SANDERSON
DESIGN GROUP

Sanderson Design Group

(formerly Walker Greenbank PLC)

Annual Report and Accounts 2021

live
beautiful

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OPERATIONAL HIGHLIGHTS

- Board and leadership team completed in February 2020. The new team successfully took the business through the pandemic and continues to execute the strategy.
- Efficiency and cost-saving initiatives, including restructuring in August 2020 with the reduction of 68 positions, delivered £3m of annualised cost savings.
- Investment to elevate the brands and increase online presence through new brand websites and collaborations.
- Change of name to Sanderson Design Group PLC* in December 2020, and simplification of the corporate and business structures.
- Launch of Scion online shop expected in early June 2021 following agreement with leading internet retailer Jane Clayton and Company in November 2020.
- Clarke & Clarke's partnership with Kravet in North America performing ahead of expectations.
- Launch of Live Beautiful sustainability strategy in April 2021 with ESG targets and the second annual Planet Mark certification.

* formerly Walker Greenbank PLC

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 2021.

£93.8m
Group revenue
2020: £111.5m (-15.9%)

£7.1m
Group adjusted underlying PBT**
2020: £7.4m (-3.7%)

7.5%
Group adjusted underlying operating margin (%)
2020: 6.6% (+0.9 bps)

£14.4m
Net cash flow
2020: £0.9m (+1,430%)

£15.1m
Net cash excluding leases
2020: £1.3m (+1,033%)

8.00p
Adjusted underlying EPS
2020: 9.26p (-13.6%)

FINANCIAL HIGHLIGHTS

- Revenue of £93.8m (2020: £111.5m), reflecting the difficult global marketplace in the first half year caused by the effects of lockdowns worldwide. Trading in the second half recovered to pre-pandemic levels resulting in the previously announced upwards revision to Board expectations for the financial year.
- Brand sales down 15.4% during the year but just 1.1% down in the second half compared with H2 2020:
  - Morris & Co. sales continue to exceed expectations, particularly in Northern Europe.
  - Brand product sales in Northern Europe were down just 5.0% in constant currency, 4.3% in reportable currency, with Scandinavia's performance proving resilient.
  - Core licensing income*** was up 3.3% despite the pandemic.
- Manufacturing sales down 20.2% reflecting first half-year factory closures, partly offset by strong demand from UK and export markets with third party sales of £11.0m in the second half (H2 2020: £11.7m).
- Adjusted underlying profit before tax £7.1m (2020: £7.4m), including net £2.7m Coronavirus Job Retention Scheme ('CJRS'), with stronger sales in the second half-year, coupled with the effect of the measures to reduce discretionary and fixed costs.
- Strong cash inflow from operating activities of £18.2m (2020: £9.6m) leading to increased liquidity and headroom of £30.5m at 31 January 2021 (2020: £13.8m) with net cash position of £15.1m (2020: £1.3m).

** Adjusted underlying profit before tax excludes accounting charges relating to share-based incentives, defined benefit pension charge and non-underlying items.
*** Core licensing income excludes the recognition of fixed minimum guaranteed licensing income under IFRS 15.

CHAIRMAN'S STATEMENT

A COMPANY WITH EXCELLENT CORE STRENGTHS.

Introduction
The financial year ended 31 January 2021 was a challenging year during which Covid-19 was the dominant theme for individuals, businesses and society.

First, I would like to put on record my gratitude to all the Group's employees for their commitment and adaptability throughout the pandemic. It has been a difficult time for everyone but colleagues' support for each other, for customers and suppliers has been exemplary, for which I thank them deeply. The over-riding priority for the Company throughout the pandemic has been the health, safety and wellbeing of all at the Company, and it will continue to be so.

Whilst Covid-19 affected our operational activity during the year, it accelerated the strategic development of the Group. It concentrated our focus on improving the underlying efficiency, agility and productivity of the business. It also sharpened our focus on digital strategy and sustainability.

To prepare the business for the future, we changed the Company's name in December 2020 from Walker Greenbank PLC to Sanderson Design Group PLC. The name change, which has been well received, is part of the simplification of the corporate structure of the Group and gives us a much better online presence. The new name, which leverages the international recognition of the Sanderson brand, better represents our brand and manufacturing assets and highlights design as being at the centre of what we do.

Whilst the name has changed, our heritage continues, and we remain a business that was first incorporated on 3 May 1899; the custodian of brands dating back to 1860. We have a responsibility to protect and preserve the past, in terms of the heritage of our business, brands and manufacturing, and, as importantly, to ensure the longevity of this heritage for future generations.

Sustainability is, therefore, imperative for our business and will underpin our growth. During the year we developed our sustainability strategy, Live Beautiful, which was launched on 16 April 2021 this year with the ambitious but achievable objective of becoming net carbon zero by 2030. Sustainability is high on the Board's agenda and I am passionate about Sanderson Design Group leading the industry on this important issue.

Our strategy for the Group's growth remains unchanged and is focused on five key areas:
- Driving the individual brands
- Focusing on core products of wallpaper, fabric and paint
- Partnering with core customers
- Investing in people
- Growing key geographies – UK, Northern Europe and US

Whilst inevitably Covid-19 has had an impact on the delivery of this strategy, considerable progress was made during the year. Further details are provided in the Chief Executive Officer's Strategy and Operational Review.

Financial results
Our results for the year ended 31 January 2021 reflect the impact of Covid-19 on the business. This impact was mitigated by careful cost control, the UK Government's Coronavirus Job Retention Scheme ("CJRS") and other measures. The first half of the year saw the greatest impact from lockdown measures, including temporary factory closures, whereas trading in the key autumn selling period in the second half was better than anticipated. Our balance sheet strengthened considerably throughout the year, protecting the business against uncertainties and reflecting the money saved through delaying product launches and capital expenditure and through a restructuring programme which is expected to deliver annualised cost savings of £3 million.

Dividend
The Board recognises the importance of dividend income to shareholders and is committed to recommencing dividend payments as soon as conditions allow. Whilst our financial position improved during the financial year, there remains significant uncertainty in the external trading environment as the result of the ongoing pandemic globally. We do not, therefore, believe it would be prudent to declare a final dividend for the financial year 2021. The Board will continue to review the dividend policy during the coming months and an update will be provided at the time of the announcement of the Company's interim results later in 2021 with the objective of the Company returning to dividend payments at the earliest opportunity.

People
The success of any business is built on its people. On behalf of the Board, I would like to thank all of our colleagues for their continued hard work and dedication during the year, particularly in light of the exceptionally challenging circumstances that have characterised the pandemic.

I. D. Thompson

Dianne Thompson
Non-executive Chairman
17 May 2021

CHIEF EXECUTIVE'S STRATEGIC AND OPERATING REVIEW

A SUSTAINABLE GROWTH STRATEGY.

Covid-19
Our 2021 financial year started well. The new leadership team was in place and we were focused on delivering the growth strategy for the business that we had formulated and announced during the previous year. Almost immediately we were affected by Covid-19, which brought the temporary closure of our factories in March 2020 along with lockdowns and severe disruption across our target markets. Against this challenging backdrop, I am pleased to report that we made significant progress across the business during the year.

Most importantly, we acted quickly to protect the health and safety of our employees. We also took significant operational and financial measures to protect the liquidity of the Group.

Trading was impacted by the three national lockdowns in the UK, starting on 23 March, 4 November and 28 December 2020, and by lockdowns in our export markets. During the first UK lockdown our manufacturing facilities were closed. With the phased reopening of our factories and the relaxation of lockdown measures worldwide, trading improved from a low in April 2020 and gained momentum towards the half year end and continued strongly in the key autumn selling period.

Our manufacturing facilities operated at full capacity in the second half of the financial year, during which trading overall was more in line with prior years.

We are grateful for the support we received from the UK Government's CJRS, particularly during the critical weeks of the first lockdown. In April 2020, a total of 510 employees in the UK were furloughed, which reduced to just 133 at the half-year end and reduced further to 15 by 31st January 2021. During the financial year, we received a total of £3.1 million from the CJRS. From 1 April 2021, we have no staff furloughed. We returned £0.4 million to the UK Government in February 2021 relating to 68 employees made redundant in a restructuring exercise completed in August last year. We have also returned all CJRS monies (totalling £0.1 million) received in the current financial year in April 2021.

On 7 May 2020, the Group entered a loan contract with Wells Fargo for US$565,818 under the US Paycheck Protection Payment scheme. No repayments have been made in relation to this loan. On 20 April 2021, the Group applied for forgiveness of the loan in accordance with the US Government Small Business Administration guidance. Whilst we expect the loan to be forgiven, in the event that forgiveness is not granted it is the Group's intention to repay the loan before 31 January 2022.

Internal communications have been very important throughout Covid-19. I have communicated regularly with all colleagues, which has made us more cohesive as a business, and used video conferencing to create a forum for discussion. This enhanced internal communication will continue going forwards.

Strategy and progress
It is a credit to everyone at the Company that we have been able to deliver underlying pre-tax profits of £7.1 million (2020: £7.4 million) on sales of £93.8 million (2020: £111.5 million). I would like to send my thanks to all colleagues for this achievement, which reflects everyone's hard work and persistence.

We set out our growth strategy for the Group in October 2019 and it 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 short- and medium-term strategy is to focus on our core products of wallpaper, fabric and paint and to build our finished-goods offer with our licensing partners.

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

Investing in people: People, and creativity, are at the heart of our business. In our industry, Sanderson Design Group is a favoured destination for emerging new designers, and we will benefit from doing even more to bring in new creative and other talent, nurture it and create a high-performance culture. The commitment, flexibility and agility demonstrated during the pandemic has already achieved a step change towards a more responsive organisation with a strong, aligned team.

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

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

CHIEF EXECUTIVE'S STRATEGIC AND OPERATING REVIEW CONTINUED

Efficiency
Historically, the Company has launched around 55 new collections each year. We planned to reduce this to 37 collections in the 2021 financial year but, owing to Covid-19, we launched just 33 collections.

An important strategic objective to improve the efficiency of the business is to significantly reduce the number of colourways and other options within the collections so there are fewer, stronger launches. This will give a corresponding reduction in the number of new stocked options (SKUs) of fabric and wallcoverings.

New SKUs launched in financial year 2021 reduced from 2,311 in financial year 2020 to 1,293. It is expected that the number of SKUs launched will reduce further in the current financial year to about 1,000 and to remain around this level each year going forward.

One of our first responses to the pandemic was to suspend the launch of new collections as our factories were closed and our markets severely disrupted. This had the effect of avoiding a very significant amount of spend on pattern books, launches and inventory, therefore strengthening our cash position.

In December 2020, we renamed the Company from Walker Greenbank PLC to Sanderson Design Group PLC, to create a better platform from which to elevate the Company's brands and other assets. Walker Greenbank's corporate structure had become over-complicated, with multiple holding companies and sub-brands. Walker Greenbank itself was a holding company with little resonance in the industry.

The Group undertook a restructuring exercise in August 2020 resulting in a cost saving of £1.2 million in the year ended 31 January 2021, and is expected to deliver total annualised savings of £3.0 million going forwards. The Group is now leaner, more agile and better prepared for the future.

Whilst Covid-19 impacted our planned launches, it propelled innovation in the niche launches that we did proceed with. It enabled us to accelerate some of our ideas to improve efficiency in the launch process, particularly around the use of digital communications to mitigate the cost of traditional printed pattern books.

In future, all product pre-launches will be digital. This is because the customer feedback from the initial sampling can be used to inform the launch marketing, pattern book content and inventory.

The launch of Scion's online shop, initially announced in November 2020, is now planned for early June 2021. The shop, dedicated solely to Scion, will sell the brand's products direct to consumers under a franchise agreement with Design Online Limited ("Design Online"), a company formed by the leading internet retailer Jane Clayton and Company. The online shop, to be called Scion Living, will serve customers in the UK and Europe before potentially expanding internationally. The shop's product range is expected to include all Scion fabrics and wallcoverings along with bespoke furnishings and an extensive range of licensed products.

The communication of the Company and its brand assets has been simplified with the name change to Sanderson Design Group, which was implemented ahead of the relaunch of our brand, trade and corporate websites. The new websites represent a major improvement to the online presence of our brands. They are more engaging for consumers, which in turn will help drive sales for our trade customers. The trade site itself has better functionality to accommodate the increase in online transactions by trade customers.

Sustainability
We also unveiled our Company's purpose statement during the year: "To Bring the Beautiful into People's Homes and Lives." This purpose statement has been developed alongside our Live Beautiful sustainability strategy and other ESG initiatives, which have progressed significantly during the year.

During the year, we received Planet Mark sustainability certification for measuring and reporting our carbon footprint. In the year to 31 January 2020, our total carbon footprint was 7,977.8 tonnes (2019: 9,246.9 tonnes) of carbon dioxide equivalent.

On 16 April 2021, we announced ambitious plans to become net carbon zero by 2030, which we believe is achievable through our Live Beautiful strategy of transforming the way we design, manufacture and distribute our products. Further details are available at this link: https://www.sandersondesign.group/media/1477/live_beautiful_sustainability_strategy.pdf. In addition to the net carbon zero target, we have another major sustainability pledge focused on ensuring the job satisfaction and fulfilment of our people, with our ultimate aim to be the employer of choice in our industry. We have developed a roadmap for continuous improvement towards our sustainability goals and I am excited by the level of interest from everyone at the Company that this initiative has prompted.

