live beautiful

Sanderson Design Group

Annual Report & Accounts 2023

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."

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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 2023.

£112.0m

Revenue
2022: £112.2m (-0.2%)

£12.6m

Adjusted underlying profit before tax*
2022: £12.5m (0.8%)

14.18p

Adjusted underlying EPS*
2022: 13.75p (3.1%)

£10.9m

Statutory profit before tax
2022: £10.4m (4.8%)

£8.8m

Statutory profit after tax
2022: £7.8m (12.8%)

12.42p

Basic EPS
2022: 10.93p (13.6%)

£15.4m

Net cash**
2022: £19.1m (-19.4%)

* Excluding share-based incentives, defined benefit pension charge and non-underlying items as summarised in note 12.

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

FINANCIAL HIGHLIGHTS

- Revenue unchanged at £112.0m (FY2022: £112.2m), representing a resilient performance in a challenging consumer environment
- Licensing momentum continues with revenue up 25.0% at £6.5m (FY2022: £5.2m) including accelerated licensing income of £2.4m (FY2022: £1.4m)
- Brand products sales down 0.8% at £83.4m (FY2022: £84.1m) and down 2.8% in constant currency
  - Morris & Co. brand continuing to perform well with reported sales up 15.9% and up 13.8% in constant currency
  - North America continues to deliver a strong performance with reported sales up 19.3% in reported currency and 6.3% in constant currency, driven by the Morris & Co., Sanderson and Clarke & Clarke brands
- Third party manufacturing sales performed robustly against a strong comparator with sales down 3.1% in reported currency
- Adjusted underlying profit before tax of £12.6m (FY2022: £12.5m). Reported profit before tax of £10.9m, up £0.5m (FY2022: £10.4m)
- Liquidity and headroom^ of £27.9m (FY2022: £31.6m) with net cash of £15.4m (FY2022: £19.1m)
- Proposed final dividend of 2.75p per share (FY2022: 2.75p) to give a total dividend for the year of 3.50p (FY2022: 3.50p)

^ Comprising net cash of £15.4m and banking facilities of £12.5m.

OPERATIONAL HIGHLIGHTS

- Significant licence renewals in the year including Bedeck, NEXT and Williams Sonoma along with strong generation of new collaborations and a resilient performance from core bedding and Japanese partnerships
- Morris & Co. sales driven by the Simply Morris collection with the current year launch of Emery Walker's House Collection being well received
- Sanderson extended its National Trust collaboration for a further two years and announced an exciting collaboration with Disney to revive vintage Disney characters in the Sanderson archive from 1936
- Harlequin's Own the Room campaign gained momentum with colour panel events, colour pods in two top John Lewis stores and an exclusive edit with Brewers
- Further investment in digital printing with two new printers installed at the Anstey wallpaper factory, introducing new capability in design

SUSTAINABILITY HIGHLIGHTS

- Planet Mark certification for Year 5 of carbon reduction, reflecting our Live Beautiful sustainability pledge
- CO_2 emissions reduced by 14.5% in FY2023 on location basis, ahead of our plan to reach ZeroBy30
- Energy consumption all from renewables, validated by Planet Mark
- LED lighting installed across all sites
- Investment in digital printing greatly reduced water consumption
- Anstey received ISO45001 certification from BSI in January 2023, an international standard of excellent occupational health and safety management systems

AT A GLANCE

We are Sanderson Design Group PLC, an international luxury interior furnishings company that designs, manufactures, and markets wallpapers and fabrics together with strong licensing partnerships that produce a wide range of ancillary interior products. Design is at the heart of everything we do.

OUR VISION

"TO LEAD THE INTERIORS INDUSTRY IN TRANSFORMING THE WAY WE DESIGN, MANUFACTURE AND DISTRIBUTE, ENRICHING PEOPLE'S LIVES, HELPING THEM TO LIVE BEAUTIFUL"

STARTING THE
JOURNEY OF SUSTAINABILITY.

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.

OUR PURPOSE AND VALUES

As custodians of over 160 years of design experience, our purpose is to Bring the Beautiful into People's Homes and Lives. We do this by being:

INTREPID: WE'RE BRAVE, WE'RE BOLD, WE TAKE THE LEAD, AND INSPIRE OTHERS AROUND US.

IMAGINATIVE: WE TAKE A CREATIVE AND INNOVATIVE APPROACH TO EVERYTHING WE DO.

RESPECTFUL: WE CONSIDER CUSTOMERS, COLLEAGUES, THE PLANET, AND THE PEOPLE WHO LIVE ON IT.

SERVICE PRODUCT OVERVIEW

The Group is home to a collective of six quintessentially British luxury interior brands targeted at consumers: Sanderson, Morris & Co., Zoffany, Harlequin, Clarke & Clarke and Scion as well as two manufacturing brands which produce fabric and wallpaper for the industry.

We operate in the upper sector of the market, producing high value products. Our UK domestic market is strongly penetrated, and our USA subsidiary shows important growth potential.

LOCATIONS

We employ 630 people globally across our brands and manufacturing businesses, which are based in the UK in Loughborough and Lancaster but provide products globally.

CHAIRMAN'S STATEMENT

In the financial year ended 31 January 2023 we delivered a resilient trading performance amid challenging market conditions and input cost inflation. Whilst the sales performance was solid, delivering a flat result year-on-year, strategic and operational initiatives increased margins, overcoming cost increases to deliver a slight improvement in reported profits against last year.

The profit growth was achieved through the improving efficiency of the business and a proactive approach to product pricing, with price increases in February and August last year, along with tight control of costs. The margin improvement also reflects the strong contribution from our high margin licensing activities, which had another excellent year with revenue up by 25.0% at £6.5m (FY2022: £5.2m).

Our licensing activities underline the strength of our brands and of our creative skills in scaling and colouring designs for a multitude of different products. In addition to royalty income, licensed products bring wider consumer awareness of our brands across multiple finished goods categories, thereby potentially stimulating the sales of our own core products of fabric, wallpaper and paint.

During the year, we signed a significant number of new licensing collaborations, including Disney, along with important licence renewals including NEXT, Bedeck and Williams Sonoma. In Japan, Sangetsu is preparing to launch the first full collection of wallcoverings, jacquards and flooring in June 2023, under the agreement announced in 2021. The momentum has continued into the current financial year, with the announcement of a further agreement with NEXT and a new agreement with the Sainsbury's brands Habitat and Tu. Both of these agreements highlight our strategic emphasis on collaborating with larger companies.

The US, where the Group's brands have historically been under-represented, is an area of strategic focus and it is pleasing to report that product sales were up 6.3% in constant currency during the year. Consumer confidence in the UK resulted in a decline of 2.5% in UK brand product sales whilst product sales in Northern Europe were down 16.5% in constant currency, impacted particularly by the cessation of trade in Russia where prior year sales were £1.8m.

Our Morris & Co. brand continued its strong growth during the year, up almost 13.8% in constant currency, whilst the difficult consumer environment impacted the performance of our other brands. Clarke & Clarke, our biggest selling brand, was resilient with sales down 5.7% in constant currency though it delivered a record performance of market sales in the US.

Our manufacturing operations, which print fabric and wallpaper for our own brands and third parties, performed robustly against a strong comparator in the previous year when companies were restocking after Covid-19. Third party manufacturing sales were down 3.1% in the year at £22.2m.

We have continued to advance our Live Beautiful sustainability strategy, which has two major commitments: for the Company to be net carbon zero by 2030 and to be the employer of choice in the interior design and furnishings industry. Energy saving measures, which are also helping to mitigate energy price increases, include the installation of LED lighting across all our locations. Our increasing adoption of digital printing contributed to the decrease in our net carbon footprint during the year.

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 2023 show that the Group's strategy is continuing to deliver in challenging market conditions. Adjusted underlying profit before tax at £12.6m was up 0.8% on the previous year (FY2022: £12.5m). Reported profit before tax of £10.9m was up 4.8% on the year ended 31 January 2023 (FY2022: £10.4m). The Group's Balance Sheet remains strong with net cash at the year end of £15.4m compared with £19.1m at 31 January 2022 and £15.0m at 31 July 2022.

Dividend
The Directors recommend a final dividend of 2.75p (FY2022: 2.75p) taking the full year dividend to 3.50p (FY2022: 3.50p). This payment will be made on 11 August 2023 to the shareholders registered on the Company's register on 14 July 2023 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.

People
On behalf of the Board, I would like to thank all of our colleagues for their commitment, energy and adaptability during another year which has brought challenges both to businesses and more widely.

Outlook
Our full year results reflect the strategic progress we have made in difficult market conditions. We will continue to deliver our strategy, to control costs carefully and to focus resources on international market opportunities given the ongoing uncertainty in the UK consumer environment.

As we start the current financial year, inflationary pressures on input costs persist but the US market continues to perform well, licensing income has performed strongly and hospitality contract orders are encouraging. We are also excited by recent and upcoming launches from our brands and through collaborations, including Sophie Robinson for Harlequin and the vintage Disney Home x Sanderson collection. The Board's expectations for the year remain unchanged.

Dianne Thompson
Non-executive Chairman
25 April 2023

CHIEF EXECUTIVE OFFICER'S STRATEGY AND OPERATING REVIEW

Introduction
I am pleased to report a resilient trading performance in the year ended 31 January 2023. It was reassuring in challenging market conditions that our strategy continued to deliver: we maintained Group sales and profits at a similar level to last year's against a challenging consumer environment whilst also faced with rising energy, raw material and other input cost inflation. Our decision to cease trading in Russia, which contributed £1.8m in sales in FY2022, also impacted trading and the year-on-year comparison. The team performed strongly and I applaud their energy, commitment and skill in navigating market challenges.

Our profit was driven by strong performances from licensing, US sales and the Morris & Co. brand, all of which bring further growth opportunities. Of our three main revenue streams – brand product sales, licensing, and third-party manufacturing – licensing was the star performer, with licensing revenue increasing by 25.0% at £6.5m (FY2022: £5.2m).

Significant strategic and operational progress was made during the year – progressing our licensing strategy, improving the efficiency of the business, and investing in manufacturing. We again finished the year with a strong balance sheet, with net cash at 31 January 2023 of £15.4m, which will protect the business during the current economic uncertainty and enable us to invest for growth.

We signed a number of exciting collaborations during the year, and also launched some superb new collections of wallpapers and fabrics. This momentum has continued into the current year with the announcement of important new licensing agreements and product launches, including the recent launch by Morris & Co. in celebration of Emery Walker's House Trust – it has been a privilege to commercialise for the first time some original designs of the era in a range of 28 wallpapers and 28 fabrics.

Further details of our strategy and operational performance are given below.

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 partners.

Partnering with key 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 maximise return, we are focused 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 in a challenging marketplace.

Efficiency
Improving the efficiency of the business by reducing the number of stocked items (SKUs) was an integral part of our strategy set out in 2019. The target SKU reduction, to approximately 12,000 SKUs, was achieved in FY2022 and the effect of this is shown in the profitability of the business as it is one of the factors that has enabled us to report unchanged profits even though input costs have risen. During the year, we reduced the SKU target to 10,000 and this further reduction is now complete with all obsolete stock having been cleared. Our latest thinking is that 11,000 is the right goal to fill some product demand from customers now that we can clearly see the gaps. We made a strategic investment in best-selling SKUs during the year, resulting in a high quality, year-end inventory of £27.8m (FY2022: £22.7m).

Our focus continues to be on fewer, stronger collection launches as historically only a proportion of them sold particularly well whilst others added to costs and inventory. Our expectation is that margin improvement from the SKU reduction and strengthened product management will continue in the current year and beyond.

Launching collections digitally, rather than through pattern books, and monitoring online sample requests has helped us identify the most popular designs and colourways in new collections. This has saved cost on stock, avoided out-of-stocks, and improved efficiency. The pattern books that we print only include designs and colourways that are most likely to perform strongly on an individual SKU ROI basis.

Sustainability
Our Live Beautiful sustainability strategy, launched in April 2021, comprises a broad range of initiatives and two major commitments: for the Group to be net carbon zero by 2030 and to be the employer of choice in the interior design and furnishings industry.

We last carried out our employee engagement survey in 2021, which gave an overall employee satisfaction rating of 78%, which compared with 58% in 2019. The two-yearly survey will next be conducted this year, with the target satisfaction raised to 80%, compared with 70% in 2021.

Energy efficiency has been an important area of focus. LED lighting was installed across all our locations and the shift towards digital printing from traditional methods is also reducing our energy consumption; an additional focus for us given the volatility of energy prices.

We were pleased to receive our Planet Mark Year 5 certification earlier this year, marking the fifth financial year that the sustainability of our business has been measured by Planet Mark, the sustainability certification organisation. In the year to 31 January 2023, our total carbon footprint was 6,368.5 tonnes, a decrease on FY2022's 7,452.9 tonnes reflecting the number of initiatives across the Group including the greater use of digital printing, which reduces gas consumption compared with traditional printing and significantly reduces water consumption.

Digital and direct-to-consumer initiatives
Through a number of incubator projects, we have been experimenting with digital and direct-to-consumer routes to market to identify the best opportunities for each of our brands. We have gained many insights through these projects and we continue to consider future strategy in this area. However, we would need confidence in the consumer environment to commit the significant investment required to scale any of these opportunities directly and continue to explore partnerships such as the franchise operation of scionliving.com.

Operational review
The table below shows the Group's sales performance in the year ended 31 January 2023, compared with FY2022. The table shows our three key revenue streams of brand product sales, licensing income and manufacturing. 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)		2023 versus 2022	
	2023	2022	Reported	Constant currency
UK Brand product sales	**42.6**	43.7	(2.5%)	(2.6%)
International Brand product sales	**40.8**	40.4	(1.0%)	(3.3%)
– North America	**19.8**	16.6	19.3%	6.3%
– Northern Europe	**10.8**	13.2	(18.2%)	(16.5%)
– Rest of the World	**10.2**	10.6	(3.8%)	(3.1%)
Total Brand product sales (includes carriage income)	**83.4**	84.1	(0.8%)	(2.8%)
Licensing income	**6.5**	5.2	25.0%	25.1%
Total Brand sales including Licensing	**89.9**	89.3	0.7%	(1.2%)
Total Manufacturing sales*	**39.0**	41.7	(6.5%)	–
Intercompany elimination*	**(16.9)**	(18.8)	(10.1%)	–
Total Revenue*	**112.0**	112.2	(0.2%)	–

* Does not report in constant exchange rate.

Licensing
Licensing is the most profitable part of the Group, with royalty income at a 100% margin. Our licensing activities underline the strength of our brands and our creative skills in scaling and colouring designs for a multitude of different products. Licensing enables us to leverage our design archives and bring wider consumer awareness of our brands across multiple finished goods categories. This wider visibility of our designs brings the potential to stimulate the sales of our core products of fabric, wallpaper and paint and reinforces our identity as a design-led business.

Our strategy for licensing has been to focus on larger, long-term partners including high street retailers such as NEXT and Sainsbury's in the UK, Williams Sonoma in the US and category specialists such as bedlinen company Bedeck. To support this strategy, we reorganised our design teams during the year so that we now have dedicated designers who work solely on licensing agreements, which are highly collaborative. From our side, we provide the design and the design expertise to transfer the design from a wallpaper or fabric, or from our own archives, to a multitude of different finished products of all sizes, materials and uses. In essence, we drive the design work, which is a key value we bring to the collaboration, and the partner drives the product production and marketing.

Licensing performed strongly during the year, with sales and profits up 25.0% at £6.5m (FY2022: £5.2m) including £2.4m of accelerated income (FY2022: £1.4m).

Accelerated income represents the total minimum guaranteed sales associated with newly signed contracts with a discount rate applied to them. It is a requirement of IFRS 15 that these minimum guarantees are recognised in this way on contract signature although it is hoped that, once the licensed products are launched, their sales will potentially exceed the minimum guarantees.

Notable licensing agreements signed during the year include a three-year renewal with Bedeck, which has rights in multiple geographies to a wide range of bedlinen and towelling for the Morris & Co., Sanderson, Harlequin and Scion brands, and a renewal with NEXT for up to two years for Morris & Co. womenswear. The Morris & Co. kitchenware partnership Williams Sonoma, initially signed in August 2021, was extended by two years to 2025.

Most of our agreements are out-licensing deals but we also sign some in-licensing ones, which do not attract accelerated income, but which are potentially valuable over time. In-licensing agreements include a Sanderson collaboration with the National Trust announced in 2020, and which we are excited to have recently renewed for a further two years, a Clarke & Clarke collaboration with Wedgwood signed in 2021 and our collaboration with Emma J Shipley.

During the year, for our Sanderson brand, we signed an exciting in-licensing collaboration with Disney. Under the terms of the agreement, the Sanderson brand will be able to create wallpapers and fabrics based on a wide range of Disney Classic franchises, based on original Sanderson archives dating back to 1936 and Disney archival material. Products developed under the agreement will be distributed internationally through the Group's existing sales network and are planned for launch this autumn.

All our brands have potential to attract licence income, from heritage brands Morris & Co. and Sanderson to contemporary, licensing-focused brand Scion and recently Clarke & Clarke.

By region, the US is an important opportunity for licensing. The Morris & Co. agreement with Williams Sonoma, signed in 2021, was our first licensing agreement for the US and has been extended on initial success. Towards the year end, we announced a second agreement in the US with a washable rug company, Ruggable, again with the Morris & Co. brand. A US specific collaboration with Studio McGee led to a small Morris & Co capsule of exclusive edits creating high impact at the beginning of this year.

The process of product development, manufacturing and launch follows all of our licensing announcements, and this pre-launch period is often a year or more. During the coming weeks and months, we look forward to product launches resulting from earlier agreements. These include Sangetsu in Japan, which is launching its first collection, called Morris Chronicles, following an exclusive agreement signed in May 2021 for Morris & Co. products in Japan and 14 countries in east and southeast Asia. NEXT will also be launching a new range of Morris & Co. womenswear for Autumn/Winter this year.

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. In February 2023, we were particularly pleased to announce a major licensing agreement with NEXT for Clarke & Clarke homewares, marking the brand's first significant licensing agreement.

In March 2023, we were also delighted to announce a major agreement with the Habitat homewares brand and the Tu clothing brand, both of which are owned by Sainsbury's, the supermarket group. The agreement, with the Morris & Co. and Scion brands, marked the first time that we have collaborated with Sainsbury's, a group with a substantial distribution network both online and in-store.

The Company is continuing to progress a pipeline of further licensing opportunities, leveraging its brands and design archives.

The Brands

The Brands segment comprises heritage brands Zoffany, Sanderson, and Morris & Co; and contemporary brands Harlequin, Scion and Clarke & Clarke.

	Year ended 31 January (£m)		2023 versus 2022	
Brands	2023	2022	Reported	Constant currency
Morris & Co.	**19.0**	16.4	15.9%	13.8%
Sanderson	**14.0**	14.4	(2.8%)	(4.6%)
Zoffany	**8.8**	8.6	2.3%	1.0%
Clarke & Clarke	**23.6**	24.6	(4.1%)	(5.7%)
Harlequin	**15.8**	17.6	(10.2%)	(12.9%)
Scion	**1.8**	2.2	(18.2%)	(18.8%)
Other	**0.4**	0.3	(33.3%)	(33.3%)
Total	**83.4**	84.1	(0.8%)	(2.8%)

Morris & Co.

Morris & Co. had another year of strong growth of its brand product sales, and it is now our second biggest selling brand with sales at £19.0m in reported currency, up 15.9% compared with FY2022. By region, sales were up 19.9% in the UK, in Northern Europe were down 11.7% and in North America were up 36.8% in constant currency.

Morris & Co. sales were driven by the Simply Morris collection, a modern interpretation of Morris & Co. designs using clear grounds as a fresh take on maximalism targeting the sunshine states. This collection was launched in Autumn 2021 and has continued to gain momentum.

For the current financial year, the Emery Walker House Collection is a much more traditional collection which has been well received. This collection has resulted from a sponsorship agreement with the Emery Walker Trust, the charity that preserves the London home of Emery Walker, a typographer and engraver and a close friend of William Morris.

Marketing initiatives during the year included the first-ever show garden for the Morris & Co. brand at last year's Chelsea Flower Show. The Morris & Co. show garden won a gold medal with the garden's designer, Ruth Wilmott, founding her highly imaginative design on two of William Morris's best-known wallpapers, Trellis and Willow Boughs.

