for. The amount of the provision was £250,000 (2021: £326,000). The main factor used to assess the impairment of trade receivables is the circumstances of the individual customer. These receivables are analysed separately from IFRS 9's expected credit loss model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17. TRADE AND OTHER RECEIVABLES continued

As at the Balance Sheet date the carrying value of trade receivables by geographical territory of the customer was:

	2022 £000	2021 £000
United Kingdom	**7,226**	6,208
Northern Europe	**2,753**	2,338
USA	**2,217**	1,954
Rest of the World	**1,291**	1,229
	13,487	11,729

The carrying amounts of the Group's net trade receivables, other receivables and prepayments are denominated in the following currencies:

	2022 £000	2021 £000
Sterling	**11,246**	10,376
US dollars	**1,546**	1,677
Euros	**2,030**	1,949
Other	**789**	537
	15,611	14,539

The closing loss allowances for trade receivables as at 31 January 2022 reconcile to the opening loss allowances as follows:

	Lifetime ECL £000	Credit Impaired £000	2022 £000	2021 £000
At 1 February	**(514)**	**(389)**	**(903)**	(1,025)
Increase in allowance recognised in income statement	**(11)**	**(86)**	**(97)**	(268)
Receivables written off in the year as uncollectible	**–**	**50**	**50**	175
Unused amounts reversed	**–**	**175**	**175**	215
At 31 January	**(525)**	**(250)**	**(775)**	(903)

The creation and release of provisions for impaired trade receivables have been included within distribution and selling costs in the Income Statement.

18. MINIMUM GUARANTEED LICENSING RECEIVABLES

The Group has analysed the minimum guaranteed licensing receivables into its current and non-current components and made a prior year adjustment to reflect similar analysis in the comparatives. This determination is based on the assessment of the operating cycle of the licensing arrangement taking into consideration the nature of the agreement and the cash and invoicing cycle. This assessment was not carried out in the previous year and as such all amounts receivable were shown as current in error. A prior period adjustment has been processed to reflect the split in the previous year (see note 30).

The following table analyses the Group's minimum guaranteed licensing receivables into relevant maturity groupings based on the remaining period to contractual maturity at the Balance Sheet date.

	Current Less than 1 year £000	Non-current Over 1 year £000	Total £000
31 January 2022	**879**	**1,619**	**2,498**
31 January 2021	1,221	1,222	2,443
1 February 2020	495	1,455	1,950

19. CASH AND CASH EQUIVALENTS

	2022 £000	2021 £000
Cash at bank and in hand	**19,050**	15,549

20. TRADE AND OTHER PAYABLES

	2022 £000	2021 £000
Trade payables	**11,713**	8,773
Corporation tax payable	**–**	1,208
Other taxes and social security	**1,571**	3,045
Other payables	**1,656**	2,267
Accruals	**5,175**	5,179
	20,115	20,472

21. BORROWINGS

	2022 £000	2021 £000
Bank loan	**–**	412
Total borrowings	**–**	412

In October 2019 (amended and restated on 17 December 2021), the Group renewed its committed £12,500,000 multi-currency revolving credit facility with Barclays Bank plc for a further five–year period. The agreement also included a £5,000,000 uncommitted accordion facility option. During the year, the Group did not renew a temporary overdraft facility of £2,500,000 which expired in April 2021. The total facilities from Barclays Bank plc in the year ended 31 January 2022 comprised the revolving credit facility and overdraft facility secured on the Group's freehold property which may be drawn down in either sterling or euro.

Under the Barclays Bank plc facilities, the Group is subject to compliance of two financial covenants: interest cover and leverage. Any non-compliance with covenants could, if not remedied or waived, constitute an event of default with respect to any such arrangements.

Due to Covid-19, Management modelled possible downside scenarios to its base case trading forecast in the previous year. Having considered these models, formal agreement was reached with Barclays Bank plc to waive the interest cover covenant condition for the tests arising in July 2020, October 2020, January 2021, April 2021 and July 2021 and to waive the leverage covenant condition for October 2020, January 2021 and April 2021. This was replaced by a liquidity covenant requirement that available headroom in the facility needs to remain above £5,000,000 between 1 November 2020 and 31 July 2021. The Group has reported to Barclays Bank plc that it was in full compliance with its agreed covenants at each of the testing points during the financial year ended 31 January 2022 and up to the date of this report.

The total Barclays Bank plc facilities are capped at £17,500,000 (2021: £17,500,000, including the £5,000,000 uncommitted accordion facility); the utilisation of the facilities at 31 January 2022 was £nil (2021: £nil). The revolving credit facility bears interest at a variable rate based on the SONIA (for sterling loans) or the EURIBOR (for euro loans).

In May 2020, the Group entered into a loan contract with Wells Fargo for US$565,818 (or £412,000) under the US Paycheck Protection Payment scheme. In June 2021, this loan was forgiven and the Group treated the forgiveness as a grant for £440,000. This grant is classified as a non-underlying item under note 12(b).

For the Group's cash at bank, and the receivable component of derivative financial instruments, the counterparty to the financial instruments is a major UK bank, and the Group does not consider there to be any significant credit risk from holding these financial assets.

The fair value of current borrowings approximates to their carrying amount, as the impact of discounting is not significant.

The following table analyses the Group's financial liabilities, except corporation tax payable and other taxes and social security, into relevant maturity groupings based on the remaining period to contractual maturity at the Balance Sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. The maturity profile of undiscounted cash flows on variable interest rate borrowings has assumed interest rates as at the Balance Sheet date.

31 January 2022	**Less than 1 year £000**	**Between 1 to 2 years £000**	**Between 2 to 5 years £000**	**Over 5 years £000**
Trade and other payables	**18,544**	**–**	**–**	–
	18,544	**–**	**–**	–

31 January 2021	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Borrowings	412	–	–	–
Trade and other payables	16,219	–	–	–
	16,631	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

21. BORROWINGS continued
The carrying amount of the Group's borrowings is denominated in the following currency:

	2022 £000	2021 £000
US Dollars – less than 1 year of contractual maturity	–	412

22. RETIREMENT BENEFIT OBLIGATIONS
Defined contribution schemes
The Group contributes to the defined contribution section of the Abaris Holdings Limited Pension Scheme and to a Group Personal Pension Plan which is also a defined contribution scheme. Contributions are charged to the Income Statement as incurred and amounted to £285,000 (2021: £389,000). There are no outstanding or prepaid contributions at 31 January 2022 (2021: £nil). Active members of the schemes are also able to make contributions.

Defined benefit schemes
Sanderson Design Group PLC operates two defined benefit schemes in the UK which both offer pensions in retirement and death benefits to members: the Walker Greenbank Pension Plan and the Abaris Holdings Limited Pension Scheme. Pension benefits are related to the members' final salary at retirement and their length of service. The schemes are closed to new members and to future accrual of benefits, although deferred members still in service have a salary link to their benefits. This disclosure excludes any defined contribution assets and liabilities.

The Group's contributions to the schemes for the year beginning 1 February 2022 are expected to be £2,391,000.

Plan assets held in the fund are governed by local regulations and practice in the UK. Responsibility for the governance of the plan, including investment decisions and contributions schedules, lies with the Trustees of the schemes.