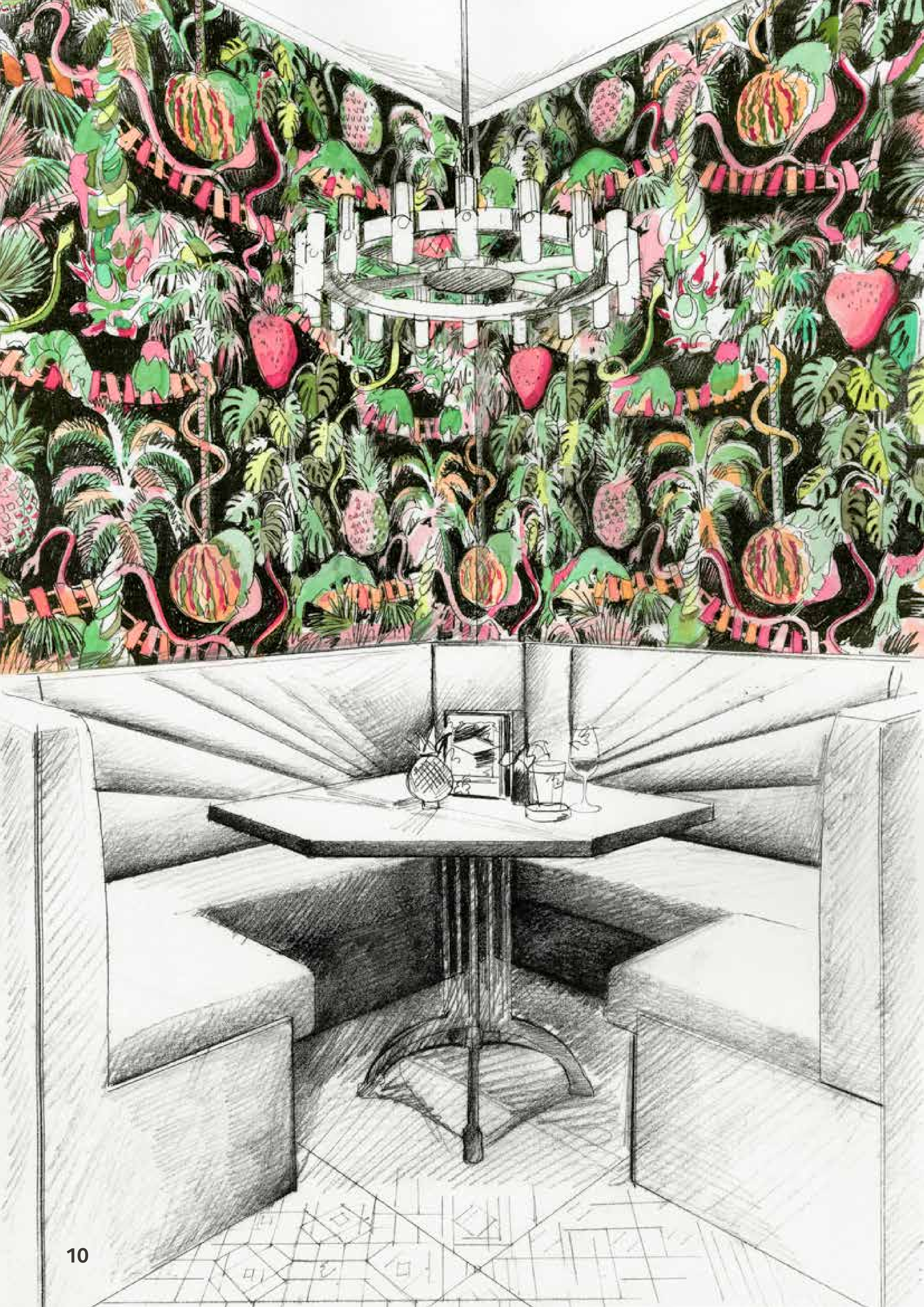
Operational review
Trading during the year reflected the effects of the pandemic with the first half being particularly affected followed by a strong recovery in the second half.

The Brands
Total Brands comprise Sanderson, Morris & Co., Harlequin, Zoffany, Scion, Anthology and Clarke & Clarke. The Brands segment includes the licensing income derived from the brands as well as global trading from our brands, including our overseas subsidiaries in the US, France, Russia and Germany.

The table above shows the impact of the pandemic on brand sales, which primarily affected the first half of the financial year. Total Brand sales were down 15.4% in reportable currency at £76.3 million.

Brand product sales in Northern Europe were down just 4.3% in reportable currency, reflecting the continued strength of the Morris & Co. brand in Scandinavia.

WE HAVE A STRONG PORTFOLIO OF POWERFUL BRANDS, EACH WITH CLEAR MARKET POSITIONING.



CHIEF EXECUTIVE'S STRATEGIC AND OPERATING REVIEW CONTINUED

	Year ended 31 January (£m)		Change (%)	
	2021	2020	Reported	Constant currency
Total Brand sales	**76.3**	90.2	(15.4)	(15.6)
Comprising:				
Licensing	**3.7**	5.5	(33.0)	(33.2)
UK Brand product sales	**38.1**	44.9	(15.3)	(15.3)
International Brand product sales	**34.5**	39.8	(13.1)	(13.5)
– North America	**12.5**	14.4	(13.0)	(13.3)
– Northern Europe	**12.5**	13.0	(4.3)	(5.0)
– Rest of the World	**9.5**	12.4	(22.5)	(22.8)

The performance of the individual brands is discussed below. To improve transparency, this report marks the last time that the Harlequin, Scion and Anthology brands and the Sanderson and Morris & Co brands will be grouped together. In future, the trading performance of each brand will be set out separately to enable investors to gain a better insight into the performance of each brand.

Harlequin incorporating Scion and Anthology
Worldwide sales of Harlequin, Scion and Anthology were £18.4 million in reportable currency, a decrease of 27.3% on the previous year (2020: £25.3 million).

Sales in the UK were down 24.2%, sales in North America were down 14.0% in constant currency and sales in Northern Europe were down 18.7% in constant currency.

Harlequin's children's collection, the Book of Little Treasures, was launched in July 2020 and was our first digital launch. We collaborated with Mumsnet, the internet forum for parents, on the launch, which was well received. This launch highlighted the benefits of a digital launch, particularly in terms of the feedback from the sampling process in which we can see which of the designs and colourways are the most popular and therefore the ones we should focus on. The collection was reduced from 76 SKUs to just 40 and sales are performing as forecast with strong uptake from John Lewis in particular for the Little Home offer.

Scion is an upbeat brand conveying fresh ideas for modern living. In addition to wallpaper and fabric, Scion is a valuable brand for licensing, where the contemporary and graphic nature of the designs have stretched very successfully to a wide range of products, ranging from bedding and bathroom products to window furnishings, gifting, tableware and stationery. In March 2020, Scion announced a homewares collection with the major retailer NEXT plc, underscoring the strength of the brand's licensing potential. This collection launched in the summer of 2020 and has performed well.

Anthology, aimed at the Contract market with its creative finishes, subtle textures and sophisticated complexity remained popular with interior designers and hotel groups worldwide.

Arthur Sanderson & Sons incorporating the Morris & Co. brand
Worldwide sales of these two brands were £24.2 million (2020: £24.1 million) in reportable currency, almost unchanged compared with the same period last year, despite the pandemic, reflecting the trend for more decorative finishes and the renewed appeal of Arts & Crafts design.

Sales in the UK were down 9.5%, sales in North America were up 13.4% in constant currency and sales in Northern Europe increased by 11.1% in constant currency.

As one of the oldest surviving English soft furnishing brands, Sanderson, a Royal Warrant holder, is famous today for a signature style that is informed by heritage and designed for modern living.

In January 2020, we announced Sanderson's collaboration with the National Trust to create a unique collection of fabrics to celebrate the Trust's 125th anniversary. The collaboration was announced prior to Covid-19 and was well received when previewed at Chelsea Harbour in March 2020. We were unable to print the pattern books, which were due to be printed in April 2020, owing to the temporary closure of the printer during the first UK lockdown. We already had inventory and launch photography, and there was demand in the market, so we gained our first experience of using digital communication to replace a traditional launch. This led also to our first webinars, which were hosted by designers and brand managers and were greatly appreciated by our distributors, particularly in export markets, who were struggling to access new collections.

Sanderson's 160th anniversary was officially last year but we delayed the launch of an anniversary collection until April 2021. A limited preview of 12 styles was launched exclusively with John Lewis in December 2020 with strong results. Wallpaper Direct, the online wallpaper business, launched an exclusive collection of 50 SKUs in honour of the anniversary and reported strong demand from its March 2021 launch. The wider collection launch during London Design Week in May 2021 will be supported by the first significant media campaign for many years, featuring England rugby star Maro Itoje as the new face of the Sanderson brand. The media campaign will look back to the Very Sanderson campaigns of the 1970s, which featured British celebrities of the day such as Petula Clark, Diana Rigg and Robert Carrier.

The Morris & Co. brand enjoyed a very strong sales performance, up 9.0% during the year, reflecting sustained consumer interest in the Arts & Crafts movement, particularly in Scandinavia and the United States.

An exciting collaboration with the highly regarded designer Ben Pentreath, who created the Queen Square edit from our archive using a new and vibrant colour palette, was our next experience of a digital launch. The sampling from the pre-launch showed that 25% of sampling was on one wallpaper, a green and turquoise colourway. We focused attention on the colourway for our inventory and marketing material, receiving a huge amount of positive media coverage on launch. Sales of the collection have exceeded expectations and a follow up is planned.

Digital communication has been an important part of marketing all the brands with the number of Instagram followers being a key metric. Morris & Co. achieved the milestone of 100,000 Instagram followers in December 2020 and that has since increased to 121,000 Instagram followers in May 2021. Morris & Co. had 65,000 Instagram followers at 31 January 2020.

This year marks the 160th anniversary of the Morris & Co print works. We intend to mark the anniversary by launching a compilation collection of his most signature designs this year. We have several other exciting launches planned in a calendar of anniversary events throughout the year.

CHIEF EXECUTIVE'S STRATEGIC AND OPERATING REVIEW CONTINUED

Zoffany
Zoffany, positioned at the upper end of the premium market, is a fusion of luxury and art and is the lead brand for the Group in North America. Total worldwide sales fell 18.0% to £7.8 million in reportable currency (2020: £9.5 million). Sales in the UK decreased by 22.8%, sales in North America were down 7.5% in constant currency and sales in Northern Europe were down 9.7% in constant currency.

Zoffany's Palladio collection, an exciting, screen-printed wallpaper collection that draws on the original Palladio wallpapers launched in the 1950s, was launched in September 2020. The collection includes Precarious Pangolins by the influential designer and conservationist Sam Wilde. The design adds a contemporary dimension to the collection and continues the tradition established in the 1950s of talented new designers creating Palladio wallpapers.

We ran the Zoffany Visual Arts Award championing new design talents. The winner was announced in April 2021 and will receive funds towards the second-year studies.

Clarke & Clarke
Clarke & Clarke is positioned at the more affordable end of our premium target markets. Total sales were down 14.2% at £21.7 million compared with the same period last year (2020: £25.3 million). Sales in the UK decreased by 4.5%, sales in North America were down 33.0% in constant currency and sales in Northern Europe were down 13.3% in constant currency. The reported sales decline in North America was due to the changing contract and operating in financial year 2020 from a commission agency to a new distributor.

Clarke & Clarke is distributed in North America by Kravet Inc, whose sales have been ahead of expectations. Kravet is pleased with the first full year's performance, which has exceeded all other third- party brands they distribute, and further growth is anticipated.

Clarke & Clarke's Wilderie and Animalia collections by designer Emma J Shipley continued their strong growth during the year across fabric, wallpaper and homewares. The Emma J Shipley momentum was reinforced by a new launch into US retailer Anthropologie and an exclusive bedding launch in John Lewis. Tess Daly homewares was launched at the beginning of March 2020, shortly before the first UK lockdown. Sales were impacted but bounced back in the second half of the financial year. NEXT is the main partner for the collection and new bedding design launches are planned this financial year and next year.

Clarke & Clarke secured an exciting, exclusive licence agreement with the heritage brand Wedgwood with the product launching in spring 2022. Under the agreement, Clarke & Clarke will launch up to five bedding designs with coordinated accessories alongside a stunning collection of fabrics and wallpapers.

Licensing
Licensing income is a dynamic and high margin revenue stream for the Company with further potential for growth.

Core licensing income, excluding the recognition of fixed minimum guaranteed licensing income under IFRS 15 and income from apparel contracts, was up 3.3% in reportable currency and in constant currency, by £0.1 million, reflecting a strong performance from our core bedding, blinds and Japanese licensees.

As a result of the impact of the pandemic on our licensees during the financial year, reported licensing income was down 33.0% in reportable currency, down 33.2% in constant currency, to £3.7million (2020: £5.5 million), including a £400,000 recognition of a minimum guarantee under IFRS 15 from NEXT plc in connection with a licensing agreement signed in November 2020 with the Sanderson and Morris & Co brands. This exciting agreement is for an extensive range of clothing, homeware and accessories.

With the Morris & Co brand, NEXT is producing apparel, including womenswear, men's shirts and childrenswear for summer 2021, some of which are already available instore. With the Sanderson and Sanderson Home brands, NEXT is producing a range of homeware, which is expected to be launched later this year.

Core licensing income includes bedding with Bedeck, window-coverings with Blinds2Go and a number of important strategic partners across the homewares sector in Japan, including bedding with Nishikawa, textiles with Kawashima and wallcoverings with Sangetsu.

Manufacturing
Covid-19 had a major impact on our manufacturing operations, Standfast & Barracks and Anstey, which were both closed at the start of the first UK lockdown before being progressively reopened in May 2020. The factories performed strongly during the second half of the year.

Our unique integrated vertical supply chain is an important pillar in our strategy. The benefits of owning our production capabilities have been underlined by the pandemic in that it enabled the Group's brands to secure supply. Our manufacturing has also proven to be an important strategic and competitive asset under current Brexit arrangements as supply from Europe and elsewhere is subject to duties and tariffs.

Total manufacturing sales in the first half decreased 38.5% to £10.5 million compared with the corresponding period, with total third-party sales down 32.5%. In the full year, total manufacturing sales decreased by just 20.2% to £28.4 million (2020: £35.5 million) and total third-party sales were down just 17.9%.

Both factories have continued to attract export orders as a result of their range of digital and conventional printing capabilities.