Morris & Co. paints were relaunched at the start of the financial year under review, having been out of production since 2008 though frequently requested by customers.

Studio McGee launched four exclusive wallpapers in a special edit in their influential USA online store at the beginning of this year, with great success.

Sanderson

Brand product sales at Sanderson in the UK were down 3.4%, in Northern Europe were down 27.7% but in North America were up 3.8% in constant currency compared with FY2022.

In line with our strategy of fewer, stronger launches, Sanderson collections have been rationalised to one big launch each year. Water Garden was launched last year and performing well, and this year's Spring launch Arboretum, which has been very well received.

This Autumn, Salvesen Graham, a renowned British design duo, are styling Sanderson for an editorial shoot, and launching a small collection (36 SKUs) of trimmings in collaboration with the brand, to meet demand in the market.

The Disney capsule announced in August 2022 launches in Autumn 2023, in celebration of the original archival characters in a sophisticated collection of fabrics and wallpapers, which are sure to bring a smile to our customers and have been a joy for us to work on.

With plans already in place for next year, the end of this current financial year will see the launch of a collaboration with Giles Deacon, the renowned couture designer and illustrator, who has innovatively reworked original Sanderson designs.

Zoffany

Zoffany is the Group's interior designer-led brand, which occupies the top price point of the Group's brands. During the year, the brand product sales in the UK were down 5.1%, in Northern Europe down 0.7% but in North America were up 5.1% in constant currency compared with FY2022.

We hosted a major presentation at Temple Newsam, the stately home and museum in Leeds, which reminded our top UK customers of Zoffany's origins in the 1980s restoration projects and in the redecoration of expansive homes. The brand celebrates the best of English design and excellence in craftsmanship.

Arcadian Thames is the most recent collection of Zoffany, celebrated for its artistry and celebration of historic houses along the river, with special pieces designed in collaboration with QEST scholar Melissa White and commissioned works Livia Papiernik, from the Royal School of Needlework and subsequently the Royal College of Art.

We are further leveraging the brand's heritage and skill with a new launch later this year, working closely with historic English silk manufacturers on a collection of damasks and classic woven stripes, which revisits the brand's Temple Newsam history with the highest quality of execution, in celebration of our country's best makers.

Clarke & Clarke

Clarke & Clarke, our biggest selling brand, had an exciting year and recorded a strong performance in North America, where it is distributed by Kravet Inc. Its brand product sales in the UK were down 7.2%, in Northern Europe were down 10.4% and in North America were down 1.0% in constant currency compared with FY2022.

The brand's partnership with heritage tableware company Wedgwood resulted in the launch of Wedgwood homewares last year, including fabrics and wallpapers for international distribution through both brands' networks. The sales performance from this partnership has been encouraging.

Historically, the Clarke & Clarke brand has been almost entirely fabric collections so a key strategic ambition for the brand is to launch complementary wallpapers. We made progress by launching two small wallpaper collections last year and plan to launch a further two this financial year.

To further increase the revenue streams from this highly popular, accessibly priced brand, we were delighted to announce in February 2023 that Clarke & Clarke had signed its first significant licensing agreement with NEXT as described in the Licensing section above.

Harlequin

The year was a year of consolidation for Harlequin, where the focus was on embedding the colour science initiative into the brand. This initiative includes the colour quiz, which seeks to empower consumers to choose the best designs and colours for their individual emotional and physical well-being. Harlequin collections are presented as colour stories to suit each of four profiles: Rewild, Reflect, Retreat and Renew.

Good progress is being made in this journey. Importantly, John Lewis has embraced the concept with the launch of Harlequin colour pods in two top stores, which have been well received and give confidence in the strategy, with further partnership planned in this current financial year.

Brewers/Wallpaperdirect launched an exclusive special edit of Harlequin designs in September 2022, which is backed by a stock commitment and is performing very well.

During the year, Harlequin's brand product sales in the UK were down 8.1%, in Northern Europe were down 31.3% and in North America were down 7.1% in constant currency compared with the prior year.

Further momentum will be added to Harlequin's colour science this year, when a capsule collection of wallpapers and fabrics in signature colours and exuberant styling will be launched through a collaboration with Sophie Robinson, known as the "Queen of Colour", which is expected to be launched in Autumn 2023.

A new collaboration will follow for Autumn/Winter 2024 with designer and tastemaker Henry Holland of henryhollandstudio.com.

Scion

Scion is predominantly a licensing brand, and its licensing revenue makes a strong contribution to the Group. It's also a direct-to-consumer brand from the scionliving.com website, which brings all Scion products onto one platform. Owing to this positioning, the Company no longer produces full collections of wallpapers and fabrics but launches capsule collections instead to bring newness.

In September 2022, Scion launched a capsule collection of wallpapers and fabrics created in collaboration with Designs in Mind, a social enterprise that uses art and design to support people with mental health challenges. The collection, which was created through workshops hosted by the Scion design team and is available via the Scion online shop, demonstrates the Company's commitment to the positive power of design and its Live Beautiful commitment.

To celebrate the brand's 10th anniversary, Scion launched its most recent refresh, Going Lohko, a powerful colour edit of Scion classics comprising a dozen SKUs of wallpaper.

Scion's brand product sales in the UK were down 12.9%, in Northern Europe were down 37.9% and in North America were down 21.2% in constant currency compared with the prior year.

Manufacturing
Our unique, integrated vertical supply chain is an important pillar in our growth strategy and continues to be the focus of increased investment, particularly in digital printing technology.

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. Our third-party sales, in the UK, Europe and the USA, reflect our premium print technologies and world-class excellence in design, manufacturing, customer service and innovation.

The performance at the factories during the year was robust against a strong comparator in FY2022, which included a period of restocking after Covid.

	Year ended 31 January (£m)		2023 versus 2022
	2023	2022	Reported
Sales to Group brands	**16.9**	18.8	(10.5%)
Third party sales	**22.1**	22.9	(3.5%)
Total Manufacturing sales	**39.0**	41.7	(6.5%)

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.

Investment during the year included the introduction of a new ERP system. Digital printing at Standfast as a proportion of factory output was 74% (FY2022: 69%).

Total sales at Standfast in the year were £20.7m (FY2022: £21.3m).

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.

Investment in digital printing at Anstey during the year included two new digital printers, which offer enhanced capabilities including speed. Digital printing at Anstey as a proportion of factory output was 16% (FY2022: 18%).

Total sales at Anstey were £18.3m (FY2022: £20.4m).

Summary
Our strategy has delivered a resilient trading performance during the year amid challenging market conditions and input cost inflation. Strategic initiatives during the past four years such as SKU reduction, coupled with tight cost control, have increased the profitability of the business. Price increases introduced in February and August last year, and again in February this year, are also protecting the margin in an environment of increased input costs, whilst maintaining value for the customer We continue to focus on the efficiency and agility of the business along with investment in growth opportunities for the near and long term. In the current consumer market, the strength of our balance sheet provides significant protection in the event of any further deterioration in trading conditions.

As we start the current financial year, inflationary pressures on input costs persist but the US market continues to perform well, licensing income has performed strongly and hospitality contract orders, are encouraging. We are also excited by upcoming launches from our own brands and through collaborations, including Sophie Robinson for Harlequin and the vintage Disney Home x Sanderson collection. The Company continues to trade in line with Board expectations for the current financial year.

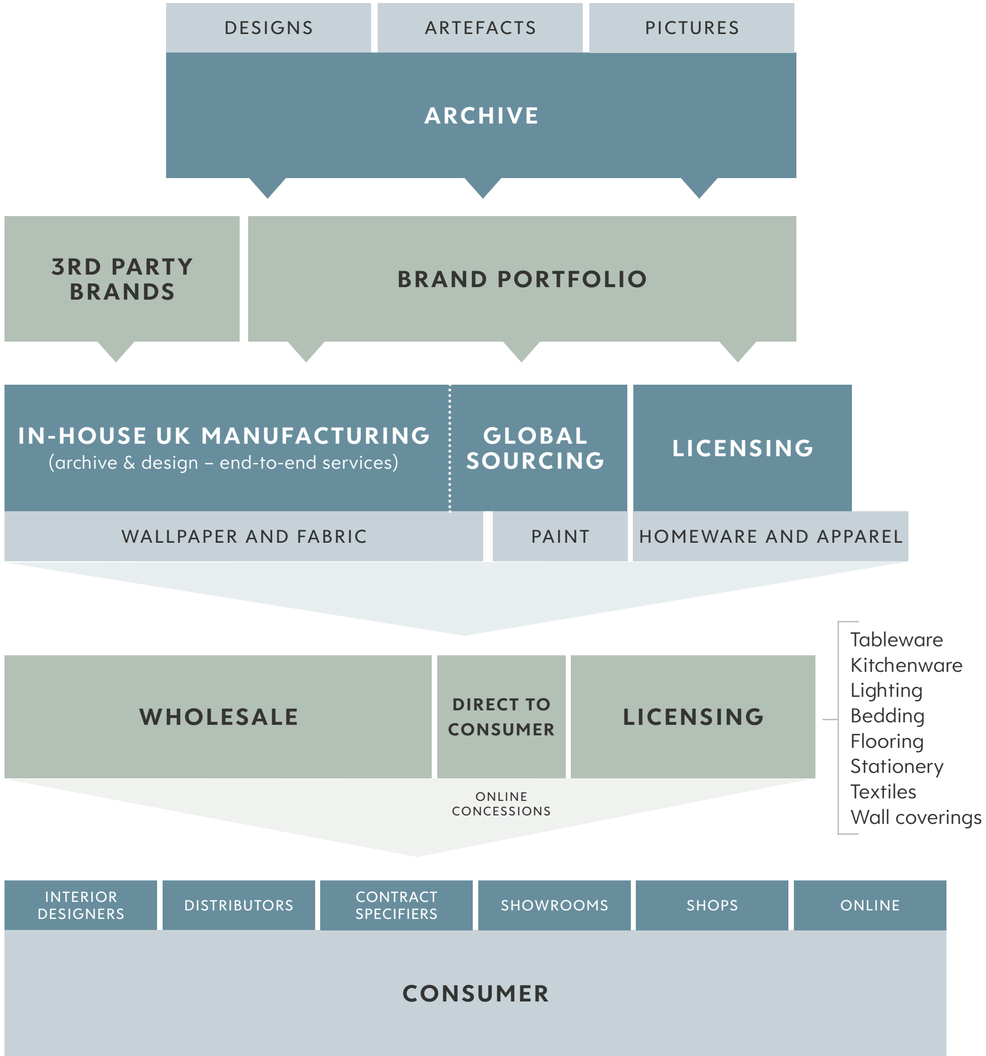
I would like to express my sincere gratitude and heartfelt thanks to all of our colleagues for making the business a success throughout another challenging year as we look forward from a stronger platform and embrace future opportunities.

Lisa Montague
Chief Executive Officer
25 April 2023

One of the biggest fabric and wallpaper archives in the world
With an archive, of hundreds of thousands of artefacts, going back to the 18th century, our archives have grown over the years as we have incorporated more brands into the group. We are continually embellishing our Group archives with new treasures sourced globally.

Design in our heart
Design is at the centre of everything we do at Sanderson Design Group, as well as taking inspiration from our own archives, our talented team of 17 designers, scout globally far ideas to bring our collections to life. We also work with external collaborators and international tastemakers to bring new collections and edits to market. We are committed to nurturing design talent in the UK and support QEST, The Furniture Makers' Company, Young Designers amongst others.

Six brands catering to a diverse global market
Each one of our brands contributes a unique chapter to our story. We represent the full spectrum of British interior design, catering from cutting-edge sleek modern styles, to the hearty warmth of traditional forms. Our 6 brands cater for an ever-growing market with diverse needs. Our 3 luxury and heritage powered brands are Zoffany, Morris & Co. and Sanderson. They all take inspiration from the past and preserve the artistry of designs from the past for generations to come. Harlequin, Scion and Clarke & Clarke are our premium brands, targeted to a more contemporary audience.



Preserving craftsmanship for generations to come with two UK manufacturing sites
Between our two manufacturing sites we offer unique combinations of gravure, rotary screen, flexographic, surface, surflex, digital, flat screen and hand block printing as well as some of the most advanced digital printing techniques available worldwide. The rich heritage and wealth of printing knowledge amongst the team is exceptional, employing only the finest, skilled craftspeople in designing and printing our fabrics and wallpaper.

We have several routes to market including 57 licensing partners
We work with large international retailers, global showrooms, carefully selected high street partners and internet retailers as well as large contract suppliers. We have developed a strong licensing business, for which we create exclusive designs. Licensing has significantly expanded our brand reach.

RICH HERITAGE AND WEALTH OF PRINTING KNOWLEDGE

DELIVERING SUSTAINABILITY

Our Live Beautiful framework, shown below, was launched externally in April 2021, outlining our long-term strategies as envisaged in our Chief Executive Officer's Strategy and Operating Review and Chief Financial Officer's Review. People, Product and Planet are the three pillars of our Sustainability Strategy and form an integral part of our overall business strategy.

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. Our vision is to "lead the interiors industry in transforming the way we design, manufacture and distribute, enriching people's lives to Live Beautiful".

Reimagine our product lifecycle

Address nine of the UN's Sustainable Development Goals.

#1

The employer of choice
We are committed to being a great and happy place to work.

0/30

ZeroBy30
We are committed to being net carbon ZeroBy30.

REIMAGINING THE PRODUCT LIFECYCLE

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, whilst protecting and preserving 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:

Minimising environmental impact:

- We have continued our focus on packaging and continued our programme to replace the use of plastic by using innovative recyclable materials and paper-based products and are delighted to say that the vast majority of our packaging is now in recycled or recyclable materials.
- We continue to use paper tape instead of polypropylene 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.
- A sustainable, biodegradable plastic alternative based on sugar cane is now used for the packaging of fabrics and we have reduced the paper we send out with samples and reuse cardboard boxes where possible in our supply chain.
- We have expanded the use of reusable fabric tote bags instead of plastic to package bedding and ready-made products following the lead from our Clarke & Clarke brand.
- We continue to source the majority of our 100% cotton base fabrics, along with our cotton velvet and some cotton linen blends, through Better Cotton Initiative contracts, which brings traceability to the supply chain to ensure sustainability.
- Our Clarke & Clarke brand has launched two further Eco Sustainable Weaves ranges this year, which use a fabric made entirely from recycled plastic bottles, using approximately 90 plastic bottles per metre of fabric.
- We launched our exclusive Eco non-woven substrate at Anstey Wallpaper, utilising 100% recycled PET.
- We have continued the investment in production processes that are more environmentally friendly. For example, the Ecofast™ pigment-based printing system, which significantly reduces water use, developed at Standfast & Barracks has been adopted for wallpaper printing at Anstey.
- We have a Zero to Landfill policy and reuse, repurpose or donate excess product to good causes in our communities.

We are committed to preserving craftsmanship through the printing techniques we adopt:

- Block Printing is a highly skilled craft that creates authentic texture and a handmade feel for a truly special finished look.
- Flatbed printing is a traditional printing method where the design is applied to fabric using flat screens. There can be up to 24 colours on one design, using up to 24 screens to print a full design onto fabric. Each screen is used to print a different colour onto the fabric.
- Long Table Printing is a modern take on silk screen style. Long table printing was first introduced in the 1940s and remains a table-top process to explore a range of substrates and specialist laminates with opaque, metallic and pearl inks.

We are currently in the process of digitising our extensive archives.

EMPOWERING PEOPLE

People are at the heart of our Group and a fundamental pillar of our Live Beautiful strategy, which is unified around our values to be Intrepid, Imaginative and Respectful. Our employees drive our strategy, from talented creative teams and highly skilled craftspeople to knowledgeable sales and office-based colleagues; all our people play an important role.

We are committed to being the employer of choice in our industry and being a Great Place to Work for our colleagues in a commercially successful company. We have designed an Empowering Our People agenda to deliver this goal, with work focused on leadership, culture and talent and capabilities and ways of working. Our people represent our biggest asset, and so the ability of the Group to attract, develop and retain talent and build capability at the pace required is fundamental to the delivery of the Group's strategic objectives and is done through fostering a dynamic and inclusive culture where all employees feel engaged. We are committed to empowering and equipping our leaders, strengthening capabilities and expanding our talent plans, simplifying how we work, and driving positive change and a more sustainable future across every part of our footprint.

While our programme has a multi-year horizon, we have shown a significant shift in employee engagement, increasing from 58% to 78% in our last employee engagement survey.

We will continue to increase employee engagement by creating a culture of empowerment. Following our last survey, all leaders across the organisation reviewed their team's feedback, discussed priority areas and developed actions that teams continue to work on together. This local activity is driving informed and positive discussions around how each of our employees can feel better supported when it comes to their health and wellbeing.

We strive to create a high-performance culture and to create an environment where people can do the best work of their lives. Over the last 12 months, we continued to focus on evolving strategies for recruiting and developing key talent within the business in a way which promotes our cultural values. We sought to build a diverse, open and inclusive culture where all perspectives are valued. Our ambition to foster an inclusive and diverse workforce that increasingly reflects the array of the markets in which we operate is key to creating a purpose-driven culture that ensures everyone feels a sense of belonging.

Engaging with our employees regularly is something we are committed to, and we have in place a broad range of ways we do this. During 2022, we continued to work hard to develop a culture of listening, where employees feel free to share their views, see their feedback acknowledged and acted upon. Activities such as monthly business briefing sessions and interactive Senior Leader calls were particularly appreciated, as were our Meet the Board and other Board engagement sessions where employees benefit from the chance to ask questions and hear updates directly from our most senior leaders.

During the year, we focused on building our talents capability and driving team engagement. The Company's first cohort of SDG's future team graduated from a new Leadership Development Programme built around our values. The Sanderson Futures Team ('SFT') programme is run over nine months and comprises 360° feedback, coaching and training on all aspects of leadership. The second Group will commence the course in April 2023.

We have also introduced a structured Group-wide CMI-accredited Apprenticeship scheme, encouraging our apprentices to develop their skills and capability in operational and financial management leadership and project management.

We support QEST, the Queen Elizabeth Scholarship Trust, to promote excellence in British craft, offering scholarships where relevant and fundraising, including SDG runners in the Royal Parks Half Marathon, among other activities.

The Furniture Makers Company is the industry's livery that Sanderson Design Group is proud to support as a Corporate Member, sponsoring the first Textile Award in 2022 for Young Makers, and taking up the Step2It challenge with walkers site-wide stepping out to raise funds for education and access to the industry.

Delivery of our strategy relies on our ability to ensure our people continue to be driven and empowered. To facilitate this, we have delivered training for all colleagues on how to build an inclusive environment, as well as unconscious bias training and mental health at work and provided 144 line managers with training on developing emotional intelligence, effective communication and enhancing goal setting and feedback training. We are committed to being an agent for positive change. We have also provided additional resources to drive awareness of support on menopause, cancer and men's mental health and the cost-of-living challenges.

Through our operations, we are reducing our environmental impact; we aim to stimulate demand for more sustainable raw materials. We are also committed to supporting the people and communities touched by our operations and beyond. Through our site-based Community Groups, we have participated in multiple fundraising events to support local initiatives that can positively impact as many people as possible.

The Company received a grant of £3,000 from the Royal Warrant Holders Association to a charity of our choice to honour the Jubilee of her late Majesty. Our nominated charity was Rainbows Hospice for Children and Young People, Loughborough's sponsored charity partner for 2022. The RWHA provided an additional grant to support our nominated charity, Lancaster & District Homeless Action Service, to provide support for homeless people's refurbishment of their new building to ensure the space is fit for purpose.

We have also provided several local open days to better understand our operation in collaborations with local schools and provided fabric and sample donations made by the Westhoughton team to homeworkers and homeless charities. The Company also generously donated the beautifully curated pergola from the Morris & Co. Garden at the Chelsea Flower Show to a hospice in Leicester. Our Standfast & Barracks won the Global award and Medium Business of the Year at the BIBAs.

We will embrace diversity, inclusivity and opportunity underpinned by a strong focus on health, safety, and wellbeing. We are delighted to be certified to ISO45001 at Anstey Wallpaper Company. We have also improved our independent external audit performance at all our other sites. In addition, we have 42 employees who have now been trained as qualified Mental Health First Aiders to be proactive in providing colleagues with an outlet to support their mental health and welfare. We have created a collection with the charity Designs In Mind and Our Executive Committee ensures a competitive total reward offering, both financial and non-financial, to retain our people and attract new hires. During the year the team benefited from delivery of the all-employee bonus scheme.