Actuarial valuations of the schemes were carried out as at 31 January 2022, based on membership data at 5 April 2021, updated to take account of benefit outgoings since 5 April 2021, using actuarial assumptions at 31 January 2022. The major assumptions used by the actuary were (in nominal terms) as follows:

	2022	2021
Discount rate	2.20%	1.35%
Inflation assumption (RPI)	3.65%	2.90%
Inflation assumption (CPI)	3.15%	2.10%
Rate of increase in salaries	3.15%	2.90%
Rate of increase to pensions in payment, that increase in line with RPI subject to a maximum of 5% p.a.	3.50%	2.80%
Rate of increase to pensions (in excess of GMP) in deferment	3.15%	2.10%

The mortality assumptions imply the expected future lifetime from age 65 as follows:

	2022	2021
Non-pensioner male currently 45	22.8	22.8
Pensioner male currently 65	21.8	21.8
Non-pensioner female currently 45	25.4	25.3
Pensioner female currently 65	24.2	24.1

The fair value of the assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the schemes' liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	2022 £000	2021 £000
Equities, absolute return and property	30,698	29,505
Gilts	16,294	6,006
Fixed interest bonds	3,573	15,289
Liability driven investments	21,085	22,474
Insured annuities	145	690
Cash and cash equivalents	4,906	5,325
Fair value of scheme assets	76,701	79,289

All assets are invested with managers in the UK investing in the UK and overseas investments. The assets do not include the Group's financial instruments or property connected with the Group.

The actual return on assets over the year was a loss of £387,000 (2021: gain of £2,948,000).

	2022 £000	2021 £000
Present value of funded obligations	**(74,124)**	(84,926)
Fair value of scheme assets	**76,701**	79,289
Surplus/(deficit) in funded scheme (net asset/(liability) in Balance Sheet)	**2,577**	(5,637)

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2022 £000	2021 £000
Benefit obligation at beginning of year	**84,926**	83,767
Interest cost	**1,122**	1,395
Remeasurement (gains)/losses – changes in financial assumptions	**(6,086)**	5,266
Remeasurement gains – changes in demographic assumptions	**(51)**	(1,347)
Remeasurement gains – experience	**(1,797)**	(719)
Benefits paid	**(3,646)**	(3,436)
Settlements	**(344)**	–
Benefit obligation at end of year	**74,124**	84,926

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

	2022 £000	2021 £000
Fair value of plan assets at beginning of year	**79,289**	78,108
Interest income on scheme assets	**1,055**	1,313
(Loss)/return on assets, excluding interest income	**(1,442)**	1,635
Contributions by employers	**2,209**	2,118
Benefits paid	**(3,646)**	(3,436)
Scheme administrative cost	**(420)**	(449)
Settlements	**(344)**	–
Fair value of scheme assets at end of year	**76,701**	79,289

Analysis of amounts charged against profits
Amounts recognised in the income statement in respect of defined benefit retirement plans are as follows:

	2022 £000	2021 £000
Expected return on pension scheme assets	**1,055**	1,313
Interest on pension scheme liabilities	**(1,122)**	(1,395)
Scheme expenses met by the Group	**(420)**	(449)
Net charge	**(487)**	(531)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

22. RETIREMENT BENEFIT OBLIGATIONS continued

Remeasurements of the net defined benefit liability/(asset) to be shown in the Statement of Comprehensive Income

	2022 £000	2021 £000
Net remeasurement – financial	**(6,086)**	5,266
Net remeasurement – demographic	**(51)**	(1,347)
Net remeasurement – experience	**(1,797)**	(719)
Return/(Loss) on assets, excluding interest income	**1,442**	(1,635)
Total remeasurements of the net defined benefit (asset)/liability	**(6,492)**	1,565

Sensitivity analysis

The table below shows the impact on the defined benefit obligation of changing each of the most significant assumptions in isolation. The figures in the table as at 31 January 2022 have been calculated using the same valuation method that was used to calculate the defined benefit obligation above and are consistent year on year.

		Impact on scheme liabilities 2022 (£m)		Impact on scheme liabilities 2021 (£m)	
	Change in assumption	Increase	Decrease	Increase	Decrease
Discount rate	0.25% movement	**(2.8)**	**2.9**	(3.4)	3.6
Rate of inflation (RPI)*	0.25% movement	**1.3**	**(1.3)**	1.5	(1.5)
Rate of inflation (CPI)*	0.25% movement	**0.7**	**(0.7)**	0.6	(0.6)
Assumed life expectancy	1 year movement	**3.8**	**(3.8)**	4.8	(4.8)
Estimated impact of Covid-19 on life expectancy**		**N/A**	**N/A**	N/A	(1.9)

Extrapolation of the sensitivity analysis beyond the ranges shown may not be appropriate.

* With corresponding changes to the salary and pension increase assumptions.

** The Group with its advisers has assessed the potential impact of Covid-19 on the mortality assumptions used to calculate the deficit. The figure above represents a best estimate of the long-term impact at 31 January 2022. Given the continuing uncertainties around Covid-19, the Group has not made any adjustment to the reported deficit for the effect of the pandemic.

Risk exposure

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:
- Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.
- Changes in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
- Inflation risks: Some of the Group's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plans against extreme inflation). The majority of the plans' assets are either unaffected by fixed interest bonds or loosely correlated with equities inflation, meaning that an increase in inflation will also increase the deficit.
- Life expectancy: The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The weighted average duration of defined benefit obligations is 16 years.

23. FINANCIAL INSTRUMENTS

The accounting policies for financial instruments have been applied to the line items below:

31 January 2022	Amortised cost £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
Assets as per Balance Sheet				
Net trade receivables and other receivables	**13,794**	**–**	**–**	**13,794**
Minimum guaranteed licensing receivables	**2,498**	**–**	**–**	**2,498**
Cash and cash equivalents	**19,050**	**–**	**–**	**19,050**
Total	**35,342**	**–**	**–**	**35,342**

31 January 2022	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
Liabilities as per Balance Sheet				
Borrowings	–	–	–	–
Lease liabilities	–	**3,903**	–	**3,903**
Trade and other payables	–	**18,544**	–	**18,544**
Total	–	**22,447**	–	**22,447**

31 January 2021	Amortised cost £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
Assets as per Balance Sheet				
Net trade receivables and other receivables	12,578	–	–	12,578
Minimum guaranteed licensing receivables	2,443	–	–	2,443
Cash and cash equivalents	15,549	–	–	15,549
Total	30,570	–	–	30,570

31 January 2021	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
Liabilities as per Balance Sheet				
Borrowings	–	412	–	412
Lease liabilities	–	5,882	–	5,882
Trade and other payables	–	16,219	–	16,219
Total	–	22,513	–	22,513

24. SHARE CAPITAL

Ordinary shares of 1p each:	Number of shares	£
Allotted and fully paid:		
31 January 2022, 31 January 2021 and 31 January 2020	70,983,505	709,835

Sanderson Design Group PLC’s issued ordinary share capital with voting rights consists of 70,983,505 (2021: 70,983,505) ordinary shares of which nil (2021: nil) ordinary shares are held in treasury and 220 (2021: 50,000) ordinary shares are held by the Walker Greenbank Plc EBT. Shares held in treasury or by the EBT are treated as cancelled when calculating EPS.