Standfast & Barracks ('Standfast')
Standfast, our fabric printing factory, is widely regarded, internationally, as the destination for creative, innovative and high-quality fabric printing. Standfast, in common with Anstey, attracts international orders from countries including the USA. 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.

Standfast saw a decrease in sales during the year of 15.5% to £14.4 million (2020: £17.1 million). Third-party sales in the UK decreased by 15.2%; third-party export sales declined by 2.8%; whilst sales to our own Group brands decreased by 24.2%. Digital printing at Standfast increased to £8.8 million accounting for 62% of factory output during the year (2020: 49%).

In April 2020, Standfast was awarded the prestigious Queen's Award for Enterprise 2020 in the International Trade category, recognising the factory's impressive overseas sales growth in the preceding three years.

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 blend them.

Sales at Anstey decreased 24.5% to £14.0 million (2020: £18.5 million). Third-party sales in the UK were down 27.5%; third-party export sales were down 20.4%; and internal wallcovering sales to our own Group brands decreased by 22.7%. Digital printing at Anstey as a proportion of factory output was 15% (2020: 12%).

Export sales to the USA and Europe reflect Anstey's premium print technologies, world-class excellence in manufacturing, customer service, quality and innovation.

Current trading and outlook
The most significant impact of the Covid-19 pandemic on performance was during the total initial lockdown and over the first six months of financial year 2021. Over the second six months, despite further lockdowns, our sales recovered to levels in line with prior periods and enabled us to previously announce the upwards revision to our expectations for the financial year.

Current sales trends in February, March and April 2021 are slightly ahead of our expectations reflecting increased demand for home interiors. The Group has a strong balance sheet with net cash at 31 January 2021 of £15.1 million, which positions the business strongly in the event of further disruption. Overall, we remain cautiously optimistic in our outlook for the year ahead.

Lisa Montague
Chief Executive Officer
17 May 2021

LIVE BEAUTIFUL

STARTING THE JOURNEY OF SUSTAINABILITY.

Sustainability is about protecting the future for people, the planet and business. At Sanderson Design Group, we have an additional responsibility to protect the heritage of our brands and manufacturing so they can be enjoyed by future generations.

We first looked at the sustainability of our business in 2019 by appointing consultants to assist us with Planet Mark certification, a process for measuring and benchmarking carbon footprint and social value. At the same time, owing to the close relationship between purpose and sustainability, we also began to develop our purpose statement: To bring the beautiful into people's homes and lives.

We have named our sustainability strategy Live Beautiful, to echo our purpose and to convey our commitment to people and the planet. This strategy was launched on 16 April 2021, marking the start of an ambitious journey of continuous improvement in which we wish to lead the interiors industry in transforming the way we design, manufacture and distribute.

To Live Beautiful means preserving 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.

We have started our Live Beautiful journey with two highly ambitious goals: to be net carbon zero by 2030 and to be the employer of choice in our industry.

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

0/30

Zero by thirty

We are committed to being net carbon zero by 2030.

#1

The employer of choice

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

LIVE BEAUTIFUL

A SUSTAINABLE GROWTH STRATEGY.

OUR **LIVE BEAUTIFUL** FRAMEWORK

BRANDS	PRODUCTS	CUSTOMERS	GEOGRAPHIES
ELEVATE OUR BRANDS AND CREATE CONSUMER DEMAND	REIMAGINE OUR PRODUCTS: FABRIC, WALLPAPER, PAINT AND HOMEWARES	EXCEED OUR CUSTOMERS' NEEDS IN A DIGITAL WORLD	GROW OUR UK, USA AND NORTHERN EUROPE BUSINESSES

PEOPLE – EMPOWER OUR PEOPLE

FINANCIAL HEALTH – TIGHTLY MANAGE OUR INVENTORY, CASH, OVERHEADS AND COLLECTION MANAGEMENT (SKU EFFICIENCY)

PLANET– INSPIRE OUR WORLD

PlanetMark | SANDERSON DESIGN GROUP

ANTHOLOGY | CLARKE & CLARKE | HARLEQUIN | MORRIS & CO | SANDERSON | SCION | ZOFFANY | ANSTEY WALLPAPER COMPANY | STANDFAST & BARRACKS

Our Live Beautiful sustainability strategy and our corporate growth strategy are inextricably linked. The graphic above shows our corporate growth strategy and, highlighted in peach, are the three Ps of our Live Beautiful framework: Products, People and Planet.

Reimagining our products

Sanderson Design Group is taking steps towards more sustainable ways of making luxury interior furnishings. From stretching product lifecycles to investigating new ways of sourcing energy and raw materials, we commit our processes to positive change.

Being vertically integrated with a UK manufacturing base, and having very strong relationships across our supply chain, Sanderson Design Group is perfectly positioned for addressing key sustainability issues. Making products with an enduring appeal requires a corresponding versatility to inform the entire design-manufacture process. Leveraging product lifecycles is enhanced by finding sustainable sources of raw materials, as well as the distribution of end products. Mobilising entire production lines, from design to installation, embodies the holistic approach behind the Live Beautiful strategy. We intend to embrace the circular economy to minimise the environmental impact of our products.

Empowering our people

Creating a culture of empowerment enables us to embrace the full diversity and potential of our community. Encouraging diversity, inclusivity and wellbeing throughout Sanderson Design Group brings the best of new ideas to the forefront of decision-making.

We will be focusing on health, safety and wellbeing; on diversity and access to our profession; on culture and inclusivity; and on learning and development. This approach will foster a sustainable workplace and engender a working culture that empowers all.

Our goal is to be the employer of choice in our industry. Our target is for at least 70% engagement of our colleagues based on workplace culture, diversity and inclusivity. We intend to continue to develop this engagement alongside motivating our teams and reinforcing our values and behaviours to build a sustainable future.

Inspiring our world

With a global outreach, Sanderson Design Group can set the standard for international trade across the interiors market.

As an international luxury furnishings group, we have obligations which are correspondingly global, whilst also operating at local levels with the communities we directly interact with. These obligations range from reducing our carbon footprint and the maximisation of a positive outreach. From supporting our local communities to finding ways of sourcing sustainable resources for manufacturing, Sanderson Design Group recognises that this responsibility must be upheld in all areas we may impact.

With a portfolio of historic brands, we also have a historic duty to protect our heritage and preserve it for posterity, upholding a legacy of craftsmanship embedded within our design-manufacture process.

LIVE BEAUTIFUL

PLANET MARK CERTIFICATION

COMBATTING CLIMATE CHANGE.

During 2019, when we first looked at sustainability, Planet Mark measured our carbon footprint in the year from 1 February 2018 to 31 January 2019 to act as a reference point for future years. This is what Planet Mark calls Year 1.

We recently received our Planet Mark certification for Year 2, the year running from 1 February 2019 to 31 January 2020. We are very pleased to have significantly reduced our carbon footprint during the year but recognise there is much more to do.


PlanetMark

We are Planet Mark Certified

Year 2.

SANDERSON DESIGN GROUP

This is to certify that Sanderson Design Group PLC has achieved the Planet Mark by reporting a reduction in its carbon footprint and engaging its stakeholders.

Valid to: 30 April 2021

Measure

-15.4%

-11.5%

7,977.8 tCO_2e

12.9 tCO_2e

Engage

618

FTE employees.

Communicate

9

Sustainable Development Goals.

The elements of our carbon footprint and our performance in the year ended 31 January 2020 compared with the previous year are detailed in the table below.

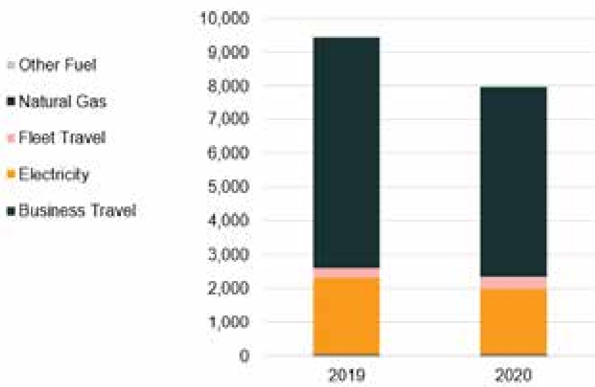
PlanetMark

Total carbon footprint
(Yearly comparison)

Table head	2020	2019
Business Travel	**45.6**	49.4
Electricity	**1,955.6**	2,265.1
Fleet Travel	**349.8**	263.9
Natural Gas	**5,621.7**	6,833.8
Other Fuel	**5.1**	12.5
Total	**7,977.8**	9,424.8

All rows and tables are rounded to one decimal place. This may lead to slight discrepancies in totals within the report.

Carbon footprint by emission source for year ending 2020
(tCO2e)



Last year's carbon footprint has been restated to include scope 3 emissions from electricity transmission and distribution losses.

LIVE BEAUTIFUL

ACTIONS AND PARTNERSHIPS.

We know that actions speak louder than words, and we can already show that we are on our way to delivering our Live Beautiful strategy. We have big, visionary goals, but a lot of small steps will help us achieve them. Here are just a few things we have been working on already:

- 100% of our electricity is renewably sourced, with plans to expand this to our gas providers as well.
- We have a proud record of donating fabric to a range of charitable causes. Last year, 4000m of fabric was distributed to over 20 causes, of which some were put to use as materials in the fight against coronavirus.
- In 2020 alone, we donated over £1,500 to foodbanks in communities local to our sites, representing £250 across six foodbanks.
- The packaging for Sanderson Design Group's cut fabrics is made with green polyethylene – instead of fossil fuels, responsibly sourced sugar cane is used to reduce the carbon footprint of the packaging.
- We have an excellent health and safety record, posting 1,000 and 500 days without a Lost Time Injury at our manufacturing brands Standfast & Barracks and Anstey respectively. During the same period, we also saw a decline in the cases of minor incidents.
- Employee wellbeing is a top priority at Sanderson Design Group. We now have mental health first aiders located throughout the business.

The Furniture Makers' Company
In March 2021, Sanderson Design Group became corporate members of The Furniture Makers' Company, a City of London livery company and the charity for the furnishing industry. Corporate membership gives Sanderson Design Group the opportunity to support the charity's work in promoting both welfare and excellence in the interiors industry.

Cool Earth
We are supporting the UK climate change charity Cool Earth, which works with rainforest communities to halt deforestation. Protecting rainforest is one of the most effective actions to tackle climate breakdown as deforestation releases carbon into the atmosphere whilst destroying the planet's best carbon capture and storage mechanism.

Better Cotton Initiative
The not-for-profit Better Cotton Initiative ('BCI') is the largest cotton sustainability programme in the world. Standfast & Barracks, our fabric printing factory, prints more than 1.5m of fabric each year. Our commitment is, in 2021, that the majority of our 100% cotton base fabrics, along with our cotton velvet and some cotton linen blends, will see sourcing become through BCI contracts, which bring traceability and accountability to the supply chain.

Ecofast™ digital printing
Also at Standfast & Barracks, we have been developing the Ecofast™ printing system. This innovative pigment-based digital printing system uses a fraction of the water consumed per metre when compared with conventional screen printing and only about half of the water used for reactive digital printing. The Ecofast™ system has already achieved Okeo-Tex certification for all cotton base fabrics.

ENERGY AND CARBON

This is the first financial year the Board is required to report under the Streamlined Energy & Carbon Reporting ('SECR') framework. Our SECR covers the energy consumption and Greenhouse Gas (GHG) emissions for the period 1 February 2020 to 31 January 2021.

The new reporting requirements aim to increase awareness of energy costs within organisations and provide data to inform the adoption of energy efficiency measures which reduce their impact on climate change. They also seek to provide greater transparency for stakeholders.

The Group's UK energy usage is expressed as an annual quantity of emissions in tonnes of carbon dioxide equivalent (CO2e). 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. Transport does not include emissions where the Group pays indirectly for fuel consumption, i.e. where the Group uses third party suppliers for all inbound and outbound deliveries.

Energy emissions are divided into three categories:
1. Direct greenhouse gas emissions from UK activities owned or controlled by the Group that release emissions into the atmosphere such as gas heating and fuel for company owned vehicles (scope 1).
2. Indirect greenhouse gas emissions from UK consumption of purchased electricity (scope 2).
3. Other indirect greenhouse gas emissions resulting from UK activities where the source is not directly owned or controlled by the Group such as business travel in private cars (scope 3).

The table below shows the energy and GHG emissions from business activities involving the combustion of gas and fuels, the purchase of electricity and business mileage in both kWh and tCO_2e.

	Year ended 31 January			
	2021		2020	
	kWh	**tco_2e**	kWh	tco_2e
Scope 1	**26,178,629.5**	**4,851.5**	31,950,754.2	5,976.7
Scope 2	**5,890,892.2**	**1,373.4**	7,052,119.3	1,802.5
Scope 3	**55,174.0**	**131.8**	158,592.6	198.6
Total	**32,124,695.7**	**6,356.7**	39,161,466.1	7,977.8
intensity ratio tco_2e per UK employee		**11.0**		12.9

The Group has selected an intensity metric based on the energy consumption per tonnes of CO_2e per UK full time employee. The Group will use this ratio to monitor our energy efficiency performance over time.

Energy efficiency actions taken
In 2019, the Group performed its Phase 2 Energy Savings and Opportunities Scheme (ESOS) which identified over 6,000 MWh potential energy savings across our UK operations such as boiler upgrades and optimisation, increased metering and monitoring and rolling upgrades to LED lighting. The Group is continually seeking new and innovative solutions to reduce energy consumption, promote energy efficiency and improve our environmental performance. By making more use of online meetings, business travel is much reduced. In addition, the Group is working with Planet Mark to measure and identify upstream and downstream solutions to become net carbon zero by 2030.

SECR methodology
The data used to measure annual gas and electricity emissions is taken directly from utility bills during the year and pro-rated where appropriate. Company vehicles emissions are based on the size, fuel type and annual mileage of each company car during the year.

The conversion rates used to calculate CO_2e vary according to the type of energy and vehicle and are taken from the UK Government GHG conversion factors for company reporting.