COMMITTING TO NET CARBON ZERO

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 have made significant developments against our roadmap to move to a carbon neutral manufacturing process.

We were pleased to receive our Planet Mark Year 5 certification earlier this year, for the financial year ended 31 January 2023, which marked the fifth financial year that the sustainability of our business has been measured by Planet Mark, the sustainability certification organisation.

PlanetMark
Certified Business

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

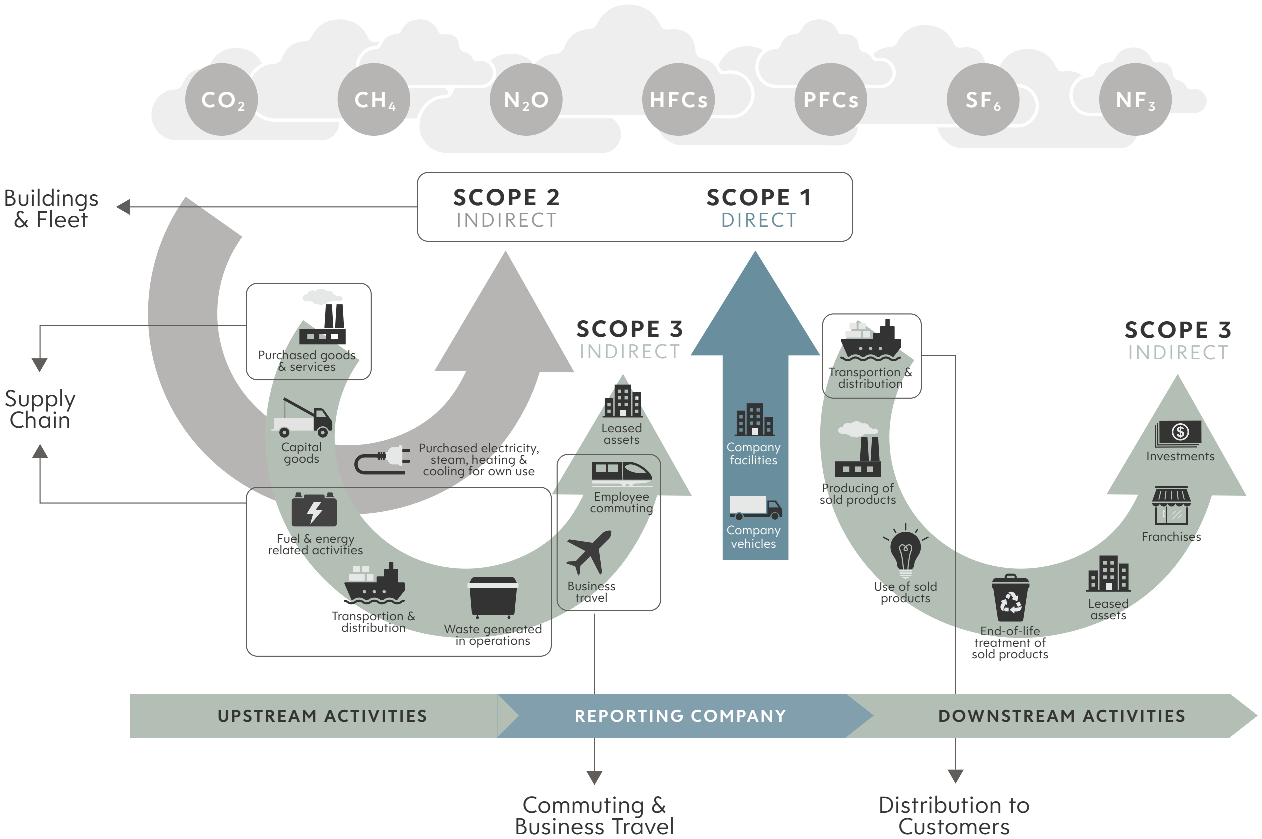
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND

GREENHOUSE GAS EMISSION AND ENERGY CONSUMPTION REPORTING

Planet Mark's ZeroBy30 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.



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 2022.

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 have been applied to the refunded business mileage as individual private vehicle details have not been provided.

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 on the next page shows the energy and GHG emissions from business activities involving the combustion of gas and fuels, the purchase of electricity, and business mileage.

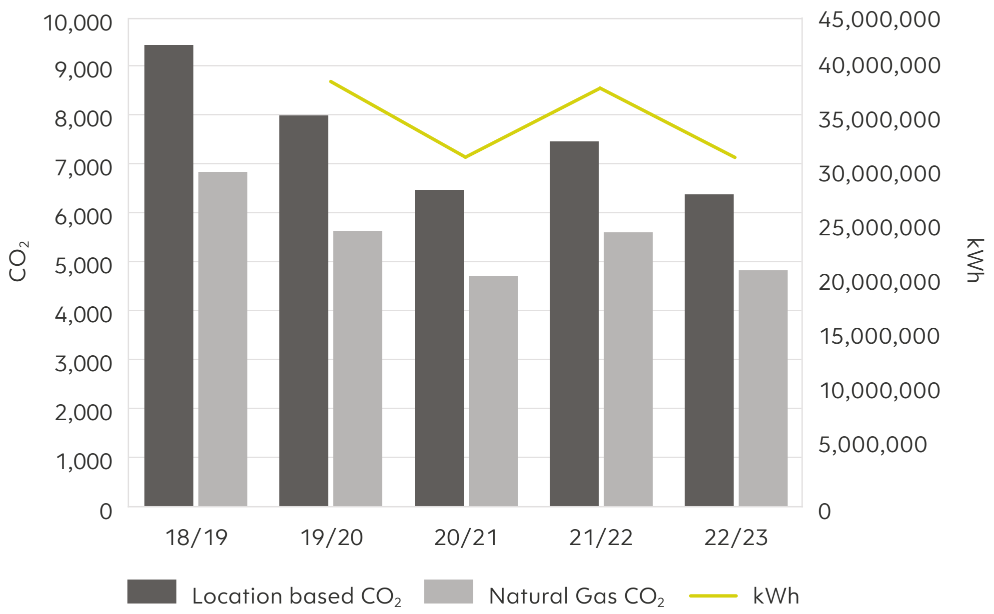
GREENHOUSE GAS EMISSION AND ENERGY CONSUMPTION REPORTING CONTINUED

We are delighted that the initiatives we have put in place over the last three years to reduce our carbon footprint has resulted in an over 30% reduction in location based CO_2 equivalent emissions since 2019.

Tonnes CO_2e Greenhouse Gas Emissions		FY2023	FY2022
Scope 1		**4,906.8**	5,749.7
Scope 2	Location based	**1,282.1**	1,555.9
	Market based	**31.7**	18.8
Scope 3		**179.6**	147.3
Total Greenhouse Gas Emissions	Location based	**6,368.5**	7,452.9
	Market based	**5,118.1**	5,915.8
Carbon intensity (per £1m Revenue)	Location based	**56.9**	66.4
	Market based	**45.7**	52.7
Total Energy Use kWh		**33,636,491**	38,545,715

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.

Location based CO_2 emissions and kWh consumption



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

Energy efficiency actions taken
Progress against our ZeroBy30 ambition has been underpinned by:

Anstey:
- Installing new digital printers which do not require gas
- Changing to LED lighting
- Introducing new, aligned production plan to run steam equipment concurrently
- Upgrade to key equipment to reduce gas consumption

Standfast:
- Introduction of revised shift patterns to minimise energy consumption from boiler usage and electricity

Sanderson Design Group:
- Switch to renewable energy, validated by Planet Mark
- Move to hybrid or fully electric company cars
- Further removal of short haul express despatch
- Significant reduction on inbound air freight

STAKEHOLDER ENGAGEMENT

The Board places great emphasis on the consideration of stakeholders in its thinking and decision making. The various needs and views of our stakeholders are considered by colleagues and leaders throughout the business, and form part of the business updates presented to the Board.

Details of our key stakeholders and how we engage with them are set out in the following table.

	Why we focus on these stakeholders	What matters to them	How we engage and respond	How the Board has taken account of these interests
People	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. Our goal is to be the Employer of Choice in our industry. Through our Live Beautiful sustainability strategy, the Group aims to foster a sustainable workplace, 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.	• Health and wellbeing. An inclusive, diverse and respectful working environment • Fair and equitable pay and benefits • Open and transparent communication and being heard • Opportunities for personal and career development	The Board ensures its understanding of colleagues' interests through a variety of forums which include: • engagement surveys • site visits • face-to-face briefings • newsletters • internal communities	The Board is updated regularly with what is important to our colleagues. There is regular review of health and safety and wellbeing programmes. During the year the board has reviewed the reward, recognition, benefit and employee support programmes available to all employees as well as upholding the commitment to the Real Living Wage, and the all employee bonus scheme, enabling all colleagues to share in the Company's success. A focused review of talent, succession planning and inclusivity programmes form part of the board's meeting calendar. **Read more** about how we engage with our people in our Live Beautiful sustainability strategy.
Customers and Clients	Good relations with our customers are important for the success of our business.	• Beautiful, good quality and sustainable products which have been ethically sourced • Excellent service and ease of buying • Employees and suppliers to be treated fairly	We have a diverse customer base across trade, interior design, contract and hospitality, as well as the homeowner spread across different geographies. Considerable time is spent analysing customer trends and reviewing customer feedback to understand their needs and how we can improve our customer service and new product development.	As part of regular monthly reporting, the Board is appraised of customer and social media engagement after feedback and information, as well as service level fulfilment statistical information to better understand the needs and wants of customers and improve the customer experience. The Board has continued with the programme of investment in IT systems and projects to improve the order process for customers and suppliers. The board has reviewed continued cost-effective investment in Digital marketing systems to enhance communication both internally and externally. **Read more** about how we engage with customers and product development within the CEO Report and our Live Beautiful sustainability strategy.
Shareholders	As owners of the Group, we rely on the support of shareholders and their opinions are important to us. We aim to secure long-term sustainable growth and returns by delivering our strategy.	• Robust operating and financial performance supported by a strong strategy • Sustainable income and capital growth • Progressive dividend policy • ESG performance	We maintain a regular dialogue with our shareholders and actively engage with them as part of our investor roadshows following our half year and full year results presentations. Communication methods include investor presentations, regulatory reports and market announcements. The AGM is an important opportunity for private shareholders to meet with the Board. The Company website has an investors section giving access to business information, reports and presentations; there is also an enquiry 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. **Read more** about how we engage with shareholders in our Corporate Governance Report.

	Why we focus on these stakeholders	What matters to them	How we engage and respond	How the Board has taken account of these interests
Suppliers	An excellent supply chain is key to our business and we look for genuine partnerships that provide a real point of difference.	• Ethical and fair dealings that protect human rights • Prompt and fair payments • Open communication and transparency	We aim to build strong long-term relationships with our key suppliers to develop mutually beneficial and lasting relationships. We work with our suppliers to monitor consumer trends and changing tastes allowing us to evolve and offer differentiated product offerings.	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 as well as regular dialogue between our management team and those of our suppliers on increasing efficiency. Key areas of focus include product development and innovation, with focus on health and safety and sustainability. **Read more** about how we engage with our suppliers in our Live Beautiful sustainability strategy.
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.	• Supporting community and charitable causes • Providing employment opportunities • Reducing the environmental impacts of our activities including carbon emissions, energy and water	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. **Read more** about how we engage with our local communities in our Live Beautiful sustainability strategy.
Government and regulators	We wish to operate in an ethical way and in compliance with laws and regulations.	• Compliance with legislation • Acting fairly and ethically	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. **Read more** about how we ensure compliance in our Live Beautiful sustainability strategy and in our Corporate Governance report.

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 have regard to the likely consequences on all stakeholders of the decisions and actions they take. Where possible, decisions are carefully discussed with affected groups so as to ensure they are understood and supported, when actions are implemented.

The board recognises the value of engaging with all of its stakeholders and building strong relationships with them, to understand what matters to them and their changing needs, which helps inform strategic decision making and ensures our long-term success.

More information about our key stakeholders and how we engage with them can be found on pages 20 and 21, Stakeholder Engagement.

Principal decisions taken during the year

Principal decision	Stakeholders	Commentary
Withdrawal of sales to Russia	Customers Suppliers Colleagues Shareholders	With the Russian war on Ukraine, the decision was taken in February 2022 to withdraw from all product sales to Russia, which has resulted in reduced turnover of circa £2m.
Capital investment	All	Further investments in digital printers at both manufacturing sites has resulted in significant reduction in energy and water use and further progress to our ZeroBy30 pledge, as well as enhancing manufacturing efficiencies.
Strategic product offering	Customers Suppliers Colleagues Shareholders	Streamline our own-produced product portfolio to our core categories of fabrics, wallpapers and paints and further grow our licensing partnerships to widen our brands' reach on household accessory items.

HERITAGE

ZOFFANY

THE ORIGINAL MORRIS & Co

FOUNDED BY WILLIAM MORRIS IN 1861

Sanderson

CONTEMPORARY

HARLEQUIN

scion

CLARKE & CLARKE

ELEVATING OUR BRANDS AND CREATING CONSUMER DEMAND

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

Inspired by cultural history, Zoffany provides architects and interior designers with a wide range of high-quality wallcoverings, woven, printed and embroidered fabrics. Founded during the restoration of Temple Newsam, an English Jacobean estate and home to treasures dating back to the 17th century, Zoffany archived and restored these lost creations, breathing new life into historic designs.

Today, Zoffany partners with the world's finest artisans, producing collections that exceed expectation in a manner that's luxurious and globally attuned. Wonderful archive documents, repurposed and given a new lease of life, sit alongside beautiful original pieces produced on incredible elevated substrates. A richly pigmented paint range completes the Zoffany portfolio, ensuring the brand remains the go-to resource for interior designers.

COMBINING ARTISTRY, INTEGRITY AND A RICH, ILLUSTRIOUS HERITAGE

THE ORIGINAL
MORRIS & Co
FOUNDED BY WILLIAM MORRIS IN 1861

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.

Guided by Morris's creative intuition, new collections are inspired by archival treasures, including historical logbooks, wallpaper documents, printed and woven textiles and 19th century wooden printing blocks. Additionally, licensing partnerships continue the opportunity to expand Morris's reach.

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

Sanderson

Known the world over for its iconic florals and explosive botanicals, Sanderson pushes the boundaries of heritage design.

Holders of the Royal Warrant, it produces quality fabrics and wallcoverings for interiors of all styles. Completing the brand's timeless appeal, Sanderson paint is available in over 150 colours and three finishes.

In recent years, Sanderson has successfully extended its product offering into homeware and gifting, in addition to collaborating with a range of licensing partners. In 2020, Sanderson celebrated its 160th anniversary, subsequently becoming the oldest surviving English brand in its field.

WITH A QUINTESSENTIALLY ENGLISH FEEL AND TIMELESS, HAND DRAWN AESTHETIC

HARLEQUIN

Bringing the joy of self-expression into the home, Harlequin makes it easier than ever to create a space that represents who you are. A proudly British brand that strives to encourage interior design confidence, its vivacious palette uplifts and inspires.

Across wallpaper, fabric and a wide range of homeware, including kids, bedding and rugs, discover your design personality and make your space your own.

Combining contemporary patterns with classical and architectural influences, Harlequin’s statement motifs have become icons of their time. From bold geometrics to painterly florals, metallic highlights to chalky grounds, its wide range of styles offers something for everyone.

EMOTIVE COLOUR STORIES INSPIRE EXPRESSIVE, PATTERNED INTERIORS

scion

With its fresh ideas for modern living, Scion's bold motifs and statement colour meld with Scandi influences to create a playful, upbeat range of contemporary wallpaper, fabrics and home accessories.

With a design story that reaches from clean lines and statement geometrics to delicate sketchbook looks, Scion wouldn't be Scion without its iconic Mr Fox mascot, who together with pals Spike and Pedro Penguin, can't resist bringing a smile to the everyday.

BRING HAPPINESS TO THE EVERYDAY WITH UPLIFTING DESIGN

CLARKE & CLARKE

A leading name in the design of fabric, wallpaper and homewares, Clarke & Clarke is at the heart of transitional style.

Recognising that interior design is an expression of who we are, its range of trend led looks are varied and versatile. Perfectly suited to modern life, this Manchester based brand is at the forefront of interior design, creating contemporary spaces with an eccentric, glamourous twist.

THE EMBODIMENT OF ECLECTIC BRITISH SPIRIT AND TREND LED STYLE

LICENSING

Licensing enables us to leverage our design archives and bring wider consumer awareness of our brands across multiple finished goods categories. The wider visibility of our designs brings the potential to stimulate the sales of our core products of fabric, wallpaper and paint and reinforces our identity as a design-led business.

Some notable agreements this year have included Morris & Co. with Williams Sonoma, signed in 2021, as our first licensing agreement for the US and has been extended on initial success. Since signing our first licensing agreement with NEXT in March 2020, NEXT has become an increasingly important licensing partner for the Group across Morris & Co., Sanderson, Scion and most recently adding Clarke & Clarke, marking the brand's first significant licensing agreement.

In March this year, we were also delighted to announce a major agreement with the Habitat homewares brand and the Tu clothing brand, both of which are owned by Sainsbury's, the supermarket group. The agreement, with the Morris & Co. and Scion brands, marked the first time that we have collaborated with Sainsbury's, a group with a substantial distribution network both online and in-store.

The Company is continuing to progress a pipeline of further licensing opportunities, leveraging its brands and design archives, with a strategic push towards larger, long-term partnerships.

The Chairman's Statement and the Chief Executive Officer's Strategic and Operating Review provide analysis of the key factors contributing to our financial results for the year ended 31 January 2023. The results show a resilient performance in challenging market conditions.

Revenue

Our reported revenue for the year was £112.0m compared with £112.2m in FY2022.

Revenue	**FY2023 £m**	FY2022 £m	Change FY2022
Brands	**83.4**	84.1	(0.8%)
Licensing	**6.5**	5.2	25.0%
Total Brands	**89.9**	89.3	0.7%
Manufacturing – External	**22.1**	22.9	(3.5%)
Group	**112.0**	112.2	(0.2%)

Gross profit

Gross profit for the full year was £74.2m compared with £73.8m in FY2022 whilst the gross profit margin at 66.3% represents an increase of 50 basis points over FY2022.

	2023	2022
Brands and Manufacturing		
Revenue (£m)	**105.5**	107.0
Gross profit (£m)	**67.7**	68.6
%	**64.2%**	64.1%
Licensing		
Revenue (£m)	**6.5**	5.2
Gross profit (£m)	**6.5**	5.2
%	**100%**	100%
Total		
Revenue (£m)	**112.0**	112.2
Gross profit (£m)	**74.2**	73.8
%	**66.3%**	65.8%

Excluding the impact of licence income, which generates 100% gross profit, margins improved to 64.2% in FY2023 versus 64.1% in FY2022. This margin performance was achieved through the improving efficiency of the business and a proactive approach to product pricing, with price increases in February and August last year along with tight control of costs. These measures allowed us to offset the inflationary pressure we experienced with our own factories and third-party suppliers. Our fixed price electricity contract expired in October 2022 following which we have been paying at the UK Government capped rate. Our long-term gas fixed rate agreement will expire in October 2023 which will put further pressure on margins moving forward.

Profit before tax
Profit before tax was £10.9m, up from £10.4m in FY2022. This resilient performance is driven by the strength of licensing revenues, gross margin improvement and a continued focus on cost control.

	2023 £m	2022 £m
Revenue	**112.0**	112.2
Gross profit	**74.2**	73.8
Distribution and selling expenses	**(25.1)**	(25.1)
Administration expenses	**(43.0)**	(42.8)
Net other income	**4.5**	4.5
Finance costs – net	**0.3**	–
Profit before tax	**10.9**	10.4

Distribution and selling expenses of £25.1m represented 22% of revenue in line with prior year levels.

Administration expenses grew to £43.0m in FY2022 from £42.8m in FY2022. Inflationary pressures impacted all areas of spend, however we continued to implement cost efficiency measures which limited this increase to only 1% compared to the prior year. Administration expenses remain £2.7m below the pre-Covid FY2020 levels.