The market value of shares held by the EBT at 31 January 2022 was £370 (2021: £56,000). The total number of shares held in the EBT at the year end represented less than 0.1% (2021: 0.1%) of the issued shares.

Shares held by the EBT and the treasury shares are held for the purpose of satisfying awards under incentive plans to Executive Directors and senior management.

Long-Term Incentive Plans (‘LTIPs’)
The Group operates an LTIP. There have been 14 awards under this plan and its predecessor, in which Executive Directors and senior management of the Group participate. The LTIP has previously been approved by the shareholders at an Annual General Meeting.

Awards under the scheme are granted in the form of nil-priced share options, and are to be satisfied either using market-purchased shares or by the issuing of new shares. The awards vest in full or in part dependent on the satisfaction of specified performance targets at the end of the vesting period applying to each award. The number of awards that vest is dependent upon the performance underpinned at the date of grant.

Award Twelve criteria is based on revenue, adjusted profit before tax (‘PBT’), the adjusted earnings before interest and tax (‘EBIT’), free cash flow achieved for the relevant measurement period, and the Group’s Total Shareholder Return (‘TSR’) during the vesting period within a comparator group. Award Thirteen and Award Fourteen criteria are based on the adjusted earnings before interest and tax (‘EBIT’), free cash flow achieved for the relevant measurement period and continuous improvement in sustainability based on a reduction in carbon footprint and contribution to the UN Sustainable Development Goals.

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24. SHARE CAPITAL continued
Award Twelve has a quarter of the award based on vesting conditions that are market based and with a further quarter based on each of the absolute adjusted EPS, revenue and free cash flow respectively. The weighted average fair value of options granted during the year that related to market-based vesting conditions (TSR), determined using the Monte-Carlo valuation model, was 42.50p per option. The significant inputs into the model were weighted average share price of 77p at the grant date, exercise price shown above, dividend yield of 3.28%, an expected option life of three years, and an annual risk-free interest rate of 0.56%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. The fair value of the options granted based on vesting conditions of absolute adjusted EPS, revenue and free cash flow, determined using the Black-Scholes valuation model, was 70.0p.

Details of Award Twelve are set out below:

	Award Twelve	Award Twelve	Award Twelve	Award Twelve
Grant date of awards	21 Nov 2019	21 Nov 2019	21 Nov 2019	21 Nov 2019
Grant date fair value of award (pence per award)	42.5	70.0	70.0	70.0
Vesting date of awards	20 Nov 2022	20 Nov 2022	20 Nov 2022	20 Nov 2022
Maximum number of awards	404,638	404,638	404,638	404,638
Vesting condition based on	TSR with PBT floor	EPS	Revenue	Free cash flow
Relevant date for determination of vesting conditions	TSR as at 20 Nov 2022 PBT for year ending 31 Jan 2022	EPS for year ending 31 Jan 2022	Revenue for year ending 31 Jan 2022	Free cash flow for year ending 31 Jan 2022

The vesting dates for Award Thirteen are split 40% on 11 November 2023, 36% on 11 November 2024, and 24% on 11 November 2025. The fair value at the date of grant for this award has been determined based on the share price at the date of grant discounted by the estimated dividends payable on the shares over the relevant vesting period. The relevant fair values are 61.3p for awards vesting on 11 November 2023, 59.2p for awards vesting on 11 November 2024 and 57.2p for those vesting on 11 November 2025.

The vesting dates for Award Fourteen are split 40% on 14 June 2024, 40% on 14 June 2025, and 20% on 14 June 2026. The fair value at the date of grant for this award has been determined based on the share price at the date of grant discounted by the estimated dividends payable on the shares over the relevant vesting period. The relevant fair values are 164.5p for awards vesting on 14 June 2024, 161.1p for awards vesting on 14 June 2025 and 157.8p for those vesting on 14 June 2026.

Details of Award Thirteen and Award Fourteen are set out below:

	Award Thirteen	Award Thirteen	Award Thirteen	Award Fourteen	Award Fourteen	Award Fourteen
Grant date of awards	11 Nov 2020	11 Nov 2020	11 Nov 2020	14 Jun 2021	14 Jun 2021	14 Jun 2021
Grant date fair value of award (pence per award)	See above	See above	See above	See above	See above	See above
Vesting date of awards	See above	See above	See above	See above	See above	See above
Maximum number of awards	344,361	344,361	344,361	143,725	143,725	143,725
Vesting condition based on	EBIT	Free cash flow	Sustainability improvement	EPS	Free cash flow	Sustainability improvement
Relevant date for determination of vesting conditions	EBIT for the year ending 31 Jan 2023	Free cash flow for the year ending 31 Jan 2023	Sustainability improvement for the year ending 31 Jan 2023	EBIT for the year ending 31 Jan 2024	Free cash flow for the year ending 31 Jan 2024	Sustainability improvement for the year ending 31 Jan 2024

Further details of vesting conditions are set out in the Directors' Remuneration Report on pages 60 to 63. 'EBIT' is the adjusted underlying profit before tax.

The expense recognised in the Income Statement for share options granted to employees is disclosed in note 9.

Movements in the number of awards outstanding, assuming maximum achievement of vesting conditions, are as follows:

	2022 Number	2021 Number
At 1 February	**2,200,222**	1,587,588
Granted	**431,175**	1,033,084
Exercised	**–**	–
Forfeiture	**(242,453)**	(72,989)
Lapsed	**–**	(347,461)
At 31 January	**2,388,944**	2,200,222

25. CAPITAL RESERVE

Capital reserve represents:	£000
Share premium of companies acquired under merger accounting principles	1,276
Capital reserve arising on consolidation	293
Capital redemption reserve on capital restructurings	41,888
At 31 January 2022 and 2021	**43,457**

26. DIVIDENDS
During the year to 31 January 2022, the Group has paid an interim dividend of 0.75p (£532,000) on 26 November 2021. In the prior year to 31 January 2021, the Group had not paid any dividend. An interim dividend of 0.52p (£369,000) was paid for the year to 31 January 2020.

The Board has proposed a final dividend of 2.75p per share to be paid on 12 August 2022 to the shareholders on the Company's register on 15 July 2022 if approved at the Company's forthcoming Annual General Meeting.

27. ANALYSIS OF NET FUNDS/(DEBT)

	1 February 2021 £000	Cash flow £000	Other non-cash changes £000	31 January 2022 £000
Cash and cash equivalents	15,549	3,562	(61)	**19,050**
Total funds	15,549	3,562	(61)	**19,050**
Short-term loan	(412)	–	412	**–**
Finance lease liabilities	(5,882)	2,685	(706)	**(3,903)**
Total debts	(6,294)	2,685	(294)	**(3,903)**
Net funds/(debts)	9,255	6,247	(355)	**15,147**

Other non-cash changes are exchange gains/(losses) from the retranslation of bank balances held in non-sterling bank accounts and new additions to right-of-use assets.