Conversion factors used are taken from the '2020 UK Government's GHG Conversion Factors for Company Reporting' to calculate emissions for Scopes 1,2 and 3.

Refunded business mileage has been classed as Scope 3 as the Group does not own the assets; emissions from UK Electricity Transmission and Distribution has also been included within this scope.

An average CV and CO_2e factor has been applied to the refunded business mileage as individual private vehicle details have not been provided.


COCONUT SHY
TICKETS

DRIVING THE

POWER BRANDS.

LUXURY AND HERITAGE

ZOFFANY

THE ORIGINAL MORRIS & Co

Sanderson

PREMIUM

ANTHOLOGY

HARLEQUIN

CLARKE & CLARKE

scion

DRIVING

BRAND ENGAGEMENT.

- Market-leading portfolio of British brands
- Extensive historic archive of design gives us authority, provenance and authenticity
- Unique design expertise, specialised in colour and scale
- Strong international appeal
- Design solutions for consumers of all ages
- UK's leading high-end wallcoverings and printed fabric manufacturers
- Innovative production techniques including digital

- Build engagement of the brands in core markets
- Digital marketing strategy
- Targeted PR
- Social media to attract consumers
- Content plan to tell rich stories
- Events and collaborations

ZOFFANY

LUXURIOUS DESIGN ARTFULLY CRAFTED TO THE HIGHEST STANDARDS.

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

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

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

HARLEQUIN

INSPIRED COLOUR STORIES AND BOLDLY EXPRESSIVE PATTERN CREATIONS.

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

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

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

Sanderson

COMBINING A TIMELESS BRITISH SENSIBILITY WITH HAND-DRAWN PATTERNS.

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

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

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

THE ORIGINAL MORRIS & Co

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

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

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

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

PLAYFULLY BRITISH DESIGNS THAT BRING JOY TO THE EVERYDAY.

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

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

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

CLARKE & CLARKE

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

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

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

POLISHED LOOKS EMBODYING THE BEST OF BRITISH ECLECTICISM.

ANTHOLOGY

CUTTING-EDGE DESIGN FOR DYNAMIC METROPOLITAN SPACES.

The sleek modernity powering Anthology's impressive design ethos references technological advancements in production techniques. With designs that feature a virile minerality and dignified colour-signatures, Anthology evokes the lustrous dynamism at the centre of an exhilarating modernity.

S&B STANDFAST & BARRACKS

Est. 1924

FABRIC PRINTING COMPANY

Winners of the Queen's award for enterprise, Standfast and Barracks is widely acknowledged as a leader in its field.

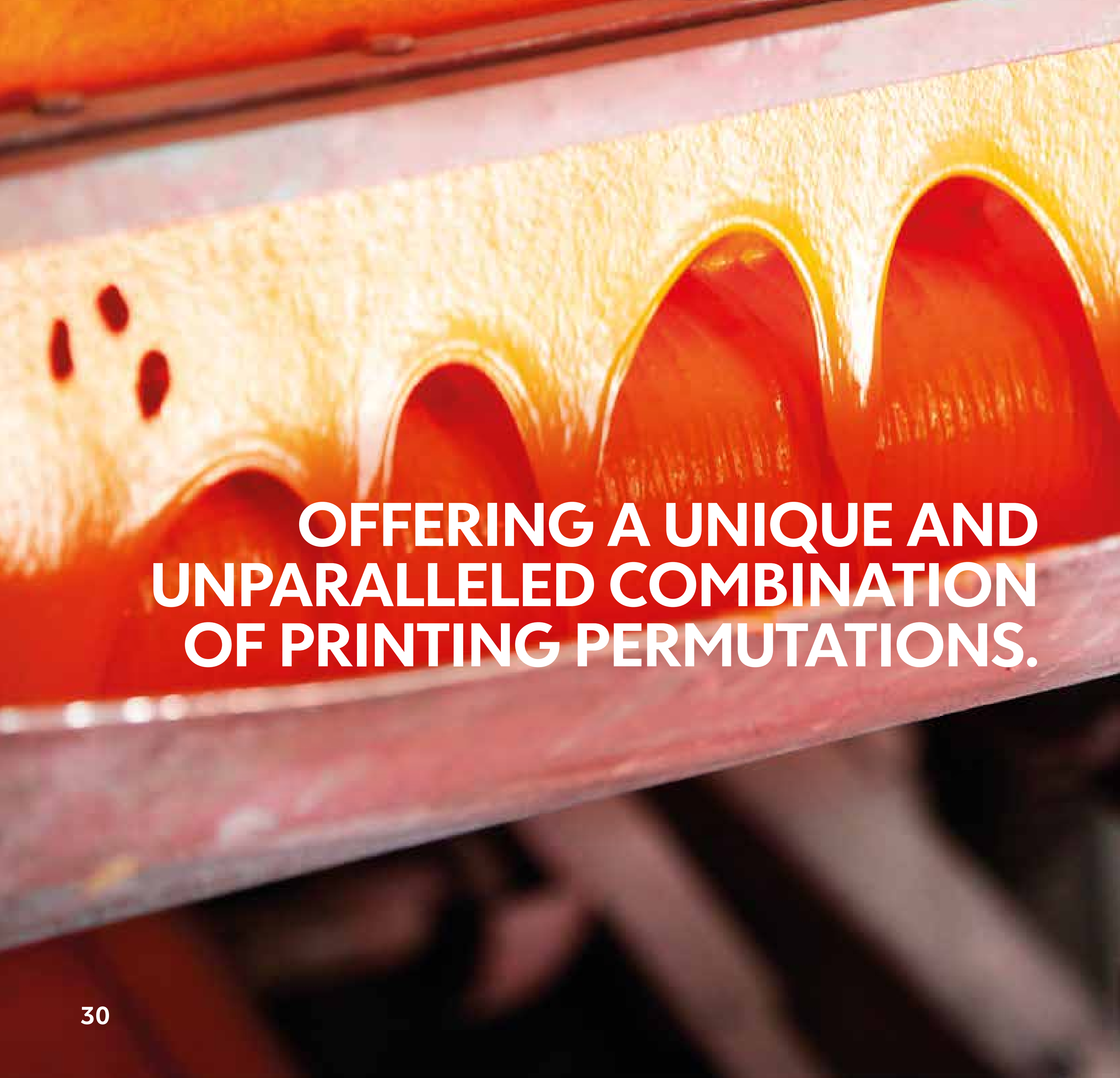
For more than 95 years, Standfast & Barracks has proudly produced beautiful prints for many of the world's finest design-led home furnishing and apparel brands. Continued investment in digital printing and innovative techniques ensure the company's success, which was recognised this April with the Queen's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

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

ANSTEY
WALLPAPER COMPANY

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

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



OFFERING A UNIQUE AND UNPARALLELED COMBINATION OF PRINTING PERMUTATIONS.

BRINGING THE

BEAUTIFUL INTO PEOPLE'S HOMES AND LIVES.

CHIEF FINANCIAL OFFICER'S REVIEW

STRENGTHENED FINANCIAL PLATFORM.

The Chairman's Statement and Chief Executive Officer's Strategic and Operating Review provide an analysis of the key factors impacting the results including the effects of Covid-19. Our business was severely disrupted in the financial year by the effects of lock downs both in the UK and in overseas markets.

Revenue performance
Our reported revenue for the year was £93.8 million (2020: £111.5 million), a reduction of £17.7 million or 15.9% on prior year.

	Year ended 31 January (£m)		
	2021	2020	Change (%)
Total revenue	**93.8**	111.5	(15.9)
Comprising:			
Brand product revenue	**72.6**	84.7	(15.4)
Manufacturing external revenue	**17.5**	21.3	(17.9)
Licensing	**3.7**	5.5	(33.0)

Underlying profit performance
Despite the effects of the pandemic on our revenues we have achieved an adjusted underlying profit before tax of £7.1 million (2020: £7.4 million). We can report an increase in margin for adjusted underlying profit before tax to 7.5% (2020: 6.6%). The profit performance has benefitted from actions to grow revenue in the second half, reduce the cost base, increase efficiencies and access government support such as the CJRS.

Our business was severely disrupted in the first half by the effects of lock downs. In the second half year, despite further lock downs, we experienced trading more in line with prior years with a strong performance in our peak selling months of October and November 2020. Our manufacturing and distribution facilities have remained open since the first lock-down and have operated at full capacity. The Group believes that this demand reflects a widely reported trend in the home improvement and furnishings sector, with consumers having directed discretionary spending on their homes during the Covid-19 pandemic.

	Year ended 31 January (£m)			
	2021		2020	
	H1	**H2**	H1	H2
Revenue	**38.8**	**55.0**	55.9	55.6
Adjusted underlying PBT	**0.4**	**6.7**	4.9	2.5

The table above demonstrates the extreme effect of the initial lock down, when we had to close facilities and furlough a significant number of employees. During the financial year ended 31 January 2021, we received a total of £3.1 million from the CJRS. We repaid £0.4 million in February 2021 for the 68 employees made redundant in August 2020.

Income statement
The Group's income statement is summarised below.

	Year ended 31 January	
	2021	2020
Revenue (£m)	**93.8**	111.5
Gross profit (£m)	**57.0**	68.1
Gross profit (%)	**60.8**	61.1
Net operating expenses (£m)	**51.8**	63.3
Profit from operations (£m)	**5.2**	4.8

Gross profit margin has held up at 60.8% (2020: 61.1%), despite the disruptive effects of Covid-19 and Brexit, and the enforced manufacturing operation closure for three months in the first half of the year. Distribution and selling costs, administration costs and net other income are included in net operating expenses. Distribution and selling costs have been reduced by £3.8 million to £19.1 million (2020: £22.9 million) on the back of lower volume of transactions and reduced samples in the first half of the financial year. Administration costs have decreased by £9.3 million to £36.5 million (2020: £45.8 million) through efficiency and cost-saving initiatives, which have included staff cost savings, reduced travel and control of consultancy, legal and professional and marketing expenditures. Net other income which represents consideration from the sale of marketing materials and additional services has reduced by £1.5 million to £3.8 million (2020: £5.3million), as a result of the closure of non-essential retail for long periods during the financial year.

The reported revenue and operating profit by reporting segments us set out below.

Year ended 31 January 2021	**Brands £m**	**Manufacturing £m**	**Eliminations and unallocated £m**	**Total £m**
Total revenue	**76.3**	**28.4**	**(10.9)**	**93.8**
Profit from operations	**7.5**	**1.7**	**(4.0)**	**5.2**
Year ended 31 January 2020				
Total revenue	90.2	35.6	(14.3)	111.5
Profit from operations	8.2	2.2	(5.6)	4.8

Underlying profit before tax
Statutory profit before tax of £5.0 million (2020: £4.4 million) includes non-underlying charges of £1.2 million (2020: £2.0 million) as set out below.

CHIEF FINANCIAL OFFICER'S REVIEW
CONTINUED

	Year ended 31 January (£m)	
	2021	2020
Statutory profit before tax	**5.0**	4.4
Add back:		
Amortisation of acquired intangible assets	**1.0**	1.0
Restructuring and reorganisation costs	**0.2**	1.1
Anstey net other income	**–**	(0.1)
Total non-underlying charge included in profit before tax	**1.2**	2.0
Underlying profit before tax	**6.2**	6.4
Add back:		
LTIP accounting charge	**0.3**	0.4
Net defined benefit pension charge	**0.6**	0.6
Adjusted underlying profit before tax excluding LTIP and defined benefit pension charge	**7.1**	7.4

Acquisition-related costs incurred were in respect of the acquisition of Clarke & Clarke, which completed on 31 October 2016. This comprises the amortisation of intangible assets of £1.0 million (2020: £1.0 million).

Restructuring and reorganisation costs of £0.2 million (2020: £1.1 million) reflect the rationalisation of certain operational and support functions during the year. These costs mainly comprise employee severance costs associated with the restructuring and reorganisation processes.

Net finance costs reduced to £0.2 million (2020: £0.4 million), as the Group paid down its bank debt during the year.

Taxation
Tax expense for the year is £1.1 million (2020: £0.7 million).

Earnings per share
Basic reported EPS for the year was 5.50p (2020: 5.24p). The Group also reports an adjusted underlying EPS which adjusts for the impact of the LTIP accounting charge, net defined benefit pension charge and other non-underlying items, as these items can fluctuate due to external factors outside of the control of the Group. The adjusted underlying basic EPS for the year was 8.00p (2020: 9.26p).

Liquidity and cash flow
We have actively conserved cash and controlled costs to mitigate the effects of Covid-19. The Group cut its operating costs, marketing and discretionary expenditure, capital expenditure programs and dividends, due to uncertainty in the health, economic and political environment. As a result, despite significant Covid-19 disruption, the Group has increased liquidity and headroom to £30.5 million at 31 January 2021 (2020: £13.8 million), with a year end net cash position of £15.1 million (2020: £1.3 million) and repaid its UK bank debt (2020: £1.7 million).

The Group generated strong cash inflow from operating activities during the year of £18.2 million (2020: £9.6 million).

Working capital has improved significantly through the reduction in inventory and receivables in the year, as tighter working capital management controls were implemented and the strategy of reducing SKUs and scale of new collection launches were applied. The tight control of inventory continues with new operating replenishment rules and bi-weekly commercial review meetings.

Key working capital balances and their movements year on year are set out below:

	Year ended 31 January (£m)	
	2021	2020
Inventory	**20.4**	28.5
Trade debtors	**11.7**	13.1
Trade creditors	**(8.8)**	(14.3)

Capital expenditure was £1.0 million (2020: £2.4 million), with tight cash controls applied in response to Covid-19. The Group made additional payments to the pension schemes of £2.1 million (2020: £1.9 million) to reduce the deficit, as part of the ongoing planned reduction. Tax paid during the year was £23,000 (2020: £0.8 million). Tax payments have been made shortly after 31 January 2021 of £1.3m.