Adjusted underlying profit before tax
Adjusted operating profit was £12.6m, up from £12.5m in FY2022.

	2023 £m	2022 £m
Profit before tax	**10.9**	10.4
Amortisation of acquired intangible assets	**0.8**	1.0
Restructuring and reorganisation costs	**–**	1.2
Forgiveness of loan	**–**	(0.4)
Release of a provision for legal case	**–**	(0.6)
Underlying profit before tax	**11.7**	11.6
Share-based payment charge	**0.5**	0.4
Net defined benefit pension charge	**0.4**	0.5
Adjusted underlying profit before tax	**12.6**	12.5

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 and do not relate to the operating activities of the group. Share-based payment charges are added back in the adjusted underlying profit as they are a non-cash measure.

Adjusted measures are used as way for the Board in monitoring performance of the Group and are not considered to be superior or a substitute to statutory measure but are provided to provide further depth and understanding to the users of the financial information to allow for improved assessment of performance. The Group considers adjusted underlying profit before tax 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.

Non-underlying item in the year of £0.8m (FY2022: £1.0m) refers to the amortisation of intangible assets in respect of the acquisition of Clarke & Clarke in October 2016. Please refer to note 7(b) for the details of the adjusted underlying profit before tax.

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 is 19% (FY2022: 25%).

Capital expenditure
Capital expenditure in the year totalled £4.8m (FY2022: £2.1m). As planned, we continue to focus our investment in digital printing technology, particularly at our Anstey wallpaper factory, and in projects that reduce our environmental impact and support our Live Beautiful sustainability strategy.

Minimum guaranteed licensing receivables
In accordance with IFRS 15, the Group recognises the fair value of fixed minimum guaranteed income that arises under multi-year licensing agreements, in full upon signature of the agreement provided that there are no further performance conditions for the Group to fulfil. A corresponding receivable balance is generated which then reduces as payments are received from the licence partner in accordance with the performance obligations laid down in the agreement (usually the passing of time).

Licensing revenues above the fixed minimum guaranteed amount are recognised in the period in which they are generated.

During the year, several long-term licensing agreements were agreed, including those with NEXT Plc and Bedeck. As a result, at 31 January 2023, minimum guaranteed licensing receivables due after more than one year grew to £2.6m (FY2022: £1.6m) and those due within one year grew to £1.4m (FY2022: £0.9m).

Inventories
Net inventories ended the year at £27.8m compared to a prior year £22.7m.

This increase on FY2022 reflects a combination of cost increases (for both finished goods and raw materials) and strategic investments to assure strong availability of our best-selling ranges.

Whilst our SKU reduction strategy is substantially complete for range planning purposes, margin improvement and better product management will continue to be realised in future years.

We have also recognised £0.8m of marketing materials as part of inventories for FY2022.

Trade receivables
Trade receivables declined to £12.0m (FY2022: £13.5m).

The ageing profile of trade debtors shows that payments from customers are close to terms although the current economic environment presents an enhanced level of credit risk. In addition to specific provisions against individual receivables, a provision has been made of £0.9m (FY2022: £0.8m), 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 in the last year and continues to focus on its credit management procedures to mitigate future potential credit risks.

Cash position and banking facilities
Net cash from operating activities was £5.6m (FY2022: £9.0m).

Key contributors behind the year-on-year reduction were the increased investment in inventory (see above) and £1.0m (FY2022: £nil) payments related to the restructuring of our French subsidiary announced in the prior year.

All foreign currencies are bought and sold centrally on behalf of the Group. Regular reviews take place of our foreign currency cash flows. The Group undertakes hedging only where there are highly probable future cash flows and to hedge working capital exposures. The strong performance of the Group's North American business during the year created a requirement to put in place a limited level of hedging contracts against the US dollar surplus that is expected to arise. The revaluation of the open contracts generates an asset at year end of £0.1m (FY2022: £nil).

The Group's banking facilities are provided by Barclays Bank plc. The Group has a £12.5m multi-currency revolving credit facility which is due for renewal in October 2024. The agreement also includes a £5m uncommitted accordion facility to further increase available credit. This provides substantial headroom for future growth. Our covenants under this facility are EBITDA and interest cover measures. This facility has not been drawn during the year.

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.

During the year, the triennial valuation of the schemes has been concluded based on the schemes' position on 5 April 2021. New deficit contribution schedules have been agreed as part of the valuations and the Group will continue making cash contributions, at levels similar to historical amounts, 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 methodology and assumptions prescribed for the purposes of IAS 19 mean that the Balance Sheet surplus or deficit, the Profit or Loss figures and the Statement of Comprehensive Income figures are inherently volatile and vary greatly according to investment market conditions at each accounting date. As a result of changes in assumptions (primarily the change in the discount rate), experience loss (inflation being higher than expected) and asset returns being lower than expected, the Group reports a net liability of £2.5m at 31 January 2023 compared with a £2.6m surplus at 31 January 2022. Further details of these movements are disclosed in note 22 to the financial statements.

Dividend
During the financial year, an interim dividend of 0.75p per share was paid on 25 November 2022. A final dividend of 2.75p is now proposed taking the full year dividend to 3.50p. This payment will be made on 11 August 2023 to the shareholders registered on the Company's register on 14 July 2023 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 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 we are committed to supporting. We continue to look at whether there is appropriate action which could be taken to help reduce pension scheme risks within our wider business objectives.

Going concern
The Directors reviewed a Management Base Case model and considered the uncertainties regarding any 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
25 April 2023

KEY PERFORMANCE INDICATORS

REVENUE _ £M

23	**112.0**
22	112.2
21	93.8

Total current year revenue.

PROFIT BEFORE TAX _ £M

23	**10.9**
22	10.4
21	4.9

Statutory profit before tax.

INVENTORY _ £M

23	**27.8**
22	22.7
21	19.6

Year end total inventory, net of provision.

PROFIT BEFORE TAX _ %

23	**9.7**
22	9.2
21	5.2

Statutory profit before tax expressed as a percentage of revenue.

BASIC EARNINGS PER SHARE _ PENCE

23	**12.42**
22	10.93
21	5.39

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

NET CASH _ £M

23	**15.4**
22	19.1
21	15.1

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

ADJUSTED EARNINGS PER SHARE _ PENCE

23	**14.18**
22	13.75
21	7.89

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.

ADJUSTED UNDERLYING PROFIT BEFORE TAX _ %

23	**11.3**
22	11.1
21	7.5

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.

ADJUSTED UNDERLYING PROFIT BEFORE TAX _ £M

23	**12.6**
22	12.5
21	7.0

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

CAPITAL EXPENDITURE _ £M

23	**4.8**
22	2.1
21	1.0

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 19.

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	↓	Risk level decreased	New	New Risk identified

MARKETPLACE

Risk Category	Risk description	Change	Controls to Mitigate	Focus for FY2024
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. • Change in consumer behaviour towards purchasing more ready-made and less made-to-measure items.	↑	• With six 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. • Continued focus on enhanced positioning with launches of new, authentic, heritage and archival designs, such as the partnership with Emery Walker's House and Sanderson's National Trust collections. • Create new contemporary edits such as Simply Morris and Pure Morris, explore innovation and invest in new print techniques to refresh traditional patterns. • 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. • The Board continually reviews strategy and performance and will realign rapidly to deal with major threats.	• Licensing of non-core product categories. • Continue investment in innovative digital printing capacity in our manufacturing site.

KEY

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

MARKETPLACE CONTINUED

Risk Category	Risk description	Change	Controls to Mitigate	Focus for FY2024
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 in which we operate. • Our products may be viewed as discretionary spending. • The UK accounts for approximately half of the Group sales and increasing inflation rates in the market risks impacting consumer confidence.	↑	• The Group monitors key markets closely to keep abreast of local changes or developments globally, such as the impact and duration of the war in 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. • Global inflationary pressure is a reality in FY2023. The Group offers a well-balanced 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.	• Continue to focus on profit improvements from better purchasing decisions linked to customer-centric strategies. • Develop further licensing opportunities.

FINANCIAL

Risk Category	Risk description	Change	Controls to Mitigate	Focus for FY2024
Foreign exchange	• An increasing 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.	• Increase natural hedging by sourcing in USD where possible. • Continue USD hedging programme.

PRINCIPAL RISKS CONTINUED

KEY

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

OPERATIONAL

Risk Category	Risk description	Change	Controls to Mitigate	Focus for FY2024
Supply chain pressure	• The Group's manufacturing operations are exposed ta 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 an its ability to receive raw materials, purchased goods and deliver orders on a timely basis. • Higher energy, labour, raw materials and other input casts have a 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.	→	• The Group negotiates annual/biennial utility contracts to protect against volatility in energy prices. • Gas and electricity for various business units are negotiated on a collective basis. • 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.	• Enhance supplier relationship management. • Improvement in collection management processes. • Continue reduction in waste management of manufacturing processes to enhance operational efficiencies. • Secure new long-term gas contract when the current agreement expires in October 2023.
Recruitment & 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 far 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 ta 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.	• Develop and expand the Group's apprenticeship programme. • Invest in internal training and development modules of a wide range of skill sets. • Continue high potential programme 'Accelerate' to create bench strength for key employees.
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 business, 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 has put in place a process to conduct regular supplier audits. • Uphold our approval processes and editorial controls to ensure all product and content is reviewed and signed off prior to external release.	• Ensure that the high quality of our products is emphasised in our marketing features. • Enhance the robustness of our supply chain and supplier audit.

KEY

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

OPERATIONAL CONTINUED

Risk Category	Risk description	Change	Controls to Mitigate	Focus for FY2024
Environmental risk	The Group fails to comply with environmental legislations and seeks to prevent excessive carbon emissions and effluent discharges resulting in fines and closures. Lack of development and availability of new technology will result in failure to deliver our environmental objectives.	↓	• 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 (which 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.	• Maintain our ZeroBy30 commitment through strategic review with Planet Mark for the medium to longer term. • Work with key suppliers to understand the product lifecycle ta focus an Scope 3 improvements. • Continue to work with regional bodies to ensure full compliance with environmental legislation.
Health and safety risk	The Group fails to adhere to health and safety standards risking injuries and lives of employees.	→	• The Group has immediate response capability via the Group Leadership Team when required. • There are fire, health and safety marshalls and 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.	• Retention and extension of ISO45001 certification. • Building on mental health first aiders.
Major incident or disaster	Fire and flood occur again in the manufacturing sites causing damages to stocks and buildings, affecting sales and risking lives.	→	• 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.	• Ongoing inspection of defence measures. • Continued planned maintenance on all sites.

KEY

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

OPERATIONAL CONTINUED

Risk Category	Risk description	Change	Controls to Mitigate	Focus for FY2024
IT	A significant failure of IT infrastructure or key IT systems, deliberate or accidental, could result in a lass 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 implementation of the new ERP system at Standfast is progressing within budget and under the supervision of a dedicated project manager.	• Work with industry leaders in the cyber security space to achieve government approved Cyber Essentials certification. • Deliver the ERP system for Standfast & Barracks.

The Strategic Report was approved by the Board on 25 April 2023.

Lisa Montague
Chief Executive Officer
25 April 2023

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Dame Dianne Thompson

NON-EXECUTIVE CHAIRMAN

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.

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. 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. Christopher is the Senior Independent Director.

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 Renishaw plc and Willmott Dixon. Prior to her non-executive career, Juliette held executive leadership roles as Group CEO of the engineering services group Mabey Holdings Ltd and COO UK and Europe of property group Savills Plc, having gained experience of advisory work at EY, where she qualified as a Chartered Accountant.

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 management roles across the business before becoming CFO in 2015. Patrick's early career was at the management consultants Bain & Company followed by a move into industry at Proctor & Gamble.

KEY

- Audit Committee
- Remuneration Committee
- Nomination Committee
- C Chair

EXECUTIVE DIRECTORS

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. Lisa is also a Non-executive Director at The Royal Mint.

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 with 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 at Alfred Dunhill and CFO at Montblanc. Since leaving Richemont Group, Mike has served as CFO in a number of private equity backed businesses.

Caroline Geary

COMPANY SECRETARY

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

KEY

- Audit Committee
- Remuneration Committee
- Nomination Committee
- C Chair

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.

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.

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 commercial business units and manufacturing in a variety of HR roles. Carla has previously worked at Burberry based in London and Dubai, Britvic, Scholastic Corporation, Home Group and NEXT.

Claire Vallis
Design 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.

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.

Mauricio Solodujin
Group 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 Group Commercial Director, Mauricio works across all brands, markets and channels to drive sales growth at the Group.

Shailini Revel
Group Marketing & Digital Director
Shailini, a highly experienced marketing executive, joined the Group in July 2022 as Group Marketing & Digital Director. She previously worked for start-up companies, Rnwl and CityFibre, where she held the role of Marketing Campaigns Director. Prior to this, she worked at BT for nearly 15 years in various commercial marketing roles, including Consumer, Marketing Agile Transformation Director and Director of Household Growth Marketing.

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 Company 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://www.sandersondesign.group.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 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 which served during the year ended 31 January 2023 and their attendance at meetings is shown in the adjacent table. Biographical details of the current Board are given on pages 40 and 41. 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.

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 adjacent table.

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.

The Company's various sites are 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.

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.

Attendance at meetings of the Board and its committees

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Total Number of Meetings	14	4	5	–
Meetings attended				
D Thompson	14/14	4/4	5/5	–
C Rogers	14/14	4/4	5/5	–
J Stacey	14/14	4/4	5/5	–
P Lewis	14/14	4/4	5/5	–
L Montague	14/14			
M Woodcock	14/14			

The Board scheduled 10 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 45 of the Report of the Directors. 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 Advisor ('NOMAD') 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 that 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 40 to 41.

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. 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 47.

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 are contained in the Directors' Remuneration Report on page 48.

Audit Committee
The Audit Committee is responsible for monitoring and reviewing the integrity of the financial reporting process, including the appropriateness of key 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 are contained in the Audit Committee Report on page 52.

Directors are subject to reappointment at the Company's AGM 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.

Board performance and evaluation
The Board continually reflects on its performance and during the year completed an externally facilitated evaluation. Following a selection process, Fidelio Partner LLP was appointed to conduct the evaluation based on its extensive experience with other evaluations and its practical focus on effectiveness and value. Fidelio has no other connection with the Company or individual Directors.

The process was completed between October and January this year. The scope and objectives of the review were agreed with Fidelio following consultation with the Chairman. In person, one-to-one interviews were held with each of the Directors, the HR Director, the Company Secretary and the Company's NOMAD. Board members were also required to complete a quantitative survey to provide feedback on the performance of the Board. Fidelio were invited to observe the Directors in action and attended a meeting of the Board, and also the Audit Committee. Board, Audit and Remuneration Committee papers and governance documents were also analysed and reviewed.

Outcome and recommendations from FY2023 evaluation
The findings of the evaluation were presented to the Board at its meeting in February 2023. Overall, Fidelio concluded that the Board and its Committees were considered to be working effectively. The Board was considered to comprise relevant skills and experience. The working relationship between Executive and Non-executive Directors is strong and all are committed to the success of the Company.

As would be expected, there were some opportunities identified by Fidelio to increase effectiveness to ensure that the Company benefits from the combined expertise and insight of the Board. These recommendations were reviewed by the Board, and will be further considered as part of the Board's strategy day in FY2024. Areas for focus include continuing to provide further opportunities for Board members to connect with the business, reviewing the approach to Board learning, further developing the Board's oversight of ESG matters and supporting succession planning below Board level and developing a strong, diverse talent pipeline.

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://www.sandersondesign.group/) 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 2023. The Strategic Report on pages 2 to 39 is incorporated by reference and deemed to form part of this report.

Group result
Reported profit before taxation amounted to £10.9m (2022: £10.4m), and profit after tax £8.8m (2022: £7.8m).

Dividend
The Directors recommend payment of a final ordinary dividend of 2.75p per share (excluding dividends on shares held by the employee benefit trust) which will be recognised in the financial statements for the following year (2022: 2.75p per share). Subject to shareholders' approval at the Annual General Meeting ('AGM') the final dividend is expected to be paid on 11 August 2023 to shareholders on the register at 14 July 2023.

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

Going concern
The Directors reviewed a Management Base Case model and considered the uncertainties regarding any 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 no material post balance sheet events occurred between the end of the period and the date of publication of this report.

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 page 22.

Financial risk management
Details of the Group's financial risk management objectives and policies are contained in the Strategic Report on page 36 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 13 of the financial statements.

Employees
The Group is a responsible employer, compliant with all relevant human resources and health and safety regulations. Further information regarding employment policies, engagement and reward are contained within the Directors Remuneration Report and the Live Beautiful and S172 statement within the Strategic Report.

Directors
The Board of Directors who served during the year ended 31 January 2023 and up to the date of reporting were as follows:

Name	Position	Date	Committees*
Dianne Thompson	Non-executive Director and Chairman	From 01.02.2022	**N**, A, R
Christopher Rogers	Non-executive Director	From 01.02.2022	**R**, A, N
Juliette Stacey	Non-executive Director	From 01.02.2022	**A**, R, N
Patrick Lewis	Non-executive Director	From 01.02.2022	A, R, N
Lisa Montague	Executive Director, CEO	From 01.02.2022	
Mike Woodcock	Executive Director, CFO	From 01.02.2022	

* Bold type denotes Chair.

Details of the Directors' service contracts are set out in the Directors' Remuneration Report on pages 40 and 41. 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 page 49.

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 2023 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 2022 Number
D Thompson	**15,000**	15,000
C Rogers	**110,000**	110,000
L Montague	**371,376**	108,097

There have been no changes in the interests set out above between 31 January 2023 and 25 April 2023.

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 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 (2022: 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 19.

Annual General Meeting
The AGM will be held on 22 June 2023.
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 71,468,206 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 2022, the Directors were authorised to allot ordinary shares up to a nominal value of £234,245 and were further authorized 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 6 April 2023, the Company was aware of the following substantial shareholdings in its ordinary share capital. The percentages are calculated from the 71,468,206 ordinary 1p shares allotted, called and fully paid up. Comparatives at 7 April 2022 are shown.

	6 April 2023	7 April 2022
Octopus Investments	**13.41%**	13.91%
Close Asset Management	**9.47%**	8.92%
Ennismore Fund Management	**7.11%**	7.54%
BGF Investments	**5.95%**	5.99%
Interactive Investor	**5.43%**	5.07%
Hargreaves Lansdown	**5.22%**	4.94%
Schroder Investment Management	**4.96%**	4.99%
Charles Stanley	**4.63%**	5.09%
Allianz Global Investments	**3.92%**	Not Applicable

Independent auditors
BDO LLP has expressed its willingness to continue in office as auditors, and a resolution to reappoint them 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 UK adopted International Accounting Standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

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 and Company 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 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
25 April 2023

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 Board is satisfied that I have significant and relevant experience to chair the Nomination Committee in line with the Code.