28. COMMITMENTS
Capital commitments
Capital expenditure contracted for at the Balance Sheet date but not yet incurred is as follows:

	2022 £000	2021 £000
Property, plant and equipment	**957**	711

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CONTINUED

29. PRINCIPAL SUBSIDIARY UNDERTAKINGS

The principal Group operating companies that traded during the year, and are wholly owned, and which are included in these consolidated financial statements, are as follows:

Name of subsidiary undertaking	Country of incorporation and place of business	Registered office
Sanderson Design Group Brands Limited	UK	Chalfont House, Oxford Road, Denham, UB9 4DX
Globaltex Limited, trading as Clarke & Clarke*	UK	Chalfont House, Oxford Road, Denham, UB9 4DX
Sanderson Design Group Inc*	US	800 Huyler Street, Teterboro, New Jersey, 07608
Sanderson Design Group Brands SARL*	France	19 Rue de Mail, Paris, 75002
Sanderson Design Group Brands GmbH*	Germany	Thurn-und-Taxis Platz 6 60313, Frankfurt am Maine, Germany

* Shares held by subsidiary company.

Investments in Group companies are ordinary shares.

The principal activities of the Group, including all subsidiaries, are design, manufacture, marketing and distribution of wallcoverings, furnishing fabrics and associated products for the consumer market.

During the year, the Group changed the names of the following companies listed above:
Sanderson Design Group Brands SARL (formerly Arthur Sanderson & Sons SARL)
Sanderson Design Group Brands GmbH (formerly Style Library GmbH)

Style Library (Rus) LLC, a previous subsidiary company, was liquidated by Sanderson Design Group Brands Limited.

For a full list of subsidiary companies refer to note 8 to the financial statements of the Company as an entity (page 115).

30. EXPLANATION OF PRIOR YEAR ADJUSTMENTS FOR THE YEARS ENDED 31 JANUARY 2021 AND 31 JANUARY 2020

The Group has rectified the error in previous years of its cost absorption methodology of the manufacturing units for establishing the profit elimination within inter-group inventories held at the year end. As a result of this error, the value of inventory at 31 January 2021 has reduced by £717,000, the cost of sales for the financial year ended 31 January 2021 has increased by £80,000 and opening retained earnings and inventory at 1 February 2020 have reduced by £637,000.

The total impact of these adjustments for the financial year ended 31 January 2022 is a reduction of opening retained earnings of £717,000 with equivalent reduction in the value of opening inventories. In addition, the cash flow statement for the year ended 31 January 2021 has been restated to show a reduced profit before tax by £80,000 with a compensating adjustment to the movement in inventories. There is no overall change to the reported operating cashflow.

The Group has analysed the minimum guaranteed licensing receivables into its current and non-current components and made a prior year adjustment to reflect similar analysis in the comparatives. This determination is based on the assessment of the operating cycle of the licensing arrangement, taking into consideration the nature of the agreement and the cash and invoicing cycle. This assessment was not carried out in the previous year and as such all amounts receivable were shown as current in error. A prior period adjustment has been processed to reflect the split in the previous year. This restatement has no effect on the result, equity or retained earnings brought forward in the prior year.

The following table analyses the Group's minimum guaranteed licensing income into relevant maturity groupings based on the remaining period to contractual maturity at the Balance Sheet date. The impact is to increase non-current assets and reduce net current assets by £1,222,000 as at 31 January 2021 and by £1,455,000 as at 31 January 2020.

	Current Less than 1 year £000	Non-current Over 1 year £000	Total £000
31 January 2021	1,221	1,222	2,443
31 January 2020	495	1,455	1,950

COMPANY BALANCE SHEET

AS AT 31 JANUARY 2022

	Note	2022 £000	2021 £000
Fixed assets			
Tangible assets	5	**2**	4
Right-of-use assets	6	**919**	1,371
Investments	7	**80,441**	80,441
Deferred income tax asset	10	**689**	113
		82,051	81,929
Current assets			
Trade and other receivables	8	**2,894**	3,356
Cash and cash equivalents	9	**927**	7,791
		3,821	11,147
Creditors: amounts falling due within one year	11	**(18,280)**	(23,624)
Net current liabilities		**(14,459)**	(12,477)
Total assets less current liabilities		**67,592**	69,452
Creditors: amounts falling due after one year	6	**(349)**	(758)
Net assets		**67,243**	68,694
Capital and reserves			
Called-up share capital	14	**710**	710
Share premium account		**18,682**	18,682
Retained earnings		**5,963**	7,414
Capital redemption reserve	15	**41,888**	41,888
Total shareholders' funds		**67,243**	68,694

The Company made a loss of £1,195,000 (2021: profit of £630,000).

The financial statements on pages 107 to 118 were approved by the Board of Directors on 27 April 2022 and signed on its behalf by

Lisa Montague
Director

Mike Woodcock
Director

Registered number: 61880

COMPANY STATEMENT OF CHANGES IN EQUITY

AS AT 31 JANUARY 2022

	Called-up share capital £000	Share premium account £000	Retained earnings £000	Capital redemption reserve (note 15) £000	Total shareholders' funds £000
Balance at 1 February 2020	**710**	**18,682**	**6,471**	**41,888**	**67,751**
Profit for the year as reported	–	–	630	–	630
Total comprehensive income	–	–	630	–	630
Transactions with owners, recognised directly in equity:					
Dividends	–	–	–	–	–
Long-term incentive plan charge	–	–	294	–	294
Related tax movements on long-term incentive plan	–	–	19	–	19
Balance at 31 January 2021	**710**	**18,682**	**7,414**	**41,888**	**68,694**
Loss for the year	–	–	(1,195)	–	(1,195)
Total comprehensive income	–	–	(1,195)	–	(1,195)
Currency translation differences	–	–	(119)	–	(119)
Transactions with owners, recognised directly in equity:					
Dividends	–	–	(532)	–	(532)
Long-term incentive plan charge	–	–	253	–	253
Related tax movements on long-term incentive plan	–	–	142	–	142
Balance at 31 January 2022	**710**	**18,682**	**5,963**	**41,888**	**67,243**

The notes on pages 107 to 118 form an integral part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES AND GENERAL INFORMATION

Basis of consolidation

These financial statements present information relating to the entity Sanderson Design Group PLC ('the Company'), and are not consolidated. The consolidated financial statements of Sanderson Design Group PLC and its subsidiaries ('the Group') of which the Company is the parent are separately presented within the Annual Report and Accounts and are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs').

Basis of preparation

The financial statements have been prepared in accordance with the FRS 101. The financial statements have been prepared under the historical cost convention, and with the accounting policies set out below, which have been consistently applied to all periods presented unless otherwise indicated.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Company continues to adopt the going concern basis in preparing its financial statements as detailed in the Group's going concern analysis.

No Income Statement is presented for the Company as it has applied the exemption provided by Section 408 of the Companies Act 2006.

In accordance with FRS 101, the following exemptions from the requirements of IFRSs have been applied in the preparation of these financial statements:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment';
  (iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period); and
  (iv) paragraphs 76 and 79(d) of IAS 40 'Investment Property'.
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  (i) 10(d) (statement of cash flows);
  (ii) 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  (iii) 16 (statement of compliance with all IFRS);
  (iv) 38A (requirement for minimum of two primary statements, including cash flow statements);
  (v) 111 (cash flow statement information); and
  (vi) 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of Assets'.
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 'Business Combinations'.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Adoption of new and revised accounting standards and interpretations

On 31 December 2021 EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. No new standards and interpretations issued and effective for the year have had any significant impact.

Foreign currencies

For the purpose of the financial statements, the results and financial position are expressed in sterling, which is the functional and presentation currency of the Company.