Banking Facilities
The Group has banking facilities provided by Barclays Bank plc. In October 2019, the Group renewed its £12.5 million multi-currency revolving committed credit facility with Barclays Bank plc for a further five-year period. The agreement also includes a £5 million uncommitted accordion facility option to further increase available credit which provides substantial headroom for future growth. Our covenants under the facility are EBITDA and interest cover measures.

Following the outbreak of Covid-19, the Group obtained a temporary overdraft facility of £2.5 million to April 2021, to complement the headroom in our existing £12.5m revolving credit facility. Agreement was reached with Barclays Bank plc during June 2020 to waive the interest cover covenant condition for the quarterly tests arising through to July 2021 and to waive the leverage covenant condition for the quarterly tests through to April 2021. A liquidity covenant was introduced, requiring that available headroom within the £12.5 million facility remains above £5 million through to July 2021. All covenants were complied with during the year and up to the date of this report. All of the Group's bank facilities remain secured by first fixed and floating charges over the Group's assets.

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

Pension deficit
We reported a valuation under IAS 19 at 31 January 2021 of £5.6 million (2020: £5.7 million), despite the economic uncertainties and low interest rates for bonds. The valuation improvement from the interim results was principally due a recovery in equities and stock markets.

The triennial valuation of the defined benefit schemes is due to be carried out based upon the schemes' position on 5 April 2021. The Group has appointed independent pension and actuarial specialists to support the company through the valuation process.

The movements in the pension valuation for IAS 19 purposes is set out below:

	Year ended 31 January (£m)	
	2021	2020
Deficit at beginning of the year	**(5.7)**	(9.7)
Scheme expenses	**(0.4)**	(0.4)
Interest cost	**(1.4)**	(1.9)
Expected return on plan assets	**1.3**	1.6
Contributions	**2.1**	1.9
Return on scheme assets	**1.6**	11.6
Experience adjustments on benefit obligation	**0.7**	(0.4)
Actuarial loss from the change in financial assumptions	**(5.2)**	(9.0)
Actuarial gain from the change in demographic assumptions	**1.4**	0.5
Gross deficit at the end of the year	**(5.6)**	(5.7)

In 2019, the Company agreed a recovery plan to pay contributions to eliminate the funding shortfall by October 2026.

Dividends
As a result of the pandemic during the year and in order to protect the Group's liquidity, no dividends were declared or paid during the financial year. The Board will continue to review the dividend policy during the coming months and an update will be provided at the time of the announcement of the Company's interim results later in 2021.

Foreign currency risk
All foreign currencies are bought and sold centrally on behalf of the Group. Regular reviews take place of the foreign currency cash flows, unmatched exposures are covered using forward contracts and working capital exposures are hedged using currency swaps, as appropriate. The Group does not trade in financial instruments and hedges are used for highly probable future cash flows and to hedge working capital exposures.

Credit risk
The Group does not generally seek credit insurance as this is not a commercial solution to reducing credit risk. The Board reviews the internal credit limits of all major customers and reviews the credit risk regularly. The ageing profile of trade debtors shows that payments from customers are close to terms. The current economic environment still presents a level of risk and in addition to specific provisioning against individual receivables, a provision has been made of £0.5 million (2020: £0.4 million), which is a collective assessment of the risk against non-specific receivables. The Group has experienced limited bad debts in the last 12 months and has enhanced its credit management procedures to improve controls and mitigate potential credit risk.

Going concern
The Directors consider that, having considered forecasts prepared by the management team which have been stress tested, the Group and Company have 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.

I would like to thank my finance colleagues across the Group for their efforts particularly since the start of lock-down from 23 March 2020. In these difficult circumstances, the teams have been working remotely and their dedication and professionalism has enabled the Group to deliver the improved results as presented today.

Michael Williamson

Michael Williamson
Chief Financial Officer
17 May 2021

KEY PERFORMANCE INDICATORS

REVENUE _ £m

Total current year revenue.

REVENUE GROWTH _ %

Growth is the total current year revenue as a percentage of the previous year's revenue.

ADJUSTED UNDERLYING PROFIT BEFORE TAX _ £m

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

ADJUSTED UNDERLYING PROFIT BEFORE TAX _ %

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 EARNINGS PER SHARE _ pence

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.

NET CASH EXCLUDING 'LEASES' FUNDS _ £m

Year end cash and cash equivalents less borrowings and leases.

NET CASH FLOW _ £m

Net increase in cash and cash equivalents.

INVENTORY _ £m

Year end total inventory, net of provision.

CAPEX _ £m

Total capital expenditure less proceeds from disposal for the year.

REPORTED EBITDA _ £m

Profit before tax adjusted for interest, depreciation and amortisation.

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.

General business risks include:
- **Marketplace –** changes in the economic environment, impact of Brexit and changes in consumer discretionary spending.
- **Financial –** availability of bank borrowing and costs of borrowing, taxation and pension fund liability.
- **Operational –** market penetration, international expansion and information security (IT systems, cyber risk and General Data Protection Regulation).

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

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.

VIABILITY STATEMENT

The Group meets its day-to-day working capital requirements through its £12.5 million committed revolving credit facility to October 2024, a temporary £2.5 million overdraft facility taken in light of Covid-19 to April 2021 together with an uncommitted £5 million accordion. The Group's forecasts, taking into account the Board's future expectations of the Group's performance, indicate that there is sufficient headroom within these bank facilities. The Directors' assessment has been made with reference to the resilience of the Group and its strong financial position as demonstrated by its performance over the past year, the Group's current strategy, the Board's risk appetite and the Group's principal risks and how these are managed, as described in the Strategic Report. As a result of the Group's strong performance, the temporary £2.5 million overdraft facility was not renewed in April 2021.

An assessment period of three years has been chosen as it is consistent with the Board's strategic review of the Group's strategy at which the prospects of each business segment are discussed; assumptions are made regarding future growth rates of the existing business segments, efficiencies and profits and about the acceptable performance of the Group. Based on the results of this analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

MARKETPLACE	CHANGE	CONTROLS TO MITIGATE
Trading environment Specific macroeconomic and geopolitical factors can influence our business and ability to trade across borders. Governments in key markets influence cross-border control, which could make it more difficult for us to source, buy and move products into and out of the territories we operate in. The Group operates in major international markets which have different drivers and macro-economic outlooks. Given that our products may be viewed as discretionary, there is a risk that these are impacted by consumer confidence. Change in consumer trends in interior decoration.	↑	We have knowledgeable Tax and Customs advisors who engage with authorities and regulators in key markets, to keep abreast of local changes or developments globally and recommend changes or adaptations to our business operations to mitigate the impact. The Group continues to focus on strong cost control including cost re-engineering to try to ensure that it remains well positioned to deal with an uncertain environment. Focus on product diversification through licensing opportunities, new product categories including ready-made curtains, bedding and furniture all help to strengthen our product offering. The Group offers a well-balanced, diverse product range to meet the demands of different customers. Clarke & Clarke, which is at the affordable end of the market, accelerates the Group's market penetration strategy. The Group is broad based and the design teams constantly monitor trends within and outside our marketplace.
Brexit On 31 December 2020, the UK ended the transition period and exited the EU with a new trade deal agreed a few days before. The free trade deal was announced by the UK and EU governments. However, there are complications in these tariff free arrangements which are likely to add costs in the short to medium term. The new arrangements also add a layer of additional documentation required for shipments between the UK and EU and vice versa. In early 2021 this has led to some delays in shipments to the EU largely due to processing backlogs in Europe.	→	The Group made extensive preparations for several possible scenarios on expiry of the transition period. Management continues to review the impact of the trade agreement regulations on our business activity. It has become apparent that there is potential for tariffs to be charged on trade between the UK and EU owing to complex rules on the origin of exports to the EU. The Group has joined with other companies in the sector in lobbying the UK Government to agree changes to these rules to allow smoother tariff free operations. The business works closely with its shippers and other advisers to ensure it remains compliant with the new rules and documentation requirements. Delivery times are much improved after initial disruption and our customers appreciate our support.
Competition The Group operates in markets that are highly competitive.	→	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 and 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 the important US and Northern Europe markets. Our acquisition of Clarke & Clarke has helped to enhance our international reach, particularly in the US. We are continuing to make progress with consumer e-commerce development.

FINANCIAL	CHANGE	CONTROLS TO MITIGATE
Foreign exchange A large proportion of the Group's activities and earnings are denominated in US dollars and euros, giving rise to foreign currency exposure.	→	The Group monitors revenue and earnings to minimise exposure to foreign exchange losses. Increasing exchange rate volatility may have an adverse effect on the balance sheet and/or profit and loss account. We continue to monitor the implications of emerging macroeconomic risks, including Brexit, to help prepare for any volatility in foreign exchange movements and through natural hedging in currencies where possible.
Pension funding A worsening funding position may require the Group to pay cash contributions or provide further assurance to cover future liabilities. This could worsen the Group's cash flow.	→	Both of the defined benefit schemes are closed to new members and to future accrual of benefits. The Group seeks to agree appropriate investment policies with the Trustees and closely monitors the funding position of the pension schemes with the Trustees. Both the Company and the Trustees take advice from independent qualified actuaries and pension specialists.

PRINCIPAL RISKS CONTINUED

OPERATIONAL	CHANGE	CONTROLS TO MITIGATE
Recruitment and retention of key employees The Group is reliant upon a number of key employees to design, manufacture and sell its products.	→	The Group's employees are its key asset. The depth of their experience is a real benefit to the business and accordingly the Group focuses on attracting and retaining employees. The Remuneration Committee monitors the levels and structure of remuneration for Directors, senior management and colleagues generally, and seeks to ensure that they are designed to attract, retain and motivate the key personnel to run the Group successfully. In addition, the Group offers competitive remuneration packages including annual bonus incentives and long-term incentive schemes designed to retain key individuals.
Reputation risk The Group prides itself on the high quality of its product range.	→	There is ongoing emphasis on high quality control throughout the various stages, right from manufacturing through to delivery of the finished product and customer satisfaction.
Environmental risk The Group strives to become net carbon zero by 2030, complies with environmental legislations and seeks to prevent excessive emissions and effluent discharges resulting in fines and closures.	→	The Group monitors its carbon emission targets by having relevant KPIs to measure carbon footprints certified by Planet Mark and embedding the sustainability values across the organisation. There are ongoing reviews of environmental legislation through the membership of professional and trade associations. Onsite incinerator processes vapours and fumes are installed to ensure that emissions are within the agreed limits and monitored frequently. Waste solvents are barrelled and taken off site. Waste ink is filtered and the solid residue is taken off site. At our Anstey factory, Severn Trent monitors the water testing samples on a regular basis. Effluent discharge at the Standfast factory is monitored daily and there are preventative measures to avoid incidents and appropriate procedures to deal with potential environmental disasters.
Health and safety risk The Group has robust plans to ensure the health and safety of all employees and third parties are maintained on site, especially during the time of the Covid-19 pandemic.	→	The Group has immediate response capability via the Group Leadership Team when required especially for Covid-19. There are fire, health and safety groups on all sites. The Group publishes, monitors and reports on health and safety incidents internally and in compliance with regulatory environments. There are established auditing and monitoring systems.
Major incident or disaster such as a fire/flood The Group ensures that appropriate measures are implemented to prevent and deal with major incidents or disasters, especially fire and flood.	→	Business continuity and disaster recovery plans are regularly reviewed to ensure the uninterrupted operation of the Group's core business operations. The Group holds insurance cover to mitigate the financial consequences of a major incident. Extensive flood defence measures have been installed at the Standfast site and these measures are constantly monitored. For fire safety, the Group has emergency planning procedures in place and adequate sprinkler systems together with an alarm system linked to the fire brigade. The segregation of the Group's central warehousing facility with two warehouses has helped to mitigate risk to stock.
IT The cyber security landscape is continuously evolving, with threats becoming more sophisticated and aggressive. A significant failure of IT infrastructure or key IT systems, deliberate or accidental, could result in a loss of information, inability to operate effectively, financial or regulatory penalties, and negatively impact our reputation as a result of the impact on the availability of our products and consequently reduce sales.	→	The Group has appropriate controls in place to mitigate the risk of systems failure, including an IT disaster recovery plan, off-site back-up routines, virus protection and network security controls. Security controls and processes are assessed and updated on a regular basis. The Group employs a framework of IT controls to protect against unauthorised access to our systems and data, which includes the maintenance of firewalls and intruder detection as well as the encryption of data. The various business units have disparate platforms which helps to reduce the overall risk.

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 2021, 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 3 times a week, and reports and presentations are made to the Board by the GLT regarding strategy, performance and key decisions taken. From April 2020 to January 2021, during the heart of the Covid-19 pandemic, the GLT met daily.

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.

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

WHO ARE OUR STAKEHOLDERS?	WHY WE FOCUS ON THESE STAKEHOLDERS	HOW DO WE ENGAGE WITH THEM?	HOW HAS THE BOARD TAKEN ACCOUNT OF THESE INTERESTS?
Shareholders	As owners of the Group, we rely on the support of shareholders and their opinions are important to us.	The Chief Executive Officer and Chief Financial Officer have regular dialogue with institutional investors in order to develop an understanding of their views. Presentations are made bi-annually to analysts, investors and prospective investors covering the annual and interim results. The AGM is an important opportunity for private shareholders to meet the Board with all the Directors available to listen to shareholders views informally immediately following the meeting. The Company website has an investors section giving private investors direct access to business information and reports and presentations; there is also an enquiries mailbox facility.	Discussions with shareholders cover a wide range of topics including financial performance, strategy, outlook and governance. Shareholder feedback along with details of movements in our shareholder base are regularly reported to and discussed by the Board and their views are considered as part of decision-making. Our NOMAD has regular discussion and review with the Board and advises on wider market-related sentiment. Feedback received is considered by the Board where it impacts on strategy.