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:

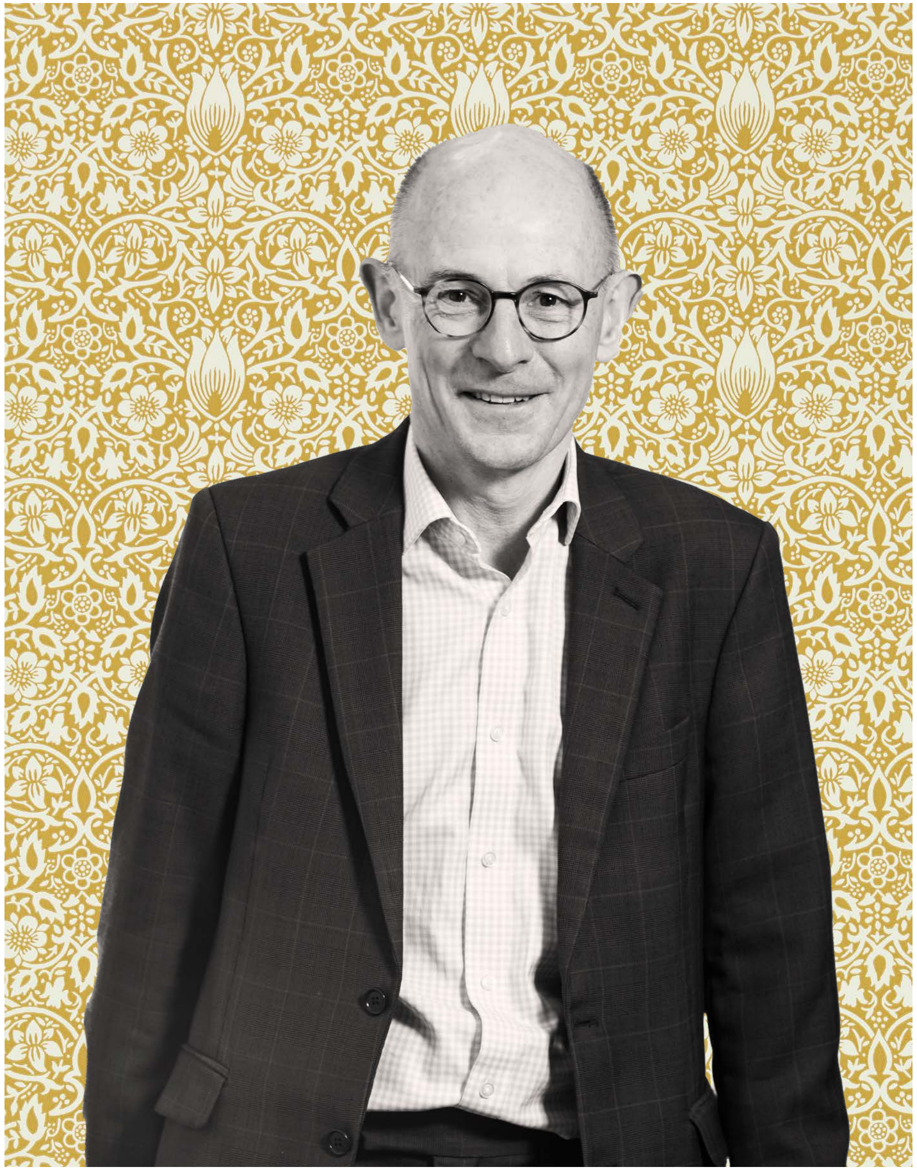
- Review regularly the structure, size and composition, including the skills, knowledge, experience and diversity, of the Board and make recommendations to the Board.
- Monitor executive recruitment closely in order to be aware of succession risks and opportunities.
- Carry out an annual examination 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 generally meets at least once a year and otherwise as required. During FY2023, assessment of the Board composition and its performance was reviewed as part of an externally facilitated Board evaluation. Further detail of the process and findings can be found in the Corporate Governance Report.

Meetings are attended by the Committee's members, with the CEO and HR Director invited to attend, where required. A record of the meeting attendance at formal meetings by Committee members is set out in the Corporate Governance Report on page 43.

Dianne Thompson
Nomination Committee Chairman
25 April 2023



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 and Patrick Lewis.

The number of meetings held during the year and the attendance at each meeting is shown in the table on page 43 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 2023, the Committee agreed for the following to be effective from 1 February 2023:

- In keeping with the Real Living Wage policy introduced in 2021, the Committee has agreed an uplift for all Real Living Wage colleagues in line with the rates announced by the Living Wage Commission, equating to an increase of 10.1%;
- An annual cost of living increase to all other employees based on a sliding scale dependent on hourly rates, ranging from 4% for higher earners, to 10% for lower earners, with the majority of UK employees receiving an increase of 8%;
- An annual cost of living increase for overseas employees, based on the same principle as the UK increase, with adjustment for local rates of inflation; 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 level trends in executive remuneration and relative pay levels within the Group.

For the forthcoming year ending 31 January 2024, the Executive Directors were given an increase of 4% in line with the increase for other senior employees, which is below the average increase for the UK workforce. Effective from 1 February 2023, the base salary for the Chief Executive Officer has been set at £367,850 (2023: £353,702) per annum. The base salary for the Chief Financial Officer has been set at £214,240 (2023: £206,000).

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 three individual objectives, one of which normally relates to cash flow generation and one of which normally relates to ESG.

Long-Term Incentive Plan ('LTIP')
As previously reported, in 2020 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. The Committee decided to replace the existing long-term incentive plan for Executive Directors with a restricted share plan ('RSP').

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 2023, the CEO was awarded a maximum opportunity of 75% of salary, and the CFO awarded a maximum opportunity of 50% of salary. The award will vest following the end of year three, with 40% released on vesting, 40% released in year four and 20% released 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 51 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 2024. 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 following the end of year three, with 40% released on vesting, 40% released in year four and 20% released 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 5.69%.

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.

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.

As at 31 January Lisa Montague's shareholding of 371,376 shares equates to 125% of salary based on the average share price during the three-month period to 31 January 2023 of 119p. Mike Woodcock joined the Company in October 2021 and all share awards granted to him have yet to reach maturity, therefore his current shareholding is nil.

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 2023 Number	1p ordinary shares 31 January 2022 Number
D Thompson	**15,000**	15,000
C Rogers	**110,000**	110,000
L Montague	**371,376**	108,097

There have been no changes in the interests set out above between 31 January 2023 and 25 April 2023.

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 2024, the Non-executive Directors were given an increase of 4% in line with the increase for senior executives which is below the average increase for the UK workforce, effective from 1 February 2023.

Title	FY2023 Fee	FY2024 Fee	Committee Chair Fee
Chairman	£114,433	£119,010	
Non-executive Director	£46,813	£48,685	£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 2023.

During the year, the Directors have decided to change the presentation of the amounts awarded under LTIP arrangements. Instead of presenting gains made on LTIP awards at the point of vesting, the Directors are choosing to present based on the "single figure" methodology, as calculated in accordance with the Regulations. The Directors' feel this is a more meaningful and transparent way of presentation.

Using the single figure methodology, awards are recognised and disclosed in the year when the performance measures or targets set have been achieved, or substantially achieved, during the year being reported on.

Year to 31 January 2023	Salary £000	Bonus £000	LTIP* £000	Benefits £000	Pension £000	Cash allowance in lieu of pension £000	Total £000
Executive Directors:							
Lisa Montague	369	–	261	2	22	–	654
Mike Woodcock	205	–	–	2	9	–	216
Non-executive Directors:							
Dianne Thompson	114	–	–	–	–	–	114
Christopher Rogers	52	–	–	–	–	–	52
Juliette Stacey	52	–	–	–	–	–	52
Patrick Lewis	47	–	–	–	–	–	47
	839	–	261	4	31	–	1,135

* The LTIP column provides the value of the 2020 RSP award based on the average share price during the three-month period to 31 January 2023 of 119p and a vesting outcome of 75% of maximum. The awards will vest and be released 40% on 11 November 2023, 30% on 11 November 2024 and 30% on 11 November 2025.

Year to 31 January 2022	Salary £000	Annual bonus £000	LTIP* £000	Benefits £000	Pension £000	Cash allowance in lieu of pension £000	Total £000
Executive Directors:							
Lisa Montague	358	190	561	2	22	–	1,133
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	561	4	24	6	1,753

* The LTIP column provides the value of the 2019 LTIP award based on the share price at the date of vesting of 113p and a vesting outcome of 75% of maximum.

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

Annual bonus for the year ended 31 January 2023
The Chief Executive Officer's maximum bonus potential for the year ended 31 January 2023 was 100% of base salary and the Chief Financial Officer's maximum bonus potential was 75% of base salary. Bonus achievement was linked to performance against underlying profit targets with the portion of bonus paid then determined based on performance against individual objectives. Despite good performance during the year, in the context of macroeconomic challenges, the Company did not achieve the stretching profit growth targets set, there was therefore no bonus paid to Executive Directors.

2019 LTIP award
The LTIP awards granted in 2019 vested on 24 November 2022. The performance conditions attached to this award were 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 was 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 was 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, free cash flow target and TSR performance were met in full resulting in a vesting level of 75% of the award. The share price on the vesting date was 113p.

2020 RSP award
As noted above, from 2020 onwards, awards have been made under the restricted share plan.

The performance underpins for the 2020 award were 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.

For the 2020 award, the Remuneration Committee assessed performance against the underpin conditions up to 31 January 2023. Despite strong performance over the period, particularly the relative TSR as shown in the adjacent column, the underpin performance criteria were not met in full. Whilst the sustainability underpin was met with continued reduction in carbon emissions, improved sustainability across the group and no environmental, social or governance issues occurring to potentially incur reputational damage, the free cash flow and profit underpins fell short of their criteria.

Despite there being strong cash generation of £17m, the outcome fell short of the underpin by £3m. Profit at £12.6m fell short of the underpin of £16.7m. Both financial underpins were set before the current economic and political upheaval which impacted the last year of the measurement period. The Committee reflected on the outcomes, taking into account the stretching nature of the underpins (which were set in a way which was more stretching than typical market practice) and the significant financial progress which the Company has achieved over the last three years and determined that a scale-back of 25% of maximum would be appropriate, resulting in final award size of 75% of maximum for the Executive Directors.

The award will vest following the end of three years from the date of grant, with 40% released on 11 November 2023, 30% released on 11 November 2024 and 30% on 11 November 2025.

As disclosed in last year's Remuneration Report, Michael Williamson stepped down from the Board effective 31 October 2021. The Committee judged that he should be treated as a good leaver for the purpose of his outstanding incentive awards and he will therefore be entitled to receive his pro-rated 2020 RSP award. The award will be released to him 40% on 11 November 2023, 30% on 11 November 2024 and 30% on 11 November 2025.

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

Directors' LTIP awards

	Date of grant	Share price at grant	Exercise price	Maximum awards at 1 February 2022	Granted in year	Exercised in year	Lapsed in year	**Maximum awards at 31 January 2023**
L Montague	21/11/2019[1]	77.0p	nil	662,337		496,753	165,584	**0**
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**
L Montague	30/05/2022[2]	140.83	nil	0	188,366			**188,366**
M Woodcock	30/05/2022[2]	140.83	nil	0	73,138			**73,138**

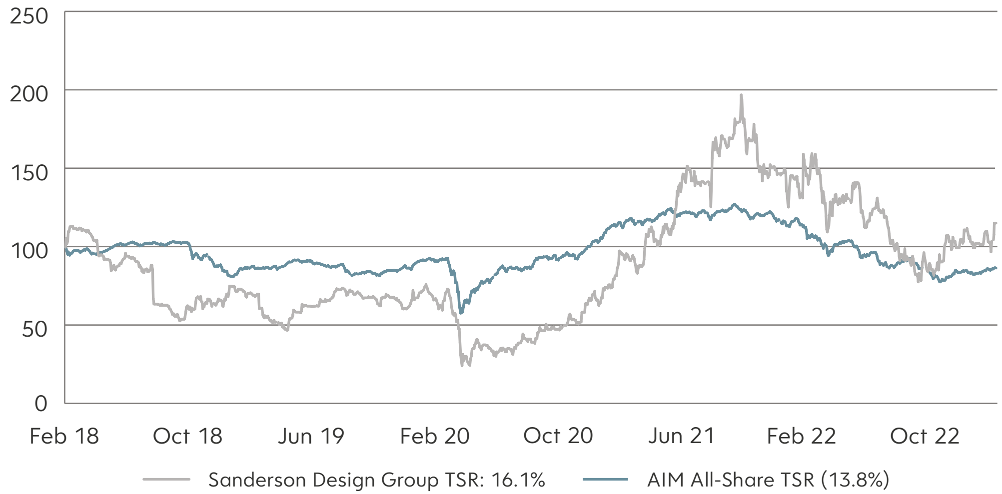
1 In accordance with the rules of the LTIP, which were approved by shareholders at the 2015 AGM, shares awarded vest three years after the date of grant subject to continued service and the extent to which the relevant performance conditions are achieved.

2 As noted above, the 2020, 2021 and 2022 awards were made under the Restricted Share Plan.

The performance underpins for the 2021 and 2022 awards are based on underlying profit before tax* and free cash flow achieved for the relevant measurement periods 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 2021 awards will vest following the end of year three, for the 2021 awards they will be released 40% on 14 June 2024, 40% on 14 June 2025 and 20% on 14 June 2026, and for the 2022 awards they will be released 40% on 30 May 2025, 40% on 30 May 2026 and 20% on 30 May 2027.

Total Shareholder Return index for the five financial years ending 31 January 2023



Christopher Rogers
Chairman of the Remuneration Committee
25 April 2023

AUDIT COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Audit Committee Report for the year ended 31 January 2023.

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/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 and were last reviewed and updated in November 2021.

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. Audit Committee review of the annual report and accounts for the year ended January 2022 required two meetings, and therefore there were four meetings in the period to January 2023.

Each meeting is attended by the Committee's members and the Company Secretary as well as, by invitation, the Executive Directors and the external auditors, or other advisors, where appropriate. A record of the meeting attendance at formal meetings by Committee members is set out in the Corporate Governance Report on page 43.

At each formal meeting, the Committee held a private meeting with the external auditors, without management being present, to receive feedback from them. The Audit Committee Chair also meets separately with the Chief Financial Officer and auditors outside of the formal meeting programme which helps to identify key areas of focus and emerging issues that may need to be added to the Audit Committee's agenda.

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

The effectiveness of the Audit Committee formed part of the Board evaluation process described in the Corporate Governance Report on page 44.

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 received tax updates from the finance team at regular intervals throughout the year, which included commentary on the areas supported by our tax advisers, KPMG, relating to tax compliance, risks, governance and advisory services.

Key accounting estimates and judgements
The Committee reviewed the appropriateness of management's accounting in relation to each of these significant risks and BDO reported to the Committee on the work performed in assessing each during their audit. Details of this work are provided in BDO's Auditors' Report on pages 54 to 58.

a. Inventory
Due to the significant quantum of stock held, there is an ongoing focus by management on inventory levels. 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.

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 advisors 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 2023, there was a deficit of assets over liabilities of £2.5m (FY2022: surplus of £2.5m). BDO consider the accounting for the retirement benefit obligation and related disclosures are consistent with accounting rules and have reported as such in their Auditors report on page 55.

c. Going concern
As set out in the Report of the Directors on page 45 and the Board decisions specific to the uncertainties regarding any further impact of Covid-19, supply chain and inflationary pressures and the Russian invasion of Ukraine, 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 45. In addition, the Committee has discussed with management and BDO the disclosures relating to going concern included in note 1.

d. Intangibles and Goodwill impairment
The capitalisation of collection design costs and the valuation of intangible assets require significant judgement and BDO reported to the Committee on the work performed in assessing each during their audit and the review and appropriateness of management's impairment model in the valuation of intangible assets.

e. Long term incentive plans
The Committee and BDO discussed the judgements 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. As part of the year-end preparation, 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 Strategic Report includes further detail as to the business risks identified and actions being taken.

The Group 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, and 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
BDO were first appointed in 2021, following a tender process, to conduct the audit of the Group's financial statements for the financial year ending 31 January 2022, and this is their second year auditing the Group's Annual Report. In accordance with best practice and professional standards, the external auditor is required to adhere to a rotation policy whereby the audit engagement partner is rotated at least every five years. The FY2023 audit is the second year of Gareth Singleton's tenure as lead audit engagement partner.

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 that BDO be re-appointed 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 the Audit Committee must pre-approve. The policy is available on the website.

Any work by BDO 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
25 April 2023

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 2023 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 2023 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, the Consolidated and Company Balance Sheets, 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 by way of enquiry with the Directors in regards to who prepared the assessment and the information and individuals consulted in the process;
- Obtaining the Directors' trading forecasts underlying the going concern assessment and challenging the Directors on the key estimates and assumptions within the forecasts being the forecast levels of revenue, gross profit and working capital cycles, through analysis and comparison of forecasts with prior year actuals. This assessment included a consideration of the impact of current macroeconomic factors and impacts in respect of cost inflation and market demand;
- 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 breaching its bank covenants or indicating other 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 and whether they accurately capture the basis on which the Directors have reached their conclusions and key judgements taken.

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	94% (2022: 97%) of Group profit before tax 99% (2022: 99%) of Group revenue 99% (2022: 98%) of Group total assets		
Key audit matters		**2023**	2022
	Inventory valuation and adequacy of inventory provision	✓	✓
	Accounting for retirement benefit obligations	✓	✓
Materiality	Group financial statements as a whole £542,000 (2022: £518,000) based on 5% (2022: 5%) of profit before tax		

An overview of the scope of our audit
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 4 significant components, being the UK Brands, US Brands, Anstey manufacturing and Standfast manufacturing trading divisions. A full scope audit was performed by the Group engagement team in respect of each of the significant components and the Sanderson Design Group Plc parent company.

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 verification, 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) and Note 16 Inventories)*	The Group has inventory balances of £27.8m which is stated net of material inventory provisions. The provision is calculated based on a formula driven factor table including inputs relating to 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. 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. We therefore determined the valuation of inventory as a key audit matter.	We challenged management on their inventory costing methodology, by testing overheads absorbed into the cost of inventory and assessing whether they were directly attributable product costs. On a sample basis we substantiated the costs absorbed into inventory 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 also benchmarked profit margins used to eliminate unrealised profit arising from intergroup sales from inventory against historic levels. 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 reasonableness 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. We considered the results of the procedures above and concluded whether the accounting treatment was consistent with the requirements of IAS 2 Inventories. **Key observations:** We consider the assumptions and methodology underpinning the inventory valuation and provision to be reasonable, and in line with the requirements of the accounting standards.
Accounting for retirement benefit obligations *(see accounting policies, critical accounting estimated 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, and the rate of increase in pensions payments. Owing to the magnitude of the pension liability, the level of estimation and complex judgement involved in determining the present value of funding obligations, we determined the accounting for pension scheme liabilities to be a Key Audit Matter.	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 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 checked that the final assumptions applied are consistent and within a reasonable range. We performed tests to verify employer contributions made during the year by verify payment to bank statement 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.

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		Parent Company financial statements	
	2023 £000	2022 £000	**2023 £000**	2022 £000
Materiality	**542**	518	**270**	259
Basis for determining materiality	**5% profit before tax**	5% profit before tax	**50% of group materiality**	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.		The materiality of the Parent company was capped at a percentage of Group materiality to respond to aggregation risk.	
Performance materiality	**406**	343	**202**	168
Basis for determining performance materiality	**Set at 75% of materiality**	Set at 65% of materiality	**Set at 75% of materiality**	Set at 65% of materiality
Rationale for the percentage applied for performance materiality	**A higher threshold was applied than prior year. Our rationale for this increase is that it is the second year of our appointment as auditor and the experience gained in the previous year on the level and nature of unadjusted differences.**	A lower threshold was applied in recognition of this being the first year we audited the group.	**A higher threshold was applied than prior year. Our rationale for this increase is that it is the second year of our appointment as auditor and the experience gained in the previous year on the level and nature of unadjusted differences.**	A lower threshold was applied in recognition of this being the first year we audited the Parent company.

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, based on a percentage of between 37% and 88% (2022: 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 £200,000 to £475,000 (2022: £201,000 to £375,000). In the audit of each component, we further applied performance materiality levels of 75% (2022: 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 £10,000 (2022: £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.

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement, 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 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:

Non-compliance with laws and regulations
Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance, including the Audit Committee; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be the applicable accounting framework, UK tax legislation, the Companies Act 2006, the AIM listing rules and the principles of the Quoted Companies Alliance Corporate Governance Code.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigation. We identified such laws and regulations to be UK employment and health and safety legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;
- Review of legal expenditure accounts to understand the nature of expenditure incurred; 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 enquires through a review of minutes of Board meetings throughout the year; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Fraud
We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be the key audit matter relating to inventory valuation, a fraud risk in relation to revenue recognition particularly in the period just before year and the accelerated revenue recognised on licence income, the costs capitalised as collection design costs, and the risk of management override of controls.