Transactions in foreign currencies, which are those other than the functional currency of the Company, are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at the Balance Sheet date.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any recognised impairment loss. Historical cost comprises the purchase price and costs directly incurred in bringing the asset into use. The assets' residual values and useful lives are reviewed annually and adjusted, if appropriate, at each Balance Sheet date.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

1. ACCOUNTING POLICIES AND GENERAL INFORMATION continued
Depreciation is charged on a straight-line basis on the original costs after deduction of any estimated residual value. The principal annual rates are:

Plant, equipment and vehicles	Between 5% and 33%
Computer hardware	33%

Investments
Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment. In accordance with IAS 39, the Company has adopted the cost-based approach for subsequent changes in the value of contingent consideration which represent a financial liability or asset. These are treated as part of the cost or a reduction in the cost of the investment.

Impairment of non-financial assets
Property, plant and equipment are tested for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. When an impairment test is conducted, the recoverable amount is assessed by reference to the higher of the value in use (net present value of expected future cash flows of the relevant cash-generating unit), or the fair value less cost to sell. If a cash-generating unit is impaired, provision is made to reduce the carrying amount of the related assets to their estimated recoverable amount. Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets and liabilities – *measurement basis*
Financial assets and liabilities are recognised on the date on which the Company becomes a party to the contractual provisions of the instrument giving rise to the asset or liability. Financial assets and liabilities are initially recognised at fair value plus transaction costs and are continually reviewed for impairment going forward. Any impairment of a financial asset is charged to the Income Statement when incurred. Financial assets are derecognised when the Company's rights to cash inflows from the asset expire; financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expired.

Non-derivative financial assets are classified as either amortised cost or fair value through profit and loss. This category includes:
- 'Trade and other receivables' – these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides goods directly to a customer, or advances money, with no intention of trading the loan or receivable. Trade receivables are recognised initially at the amount of consideration that is unconditional. Subsequent to initial recognition, loans and receivables are included in the Balance Sheet at amortised cost using the effective interest method less any amounts written off to reflect impairment, with changes in the carrying amount recognised in the Income Statement within administration expenses; and
- 'Cash and cash equivalents' – these comprise deposits with an original maturity of three months or less with banks and financial institutions, bank balances, bank overdrafts with the right of offset and cash in hand.

The Company's non-derivative financial liabilities are classified as 'Other liabilities'. Other liabilities are financial liabilities with fixed or determinable payments that are not quoted in an active market. They arise when the Company receives goods or services directly from a payable or supplier, or borrows money, with no intention of trading the liability. This category includes:
- 'Creditors' – these are typically non-interest bearing and following initial recognition are included in the Balance Sheet at amortised cost using the effective interest method;
- 'Bank overdrafts' – these are initially recorded at fair value based on proceeds received net of issue costs and subsequently held at amortised cost using the effective interest method; and
- 'Borrowings' – these are recorded initially at the fair value, net of direct issue costs, and are subsequently stated at amortised cost. Finance charges, including premiums payable on settlement, or redemption and direct issue costs, are accounted for in the Income Statement, using the effective interest method, and are included within the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Borrowing costs are capitalised as an increase to the carrying value of software or property, plant and equipment on major projects where their impact is material.

Cash and cash equivalents
Cash and cash equivalents represent only liquid assets with original maturity of 90 days or less. Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts that cannot be offset against other cash balances are shown within borrowings in current liabilities on the Balance Sheet.

Leases
Definition of a lease
Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

Lessee accounting
At the lease commencement date, a right-of-use asset is recognised for the leased item with a corresponding lease liability for any payments due. The right-of-use asset is initially measured at cost, being the present value of the lease payments paid or payable (net of any incentives received from the lessor), plus any initial direct costs and/or restoration costs.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the asset's useful life or the end of the lease term. The lease term is the non-cancellable period of the lease plus any periods for which the Company is 'reasonably certain' to exercise any extension options. If right-of-use assets are considered to be impaired, the carrying value is reduced accordingly.

For assets where the lessor transfers ownership of the underlying asset to the Company by the end of the lease term, or where the lease contains a purchase option at a nominal/notional value, then these assets will be initially classified as property, plant and equipment, and subsequently be depreciated in accordance with the depreciation policy.

The lease liability is initially measured at the value of future lease payments, discounted using the interest rate implicit in the lease. Where this rate is not determinable, the Company's incremental borrowing rate is used, which is then adjusted to reflect an estimate of the interest rate the Company would have to pay to borrow the amount necessary to obtain an asset of similar value, in a similar economic environment, and with similar terms and conditions.

After initial recognition, the lease liability is recorded at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate (e.g. an inflation related increase) or if the Company's assessment of the lease term changes. Any change in the lease liability as a result of these changes also results in a corresponding change in the recorded right-of-use asset. Payments in respect of short-term and/or low-value leases continue to be charged to the income statement on a straight-line basis over the lease term.

Employee benefits – *retirement benefit obligations*
Sanderson Design Group operates both defined benefit and defined contribution pension schemes for the benefit of its employees.

Defined benefit pension schemes are accounted for within the separate financial statements of the Company's trading subsidiary, Sanderson Design Group Brands Limited (formerly Abaris Holdings Limited). The Company recognises contributions to defined contribution schemes in respect of its employees as expenses when incurred.

Employee share ownership plan ('ESOP')
Where the Company's issued share capital is acquired by an ESOP trust sponsored by the Company, the cost of acquisition is deducted from retained earnings.

Employee benefits – *share-based payments under Long Term Incentive Plans ('LTIPs')*
The Company issues equity-settled share-based payments to certain employees which must be measured at fair value and recognised as an expense in the Income Statement with a corresponding increase in equity.

The fair values of these payments are measured at the date of grant, considering the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become conditionally entitled to the awards, subject to the Company's estimate of the number of awards which will lapse, either due to employees leaving the Company prior to vesting or due to non-market based performance conditions not being met.

The total amount recognised in the Income Statement as an expense is adjusted to reflect the actual number of awards that vest. National insurance contributions related to the awards are recognised as an expense in the Income Statement with a corresponding liability on the Balance Sheet.

Employee benefits – *short-term bonus plans*
The Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Provisions for liabilities and charges
Provisions are required for restructuring costs and employment related benefits when the Company has a present legal or constructive obligation at the reporting date as a result of a past event and it is probable that settlement will be required of an amount that can be reliably estimated.

Other provisions reflect the Directors' best estimate of future obligations relating to legal claims and litigation, together with dilapidation costs for the maintenance of leasehold properties arising from past events such as lease renewals and terminations. These estimates are reviewed at the reporting date and updated as necessary.

Share capital
Ordinary shares are classified as equity. Costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds. Dividend distribution is set by the Board on a regular basis so long as sufficient funds are available.

Share premium
Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares
Consideration paid including any directly attributable incremental costs (net of income taxes) on the purchase of the Company's equity share capital (treasury shares) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity shareholders. The EBT is treated as an agent of the Company and as such EBT transactions are treated as being those of the Company.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

1. ACCOUNTING POLICIES AND GENERAL INFORMATION continued

Taxation including deferred tax

The tax expense represents the sum of the current tax and deferred tax charges or credits.