SECTION 172 STATEMENT CONTINUED

WHO ARE OUR STAKEHOLDERS?	WHY WE FOCUS ON THESE STAKEHOLDERS	HOW DO WE ENGAGE WITH THEM?	HOW HAS THE BOARD TAKEN ACCOUNT OF THESE INTERESTS?
Colleagues	Our people are key to the success of the Group and we want them to be successful individually and as a team. Our investment in our people protects and strengthens our culture. Through our Live Beautiful sustainability strategy, the Group aims to foster a sustainable workplace and engender a working culture that empowers all.	There are many ways we engage with and listen to our people including a bi-annual employee engagement survey*, Group-wide newsletters, a weekly note to all staff from the CEO, as well as business unit and site briefings, informal meetings and consultation with employees' representatives. In 2020, a Group internet employee wellbeing hub was introduced. The Group intranet learning-hub facilitates personal development. The Group has made known to the employees its goal is to be the employer of choice in our industry with a target of at least 70% engagement of our colleagues based on workplace culture, diversity and inclusivity.	The results of the 2021 employee engagement survey will be presented to the Board with a follow-up programme of two-way engagement by site and business unit/function by HR teams across the Group, with feedback reported regularly to the Board. A reward and recognition programme is being introduced across functional business unit groups.
Customers and Clients	Good relationships with our customers are important for the success of our business.	We build strong lasting relationships with our customers and spend time with them to understand their needs and views and listen to how we can improve our products and services for them.	As part of its regular monthly reporting pack the Board has introduced customer and social media engagement feedback as well as service level fulfilment statistical information to better understand the needs of customers and improve the customer experience.
Suppliers	We build strong relationships with our suppliers to develop mutually beneficial and lasting relationships.	Engagement with suppliers and business partners is primarily through regular meetings and membership of trade sector organisations. Refreshed supplier manuals communicating our values and expected standards of service and quality so we have shared goals to build collective success.	The Board recognises that relationships with suppliers are important to the Group's long-term success. Feedback from attendance at trade events forms part of the Board presentations. Key areas of focus include product development and innovation, with focus on health and safety and sustainability, as well as regular dialogue between our management team and those of our suppliers on increasing efficiency for all parties.

* Annual engagement survey – there was no survey in 2020 due to the impact of Covid-19. The 2021 survey is planned for May 2021, with the results planned to be presented to the Board.

WHO ARE OUR STAKEHOLDERS?	WHY WE FOCUS ON THESE STAKEHOLDERS	HOW DO WE ENGAGE WITH THEM?	HOW HAS THE BOARD TAKEN ACCOUNT OF THESE INTERESTS?
Communities	We operate from a number of different sites and seek to be a good neighbour with the local communities and to build trust and understand the local issues that are important to them.	We create opportunities to recruit and develop local people and help to support the local economy and look after the environment. Local charities and fund-raising are supported, often through product and time donations.	The Board recognises the importance of good community relations with both internal and external stakeholders as well as our wider social responsibilities. The impact of our operations from an environmental perspective, both locally and globally, is recognised e.g. capital expenditure projects focused on efficiency and reducing environmental emissions. Further details are contained within our Corporate Responsibility section.
Government and regulators	We wish to operate in an ethical way and in compliance with laws and regulations.	The Group has professional advisers in terms of legal, tax and regulatory compliance and all Directors have access to independent advice.	The Board is updated on legal and regulatory developments and takes these into account when considering future actions. Key areas of focus for the Board are compliance with laws and regulations, health and safety and wellbeing of employees and users of our products.

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Dame Dianne Thompson
Non-Executive Chairman

Terms of employment
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 and Pagefield Ltd. From 2000 until 2014, Dianne was chief executive of Camelot Group plc, the UK National Lottery provider. Prior to that role, she held marketing and general management positions in a number of consumer and building materials businesses including Signet Group plc, Sandvik Saws & Tools Ltd and ICI Paints.

Committee membership
- Audit Committee
- Remuneration Committee
- Nomination Committee

Christopher Rogers
Non-Executive Director

Terms of employment
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 Directors at Kerry plc and Vivo Energy plc. Christopher was an Executive Director of Whitbread plc for 11 years from 2005, first as Group Finance Director for 7 years and then as Global MD of Costa Coffee, where he grew the brand internationally to become the world's second largest coffee shop chain. Christopher is the Senior Independent Director.

Committee membership
- Audit Committee
- Remuneration Committee
- Nomination Committee

Vijay Thakrar
Non-Executive Director

Terms of employment
Vijay joined the Board as a Non-executive Director in November 2018 and became Chairman of the Audit Committee. He is a chartered accountant and was previously a Partner at Deloitte where his clients included listed brand-based companies. Since leaving Deloitte, Vijay has served as Non-executive Director at various public and private businesses including Quorn Foods and Quoted Companies Alliance. He is also currently on the Boards of Alumasc Group plc, RSM Group and Treatt plc.

Committee membership
- Audit Committee
- Remuneration Committee
- Nomination Committee

EXECUTIVE DIRECTORS

Lisa Montague
Chief Executive Officer

Terms of employment
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.

Michael Williamson
Chief Financial Officer

Terms of employment
Michael joined the Group in December 2019 and became Chief Financial Officer on 26 February 2020. He has a breadth of experience across a number of sectors, including both full-time and interim roles as Chief Financial Officer at quoted and private businesses. For the past three years, Michael has been working on an interim and consultancy basis for quoted businesses, private equity firms and entrepreneurs.

Caroline Geary
Company Secretary

Terms of employment
Caroline joined the Group in 2000. She is a chartered secretary and was appointed Company Secretary in 2012.

GROUP LEADERSHIP TEAM

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

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

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

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

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

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.

Stephen Thomas
Managing Director
Standfast & Barracks
Stephen has been with the Group for over 20 years and was appointed as Managing Director of the fabric printing business in June 2014. He has significant experience in the car industry, furniture and soft furnishing manufacturing in both commercial and operational roles.

* also responsible for Anstey Wallpaper Company and Standfast & Barracks, the fabric printing business.

CORPORATE GOVERNANCE

Introduction from the Chairman
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.

In 2018, it became a requirement for all AIM companies to adopt a recognised Corporate Governance Code and the Board adopted the QCA Code in June 2018. 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/.

The Company has complied with the recommendations of the QCA Code.

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

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

On 26 February 2020, Michael Williamson was appointed as the Chief Financial Officer. He joined the Board as an Executive Director on 18 December 2019.

Board composition
The Board of Directors who served during the year ended 31 January 2021 and their attendance at meetings is shown in the adjacent table. Biographical details of the current Board are given on pages 44 and 45. 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 ten 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. It is responsible for the management, governance, controls, risk management, direction and performance of the Group. There is a formal schedule of matters reserved to ,the Board and formal regulatory announcements, 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 the Group, its annual budget, performance in relation to the budget and capital expenditure.
The schedule of matters reserved to the Board is available on the Company's website.

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

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

In previous years, the Company's various sites were visited through the year, with Board meetings taking place at the sites giving, in particular, the Non-executive Directors access to the Group's wider operations beyond the Head Office to gain a greater understanding of the Group's activities and to show the Board's support of our colleagues throughout the Group. Owing to Covid-19 during the financial year, all meetings except one were held virtually and the sole meeting at a site was held in accordance with social distancing rules.

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

Board performance and evaluation
During the year, the Board undertook an internal Board evaluation. The Board continually reflects on its performance and will initiate a formal review process in the year ahead.

Attendance at meetings of the Board and its committees

	Board	Board – Covid-19	Audit Committee	Remuneration Committee	Nomination Committee
Total number of meetings	**15**	**13**	**3**	**6**	**1**
Meetings attended:					
D Thompson	15/15	13/13	3/3	6/6	1/1
C Rogers	15/15	13/13	3/3	6/6	1/1
V Thakrar	15/15	13/13	3/3	6/6	1/1
L Montague	15/15	13/13	3/3	–	–
M Williamson	15/15	13/13	3/3	–	–

The Board scheduled monthly meetings during the year and additional meetings were convened to deal with specific matters and approval of the financial results. Since the Covid-19 pandemic, more frequent Board meetings have taken place.

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 50 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 annually. In addition, the Directors have direct access to the advice and services of the Company Secretary. At the onset of Covid-19, the Board sought legal advice to ensure the Company had taken the necessary steps to deal with potential Covid-19 issues.

CORPORATE GOVERNANCE CONTINUED

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 page 44.

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 52.

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 53.

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 57.

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.

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

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

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

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

The Company website (https://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 2021. The Strategic Report on pages 2 to 43 is incorporated by reference and deemed to form part of this report.

Group result
The profit before taxation amounted to £5.0 million (2020: £4.4 million), and profit after tax £3.9 million (2020: £3.7 million).

Change of Name
In December 2020, the Company changed its name to Sanderson Design Group PLC from Walker Greenbank PLC.

Dividends
No dividend was paid during the year (2020: £0.52p).

The Board recognises the importance of dividend income to shareholders and is committed to recommencing dividend payments as soon as conditions allow. Whilst our financial position improved during the year, there remains significant uncertainty in the external trading environment as a result of the ongoing pandemic globally. We do not therefore believe it would be prudent to declare a final dividend for the financial year 2021. The Board will continue to review the dividend policy during the coming months with the objective of the Company returning to dividend payments at the earliest opportunity.

Going concern and Covid-19 impact
The Group has conserved cash throughout the year in light of the uncertainties caused by the pandemic. This has included the suspension of dividends, restriction of capital expenditure, tight control of operating expenditure and access to government support in the UK and overseas, such as the Coronavirus Job Retention Scheme ("CJRS"). In the year management has focused on the continuous improvement of the management of working capital, in particular inventory and debtors, whilst continuing to meet creditor terms.

In the context of the current Covid-19 outbreak, 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, 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 £12.5 million revolving credit facility ("RCF") which is linked to two covenants. These covenants are tested quarterly at 30 April, 31 July, 31 October and 31 January each year until the debt matures in October 2024. The Group also agreed a temporary overdraft facility with Barclays at the start of the pandemic of £2.5 million, to April 2021, giving total facilities of £15 million until April 2021 and £12.5m thereafter. In addition, there is an uncommitted accordion facility of £5 million. In June 2020, the Directors successfully negotiated a waiver of the Group's interest cover covenants to July 2021 and leverage covenant to April 2021 and replaced them with a liquidity covenant that requires the Group to maintain £5m headroom against the facilities between 1 November 2020 and 31 July 2021. Throughout the financial year and up to the date of this report, the Company has met all covenant tests and maintained headroom of well over £5 million.

The total headroom of the Group at 31 January 2021 was £30.5 million (2020: £13.8 million), including cash and cash equivalents of £15.5 million, the committed facility of £12.5 million and the temporary overdraft facility of £2.5 million.

In assessing going concern, management has taken account of the uncertainties caused by Covid 19. A Management Base Case (MBC) model has been prepared, together with alternative scenarios, given the uncertainty regarding the impact of Covid 19 (including variants and further waves of the virus). These indicate that the Company retains adequate headroom against the borrowing facilities and bank covenants for the foreseeable future.

There remain significant uncertainties concerning the future effects of Covid 19 in terms of variants, further restrictions and lockdowns. The actual results which will be reported will undoubtedly be different from the MBC and other scenarios modelled by the Company. In the event that there are significant negative variations from the MBC, management would act decisively, as they have done in the last year, to protect the business particularly its cash position. Having taken into account all of the comments above the Directors consider that the Group and the Company have 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.

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 to 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 Companies Act 2006 is also included in the Strategic Report on pages 41 to 43.

Financial risk management
Details of the Group's financial risk management objectives and policies are contained in the Strategic Report on page 39 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 statement on our policy for giving full and fair consideration for disabled employees is shown on page 38 under our Principal Risks discussion.

REPORT OF THE DIRECTORS CONTINUED

Directors

The Directors who served during the year ended 31 January 2021 and up to the date of reporting are as follows:

Name	Position	Date	Committees[1]
Dianne Thompson	Non-executive Director, Non-executive Chairman	From 01.02.2020	**N**, A, R
Christopher Rogers	Non-executive Director	From 01.02.2020	**R**, N, A
Vijay Thakrar	Non-executive Director	From 01.02.2020	**A**, R, N
Lisa Montague	Executive Director, CEO	From 01.02.2020	
Michael Williamson	Executive Director, CFO	From 26.02.2020 as CFO, from 18.12.2019 as Executive Director	

Details of the Directors' service contracts are set out in the Directors' Remuneration Report on pages 53-56, together with details of their interests in ordinary shares of the Company. No Director has any beneficial interest in the share capital of any subsidiary or associate undertaking. Biographical details of the Directors are set out on pages 44 and 45.

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 2021 AGM, all of the Directors will retire and will 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 2021 Number	1p ordinary shares 31 January 2020 Number
D Thompson	**15,000**	15,000
C Rogers	**75,000**	22,500
V Thakrar	**7,500**	7,500
L Montague	**46,989**	7,500

There have been no changes in the interests set out above between 31 January 2021 and 17 May 2021.

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.

Pension

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 (2020: nil).

Annual General Meeting

The AGM will be held on 20 July 2021. The notice convening the meeting will be sent to shareholders by way of a separate circular. Explanatory notes on each resolution to be proposed at the meeting will accompany the circular.

Share capital

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

Directors' authority to issue and purchase shares

At the AGM in 2018, the Directors were authorised to allot ordinary shares up to a nominal value of £233,955 and were further authorised to make market purchases of up to 7,089,551 of the Company's ordinary shares. No purchases of Company shares were made during the year. Details of shares allotted during the year are shown in note 24 to the consolidated financial statements.

Substantial shareholdings

As at 7 May 2021, the Company was aware of the following substantial shareholdings in its ordinary share capital. The percentages are calculated from the 70,983,505 ordinary 1p shares allotted, called and fully paid up. Comparatives at 7 May 2020 are shown.

Octopus Investments 12.17% (2020: 12.15%), FIL Investment International 7.80% (2020: 6.90%), Ennismore Fund Management 7.19% (2020: 6.36%), BGF Investments 5.99% (2020: 1.04%), Hargreaves Lansdown 5.30% (2020: 3.11%), Schroder Investment Management 4.99% (2020: 8.00%), Charles Stanley 4.98% (2020: 4.58%), Interactive Investor 3.98% (2020: 2.42%).