Our procedures in respect of the above included:

- 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 2023 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;
  - review of transfer prices applied on a sample of intra-group revenue transactions to verify that arm's length prices had been applied;
  - reperforming the calculation of accelerated income on all contracts such that an immaterial amount remained untested; and
  - verifying rebate arrangements and substantiating calculations of accrued rebates at the year end and reviewing historic rebate/credit notes to check for completeness of rebate accruals;
- verification, on a sample basis, of costs capitalised as collection design costs to check 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 also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities 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

Date: 25 April 2023

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

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 JANUARY 2023

	Note	2023 Total £000	2022 Total £000
Revenue	4	**111,978**	112,200
Cost of sales		**(37,761)**	(38,365)
Gross profit		**74,217**	73,835
Net operating expenses:			
Distribution and selling expenses		**(25,043)**	(25,052)
Administration expenses		**(42,997)**	(42,796)
Other operating income	5	**4,470**	4,342
Profit from operations	4–6	**10,647**	10,329
Finance income		**445**	184
Finance costs		**(152)**	(154)
Net finance income	7	**293**	30
Profit before tax		**10,940**	10,359
Tax expense	10	**(2,115)**	(2,600)
Profit for the year attributable to owners of the parent		**8,825**	7,759
Earnings per share – Basic	12	**12.42p**	10.93p
Earnings per share – Diluted	12	**12.31p**	10.80p
Adjusted earnings per share – Basic*	12	**14.18p**	13.75p
Adjusted earnings per share – Diluted*	12	**14.08p**	13.59p

* These are alternative performance measures as defined in the Glossary on pages 100 and 101.

All of the activities of the Group are continuing operations.

The notes on pages 63 to 89 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 JANUARY 2023

	Note	2023 £000	2022 £000
Profit for the year		**8,825**	7,759
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension schemes	22	**(6,981)**	6,492
Tax credit/(charge) relating to pension schemes	11	**1,745**	(1,233)
Cash flow hedge	23	**112**	–
Total items that will not be reclassified to profit or loss		**(5,124)**	5,259
Items that may be reclassified subsequently to profit or loss			
Currency translation gains		**429**	70
Other comprehensive (expense)/income for the year, net of tax		**(4,695)**	5,329
Total comprehensive income for the year attributable to the owners of the parent		**4,130**	13,088

The notes on pages 63 to 89 form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

YEAR ENDED 31 JANUARY 2023

	Note	**31 January 2023 £000**	(restated) 31 January 2022 £000	(restated) 1 February 2021 £000
Non-current assets				
Intangible assets	13	**26,448**	26,979	28,325
Property, plant and equipment	14	**12,619**	11,258	12,061
Right-of-use assets	15	**4,577**	3,923	5,783
Retirement benefit surplus	22	**–**	2,577	–
Minimum guaranteed licensing receivables	18	**2,637**	1,619	1,222
		46,281	46,356	47,391
Current assets				
Inventories	16	**27,774**	22,652	19,633
Trade and other receivables	17	**16,327**	16,792	15,885
Minimum guaranteed licensing receivables	18	**1,433**	879	1,221
Financial derivate instrument	23	**112**	–	–
Cash and cash equivalents	19	**15,401**	19,050	15,549
		61,047	59,373	52,288
Total assets		**107,328**	105,729	99,679
Current liabilities				
Trade and other payables	20	**(16,286)**	(18,282)	(19,263)
Lease liabilities	15	**(1,701)**	(1,983)	(2,676)
Provision for liabilities and charges	21	**–**	(1,043)	(559)
Borrowings		**–**	–	(412)
		(17,987)	(21,308)	(22,910)
Net current assets		**43,060**	38,065	29,378
Non-current liabilities				
Lease liabilities	15	**(3,421)**	(1,920)	(3,206)
Deferred income tax liabilities	11	**(1,121)**	(1,998)	(514)
Retirement benefit obligation	22	**(2,446)**	–	(5,637)
Provision for liabilities and charges	21	**(1,037)**	(790)	(650)
		(8,025)	(4,708)	(10,007)
Total liabilities		**(26,012)**	(26,016)	(32,917)
Net assets		**81,316**	79,713	66,762

	Note	**31 January 2023 £000**	(restated) 31 January 2022 £000	(restated) 1 February 2021 £000
Equity				
Share capital	24	**715**	710	710
Share premium account		**18,682**	18,682	18,682
Foreign currency translation reserve		**(367)**	(796)	(866)
Retained earnings		**21,779**	20,610	7,729
Other reserves		**40,507**	40,507	40,507
Total equity		**81,316**	79,713	66,762

A third consolidated balance sheet as at 1 February 2021 has been shown above to show the effect of the prior year restatement as detailed in note 31. Provision for liabilities and charges is analysed into current and non-current assets as detailed in note 21.

The financial statements on pages 59 to 89 were approved by the Board of Directors on 25 April 2023 and signed on its behalf by

Lisa Montague
Director

Mike Woodcock
Director

Registered number: 61880

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 JANUARY 2023

	Note	2023 £000	(restated) 2022 £000
Cash flows from operating activities			
Profit from operations		**10,647**	10,329
Intangible asset amortisation	13	**1,493**	1,725
Property, plant and equipment depreciation	14	**2,429**	2,545
Right-of-use asset depreciation	15	**2,407**	2,520
Loss on disposal of fixed assets		**86**	–
Share-based payment equity charge	24	**493**	253
Defined benefit pension charge	22	**500**	487
Employer contributions to pension schemes	22	**(2,382)**	(2,209)
Increase in inventories		**(4,911)**	(3,018)
Decrease/(increase) in trade and other receivables		**28**	(614)
Increase in minimum guaranteed licensing receivables		**(1,231)**	(55)
Decrease/(increase) in trade and other payables		**(2,111)**	92
(Decrease)/increase in provision for liabilities and charges	21	**(822)**	624
Tax paid		**(1,009)**	(3,754)
Forgiveness of loan into grant		**–**	(412)
Unrealised foreign exchange losses*		**–**	468
Net cash from operating activities		**5,617**	8,981
Cash flows from investing activities			
Finance income received	7	**28**	5
Purchase of intangible assets	13	**(686)**	(379)
Purchase of property, plant and equipment	14	**(4,103)**	(1,750)
Net cash used in investing activities		**(4,761)**	(2,124)

* In the prior year, the unrealised foreign exchange losses related to overseas entities were not allocated to their Individual cash flow lines.

	Note	2023 £000	(restated) 2022 £000
Cash flows from financing activities			
Repayment of lease liability	15	**(1,984)**	(2,686)
Interest paid	7	**–**	(76)
Repurchase of shares vesting from share-based payment	24	**(430)**	–
Dividends paid	26	**(2,484)**	(532)
Net cash used in financing activities		**(4,898)**	(3,294)
Net decrease in cash and cash equivalents		**(3,741)**	3,563
Net foreign exchange movement		**92**	(62)
Cash and cash equivalents at beginning of year		**19,050**	15,549
Cash and cash equivalents at end of year		**15,401**	19,050

The notes on pages 63 to 89 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2023

	Note	Share capital (note 24) £000	Share premium account £000	Retained earnings £000	Capital reserve (note 25) £000	Merger reserve £000	Foreign currency translation reserve £000	Total equity £000
		Attributable to owners of the parent						
					Other reserves			
Balance at 1 February 2021		710	18,682	7,729	43,457	(2,950)	(866)	66,762
Profit for the year		–	–	7,759	–	–	–	7,759
Other comprehensive income/(expense):								
Remeasurements of defined benefit pension schemes	22	–	–	6,492	–	–	–	6,492
Tax credit relating to pension schemes	11	–	–	(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	26	–	–	(532)	–	–	–	(532)
Share-based payment equity charge	24	–	–	253	–	–	–	253
Related tax movements on share-based payment	11	–	–	142	–	–	–	142
Balance at 31 January 2022		710	18,682	20,610	43,457	(2,950)	(796)	79,713

	Note	**Share capital (note 24) £000**	**Share premium account £000**	**Retained earnings £000**	**Capital reserve (note 25) £000**	**Merger reserve £000**	**Foreign currency translation reserve £000**	**Total equity £000**
		Attributable to owners of the parent						
					Other reserves			
Balance at 1 February 2022		710	18,682	20,610	43,457	(2,950)	(796)	79,713
Profit for the year				8,825				8,825
Other comprehensive income/(expense):								
Remeasurements of defined benefit pension schemes	22	–	–	(6,981)	–	–	–	(6,981)
Tax charge relating to pension scheme asset	11	–	–	1,745	–	–	–	1,745
Cash flow hedge	23	–	–	112	–	–	–	112
Currency translation differences		–	–	–	–	–	429	429
Total comprehensive income/(expense):		–	–	(5,124)	–	–	429	(4,695)
Transactions with owners, recognised directly in equity:								
Dividends	26	–	–	(2,484)	–	–	–	(2,484)
Issuance of share capital for share-based payment vesting	24	5	–	(5)	–	–	–	–
Share-based payment equity charge	24	–	–	493	–	–	–	493
Related tax movements on share-based payment	11	–	–	(106)	–	–	–	(106)
Share-based payment vesting	24	–	–	(430)	–	–	–	(430)
Balance at 31 January 2023		**715**	**18,682**	**21,779**	**43,457**	**(2,950)**	**(367)**	**(81,316)**

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 and Scion. 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 invasion of Ukraine by Russia and the current economic difficulties but with Covid-19 impact ebbing away, 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 2025, 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 facility 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 over £5m. The total headroom of the Group at 31 January 2023 was £27.9m (2022: £31.6m), including cash and cash equivalents of £15.4m and the committed facility of £12.5m. The Group has also access to an uncommitted accordion facility of £5.0m with Barclays.

A Management Base Case ('MBC') model has been prepared, together with alternative stress tested scenarios, given the uncertainty regarding the impact of economic difficulties (including continuing inflationary pressures and interest rate rises) 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.

The actual results which will be reported will be undoubtedly different from the MBC and other scenarios modelled by the Company. If there are significant negative variations from the MBC, management would act decisively, as they have done in recent years, to protect the business, particularly its cash position. Having considered all 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

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 can use its power to affect its returns. The Company reassesses whether 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 based on 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, to 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.

1. ACCOUNTING POLICIES AND GENERAL INFORMATION CONTINUED

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 90 to 100).

Revenue
The Group derives its revenue principally from the following:

- Manufacturing sales. These comprise the sale of wallpaper and fabrics to 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 in accordance with the terms of the contractual agreement.

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 Group, and the presentation currency for the consolidated financial statements.

Transactions in foreign currencies, which are those other than the functional currency of the Group, 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.

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.

1. ACCOUNTING POLICIES AND GENERAL INFORMATION CONTINUED

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 and 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 they are not both recognised based on 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%

Land is not depreciated. 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 have been impaired 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.

1. ACCOUNTING POLICIES AND GENERAL INFORMATION CONTINUED

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 2023 or 31 January 2022 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; 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 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.

Derivative financial instruments
The Group applies IFRS 9 'Financial Instruments'. Where qualifying for hedge accounting, derivative financial instruments are held at fair value through other comprehensive income, non-qualifying derivatives are held at fair value through profit or loss.

The Group designates certain hedging instruments, which include derivatives, in respect of foreign currency risk, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates, these have been designated as qualifying cash flow hedges.

In accordance with IFRS 9, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place).

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'.

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 in exchange for consideration.

1. ACCOUNTING POLICIES AND GENERAL INFORMATION CONTINUED

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 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') and Restricted Share Plans ('RSP')*

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 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.

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.

1. ACCOUNTING POLICIES AND GENERAL INFORMATION CONTINUED

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 differ 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.

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, which is 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's principal functional currency is Pounds Sterling. 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 through natural hedges 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. Hedging instruments are put in place to mitigate foreign currency risk.

For the year ended 31 January 2023, the average sterling to US dollar translation rate applied by the Group including the impact of hedging contracts for GBP to USD was 1=1.22. If the GBP to USD rate had been 1=1.12 with all other variables being held constant, profit before tax would have been higher by £322,078. If the GBP to USD rate had been 1=1.32 with all other variables being held constant, profit before tax would have been lower by £273,153.

2. FINANCIAL RISK MANAGEMENT CONTINUED

For the year ended 31 January 2023, the average sterling to euro translation rate applied by the Group including the impact of hedging contracts for GBP to EUR was 1=1.15. If the GBP to EUR rate had been 1=1.05 with all other variables being held constant, profit before tax would have been higher by £107,379. If the GBP to EUR rate had been 1=1.25 with all other variables being held constant, profit before tax would have been lower by £90,184.

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.

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 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 2023, had the benchmark interest rate levels been 0.5% higher or 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.

Management monitors rolling forecasts of the Group's cash and loan facility utilisation monthly. 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 adjusts 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 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, 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 can recognise in full any surplus calculated in accordance with IAS 19 and IFRIC 14.

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 post-tax rate of 10% (2022: 9.25%). The discount rate used is the same across all segments.

The Group has used formally approved budgets for the first two years (2022: 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% (2022: 1% to 2%) depending upon the CGU being tested.

The cash flows used in the calculation of the VIU are derived from 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 considering the estimated price and volume of future sales or usage, less the further costs of sale and holding costs.

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 and Scion brands operated from the UK and its foreign subsidiaries in the US, France, the 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 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 2023	Brands £000	Manufacturing £000	Intercompany eliminations and unallocated £000	Total £000
UK revenue	42,612	15,024	–	57,636
International revenue	40,800	7,093	–	47,893
Licence revenue	6,449	–	–	6,449
Revenue – external	89,861	22,117	–	111,978
Revenue – internal	–	16,953	(16,953)	–
Total revenue	89,861	39,070	(16,953)	111,978
Profit/(loss) from operations	7,811	3,713	(877)	10,647
Net finance income	–	–	293	293
Profit/(loss) before tax	7,811	3,713	(584)	10,940
Tax expense	–	–	(2,115)	(2,115)
Profit/(loss) for the year	7,811	3,713	(2,699)	8,825

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

The segmental Income Statement disclosures are measured in accordance with the Group's accounting policies as set out in note 1. 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.

All defined benefit pension costs, and share-based award 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 analyses presented is revenue by export market for Brands.

Brands international revenue by export market:	2023 £000	2022 £000
North America	19,762	16,644
Northern Europe	10,809	13,189
Rest of the World	10,229	10,592
	40,800	40,425

4. SEGMENTAL ANALYSIS CONTINUED

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:	2023 £000	2022 £000
Harlequin	**15,757**	17,623
Scion	**1,824**	2,210
Sanderson	**14,039**	14,421
Morris & Co.	**19,025**	16,444
Zoffany	**8,821**	8,564
Clarke & Clarke	**23,577**	24,554
Other brands	**369**	291
Licensing	**6,449**	5,159
	89,861	89,266

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

Manufacturing revenue analysis:	2023 £000	2022 £000
Standfast & Barracks	**20,732**	21,310
Anstey	**18,338**	20,431
	39,070	41,741

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 2023	Brands £000	Manufacturing £000	Unallocated £000	Total £000
Depreciation and impairments	**3,680**	**1,156**	**–**	**4,836**
Amortisation	**712**	**9**	**772**	**1,493**
Net impairment charge/(reversal) – trade receivables	**577**	**(51)**	**–**	**526**
Net impairment charge – inventory	**1,070**	**3**	**–**	**1,073**
Share-based payment charge	**–**	**–**	**508**	**508**

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
Net impairment charge/(reversal) – trade receivables	(242)	50	–	(192)
Net impairment charge/(reversal) – inventory	539	(271)	–	268
Share-based award payment charge	–	–	406	406
Share-based award payment charge	–	–	406	406

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.

Year ended 31 January 2023	Brands £000	Manufacturing £000	Unallocated £000	Total £000
Assets	**58,415**	**14,195**	**34,718**	**107,328**
Liabilities	**(16,760)**	**(5,234)**	**(4,018)**	**(26,012)**
Total net assets	**41,655**	**8,961**	**30,700**	**81,316**
Capital expenditure – intangible assets	**480**	**206**	**–**	**686**
Capital expenditure – property, plant and equipment	**1,682**	**2,233**	**188**	**4,103**

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

4. SEGMENTAL ANALYSIS CONTINUED

e) Additional entity-wide disclosures

Revenue by geographical location of customers:	2023 £000	2022 £000
United Kingdom	**62,304**	60,347
North America	**21,950**	22,199
Northern Europe	**15,808**	15,892
Rest of the World	**11,916**	13,762
	111,978	112,200

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:	2023 £000	2022 £000
United Kingdom	**43,119**	45,625
North America	**3,162**	731
	46,281	46,356

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

	2023 £000	2022 £000
Sale of marketing materials and other services	**4,470**	4,046
Research and development expenditure credit ('RDEC')	**–**	296
	4,470	4,342

6. PROFIT FROM OPERATIONS

	2023 £000	2022 £000
Group profit from operations is stated after charging/(crediting):		
Depreciation and impairments of property, plant and equipment	**2,429**	2,545
Depreciation and impairments of right-of-use assets	**2,407**	2,520
Amortisation of intangibles	**721**	709
Amortisation of acquired intangibles	**772**	1,016
Cost of inventories recognised as expense in cost of sales	**27,993**	29,548
Net impairment charge – inventory	**1,073**	268
Net impairment charge/(reversal) – trade receivables	**526**	(192)
Government Covid-19 employee related support	**–**	103
Provision for closure of Sanderson Design Group Brands SARL in France	**–**	1,100
Transportation expenses	**8.047**	9,126
Advertising costs	**3,979**	5,176
Other selling costs	**11,570**	10,994
Establishment costs	**4,005**	3,476
Net foreign exchange losses	**174**	468
Forgiveness of a loan into a grant	**–**	(412)
Loss on disposal of fixed assets	**86**	–
Short-term rental expense:		
– Hire of motor vehicles and plant and machinery	**32**	38
– Land and buildings	**5**	39

	2023 £000	2022 £000
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	**65**	60
Fees payable to the Company's auditors for other services: Audit of the Company's subsidiaries pursuant to legislation	**224**	195
	289	255

7. NET FINANCE INCOME

	Note	2023 £000	2022 £000
Interest income:			
Interest received on bank deposits		**28**	5
Unwind of discount on minimum guaranteed licensing income		**341**	179
Total interest received		**369**	184
Net pension interest income	22	**76**	–
Total finance income		**445**	184
Interest expense:			
Bank facility fee		**(22)**	(22)
Lease interest		**(130)**	(132)
Total interest paid/finance costs		**(152)**	(154)
Net finance income		**293**	30

In the current financial year, £76,000 relating to net pension income in administration expenses has been presented as part of net finance income. The comparative for this item has not been represented.

8. EMOLUMENTS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Information on the remuneration of the Directors, including the highest paid Director, is included in the Directors' Remuneration Report.

The emoluments of the Directors are detailed below:

	2023			2022		
	Emoluments for qualifying services £000	**Gains on exercise of share options £000**	**Contributions to pension schemes £000**	Emoluments for qualifying services £000	Gains on exercise of share options £000	Contributions to pension schemes £000
Lisa Montague	**371**	**561**	**22**	550	–	22
Mike Woodcock	**207**	**–**	**9**	71	–	2
Michael Williamson	**–**	**–**	**–**	314	–	6
Dianne Thompson	**114**	**–**	**–**	111	–	–
Christopher Rogers	**52**	**–**	**–**	51	–	–
Juliette Stacey	**52**	**–**	**–**	12	–	–
Vijay Thakrar	**–**	**–**	**–**	42	–	–
Patrick Lewis	**47**	**–**	**–**	11	–	–
	843	**561**	**31**	1,162	–	30

The emoluments of the key management personnel are detailed below:

	2023 £000	2022 £000
Short-term employee benefits (including short-term incentives)	**2,078**	3,226
Post-employment benefits (including pension costs)	**94**	98
Share-based payment charge*	**402**	359
	2,574	3,683

* Reflects the charge in the Income Statement and does not reflect the market value of shares expected to vest.

Key management personnel include only the Board of Directors and members of the Group Leadership Team.

9. EMPLOYEE INFORMATION

	2023 £000	2022 £000
Wages and salaries	**25,086**	24,179
Social security costs	**2,737**	2,382
Other pension costs	**912**	1,002
Share-based payment charge*	**493**	406
Employee benefit expense	**29,228**	27,969

* Reflects the charge in the Income Statement and does not reflect the market value of shares expected to vest.