Current tax is based on the taxable profit for the year. Taxable profit differs from the net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date. Current tax includes withholding taxes from sales and licensing income in overseas territories.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

IAS 12 'Income taxes' requires that the measurement of deferred tax should have regard to the tax consequences that would follow from the manner of expected recovery or settlement at the Balance Sheet date of the carrying amount of its assets and liabilities. In calculating its deferred tax liability the Company's policy is to regard the depreciable amount of the carrying value of its property, plant and equipment to be recovered through continuing use in the business, unless included within assets held for resale, where the policy is to regard the carrying amount as being recoverable through sale.

Deferred tax assets are recognised only to the extent it is probable that future taxable profits will be available against which temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. A deferred tax asset is recognised relating to share based payments equal to the intrinsic value (market price at the year-end less the exercise price). Deferred tax is recognised in the profit and loss based on the temporary difference between the tax base of the fair value of the employee's services received in the year. The amount recognised in equity is the excess deduction based on the difference between the intrinsic value and the cumulative fair value of the share based payments recognised in profit and loss.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Company makes estimates and assumptions concerning future events. The resulting accounting estimates will seldom precisely equal the related actual results. The Company applies its best endeavours in setting accounting estimates, and uses historical experience and other factors, including input from experienced and specialist management. Estimates and assumptions are periodically re-evaluated and the resulting accounting balances updated as new information, including actual outcomes, becomes apparent.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Deferred tax recognition

The Company considers it appropriate to recognise at the Balance Sheet date deferred tax assets resulting from historical trading losses and other temporary differences including pension deficits and the impact of awards under the Long-Term Incentive Plan. The amount of deferred tax recognised is based on estimates of the timing and amount of future taxable profits of the Company, which in turn relies upon estimates of future operating profits and the occurrence, timing and tax treatment of significant items of income and expenditure including contributions to pension schemes and the vesting of LTIP payment awards. Further disclosures relating to the amount of deferred tax asset recognised and other relevant disclosures are included in note 10. The Company considers the sensitivity on deferred tax recognition to be based on profits generated by the Company and tax rates substantively enacted. There has been no material impact on sensitivity in the current or previous financial year.

3. AUDITORS' REMUNERATION

	2022 £000	2021 £000
Audit fee – fees payable to the Company's auditor for the audit of the Parent Company and the consolidation of the Group financial statements	**60**	78

4. EMPLOYEE INFORMATION

	2022 £000	2021 £000
Wages and salaries	**2,995**	2,058
Social security costs	**212**	170
Other pension costs	**95**	115
Share-based payment awards, including NIC thereon	**406**	345
Employee benefit expense	**3,708**	2,688

The average monthly number of employees (including Directors) during the year	2022	2021
Corporate and administration	**26**	21

The Directors' emoluments are disclosed in the Directors' Remuneration Report on pages 60 to 63 of these financial statements.

5. EMOLUMENTS OF DIRECTORS
Information on the remuneration of the Directors, including the highest paid director, is included in the Directors' Remuneration Report set out on pages 60 to 63.

The emoluments of the Directors are detailed below:

	2022 £000	2021 £000
Short-term employee benefits (including short-term incentives)	**1,162**	734
Post-employment benefits (including pension costs)	**30**	27
Total disclosed in the Directors' Remuneration Report	**1,192**	761
Share-based payment charge	**202**	169
	1,394	930

6. TANGIBLE ASSETS

	Plant, equipment and vehicles £000	Computer hardware £000	Total £000
Cost			
31 January 2020, 31 January 2021 and 30 January 2022	97	34	131
Accumulated depreciation			
31 January 2020	91	34	125
Charge	2	–	2
31 January 2021	93	34	127
Charge	2	–	2
31 January 2022	**95**	**34**	**129**
Net book amount			
31 January 2022	**2**	**–**	**2**
31 January 2021	4	–	4
31 January 2020	6	–	6

The total depreciation expense of £2,000 (2021: £2,000) is included in administration expenses.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

7. LEASES

As a lessee

Information about leases for which the Company is a lessee is presented below:

	Leasehold properties £000	Vehicles £000	Total £000
Cost			
31 January 2021	2,292	92	2,384
Additions	–	18	18
Disposals	–	(92)	(92)
31 January 2022	**2.292**	**18**	**2,310**
Accumulated depreciation and impairment			
31 January 2021	940	73	1,013
Charge	442	13	455
Disposals	–	(77)	(77)
31 January 2022	**1,382**	**9**	**1,391**
Net book amount			
31 January 2022	**910**	**9**	**919**
31 January 2021	1,352	19	1,371

Additions to right-of-use assets during 2022 were £18,000 (2021: £303,000). Depreciation of right-of-use assets during the year was £455,000 (2021: £581,000).

Lease liabilities

	Leasehold properties £000	Vehicles £000	Total £000
Balance			
31 January 2021	1,305	15	1,320
Additions	–	18	18
Amounts paid	(504)	(24)	(528)
Effect of discounting	27	1	28
31 January 2022	**828**	**10**	**838**

	2022 £000	2021 £000
Lease liabilities		
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**509**	515
One to five years	**378**	1,042
More than five years	**–**	–
Total undiscounted cash flows	**887**	1,557
Maturity analysis – contractual lease liabilities		
Current (note 12)	**489**	562
Non-current	**349**	758
Total lease liabilities	**838**	1,320

8. INVESTMENTS

Shares in subsidiary undertakings:	2022 £000	2021 £000
Cost	**80,441**	80,441
Provision for impairment	**–**	–
Net book amount at 31 January	**80,441**	80,441

Sanderson Design Group PLC is registered and domiciled in the United Kingdom. It is the Parent Company of the Sanderson Design Group. The Company's subsidiary undertakings at 31 January 2022, all of which are wholly owned, were as follows:

Name of subsidiary undertaking	Country of incorporation and place of business	Holding	Proportion of voting rights/shares held by the Company	Nature of business
Sanderson Design Group Brands Limited	UK	Ordinary shares	100%	Luxury interior furnishings
Globaltex 2015 Limited	UK	Ordinary shares	100%	Holding company
Globaltex Limited*	UK	Ordinary shares	100%	Inactive
Sanderson Design Group Inc*	US	Ordinary shares	100%	Luxury interior furnishings
Clarke & Clarke Inc*	US	Ordinary shares	100%	Dormant
Sanderson Design Group Brands SARL*	France	Ordinary shares	100%	Luxury interior furnishings
Sanderson Design Group Brands B.V.*	Netherlands	Ordinary shares	100%	Sales support
Sanderson Design Group Brands GmbH	Germany	Ordinary shares	100%	Sales support
Abaris Holdings Limited*	UK	Ordinary shares	100%	Dormant
Abaris (Overseas) Holdings Limited*	UK	Ordinary shares	100%	Dormant
Anstey Wallpaper Company Limited*	UK	Ordinary shares	100%	Dormant
Anthology Fabrics and Wallcoverings Limited*	UK	Ordinary shares	100%	Dormant
Arthur Sanderson & Sons Limited*	UK	Ordinary shares	100%	Dormant
Barracks Fabric Printing Company Limited*	UK	Ordinary shares	100%	Dormant
Cirka Limited*	UK	Ordinary shares	100%	Dormant
Design Edition Limited*	UK	Ordinary shares	100%	Dormant
Harlequin Fabrics & Wallcoverings Limited*	UK	Ordinary shares	100%	Dormant
Morris & Co. (Artworkers) Limited*	UK	Ordinary shares	100%	Dormant
Sanderson of London Limited*	UK	Ordinary shares	100%	Dormant
Scion Fabrics & Wallcoverings Limited*	UK	Ordinary shares	100%	Dormant
Scion Living Limited*	UK	Ordinary shares	100%	Dormant
Standfast Dyers and Printers Limited	UK	Ordinary shares	100%	Dormant
Strines Textiles Limited*	UK	Ordinary shares	100%	Dormant
Style Library Limited*	UK	Ordinary shares	100%	Dormant
Walker Greenbank Distribution Limited*	UK	Ordinary shares	100%	Dormant
Walker Greenbank Limited*	UK	Ordinary shares	100%	Dormant
William Morris Wallpapers Limited*	UK	Ordinary shares	100%	Dormant
Zoffany Limited*	UK	Ordinary shares	100%	Dormant
Sanderson Design Group Brands (Ireland) Limited*	Ireland	Ordinary shares	100%	Dormant

Style Library (Rus) LLC, a previous subsidiary company, was liquidated by Sanderson Design Group Brands Limited.