Independent auditors

The Company is in the process of re-tendering the audit. PricewaterhouseCoopers LLP ('PwC') has confirmed that it is not its intention to participate.

1 Bold type denotes Chair.

STATEMENT OF DIRECTORS RESPONSIBILITIES

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 International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board (IASB) 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 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 IFRSs as issued by the International Accounting Standards Board (IASB) 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 the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations
In the case of each Director in office at the date the Report of the Directors is approved:
- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

By order of the Board

Lisa Montague
Chief Executive Officer
17 May 2021

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 and Vijay Thakrar. 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 meets at least once a year and otherwise as required.

Each meeting is attended by the Committee's members. A record of the meeting attendance at formal meetings by Committee members is set out in the Corporate Governance Report on page 47.

On 14 February 2020, the Committee considered the selection of Michael Williamson, who was appointed an Executive Director on 18 December 2019, as the Chief Financial Officer and recommended his appointment to the Board. There was no further meeting during the year.

Dianne Thompson
Nomination Committee Chairman
17 May 2021

DIRECTORS' REMUNERATION REPORT

As a company listed on the Alternative Investment Market ('AIM'), the Company is not required to comply with the Directors' remuneration report requirements, set out in Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the 'Regulations'). However, transparency with our shareholders is important to us. While 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 Chairman 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.

Covid-19
During the financial year ending 31 January 2021, Covid-19 had a material impact on all our stakeholders. With the announcement of the Government-backed CJRS, the majority of employees were furloughed in April 2020; a temporary three-month 20% reduction in salary was introduced across all parts of the business, and the Board unanimously agreed that both the Executive and Non-executive Directors would also take a three-month, non-refundable 20% reduction in salary with effect from 1 April 2020. The Committee also determined, given that no dividend had been paid for the financial year ended 31 January 2020, coupled with the fact that the Group accessed the Job Retention Scheme, it would not be appropriate to operate an annual bonus scheme for Executive Directors regarding the financial year ending 31 January 2021.

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 Chairman and the other Non-executive Directors, Dame Dianne Thompson and Vijay Thakrar.

The number of meetings held during the year and the attendance at each meeting is shown in the table on page 47 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 2021, the Committee agreed to the following:
- The introduction of a Real Living Wage policy which is part of the Live Beautiful Sustainability Strategy and is effective from the financial year ending 31 January 2022.
- A 1% annual pay award for all colleagues.
- A small discretionary bonus to all colleagues (excluding Executive Directors) to recognise the hard work and exceptional commitment during the pandemic.
- The introduction of an all-employee bonus scheme enabling colleagues to share in the Company's success with an element of variable pay. This will operate for the first time in the financial year ending 31 January 2022.

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, and 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.

DIRECTORS' REMUNERATION REPORT CONTINUED

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

Basic salary and benefits in kind
Salary is normally reviewed annually in February or when responsibilities change. In deciding the appropriate levels, the Committee takes into account factors which it considers necessary, including Group and individual performance, market levels of, and trends in executive remuneration and relative pay levels within the Group. For the forthcoming year ending 31 January 2022, the Executive Directors were given the same inflationary increase of c.1% as awarded to most employees. The base salary for the Chief Executive Officer has been set at £343,400 (2020: £340,000) per annum. The base salary for the Chief Financial Officer has been set at £187,355 (2020: £185,500).

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

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 four individual targets, one of which relates to free cash flow.

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

As a result, the Committee determined that starting in 2020 a restricted share plan ('RSP') would replace the existing long-term incentive plan for Executive Directors. The Committee believes that the characteristics of restricted shares better support the business in its execution of strategy and fully aligns executives with the shareholder experience. For the year ending 31 January 2021, in line with investors' expectations and experience, the award sizes were significantly reduced, with the CEO awarded a maximum opportunity of 58.5% of salary, and the CFO awarded a maximum opportunity of 45% of salary. This represented a greater than 50% discount on the previous levels of the long-term incentive award. In addition, to reflect the reduction in share price over the year, the awards were made using the share price, which represented the average share price for three months prior to 1 March 2020 and the average share price for three months prior to the date of grant. The award will vest 40% in year three, 30% in year four and 30% in year five, subject to the Committee being satisfied with achievement of robust underpins which have been detailed on page 56 of this report.

The Committee intends to issue awards under this plan on an annual basis, with an award to be made to both Executive Directors later this year in respect of the year ending 31 January 2022. The maximum award will be 67.5 % of salary for the CEO and 45% of salary for the CFO. The award vesting will be 40% in year three, 40% in year four and 20% in year five. The vesting of the award will continue to be subject to the Committee being satisfied that robust underlying profit before tax, free cash flow, and ESG underpins have been met at each vesting date. 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 5.7%.

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

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

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

For the forthcoming year ending 31 January 2022, the Non-executive Directors were given the same inflationary increase of c.1% as had been awarded to most employees.

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 2021. For the year to 31 January 2021, given that the Group had taken Job Retention Scheme funds and due to the ongoing impact of Covid-19, the Committee determined that it would not be appropriate to operate an annual bonus for Executive Directors in respect of the financial year.

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

Year to 31 January 2020	Salary £000	Annual Bonus £000	Compensation for loss of office £000	LTIP awards £000	Benefits in kind £000	Pension contribution £000	Cash allowance in lieu of pension £000	2020 Total £000
Executive Directors:								
L Montague[1]	303	53	–	–	3	17	–	376
M Williamson[2]	37	30	–	–	1	–	–	68
M Gant (to 18.12.19)	213	51	225	–	13	–	30	532
C Rogers[3] (to 10.04.19)	37	30	–	–	–	–	–	67
Non-executive Directors:								
D Thompson	98	–	–	–	–	–	–	98
T Stannard (to 10.04.19)	10	–	–	–	–	–	–	10
C Rogers (from 10.04.19)	38	–	–	–	–	–	–	38
V Thakrar	50	–	–	–	–	–	–	50
	786	**164**	**225**	**–**	**17**	**17**	**30**	**1,239**

1 For the year to 31 January 2020, the Chief Executive Officer was awarded an annual bonus of £52,598 which would normally be paid in cash. However, in light of the impact of Covid-19 on the business, the Committee determined that, to support on-going alignment with shareholders and in order to conserve cash, it was appropriate to pay the bonus in the form of shares as opposed to cash. These shares will vest on or around the announcement of the Group's results on the 18 May 2021.

2 Michael Williamson was appointed as an interim Executive Director on 18 December 2019 and as the Chief Financial Officer on 26 February 2020. For the year to 31 January 2020, he received a bonus of £30,000 related to the achievement of key objectives set by the Remuneration Committee and in accordance with the terms of his fixed term contract.

3 For his tenure as Executive Chairman, Christopher Rogers, was eligible to receive a bonus award of up to 100% of the base salary, earned whilst performing the Executive Chairman role based on the on achievement of specific personal objectives primarily focused on Board restructure. The total bonus earned by the interim Executive Chairman for the period of his tenure from 10 October 2018 to 10 April 2019 amounted to £76,563 and was paid at the completion of his contract.

Directors' LTIP awards

	Date of grant	Share price at grant	Maximum awards at 1 February 2020	Granted in year	Exercised in year	Lapsed in year	**Maximum awards at 31 January 2021**
L Montague	21/11/2019	77.0p	662,337	0	0	0	**662,337**
L Montague	11/11/2020	68.0p	0	292,500	0	0	**292,500**
M Williamson	11/11/2020	68.0p	0	122,757	0	0	**122,757**

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

The current Executive Directors joined the business in 2019 and therefore no LTIP award vested to them in respect of performance for the year ending 31 January 2021.

DIRECTORS' REMUNERATION REPORT CONTINUED

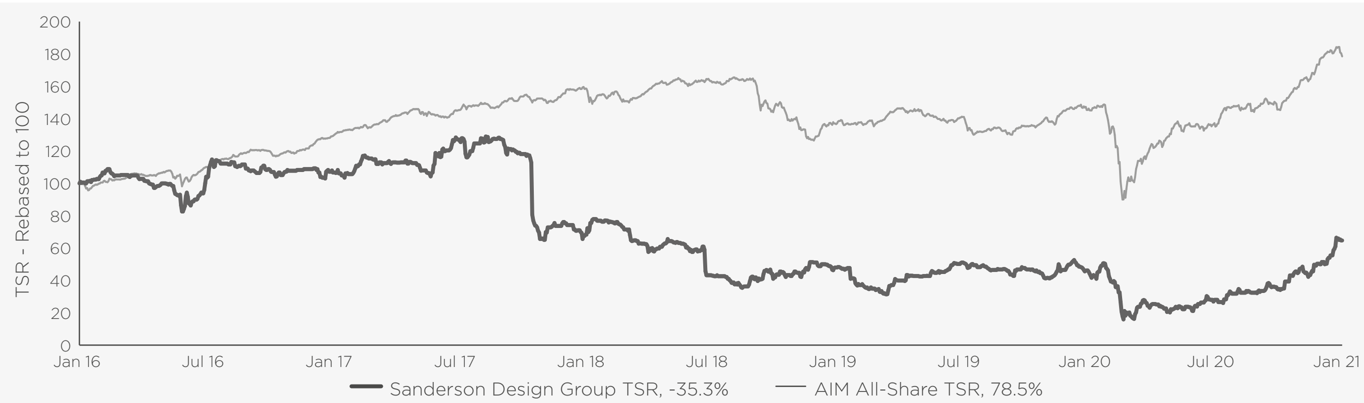
The performance conditions for the 2019 award are based on a mixture of compound growth in relative TSR and targets set for the financial performance of the Company for the financial year ending 31 January 2022. 25% of the award is against a measurement of TSR of the Company against a comparator group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

As noted above, the 2020 award was made under the restricted share plan. The performance underpins for the 2020 award are based on the adjusted earnings before interest and tax ('EBIT')*, free cash flow achieved for the relevant measurement period and continuous improvement in sustainability based on a reduction in carbon footprint and contribution to the UN Sustainable Development Goals plus there being no environmental, social or governance issues which have resulted in material reputational damage to the Company. The vesting dates for the Executive Directors are split 40% on 11 November 2023, 30% on 11 November 2024, and 30% on 11 November 2025. If at each vesting date the Company fails to meet one or more of the underpins outlined, then the Committee retains the discretion to determine what level of scale back would be appropriate. 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 performance underpins for each award are not disclosed as they are commercially sensitive but represent outperformance against the recent historical performance of the business.

The share price reached a high of 115.0p and a low of 27.5p during the financial year ended 31 January 2021. The share price on 1 February 2020 was 74.5p and, on 31 January 2021, it was 112.0p.

Total Shareholder Return index for the five financial years ending 31 January 2021



Christopher Rogers
Chairman of the Remuneration Committee
17 May 2021

* excludes accounting charges relating to share-based incentives, defined benefit pension charge and non-underlying items.

AUDIT COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Audit Committee Report for the year ended 31 January 2021.

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

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. During the year ended 31 January 2021, as a result of the onset of Covid-19, a number of ad-hoc and informal meetings of the Committee were also held, to oversee and guide the Executive Directors in taking appropriate action to protect the interests of the Company and its employees and other stakeholders, such as scenario planning, enhancing controls over cash/expenditure, driving efficiencies and greater focus in the Company's activities, including digitalisation and collection releases. These meetings were held as part of the Covid-19 meetings set out on page 47. Steps were also taken to enhance visibility and controls in respect of the Company's defined benefit pension obligations, as set out below.

Each meeting is attended by the Committee's members as well as, by invitation, the Executive Directors and the external auditors where appropriate. A record of the meeting attendance at formal meetings by Committee members is set out in the Corporate Governance Report on page 47.

At each formal meeting, the Committee held a private meeting with the external auditors, PricewaterhouseCoopers LLP ('PwC'), without management being present, to receive feedback from them.

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

The Committee undertook the following activities during the year:

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

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

Key accounting estimates and judgements
The major accounting issues discussed by the Committee with the auditors and management in relation to the performance in the financial year to 31 January 2021 were as follows:

a. Going concern and impact of Covid-19
As Covid-19 challenges remained high on the agenda, the Group's and Company's ability to continue as a going concern was discussed extensively by the Committee and the Board as a whole with management and PwC, with particular emphasis on the impact of Covid-19. As set out in the Report of the Directors on page 49 and the Board decisions specific to the impact of Covid-19 as contained within the Covid-19 crises section, management has taken measures to conserve cash and 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 Board, and the Board's conclusion as a whole is set out in the Report of the Directors at page 49. In addition, the Committee has discussed with management and PwC appropriate disclosures relating to the Group's funding position at note 21.

AUDIT COMMITTEE REPORT CONTINUED

b. Inventory
Due to the significant quantum of stock held, there is an ongoing focus by management on inventory levels. The Group has consciously reduced its inventory level through reduction of products and number of collection launches. Inventory is discussed at both Board and Committee level. Management applies a consistent provisioning methodology. 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.

The Committee reviewed the appropriateness of management's accounting in relation to each of these significant risks and PwC reported to the Committee on the work performed in assessing each during their audit. Details of this work are provided in PwC's Auditors' Report on pages 59-63.

c. Receivables
The Committee has had continued extensive discussions with management on the recoverability of the Group's Debtors in light of Covid-19, including controls and procedures over cash collections. As a result, specific focus has been put by management on debtor collections and credit control, with enhanced focus and reporting.

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

e. Defined benefit pension schemes
Details of the Company's defined benefit pension plans are set out at note 22. Given the potential volatility and long-term risks arising from the cost of funding these plans, the Committee undertook an exercise to appoint an independent firm of pension advisors to the Company in the year. After a thorough tendering process, LCP were appointed and are now working with the Company and the Trustees of the pension schemes to help manage the Company's costs going forward, while ensuring that the Company's obligations to scheme members are appropriately met.

The Committee received guidance from PwC that the valuation of the Company's defined benefit pension scheme liabilities continues to be based on reasonable assumptions and PwC does not have any significant observations to report around pensions.