The average monthly number of employees (including Directors) during the year	2023 £000	2022 £000
Brands, including warehousing	**294**	286
Manufacturing	**282**	270
Overseas	**35**	32
Corporate and administration	**22**	25
	633	613

10. TAX EXPENSE

	2023 £000	2022 £000
Corporation tax:		
– UK current tax	**1,433**	1,973
– UK adjustments in respect of prior years	**(278)**	224
– Overseas, current tax	**198**	117
– Overseas, adjustment in respect of prior year	**–**	(107)
Corporation tax	**1,353**	2,207
Deferred tax:		
– Current year	**697**	157
– Adjustments in respect of prior years	**65**	57
– Effect of changes in corporation tax rates	**–**	179
Deferred tax	**762**	393
Total tax charge for the year	**2,115**	2,600

Reconciliation of total tax charge for the year	2023 £000	2022 £000
Profit on ordinary activities before tax	**10,940**	10,359
Tax on profit on ordinary activities at 19.00% (2022: 19.00%)	**2,079**	1,968
Fixed asset differences	**173**	42
Non-deductible expenditure	**129**	173
Income not subject to tax	**–**	(2)
Share-based payment	**–**	40
Adjustments in respect of prior years – corporation tax	**(278)**	117
Adjustments in respect of prior years – deferred tax	**65**	57
Overseas tax suffered	**–**	2
Movement in deferred tax not recognised	**(246)**	(170)
Effect of changes in corporation tax rates	**193**	373
Total tax charge for the year	**2,115**	2,600

11. DEFERRED INCOME TAX

Deferred tax (liabilities)/assets	2023 £000	2022 £000
Taxable temporary differences on property, plant and equipment	**(1,173)**	(899)
Taxable temporary differences on intangible assets	**(947)**	(1,140)
Taxable temporary differences on unutilised tax losses	**198**	332
Taxable temporary differences on share-based payments	**218**	353
	(1,704)	(1,354)
Retirement benefit obligations	**583**	(644)
	(1,121)	(1,998)

A tax credit of £1,745,000 (2022: tax charge £1,233,000) arising on retirement benefit obligations has been recognised within the Statement of Other Comprehensive Income.

At 31 January 2023, the Company had gross unused UK tax losses of £793,000 (2022: £3,064,000) available for offset against future profits. The change of UK corporation tax rate from 19% to 25%, effective from 1 April 2023 and substantively enacted last year, has also increased the amount of deferred tax asset in future years.

There are also unutilised capital tax losses at 31 January 2023 of £4,881,000 (2022: £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)	2023 £000	2022 £000
At 1 February	**(1,998)**	(514)
Income Statement charge	**(762)**	(393)
Tax credit/(charge) relating to components of other comprehensive income	**1,745**	(1,233)
Tax (charged)/credited directly to equity	**(106)**	142
At 31 January	**(1,121)**	(1,998)

12. EARNINGS PER SHARE

12. (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.

	2023			2022		
	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	**8,825**	**71,074**	**12.42**	7,759	70,983	10.93
Effect of dilutive securities:						
Shares under share-based payment		**606**			850	
Diluted earnings per share	**8,825**	**71,680**	**12.31**	7,759	71,833	10.80
Adjusted underlying basic and diluted earnings per share:						
Add back share-based payment charge	**508**			406		
Add back net defined benefit pension charge (including National Insurance)	**424**			487		
Non-underlying items (see below)	**772**			1,207		
Tax effect of non-underlying items and other add backs	**(453)**			(96)		
Adjusted underlying basic earnings per share	**10,076**	**71,074**	**14.18**	9,763	70,983	13.75
Adjusted underlying diluted earnings per share	**10,076**	**71,680**	**14.08**	9,763	71,833	13.59

Sanderson Design Group PLC's issued ordinary share capital with voting rights consists of 71,468,206 (2022: 70,983,505) ordinary shares of which nil (2021: nil) ordinary shares are held in treasury and 1* (2022: 220) 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.

* Rounded up.

The market value of shares held by the EBT at 31 January 2023 was approximately £1 (2022: £370). The total number of shares held in the EBT at the year end represented less than 0.1% (2022: 0.1%) of the issued shares. The number of potentially dilutive shares is 716,000 (2022: 850,000).

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 12(b) opposite.

12. (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.

Adjusted underlying profit before tax

	2023 £000	2022 £000
Statutory profit before tax	**10,940**	10,359
Amortisation of acquired intangible assets [(a)]	**772**	1,016
Restructuring and reorganisation costs [(b)]	**–**	1,190
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	**772**	1,207
Underlying profit before tax	**11,712**	11,566
Share-based payment charge	**508**	406
Net defined benefit pension charge	**424**	487
Adjusted underlying profit before tax	**12,644**	12,459

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) Amortisation of acquired intangible assets of £772,000 (2022: £1,016,000).

(b) Restructuring and reorganisation costs

These relate to the reorganisation of the Group and comprise of the rationalisation of certain operational and support functions in the prior year. 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. There were no such costs in the current financial year.

(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 in the prior year.

13. INTANGIBLE ASSETS

	Goodwill £000[(a)]	Arthur Sanderson and William Morris Archive £000[(b)]	Collection design £000	Brand £000	Customer-related intangibles £000	Software £000	Assets under construction £000	Total £000
Cost								
31 January 2021	17,091	4,300	3,894	5,566	4,427	3,219	–	38,497
Additions	–	–	290	–	–	89	–	379
31 January 2022	17,091	4,300	4,184	5,566	4,427	3,308	–	38,876
Additions	–	–	443	–	–	37	206	686
Reclassification from property, plant and equipment (note 14)	–	–	–	–	–	–	276	276
Disposals	–	–	(2,335)	–	–	(551)	–	(2,886)
31 January 2023	**17,091**	**4,300**	**2,292**	**5,566**	**4,427**	**2,794**	**482**	**36,952**
Accumulated amortisation								
31 January 2021	841	–	2,271	1,206	3,200	2,654	–	10,172
Charge	–	–	418	278	738	291	–	1,725
31 January 2022	841	–	2,689	1,484	3,938	2,945	–	11,897
Charge	–	–	469	283	489	252	–	1,493
Disposal	–	–	(2,335)	–	–	(551)	–	(2,886)
31 January 2023	**841**	**–**	**823**	**1,767**	**4,427**	**2,646**	**–**	**10,504**
Net book amount								
31 January 2023	**16,250**	**4,300**	**1,469**	**3,799**	**–**	**148**	**482**	**26,448**
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

(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 £1,493,000 (2022: £1,725,000) in administration expenses is split £724,000 (2022: £709,000) in underlying items and £772,000 (2022: £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

The total carrying value of goodwill at year end of £16,250,000 (2022: £16,250,000) is attributable to the Brands segment.

The carrying value of the Arthur Sanderson and William Morris Archive at the year end of £4,300,000 (2022: £4,300,000) is attributable to the Brands segment.

The Group does not consider it reasonably possible that changes to the key assumptions will arise that would result in impairment of either Goodwill or the Arthur Sanderson and William Morris Archive as at 31 January 2023. As explained in note 3, the key assumptions in the impairment review are a post-tax discount rate of 10% (2022: 9.25%) and a long-term growth rate of 1% to 2% (2022: 1% to 2%). A 2% sensitivity increase in the discount rate would lead to a potential impairment. 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.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £000	Leasehold improvements £000	Plant, equipment and vehicles £000	Computer hardware £000	Assets under construction £000	Total £000
Cost						
31 January 2021	6,045	572	33,942	2,232	–	42,791
Additions	167	–	1,527	56	–	1,750
Disposals	–	–	(344)	–	–	(344)
Reclassifications	35	125	(194)	34	–	–
Currency movements	–	–	1	(1)	–	–
31 January 2022	6,247	697	34,932	2,321	–	44,197
Additions	352	–	2,696	205	850	4,103
Disposals	(89)	–	(6,229)	(256)	–	(6,574)
Reclassification to intangible assets (note 13)	–	–	(276)	–	–	(276)
Currency movements	–	–	148	10	–	158
31 January 2023	**6,510**	**697**	**31,271**	**2,280**	**850**	**41,608**
Accumulated depreciation and impairment						
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
Charge	125	–	2,210	94	–	2,429
Disposals	(89)	–	(6,155)	(256)	–	(6,500)
Currency movements	–	–	113	8	–	121
31 January 2023	**2,465**	**427**	**24,071**	**2,026**	**–**	**28,989**
Net book amount						
31 January 2023	**4,045**	**270**	**7,200**	**254**	**850**	**12,619**
31 January 2022	3,818	270	7,029	141	–	11,258
31 January 2021	3,729	257	7,934	141	–	12,061

The total depreciation expense of £2,429,000 (2022: £2,546,000) has been allocated to the following categories: administration expenses of £2,378,000 (2022: £2,495,000) and distribution and selling costs of £51,000 (2022: £51,000).

	2023 £000	2022 £000
Freehold land	**450**	450
Freehold buildings	**3,595**	3,368
Net book amount	**4,045**	3,818

15. 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
Additions	2,470	409	131	3,010
Disposals	(128)	(271)	(91)	(490)
Currency movements	273	1	5	279
31 January 2023	**12,331**	**915**	**1,079**	**14,325**
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
Charge	1,996	228	183	2,407
Disposals	(128)	(267)	(83)	(478)
Currency movements	232	(21)	5	216
31 January 2023	**8,507**	**489**	**752**	**9,748**
Net book amount				
31 January 2023	**3,824**	**426**	**327**	**4,577**
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)	–	(6)	(26)
31 January 2022	3,285	201	417	3,903
Additions	2,470	408	128	3,006
Amounts paid	(1,545)	(222)	(216)	(1,983)
Effect of discounting	102	15	13	130
Currency movements	65	–	1	66
31 January 2023	**4,377**	**402**	**343**	**5,122**

Maturity analysis – contractual lease liabilities

	2023 £000	2022 £000
Current	**1,701**	1,983
Non-current	**3,421**	1,920
Total lease liabilities	**5,122**	3,903

16. INVENTORIES

	2023 £000	2022 £000
Raw materials	**5,038**	3,042
Work in progress	**1,478**	2,064
Finished goods	**20,431**	17,546
Marketing materials	**827**	–
	27,774	22,652

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 £4,545,000 (2022: £7,979,000).

The cost of inventories recognised as an expense and included in cost of sales amounted to £27,993,000 (2022: £29,548,000).

In the current financial year, marketing materials of £827,000 has been presented as part of inventories. The comparative relating to this item is included in other receivables in the prior period which is not in line with the Group's accounting policy has not been restated as it is not material.

17. TRADE AND OTHER RECEIVABLES

Current	2023 £000	2022 £000
Trade receivables	**12,928**	14,262
Less: provision for impairment of trade receivables	**(921)**	(775)
Net trade receivables	**12,007**	13,487
Corporation tax debtor	**–**	339
Other taxes and social security	**1,274**	842
Other receivables	**827**	307
Prepayments	**2,219**	1,817
	16,327	16,792

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

The total loss allowance for trade receivables is determined as follows:

31 January 2023 £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	**10,497**	**554**	**708**	**318**	**851**	**12,928**
Loss allowance	**(216)**	**(15)**	**(46)**	**(56)**	**(588)**	**(921)**

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)

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) Current

Included in the Group's trade receivable balances are receivables with a carrying value of £10,497,000 (2022: £11,875,000) which are not past due. Under the expected credit loss model a provision is held for the lifetime credit loss on these balances of £216,000 (2022: £489,000). 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 £2,141,000 (2022: £2,063,000) 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 £415,000 (2022: £36,000).

(iii) Past due – individually impaired

As at 31 January 2023, trade receivables of £290,000 (2022: £324,000) were individually determined to be impaired and provided for. The amount of the provision was £290,000 (2022: £250,000). 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.

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:

	2023 £000	2022 £000
United Kingdom	**6,565**	7,226
Northern Europe	**2,371**	2,753
North America	**2,226**	2,217
Rest of the World	**845**	1,291
	12,007	13,487

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

	2023 £000	(represented) 2022 £000
Sterling	**11,356**	12,427
US dollars	**2,565**	1,546
Euros	**1,834**	2,030
Other	**572**	789
	16,327	16,792

The comparatives have been represented to reflect all trade and other receivables to aid comparability.

The closing loss allowances for trade receivables as at 31 January 2023 reconcile to the opening loss allowances as follows:

	Lifetime ECL £000	Credit impaired £000	2023 £000	2022 £000
At 1 February	**(525)**	**(250)**	**(775)**	(903)
Increase in allowance recognised in income statement	**(486)**	**(40)**	**(526)**	(97)
Receivables written off in the year as uncollectible	**380**	**–**	**380**	50
Unused amounts reversed	**–**	**–**	**–**	175
At 31 January	**(631)**	**(290)**	**(921)**	(775)

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 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 2023	**1,433**	**2,637**	**4,070**
31 January 2022	879	1,619	2,498

19. CASH AND CASH EQUIVALENTS

	2023 £000	2022 £000
Cash at bank and in hand	**15,401**	19,050

20. TRADE AND OTHER PAYABLES

	2023 £000	2022 £000
Trade payables	**10,399**	11,713
Corporation tax payable	**6**	–
Other taxes and social security	**2,426**	1,571
Other payables	**743**	613
Accruals	**2,712**	4,385
	16,286	18,282

In the current year, provision for other liabilities and charges is analysed into its own category and has been reclassified from other payables and accruals which is explained in note 21.

21. PROVISION FOR LIABILITIES AND CHARGES

	Property £000	Other £000	Total £000
1 February 2021 (as restated)	650	559	1,209
Charged	140	1,043	1,183
Released	–	(559)	(559)
31 January 2022	790	1,043	1,833
Charged	247	–	247
Utilised	–	(1,043)	(1,043)
31 January 2023	**1,037**	**–**	**1,037**

	2023 £000	2022 £000
Current	**–**	1,043
Non-current	**1,037**	790
Total	**1,037**	1,833

Property
Property-related provisions consist of estimated rectification costs arising from wear and tear that will fall due on exiting property leases.

Other provisions
Other provisions include provisions for certain legal claims brought against the Group during the ordinary course of business and provisions for the Group's obligations arising from committed restructuring activities. Restructuring provisions and employee termination payments are recognised when a detailed, formal plan has been established and communicated to those parties directly affected by the plan. Provisions for legal claims represent management's best estimate of the likely outcome of the claim at the Balance Sheet date. During the year, the France restructuring costs of £1,043,000 provided in the previous year were fully utilised.

In the current year, provision for other liabilities and charges is analysed into its own category and has been reclassified from other payables and accruals. The maturity of the expected liabilities has also been restated into less than or more than one year. Note 30 explains the effect of this prior year restatement for the year ended 31 January 2022 and 1 February 2021.

22. RETIREMENT BENEFIT SURPLUS/(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 £366,000 (2022: £285,000). There are no outstanding or prepaid contributions at 31 January 2023 (2022: £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 2023 are expected to be £2,404,000.

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 2023, based on membership data at 5 April 2022, updated to take account of benefit outgoings since 5 April 2022, using actuarial assumptions at 31 January 2023. The major assumptions used by the actuary were (in nominal terms) as follows:

	2023	2022
Discount rate	**4.50%**	2.20%
Inflation assumption (RPI)	**3.00%**	3.65%
Inflation assumption (CPI)	**2.50%**	3.15%
Rate of increase in salaries	**2.50%**	3.15%
Rate of increase to pensions in payment, that increase in line with RPI subject to a maximum of 5% p.a.	**2.90%**	3.50%
Rate of increase to pensions (in excess of GMP) in deferment	**2.50%**	3.15%

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

	2023	2022
Non-pensioner male currently 45	**22.9**	22.8
Pensioner male currently 65	**21.9**	21.8
Non-pensioner female currently 45	**25.5**	25.4
Pensioner female currently 65	**24.3**	24.2

22. RETIREMENT BENEFIT SURPLUS/(OBLIGATIONS) CONTINUED

	2023 £000	2022 £000
Present value of funded obligations	**(54,229)**	(74,124)
Fair value of scheme assets	**51,783**	76,701
(Deficit)/surplus in funded scheme (net (liability)/asset on the Balance Sheet)	**(2,446)**	2,577

Reconciliation of (deficit)/surplus in funded scheme (net (liability)/asset on the Balance Sheet)

	2023 £000	2022 £000
1 February	**2,577**	(5,637)
Contributions by employers	**2,382**	2,209
Defined benefit pension charge	**(424)**	(487)
Total remeasurements of the net defined benefit (liability)/asset	**(6,981)**	6,492
31 January	**(2,446)**	2,577

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:

	2023 £000	2022 £000
Equities, absolute return and property	**12,831**	30,698
Gilts	**8,744**	16,294
Fixed interest bonds	**3,628**	3,573
Liability driven investments	**24,260**	21,085
Insured annuities	**114**	145
Cash and cash equivalents	**2,206**	4,906
Fair value of scheme assets	**51,783**	76,701

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 £23,675,000 (2022: loss of £387,000).

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

	2023 £000	2022 £000
Fair value of plan assets at beginning of year	**76,701**	79,289
Interest income on scheme assets	**1,673**	1,055
Loss on return on assets, excluding interest income	**(25,348)**	(1,442)
Contributions by employers	**2,382**	2,209
Benefits paid	**(3,125)**	(3,646)
Scheme administrative cost	**(500)**	(420)
Settlements	**–**	(344)
Fair value of scheme assets at end of year	**51,783**	76,701

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

	2023 £000	2022 £000
Benefit obligation at beginning of year	**74,124**	84,926
Interest cost	**1,597**	1,122
Remeasurement (gains)/losses – changes in financial assumptions	**(21,601)**	(6,086)
Remeasurement gains – changes in demographic assumptions	**(10)**	(51)
Remeasurement gains – experience	**3,244**	(1,797)
Benefits paid	**(3,125)**	(3,646)
Settlements	**–**	(344)
Benefit obligation at end of year	**54,229**	74,124

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

	2023 £000	2022 £000
Expected return on pension scheme assets	**1,673**	1,055
Interest on pension scheme liabilities	**(1,597)**	(1,122)
Net pension interest income/(costs)	**76**	(67)
Scheme expenses met by the Group	**(500)**	(420)
Defined benefit pension charge, including net pension interest	**(424)**	(487)

22. RETIREMENT BENEFIT SURPLUS/(OBLIGATIONS) CONTINUED

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

	2023 £000	2022 £000
Net remeasurement – financial	**(21,601)**	(6,086)
Net remeasurement – demographic	**(10)**	(51)
Net remeasurement – experience	**3,244**	(1,797)
Return/(loss) on assets, excluding interest income	**25,348**	1,442
Total remeasurements of the net defined benefit liability/(asset)	**6,981**	(6,492)

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 2023 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 2023 (£m)		Impact on scheme liabilities 2022 (£m)	
	Change in assumption	Increase	Decrease	Increase	Decrease
Discount rate	0.25% movement	**(1.6)**	**1.7**	(2.8)	2.9
Rate of inflation (RPI)*	0.25% movement	**0.6**	**(0.7)**	1.3	(1.3)
Rate of inflation (CPI)*	0.25% movement	**0.4**	**(0.4)**	0.7	(0.7)
Assumed life expectancy	1 year movement	**2.3**	**(2.4)**	3.8	(3.8)
Estimated impact of Covid-19 on life expectancy**		**N/A**	**N/A**	N/A	N/A

* 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 2023.

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

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 2023	Amortised cost £000	Assets at fair value £000	Financial derivative Instruments for hedging £000	Total £000
Assets as per Balance Sheet				
Net trade receivables and other receivables	**15,165**	**–**	**–**	**15,165**
Minimum guaranteed licensing receivables	**4,070**	**–**	**–**	**4,070**
Financial derivative instrument	**–**	**–**	**112**	**112**
Cash and cash equivalents	**15,401**	**–**	**–**	**15,401**
Total	**34,636**	**–**	**112**	**34,748**

31 January 2023	Other financial liabilities £000	Liabilities at fair value £000	Financial derivative Instruments for hedging £000	Total £000
Liabilities as per Balance Sheet				
Lease liabilities	**5,122**	**–**	**–**	**5,122**
Trade and other payables	**13,854**	**–**	**–**	**13,854**
Total	**18,976**	**–**	**–**	**18,976**

31 January 2022	Amortised cost £000	Assets at fair value £000	Financial derivative Instruments 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 (restated – refer to note 31)	Other financial liabilities £000	Liabilities at fair value £000	Financial derivative instruments for hedging £000	Total £000
Liabilities as per Balance Sheet				
Lease liabilities	3,903	–	–	3,903
Trade and other payables	16,711	–	–	16,711
Total	20,614	–	–	20,614

The financial instruments in place are to mitigate the risks associated with net future US dollar receipts. The Group uses fixed forward hedging instruments. The fixed forward contracts are fixed agreements to exchange currency at the hedged rate. To manage the foreign exchange risk arising on future transactions, it is the Group's policy to enter forward currency contracts to hedge the exposure. The details of the notional amount's hedged rate and spot rate at 31 January 2023 are outlined below.