* Indicates that the shares are held by a subsidiary company.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

8. INVESTMENTS continued
Registered offices of the Company's related undertakings, all of which are wholly owned, are as follows:

Name of subsidiary undertaking	Registered office
Sanderson Design Group Inc*	800 Huyler Street, Teterboro, New Jersey, 07608, USA
Clarke & Clarke Inc*	2416 Camino Oleada, San Clemente, California, 92673, USA
Sanderson Design Group Brands SARL*	19 Rue de Mail, Paris, 75002, France
Sanderson Design Group Brands B.V. *	Postbus 372, 1970 AJ IJMUIDEN, Netherlands
Sanderson Design Group Brands GmbH*	Wiesenhüttenstrasse 11, 60329 Frankfurt am Main, Germany
All undertakings other than the ones listed above	Chalfont House, Oxford Road, Denham, UB9 4DX, UK
Sanderson Design Group Brands (Ireland) Limited	12 Merrion Square, Dublin 2, Dublin, Ireland DO2 H79

* Indicates that the shares are held by a subsidiary company.

9. TRADE AND OTHER RECEIVABLES

Current	**2022 £000**	2021 £000
Other taxes and social security	**843**	1,297
Prepayments and other receivables	**2,051**	2,059
	2,894	3,356

10. CASH AND CASH EQUIVALENTS

	2022 £000	2021 £000
Cash at bank and in hand	**927**	7,791

11. DEFERRED INCOME TAX
A net deferred tax asset of £689,000 (2021: £113,000) is recognised in respect of unutilised tax losses, future deductions for LTIP payments and other temporary differences.

At 31 January 2022, the Company had gross unused UK tax losses of £3,064,000 (2021: £3,225,000) available for offset against future profits. Of the potential £766,000 deferred tax asset on these tax losses, a pro-rated deferred tax asset of £322,000 has been recognised on a prudent basis as these are readily available for offset against the Company's profits for the next three years under existing tax legislation and therefore the realisation of these losses is considered probable. A further deferred tax asset of £444,000 from these tax losses is not recognised. In the previous year, the gross UK tax losses of £3,225,000 was deemed not available for offset against future profits, therefore the deferred tax asset of £613,000 was not recognised. The change of tax rate from 19% to 25% has also increased the amount of deferred tax asset in future years.

	2022 £000	2021 £000
Taxable temporary differences on property, plant and equipment	**4**	5
Taxable temporary differences on deductible tax losses carried forward	**332**	–
Taxable temporary differences on share-based payments	**353**	83
Other temporary differences	**–**	25
	689	113

There are also unutilised capital tax losses at 31 January 2022 of £4,881,000 (2021: £4,881,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £000	2021 £000
Trade creditors	**47**	111
Amounts owed to subsidiary undertakings	**14,159**	21,052
Other creditors	**1,230**	–
Leases (note 6)	**489**	562
Accruals	**2,355**	1,899
	18,280	23,624

Amounts owed to subsidiary undertakings are non-interest bearing and are unsecured. These loans are payable by the Company on demand should payment be required but have no fixed date of repayment.

13. BORROWINGS

In October 2019, the Group renewed its committed £12,500,000 multi-currency revolving credit facility with Barclays Bank plc for a further five-year period. The agreement also included a £5,000,000 uncommitted accordion facility option. During the year, the Group did not renew a temporary overdraft facility of £2,500,000 which expired in April 2021. The total facilities from Barclays Bank plc in the year ended 31 January 2022 comprised the revolving credit facility and overdraft facility secured on the Group's freehold property which may be drawn down in either sterling or euro.

Under the Barclays Bank plc facilities, the Group is subject to compliance of two financial covenants: interest cover and leverage. Any non-compliance with covenants could, if not remedied or waived, constitute an event of default with respect to any such arrangements.

Due to Covid-19, Management modelled possible downside scenarios to its base case trading forecast in the previous year. Having taken into account these models, formal agreement was reached with Barclays Bank plc to waive the interest cover covenant condition for the tests arising in July 2020, October 2020, January 2021, April 2021 and July 2021 and to waive the leverage covenant condition for October 2020, January 2021 and April 2021. This was replaced by a liquidity covenant requirement that available headroom in the facility needs to remain above £5,000,000 between 1 November 2020 and 31 July 2021. The Group has reported to Barclays Bank plc that it was in full compliance with its agreed covenants at each of the testing points during the financial year ended 31 January 2022 and up to the date of this report.

The total Barclays Bank plc facilities are capped at £12,500,000 (2021: £17,500,000, including the expired £5,000,000 uncommitted accordion facility); the utilisation of the facilities at 31 January 2022 was £nil (2021: £nil). The revolving credit facility bears interest at a variable rate based on the SONIA (for sterling loans) or the EURIBOR (for euro loans).

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period to contractual maturity at the Balance Sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. The maturity profile of undiscounted cash flows on variable interest rate borrowings has assumed interest rates as at the Balance Sheet date.

31 January 2022	**Less than 1 year £000**	**Between 1 to 2 years £000**	**Between 2 to 5 years £000**	**Over 5 years £000**
Creditors: amounts falling due within one year	**18,280**	–	–	–
	18,280	–	–	–

31 January 2021	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Creditors: amounts falling due within one year	23,624	–	–	–
	23,624	–	–	–

14. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

31 January 2022	**At amortised cost £000**	**Assets at fair value £000**	**Derivatives used for hedging £000**	**Total £000**
Assets as per Balance Sheet				
Cash at bank and in hand	**927**	–	–	**927**
Total	**927**	–	–	**927**

31 January 2022	**Liabilities at fair value £000**	**Other financial liabilities £000**	**Derivatives used for hedging £000**	**Total £000**
Liabilities as per Balance Sheet				
Creditors: amounts falling due within one year	–	**18,280**	–	**18,280**
Total	–	**18,280**	–	**18,280**

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

14. FINANCIAL INSTRUMENTS BY CATEGORY continued

31 January 2021	At amortised cost £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
Assets as per Balance Sheet				
Cash at bank and in hand	7,791	–	–	7,791
Total	7,791	–	–	7,791

31 January 2021	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
Liabilities as per Balance Sheet				
Creditors: amounts falling due within one year	–	23,624	–	23,624
Total	–	23,624	–	23,624

15. CALLED UP SHARE CAPITAL

Ordinary shares of 1p each:	Number of shares	£
Called up and fully paid:		
31 January 2022	**70,983,505**	**709,835**
31 January 2021	70,983,505	709,835
31 January 2020	70,983,505	709,835

Sanderson Design Group PLC's issued ordinary share capital with voting rights consists of 70,983,505 (2021: 70,983,505) ordinary shares of which nil (2021: nil) ordinary shares are held in treasury and 220 (2021: 50,000) ordinary shares are held by the Walter Greenbank Plc EBT. Shares held in treasury or by the EBT are treated as cancelled when calculating EPS.

The market value of shares held by the EBT at 31 January 2022 was £370 (2021: £56,000). The total number of shares held in the EBT at the year end represented less than 0.1% (2021: 0.1%) of the issued shares.

Shares held by the EBT and the treasury shares are held for the purpose of satisfying awards under incentive plans to Executive Directors and senior management.

Long-Term Incentive Plans ('LTIPs')
The Group operates an LTIP. There have been 14 awards under this plan, in which Executive Directors and senior management of the Group participate. Further details are included in note 24 of the consolidated financial statements of the Group, which are separately included within the Annual Report and Accounts.

16. CAPITAL REDEMPTION RESERVE

The capital redemption reserve represents:	£000
Capital redemption reserve on capital restructurings	41,888
At 31 January 2022 and 2021	**41,888**

17. DIVIDENDS
During the year to 31 January 2022, the Group has paid an interim dividend of 0.75p (£532,000) on 26 November 2021. In the prior year to 31 January 2021, the Group had not paid any dividend.

The Board has proposed a final dividend of 2.75p per share to be paid on 12 August 2022 to the shareholders on the Company's register on 15 July 2022 if approved at the Company's forthcoming annual general meeting.

18. CONTINGENT LIABILITY
The Company is party to a cross-guarantee relating to the borrowings of its subsidiary undertakings in the UK under funding arrangements with Barclays Bank plc. The amount of contingent liability is £nil (FY2021: £nil).

GLOSSARY

The Group monitors several alternative performance measures ('APMs') in managing its business, which are not defined or specified under the requirements of IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS or are calculated using financial measures that are not calculated in accordance with IFRS.

The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. These APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these APMs are also used for the purpose of setting remuneration targets.

These APMs should be viewed as supplemental to, but not as a substitute for, measures presented in the consolidated financial information relating to the Group, which are prepared in accordance with IFRS. The Group believes that these APMs are useful indicators of its performance. The Group may have some APMs bearing the same names as reported by other companies but they may not be comparable due to differences in the way they are calculated.

APM	CLOSEST EQUIVALENT STATUTORY MEASURE	RECONCILING ITEMS TO STATUTORY MEASURE	DEFINITION AND PURPOSE
Income Statement measures			
Revenue growth at constant currency	None	Not applicable	The Group reports some financial measures, primarily international sales and licensing income, on both a reported and constant currency basis. The constant currency basis retranslates the previous year revenues at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the year-on-year reported results.
Underlying profit from operations	Profit from operations	Adjusting items (see note 11)	Profit from operations before the impact of non-underlying adjusting items.
Adjusted underlying profit before tax	Profit before tax	Adjusting items (see note 11)	Profit before the impact of non-underlying adjusting items and tax. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board. This is a measure used within the Group's incentive plans – see the Remuneration Report.
Adjusted underlying basic earnings per share	Earnings per share	Adjusting items (see note 11)	Profit after tax attributable to owners of the parent and before the impact of non-underlying adjusting items, divided by the weighted average number of ordinary shares in issue during the financial year. This is a measure used within the Group's incentive plans – see the Remuneration Report.
Adjusted underlying diluted earnings per share	Diluted earnings per share	Adjusting items (see note 11)	Profit after tax attributable to owners of the parent and before the impact of non-underlying adjusting items, divided by the weighted average number of ordinary shares in issue during the financial year adjusted for the effects of any potentially dilutive options.
Underlying EBITDA[1]	Reported EBITDA[1]	Not applicable	Calculated as profit before the impact of adjusting items, net finance costs, tax, depreciation and amortisation as disclosed on the face of the consolidated income statement. This measure is used in calculating the return on capital employed for the Group.

1 EBITDA is not defined within IFRS but is a widely accepted profit measure being earnings before interest, tax, depreciation and amortisation.

GLOSSARY CONTINUED

APM	CLOSEST EQUIVALENT STATUTORY MEASURE	RECONCILING ITEMS TO STATUTORY MEASURE	DEFINITION AND PURPOSE
Balance Sheet measure			
Net cash	None	Analysis of net funds (see note 27)	Calculated as year end cash and cash equivalents less borrowings. This measure is a good indication of the strength of the Group's Balance Sheet position and is widely used by credit rating agencies.
Cash flow measures			
Free cash flow	None	Analysis of net funds (see note 27)	The cash generated from the Group's operating activities less capital expenditure, cash lease payments and interest paid but excluding dividends paid. This is a measure of cash retained by the Group.
Capital expenditure	None	Not applicable (see Group Cash Flow Statement)	Calculated as the purchase of property, plant and equipment, investment property and intangible assets during the year, less proceeds from asset disposals excluding any assets acquired or disposed of as part of a business combination or through an investment in an associate.

FIVE-YEAR RECORD

	2018* £000	2019* £000	(restated) 2020 £000	(restated) 2021 £000	**2022 £000**
Revenue (£m)	112.2	113.3	111.5	93.8	**112.2**
Adjusted underlying profit before tax (£m)	12.7	9.5	7.5	7.0	**12.5**
Adjusted underlying profit before tax (%)	11.3%	8.4%	6.7%	7.5%	**11.1%**
Adjusted EPS (p)	14.77	10.80	9.35	7.89	**13.75**
Profit before tax (£m)	13.0	5.6	4.5	4.9	**10.4**
Profit before tax (%)	11.6%	4.9%	4.0%	5.2%	**9.2%**
Profit after tax (£m)	11.9	4.4	3.8	3.8	**7.8**
Basic EPS (p)	16.95	6.15	5.41	5.39	**10.93**
EBITDA (£m)	17.7	10.4	12.2	12.6	**16.8**
Free cash flow (£m)	6.8	8.8	3.1	14.0	**4.5**
Net cash (£m)	(5.3)	0.4	1.3	15.1	**19.1**
Inventory (£m)	29.5	28.0	27.8	19.6	**22.7**
Capital expenditure (£m)	3.5	3.0	2.4	1.0	**2.1**
Average number of employees	689	684	660	619	**613**
Dividends paid in year (£m)	2.7	3.1	2.2	–	**0.5**
Shareholders' funds (£m)	61.8	60.9	64.2	66.8	**79.7**
Dividend per share					
– Final (prior year end) – paid	3.06p	3.68p	2.55p	–	**–**
– Interim (current year end) – paid	0.69p	0.69p	0.52p	–	**0.75p**
– Final (current year end) – proposed	3.68p	2.55p	–	–	**2.75p**

* FY2018 and FY2019 are not restated as the impact of the prior year adjustment as described in note 30 is deemed immaterial.

SHAREHOLDER INFORMATION

Financial calendar	
Annual General Meeting	12th July 2022
Announcement of half-year results	October 2022

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