	2023 £000	2022 £000
USD/GBP spot rate at 31 January	**1.2073**	1.3401
Fixed forward contracts		
Weighted average forward rate	**1.1139**	–
Maturing in the next year (Notional amount in US dollars 000's)	**1,800**	–

The hedge ratio is 1:1.

The following table analyses the Group'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 2023	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	**13,854**	**–**	**–**	**–**
Leases (undiscounted cash flows)	**1,814**	**2,501**	**942**	**–**
	15,668	**2,501**	**942**	**–**

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	16,499	–	–	–
Leases (undiscounted cash flows)	2,077	1,417	532	–
	18,576	1,417	532	–

24. SHARE CAPITAL

Ordinary shares of 1p each:	Number of shares	£
Called up and fully paid:		
31 January 2023	**71,468,206**	**714, 682**
31 January 2022	70,983,505	709,835
31 January 2021	70,983,505	709,835

Sanderson Design Group PLC's issued ordinary share capital with voting rights consists of 71,468,206 (2022: 70,983,505) ordinary shares of which nil (2021: nil) ordinary shares are held in treasury and 1* (2022: 220) 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.

* Rounding difference.

The market value of shares held by the EBT at 31 January 2023 was £1 (2022: £370). The total number of shares held in the EBT at the year end represented less than 0.1% (2022: 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') and Restricted Share Plans ('RSPs')
The Group operates LTIPs and RSPs. There have been 15 awards under this plan and its predecessor, in which Executive Directors and senior management of the Group participate. The LTIP and RSP scheme 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.

On 24 November 2022, 484,701 shares vested under the Company's LTIP Award Twelve. To satisfy the vesting, 484,481 shares of 113p each were allotted and 220 shares were Issued from the Walker Greenbank PLC EBT. The Company paid £430,000 of personal taxes on behalf of the Individuals In lieu of Issuance of shares on vesting which was charged to equity.

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.

The vesting dates for Award Fifteen are split 40% on 30 May 2025, 40% on 30 May 2026, and 20% on 30 May 2027. 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 132.2p for awards vesting on 30 May 2025, 129.4p for awards vesting on 30 May 2026 and 126.7p for those vesting on 30 May 2027.

Further details of Award Thirteen, Award Fourteen and Award Fifteen 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	Adjusted PBT	Free cash flow	Sustainability improvement	Adjusted PBT	Free cash flow	Sustainability improvement
Relevant date for determination of vesting conditions	Adjusted PBT 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	Adjusted PBT 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

	Award Fifteen	Award Fifteen	Award Fifteen
Grant date of awards	30 May 2022	30 May 2022	30 May 2022
Grant date fair value of award (pence per award)	See above	See above	See above
Vesting date of awards	See above	See above	See above
Maximum number of awards	184,686	184,686	184,686
Vesting condition based on	Adjusted PBT	Cash generated from operations	Sustainability improvement
Relevant date for determination of vesting conditions	Adjusted PBT for the year ending 31 Jan 2025	Cash generated from operations for the year ending 31 Jan 2025	Sustainability improvement for the year ending 31 Jan 2025

Further details of vesting conditions are set out in the Directors' Remuneration Report on pages 48 to 51.

24. SHARE CAPITAL CONTINUED

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.

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:

	2023 Number	2022 Number
At 1 February	**2,388,944**	2,200,222
Granted	**554,058**	431,175
Exercised	**(484,701)**	–
Shares not Issued in exchange for cash award for payment of personal taxes	**(376,090)**	–
Forfeiture	**(209,179)**	(242,453)
Lapsed	**(180,574)**	–
At 31 January	**1,692,458**	2,388,944

The share-based payment charge in the Income Statement can be analysed as follows:

	2023 £000	2022 £000
Equity charge	**493**	253
Accrual of employer's National Insurance contribution	**15**	153
Share-based payment charge	**508**	406

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 2023 and 2022	**43,457**

26. DIVIDENDS

During the year to 31 January 2023, the Group paid a final dividend of 2.75p (£1,952,000) on 12 August 2022 and an interim dividend of 0.75p (£532,000) on 26 November 2022.

A final dividend of 2.75p is now proposed taking the full year dividend to 3.50p. This payment will be made on 11 August 2023 to the shareholders registered on the Company's register on 14 July 2023 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.

27. ANALYSIS OF NET FUNDS

	1 February 2022 £000	Cash flow £000	Other non-cash changes £000	**31 January 2023 £000**
Cash and cash equivalents	19,050	(4,042)	393	**15,401**
Total funds	19,050	(4,042)	393	**15,401**
Finance lease liabilities	(3,903)	1,984	(3,204)	**(5,123)**
Total debts	(3,903)	1,984	(3,204)	**(5,123)**
Net funds	15,147	(2,058)	(2,811)	**10,278**

28. COMMITMENTS

Capital commitments

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

	2023 £000	2022 £000
Property, plant and equipment	**162**	957

Contractual commitments

The Group has entered into a contract to take on a lease on 1 October 2023. The lease is £654,000 per annum for a minimum of two years and includes a rent-free period of two years and an option to extend. The Group will recognise a right-of-use asset and associated lease liability at the point the lease is signed and the right to use the asset commences.

Contingent liabilities

The Group has a guarantee to a third party in place of £900,000 (FY2022: £900,000) with Barclays Bank PLC.

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 B.V.*	Netherlands	Postbus 372, 1970 AJ IJMUIDEN, Netherlands
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.

For a full list of subsidiary companies refer to note 8 to the financial statements of the Company as an entity (pages 96 and 97).

30. EXPLANATION OF PRIOR YEAR ADJUSTMENT FOR THE YEAR ENDED 31 JANUARY 2022

The Group has separated the provision for other liabilities and charges from accruals in trade and other payables and analysed the provision 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 Directors' best estimate of the timing of the release or utilisation of the provision, taking into consideration the types of the provision which are related to property, employee benefit and other charges. This assessment was not carried out in the previous year and as such all provisions were shown as other payables and accruals in error. A prior period adjustment has been processed to reflect the split in the previous year. This restatement has an impact on the working capital movements on the cash flow statement but no effect on the result, equity or retained earnings brought forward in the prior year. The amounts reclassified as provisions are no longer classified as financial liabilities.

The following table analyses the Group's provision for other liabilities and charges into relevant maturity groupings based on the types of the provision and their estimated release or utilisation dates at the Balance Sheet date. The impact is to increase non-current liabilities and reduce current liabilities by £790,000 as at 31 January 2022 and by £650,000 as at 31 January 2021.

	Current Less than 1 year £000	Non-current Over 1 year £000	Total
31 January 2022	1,043	790	1,833
31 January 2021	559	650	1,209

COMPANY BALANCE SHEET

AS AT 31 JANUARY 2023

	Note	2023 £000	(restated) 2022 £000
Non-current assets			
Tangible assets	6	**–**	2
Right-of-use assets	7	**466**	919
Investments	8	**80,441**	80,441
Deferred income tax asset	11	**756**	689
		81,663	82,051
Current assets			
Other receivables	9	**1,294**	2,894
Cash and cash equivalents	10	**473**	927
		1,767	3,821
Total assets		**83,430**	85,872
Current liabilities			
Creditors: amounts falling due within one year	12	**(17,034)**	(16,587)
Provision for liabilities and charges	13	**–**	(1,043)
		(17,034)	(17,630)
Non-current liabilities			
Lease liabilities		**–**	(349)
Provision for liabilities and charges	13	**(650)**	(650)
		(650)	(999)
Total liabilities		**(17,684)**	(18,629)
Net assets		**65,746**	67,243
Capital reserves			
Called-up share capital	14	**715**	710
Share premium account		**18,682**	18,682
Retained earnings		**4,461**	5,963
Capital redemption reserves	15	**41,888**	41,888
Total shareholders' funds		**65,746**	67,243

The Company made a profit after tax of £1,030,000 (2022: loss of £1,195,000).

Provision for liabilities and charges is analysed into current and non-current assets as detailed in note 13.

The financial statements on pages 90 to 100 were approved by the Board of Directors on 25 April 2023 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 2023

	Called-up share capital (note 14) £000	Share premium account £000	Retained earnings £000	Capital redemption reserve (note 15) £000	Total shareholders' funds £000
Balance at 31 January 2021	710	18,682	7,414	41,888	68,694
Loss for the year	–	–	(1,195)	–	(1,195)
Other comprehensive expense:					
Currency translation differences	–	–	(119)	–	(119)
Total comprehensive expense	–	–	(1,314)	–	(1,314)
Transactions with owners, recognised directly in equity:					
Dividends	–	–	(532)	–	(532)
Share-based payment charge	–	–	253	–	253
Related tax movements on share-based payment charge	–	–	142	–	142
Balance at 31 January 2022	710	18,682	5,963	41,888	67,243
Profit for the year	–	–	1,030	–	1,030
Total comprehensive income	–	–	1,030	–	1,030
Transactions with owners, recognised directly in equity:					
Issuance of share capital for share-based payment vesting	5	–	(5)	–	–
Dividends	–	–	(2,484)	–	(2,484)
Share-based award equity charge	–	–	493	–	493
Related tax movements on share-based award	–	–	(106)	–	(106)
Share-based award payment on vesting	–	–	(430)	–	(430)
Balance at 31 January 2023	**715**	**18,682**	**4,461**	**41,888**	**65,746**

The notes on pages 91 to 100 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 UK adopted International accounting standards.

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'.

1. ACCOUNTING POLICIES AND GENERAL INFORMATION CONTINUED

- 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).
- IFRS 7 financial instrument disclosure.
- 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
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.

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.

1. ACCOUNTING POLICIES AND GENERAL INFORMATION CONTINUED

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') and Restricted Share Plans ('RSPs')*
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.

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.

In the current year, there are no estimates and judgements of the Company that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. AUDITORS' REMUNERATION

	2023 £000	2022 £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	**65**	60

4. EMPLOYEE INFORMATION

	2023 £000	2022 £000
Wages and salaries	**1,969**	2,995
Social security costs	**209**	212
Other pension costs	**108**	95
Share-based payment awards, including NIC thereon	**508**	406
Employee benefit expense	**2,794**	3,708

The average monthly number of employees (including Directors) during the year	2023 £000	2022 £000
Corporate and administration	**22**	26

The Directors' emoluments are disclosed in the Directors' Remuneration Report on pages 48 to 51 of these financial statements.

5. EMOLUMENTS OF DIRECTORS

Information on the remuneration of the Directors, including the highest paid director, is provided In note 8 to the Group's financial statements.

6. TANGIBLE ASSETS

	Plant, equipment and vehicles £000	Computer hardware £000	Total £000
Cost			
31 January 2021 and 31 January 2022	97	34	131
Disposal	–	(34)	(34)
31 January 2023	**97**	**–**	**97**
Accumulated depreciation			
31 January 2021	93	34	127
Charge	2	–	2
Disposal	–	(34)	(34)
31 January 2022	95	–	95
Charge	2	–	2
Disposal	–	(34)	(34)
31 January 2023	**97**	**–**	**97**
Net book amount	–	–	–
31 January 2023	**–**	**–**	**–**
31 January 2022	2	–	2
31 January 2021	4	–	4

The total depreciation expense of £2,000 (2022: £2,000) is included in administration expenses.

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 2023 and 31 January 2022	**2,292**	**18**	**2,310**
Accumulated depreciation and impairment			
31 January 2022	1,382	9	1,391
Charge	445	8	453
31 January 2023	**1,827**	**17**	**1,844**
Net book amount			
31 January 2023	**465**	**1**	**466**
31 January 2022	910	9	919
31 January 2021	1,352	19	1,371

Lease liabilities

	Leasehold properties £000	Vehicles £000	Total £000
Balance			
31 January 2022	828	10	838
Additions	–	–	–
Amounts paid	(500)	(10)	(510)
Effect of discounting	28	–	28
31 January 2023	**356**	**–**	**356**

	2023 £000	2022 £000
Lease liabilities		
Maturity analysis – contractual lease liabilities		
Current (note 12)	**356**	489
Non-current	**–**	349
Total lease liabilities	**356**	838

8. INVESTMENTS

Shares in subsidiary undertakings:	2023 £000	2022 £000
Cost	**80,441**	80,441
Provision for impairment	**–**	–
Net book amount at 31 January	**80,441**	80,441

8. INVESTMENTS CONTINUED

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 2023, all of which are wholly owned, were as follows:

Shares in subsidiary undertakings:	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

* Indicates that the shares are held by a subsidiary company.

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
Sanderson Design Group Brands (Ireland) Limited	12 Merrion Square, Dublin 2, Dublin, DO2 H79, Ireland
All undertakings other than the ones listed above	Chalfont House, Oxford Road, Denham, UB9 4DX, UK

* Indicates that the shares are held by a subsidiary company.

9. OTHER RECEIVABLES

Current	**2023 £000**	2022 £000
Other taxes and social security	**1,274**	843
Prepayments and other receivables	**20**	2,051
	1,294	2,894

10. CASH AND CASH EQUIVALENTS

	2023 £000	2022 £000
Cash at bank and in hand	**473**	927

11. DEFERRED INCOME TAX

A deferred tax asset of £756,000 (2022: £689,000) is recognised in respect of unutilised tax losses, future deductions for share-based payments and other temporary differences.

At 31 January 2023, the Company had gross unused UK tax losses of £2,138,000 (2022: £3,064,000) available for offset against future profits. The change of UK corporation tax rate from 19% to 25%, effective from 1 April 2023.

	2023 £000	2022 £000
Taxable temporary differences on property, plant and equipment	3	4
Taxable temporary differences on deductible tax losses carried forward	535	332
Taxable temporary differences on share-based payments	218	353
	756	689

There are also unutilised capital tax losses at 31 January 2023 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

	2023 £000	(restated) 2022 £000
Trade creditors	14	47
Corporation tax creditor	1	–
Amounts owed to subsidiary undertakings	15,385	14,159
Other creditors	517	187
Leases (note 7)	356	489
Accruals	761	1,705
	17,034	16,587

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. PROVISION FOR OTHER LIABILITIES AND CHARGES

	Property £000	Other £000	Total £000
1 February 2021 (as restated)	650	559	1,209
Charged	–	1,043	1,043
Released	–	(559)	(559)
31 January 2022	650	1,043	1,693
Utilised	–	(1,043)	(1,043)
31 January 2023	650	–	650

	2023 £000	2022 £000
Current	–	1,043
Non-current	650	650
Total	650	1,693

Property

Property-related provisions consist of estimated rectification costs arising from wear and tear that will fall due on exiting property leases.

Other provisions

Other provisions include provisions for certain legal claims brought against the Group during the ordinary course of business and provisions for the Group's obligations arising from committed restructuring activities. Restructuring provisions and employee termination payments are recognised when a detailed, formal plan has been established and communicated to those parties directly affected by the plan. Provisions for legal claims represent management's best estimate of the likely outcome of the claim at the Balance Sheet date. During the year, the France restructuring costs of £1,043,000 provided in the previous year were fully utilised. In the current year, provision for other liabilities and charges is analysed into its own category and has been reclassified from other payables and accruals. The maturity of the expected liabilities has also been restated into less than or more than one year. Note 18 explains the effect of this prior year restatement for the year ended 31 January 2022 and 1 February 2021.

14. CALLED UP SHARE CAPITAL

Ordinary shares of 1p each:	Number of shares	£
Called up and fully paid:		
31 January 2023	**71,468,206**	**714,682**
31 January 2022	70,983,505	709,835
31 January 2021	70,983,505	709,835

Sanderson Design Group PLC's issued ordinary share capital with voting rights consists of 71,468,206 (2022: 70,983,505) ordinary shares of which nil (2021: nil) ordinary shares are held in treasury and 1* (2022: 220) 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.

* Round up.

The market value of shares held by the EBT at 31 January 2023 was £1 (2022: £370). The total number of shares held in the EBT at the year end represented less than 0.1% (2022: 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') and Restricted Share Plans ('RSPs')
The Group operates LTIPs and RSPs share-based award schemes. There have been fifteen 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.

15. CAPITAL REDEMPTION RESERVE

The capital redemption reserve represents:	£
Capital redemption reserve on capital restructurings	41,888
At 31 January 2023 and 2022	**41,888**

16. DIVIDENDS

During the year to 31 January 2023, the Group paid a final dividend of 2.75p (£1,952,000) on 12 August 2022 and an interim dividend of 0.75p (£532,000) on 26 November 2022.

A final dividend of 2.75p is now proposed taking the full year dividend to 3.50p. This payment will be made on 11 August 2023 to the shareholders registered on the Company's register on 14 July 2023 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.

17. CONTINGENT LIABILITY

The Company is party to a cross-guarantee relating to the borrowings of its subsidiary undertakings in the UK under funding arrangements and a guarantee to a third party in place of £900,000 (FY2022: £900,000) with Barclays Bank plc.

18. EXPLANATION OF PRIOR YEAR ADJUSTMENT FOR THE YEAR ENDED 31 JANUARY 2022

The Company has separated the provision for other liabilities and charges from accruals in trade and other payables and analysed the provision 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 Directors' best estimate of the timing of the release or utilisation of the provision, taking into consideration the types of the provision which are related to property, employee benefit and other charges. This assessment was not carried out in the previous year and as such all provisions were shown as other payables and accruals in error. A prior period adjustment has been processed to reflect the split in the previous year. This restatement has an impact on the working capital movements on the cash flow statement but no effect on the result, equity or retained earnings brought forward in the prior year. The amounts reclassified as provisions are no longer classified as financial liabilities.

The following table analyses the Group's provision for other liabilities and charges into relevant maturity groupings based on the types of the provision and their estimated release or utilisation dates at the Balance Sheet date. The impact is to increase non-current liabilities and reduce current liabilities by £650,000 as at 31 January 2022 and by £650,000 as at 31 January 2021.

	Current Less than 1 year £000	Non-current Over 1 year £000	Total £000
31 January 2022	1,043	650	1,693
31 January 2021	559	650	1,209

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 12)	Profit from operations before the impact of non-underlying adjusting items.
Adjusted underlying profit before tax	Profit before tax	Adjusting items (see note 12)	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.

GLOSSARY CONTINUED

APM	CLOSEST EQUIVALENT STATUTORY MEASURE	RECONCILING ITEMS TO STATUTORY MEASURE	DEFINITION AND PURPOSE
Adjusted underlying basic earnings per share	Earnings per share	Adjusting items (see note 12)	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 12)	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.
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.

1 EBITDA is not defined within IFRS but is a widely accepted profit measure being earnings before interest, tax, depreciation and amortisation.

FIVE-YEAR RECORD

	2019	2020	2021	2022	**2023**
Revenue (£m)	113.3	111.5	93.8	112.2	**112.0**
Adjusted underlying profit before tax (£m)	9.5	7.5	7.0	12.5	**12.6**
Adjusted underlying profit before tax (%)	8.4%	6.7%	7.5%	11.1%	**11.3%**
Adjusted EPS (p)	10.80	9.35	7.89	13.75	**14.18**
Profit before tax (£m)	5.6	4.5	4.9	10.4	**10.9**
Profit before tax (%)	4.9%	4.0%	5.2%	9.2%	**9.7%**
Profit after tax (£m)	4.4	3.8	3.8	7.8	**8.8**
Basic EPS (p)	6.15	5.41	5.39	10.93	**12.42**
EBITDA (£m)	10.4	12.2	12.6	16.8	**17.0**
Free cash flow (£m)	8.6	3.1	14.0	4.5	**(1.1)**
Net cash (£m)	0.4	1.3	15.1	19.1	**15.4**
Inventory (£m)	28.0	27.8	19.6	22.7	**27.8**
Capital expenditure (£m)	3.0	2.4	1.0	2.1	**4.8**
Average number of employees	684	660	619	613	**635**
Dividends paid in year (£m)	3.1	2.2	–	0.5	**2.5**
Shareholders' funds (£m)	60.9	64.2	66.8	79.7	**81.3**
Dividend per share					
– Final (prior year end) – paid	3.68p	2.55p	–	–	**–**
– Interim (current year end) – paid	0.69p	0.52p	–	0.75p	**0.75p**
– Final (current year end) – proposed	2.55p	–	–	2.75p	**2.75p**

SHAREHOLDER INFORMATION

Financial calendar	
Annual General Meeting	22 June 2023
Announcement of half-year results	October 2023

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NOTES

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