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

Internal controls and risk management
Management has an ongoing process to identify, evaluate and manage the risks faced by the Group. Each business unit reports monthly on key risks identified and measures that are being taken to mitigate the risk. The Strategic Report includes further detail as to the business risks identified and actions being taken.

The Company has an established internal control framework, the key factors of which include a comprehensive monthly reporting process, regular business performance review, authorisation limits, monthly reconciliations and a comprehensive budgeting process. This was further enhanced in the year following the pandemic's onset, as set out elsewhere in this report. All significant capital expenditure is approved by the Board.

External audit and consultancy fees
The Committee has primary responsibility for making a recommendation to the Board on the appointment, reappointment and removal of the external auditors. The Committee considers a number of areas in discharging this responsibility, including the scope of the audit and terms of engagement, the auditors' performance in executing the audit, their independence and objectivity and their remuneration.

The external auditors report to the Committee on actions taken to comply with professional and regulatory requirements, including independence, and are required to rotate the lead audit partner every five years.

PwC provision of other non-audit services is restricted to tax compliance and advisory services for our operations in Ireland. To ensure auditor objectivity and independence, the Committee has adopted a policy on the engagement of external auditors for the provision of non-audit services, which include financial limits above which the Audit Committee must pre-approve. The policy is available on the website.

Any work by PwC where the fees are likely to be in excess of £10,000 above the agreed annual audit fees must be pre-approved by the Committee before the work commences. Details of fees paid to PwC during the year are disclosed in note 7 of the financial statements.

To help enhance the Company's controls over discretionary spending following the pandemic's onset, the Committee implemented a further policy in respect of consulting/professional fees generally. This requires management to prepare an annual budget of such fees, itemising all amounts of £10,000 and above with reasons, and to report spend against budget at each Committee meeting, with material variations needing prior Committee approval.

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 Committee has confirmed it is satisfied with the independence, objectivity and effectiveness of PwC. PwC has confirmed that it is not their intention to be part of the audit tendering process and will not be reappointed at the forthcoming Annual General Meeting.

Vijay Thakrar
Audit Committee Chairman
17 May 2021

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

Report on the audit of the financial statements

Opinion

In our opinion:

- Sanderson Design Group PLC's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 January 2021 and of the Group's and Company's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Consolidated and Company Balance Sheets as at 31 January 2021; the Consolidated Income Statement, the Consolidated and Company Statements of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- Following our assessment of the risks of material misstatement of the Group financial statements we identified specific sites, divisions and balances to audit. We performed audits of the complete financial information of Sanderson Design Group PLC, Brands divisions in the UK, Anstey manufacturing and Standfast manufacturing;
- In addition, the Group engagement team audited certain centralised activities, including those covering corporate taxation, goodwill and intangible asset impairment assessments; and
- The components on which audits of the complete financial information and centralised activities were performed accounted for 86% of Group revenue and 98% of profit before tax.

Key audit matters

- Adequacy of inventory provision (Group)
- Covid pandemic impact (Group and Company)
- Accounting for retirement benefit obligations (Group)

Materiality

- Overall group materiality: £937,000 (2020: £557,000) based on 1% (2020: 0.5%) of revenue.
- Overall company materiality: £465,000 (2020: £461,000) based on 0.5% of total assets.
- Performance materiality: £702,000 (Group) and £348,000 (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

Accounting for retirement benefit obligations is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

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

Key audit matter	How our audit addressed the key audit matter
Adequacy of inventory provision (Group) Refer to the Chief Financial Officer's review, the critical accounting estimates and judgements in note 3 and note 17 (Inventories). The Group has material inventory provisions on a material level of inventory. The provision is calculated based on a formula driven factor table including whether the inventory lines are classed as discontinued, the age of the inventory and sales history. There is an additional management judgement overlay in relation to the inventory provision based on specific factors.	We have understood and challenged the appropriateness of management's provisioning method and reviewed the consistency of application. We performed 'look back' testing on the prior year inventory provision to establish how accurate the provision was and considered historical sales to support management's conclusions. We agreed that the Group has consistently applied the provisioning methodology and that this has been accurately calculated. We performed testing to see if inventory was sold for less than it's carrying value during the year and after year end to determine if there was an issue with realisable value. This did not indicate any material understatement in the provision.
Covid pandemic impact (Group and Company) Refer to the Chief Executive Officer's Strategy and Operational Review, the Basis of preparation statement within note 1. The impact of Covid-19 on the Group has been significant with revenue reducing 15.9% to £93.8m. Management have taken several actions to mitigate this revenue reduction. Impacts and operational changes that have had a material impact on the audit are: – The timing of our year-end stock count verification at Standfast (which contributes £3.0m gross stock), had to be delayed as the site was closed to visitors at the time due to the pandemic, had to be rearranged. Management were able to perform their required year end procedures in January 2021, but our audit physical verification procedures could not be undertaken until 6 April 2021 and additional roll back testing was performed. – Applying for the UK Government's Coronavirus Job Retention Scheme (CJRS), including income of £2.7m as a reduction to payroll costs in the income statement. In addition, management have taken out a loan of £0.6m under the Paycheck Protection Program ('PPP') of the CARES Act. – In order to conclude that it is appropriate for the financial statements to be drawn up on a going concern basis and on the viability of the Group, management performed a detailed bottom-up analysis of the impact of Covid-19 for the Group's going concern assessment. This considered a base case scenario and stress tested scenarios, a 'severe but plausible' scenario, for trading performance and liquidity including possible mitigations. In doing so, management made estimates and judgements that are critical to the outcome of these considerations. – There was no significant impact on the systems or controls of the Group.	The Standfast inventory count could not be completed in the last week of January as originally planned with management due to the site being closed to visitors at that time. The count was rescheduled to a point that was considered appropriate, allowing for Covid-19 protocols to be adhered to. As the count we attended was undertaken on the 6 April 2021, there was a material level of stock movement in the intervening period, which required roll back testing to be performed. We obtained a reconciliation of the movements in inventory for the roll back period and performed substantive testing on a sample of the inventory received, dispatches made and the movement of inventory within the business (through production). All other inventory counts were completed in line with the planned timetable for the year-end. The Group received funds of £3.1m from the UK Government's Coronavirus Job Retention Scheme (CJRS) for the staff furloughed in the year. Repayments were made after the year end of £0.4m. To obtain an understanding of how management has calculated their claims, we obtained evidence of the processes involved in the submissions. The cash for all claims made during the year and subsequent repayments has been agreed to a bank statement. We confirm we agree with the disclosure of the net £2.7m furlough income disclosed in the financial year. We obtained the documentation for the Small Business Administration ('SBA') loan under the PPP to confirm the origination of the loan and the year-end accounting treatment. We verified the post year end waiver submission presented by management and considered the accounting, confirming it should continue to be disclosed as a loan at the year end. We assessed both the base case going concern model prepared by management, and the adjustments, which were used to sensitise the base case model for a 'severe but plausible' scenario. In addition, we considered the historical accuracy of the budgeting process to assess the reliability of the process. We discussed the underlying assumptions used in the model with management. This included consideration of trading performance during the UK lockdowns in the financial year and subsequent trading post lockdowns. We challenged these assumptions based on our understanding of the business. We reviewed management's analysis of the interest cover covenant condition and leverage cover covenant condition and satisfied ourselves that in the base case and the 'severe but plausible' scenario no breaches were forecast. Our conclusions relating to going concern are set out later in this report.

Key audit matter	How our audit addressed the key audit matter
Accounting for retirement benefit obligations (Group) Refer to the Chief Financial Officer's review, the critical accounting estimates and judgements in note 3 and note 22 (Retirement benefit obligation). The Group has a material retirement benefit obligation, the Walker Greenbank Pension Plan and the Abaris Holdings Limited Pension Scheme. The obligation is calculated based on estimates and assumptions related to life expectancy, discount and inflation rates, wages and salary changes, the rate of increase in pensions payments, the market value of equities bonds and other pension assets.	We understood and challenged the appropriateness of management's assumptions in calculating the liability and reviewed the consistency of these assumptions with the prior year. We confirmed the final assumptions applied are consistent and within a reasonable range. We performed testing of the assets, that are predominantly included in Pooled Investment Vehicles (PIVs). We obtained a control report in relation to the asset fund manager, direct confirmation of the assets held and performed price testing of the PIVs. This work did not indicate any material misstatement in the recognition of the retirement benefit obligation.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

We have performed full scope audits of all of the significant divisions within the Group. Following our assessment of the risks of material misstatement of the Group financial statements we performed audits of the complete financial information of Sanderson Design Group PLC Company, Brands, Anstey manufacturing and Standfast manufacturing. In addition, the Group engagement team audited certain centralised activities, including those covering corporate taxation, goodwill and intangible asset impairment assessments. The components on which audits of the complete financial information and centralised work were performed accounted for 86% of Group revenue and 98% of profit before tax.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Financial statements - Group	Financial statements - Company
Overall materiality	£937,000 (2020: £557,000).	£465,000 (2020: £461,000).
How we determined it	1% (2020: 0.5%) of revenue	0.5% of total assets
Rationale for benchmark applied	Based on the benchmarks used in the annual report, revenue is the most consistent measure used by the shareholders in assessing the performance of the Group, is a generally accepted auditing benchmark and given fluctuations in profit measures (both underlying and statutory) has been adopted in the current year.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £338,000 and £843,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £702,000 for the Group financial statements and £348,000 for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £46,850 (Group audit) (2020: £50,000) and £46,850 (Company audit) (2020: £50,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

– the procedures as described in our Covid pandemic impact key audit matter

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's and the 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.

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

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

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

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 January 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Directors' Remuneration
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities for the financial statements and the audit
Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.

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.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of health and safety legislation, employment legislation, data protection legislation and tax legislation and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or profits and management bias in significant accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions with management, at the Group and operating division level, including those outside of the finance function and the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation or fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management;
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements, in particular in relation to inventory provision (see related key audit matter).

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

David Beer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
10 June 2021

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 JANUARY 2021

	Note	**2021 Total £000**	2020 Total £000
Revenue	4,5(a)	**93,760**	111,453
Cost of sales		**(36,775)**	(43,324)
Gross profit		**56,985**	68,129
Net operating expenses:			
Distribution and selling expenses		**(19,129)**	(22,921)
Administration expenses		**(36,502)**	(45,788)
Net other income	6	**3,822**	5,358
Profit from operations	4–7	**5,176**	4,778
Finance income		**1**	3
Finance costs		**(162)**	(403)
Finance costs – net	8	**(161)**	(400)
Profit before tax		**5,015**	4,378
Tax expense	11	**(1,109)**	(655)
Profit for the year attributable to owners of the parent		**3,906**	3,723
Earnings per share – Basic	12	**5.50p**	5.24p
Earnings per share – Diluted	12	**5.38p**	5.20p
Adjusted earnings per share – Basic	12	**8.00p**	9.26p
Adjusted earnings per share – Diluted	12	**7.82p**	9.19p

All of the activities of the Group are continuing operations.

The notes on pages 69 to 97 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 JANUARY 2021

	Note	2021 £000	2020 £000
Profit for the year		**3,906**	3,723
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension schemes	22	**(1,565)**	2,727
Corporation tax credits recognised in equity		**–**	–
Increase/(reduction) of deferred tax asset relating to pension scheme liability		**297**	(558)
Total items that will not be reclassified to profit or loss		**(1,268)**	2,169
Items that may be reclassified subsequently to profit or loss			
Currency translation (losses)/gains		**(301)**	(156)
Total items that may be reclassified subsequently to profit or loss		**(301)**	(156)
Other comprehensive (expense)/income for the year, net of tax		**(1,569)**	2,013
Total comprehensive income for the year attributable to the owners of the parent		**2,337**	5,736

The notes on pages 69 to 97 form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 JANUARY 2021

	Note	**2021 £000**	2020 £000
Non-current assets			
Intangible assets	13	**28,325**	29,815
Property, plant and equipment	14	**12,061**	14,101
Right-of-use assets	15	**5,783**	8,392
		46,169	52,308
Current assets			
Inventories	17	**20,350**	28,456
Trade and other receivables	18	**18,328**	20,543
Cash and cash equivalents	19	**15,549**	3,055
		54,227	52,054
Total assets		**100,396**	104,362
Current liabilities			
Trade and other payables	20	**(20,472)**	(22,940)
Lease liabilities	15	**(2,676)**	(2,810)
Borrowings	21	**(412)**	(1,719)
		(23,560)	(27,469)
Net current assets		**30,667**	24,585
Non-current liabilities			
Lease liabilities	15	**(3,206)**	(5,603)
Deferred income tax liabilities	16	**(514)**	(802)
Retirement benefit obligation	22	**(5,637)**	(5,659)
		(9,357)	(12,064)
Total liabilities		**(32,917)**	(39,533)
Net assets		**67,479**	64,829
Equity			
Share capital	24	**710**	710
Share premium account		**18,682**	18,682
Foreign currency translation reserve		**(866)**	(565)
Retained earnings		**8,446**	5,495
Other reserves		**40,507**	40,507
Total equity		**67,479**	64,829

The financial statements on pages 69 to 97 were approved by the Board of Directors on 17 May 2021 and signed on its behalf by

Lisa Montague
Director

Michael Williamson
Director

Registered number: 61880

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 JANUARY 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Cash generated from operations	27	**18,222**	9,588
Interest paid		**(279)**	(564)
Corporation tax paid		**(23)**	(798)
Net cash generated from operating activities		**17,920**	8,226
Cash flows from investing activities			
Interest received		**1**	17
Purchase of intangible assets	13	**(245)**	(736)
Purchase of property, plant and equipment	14	**(830)**	(1,752)
Proceeds from disposal of property, plant and equipment		**75**	77
Net cash used in investing activities		**(999)**	(2,394)
Cash flows from financing activities			
Payment of lease liabilities		**(2,958)**	(2,735)
Proceeds from borrowings		**412**	–
Dividends paid to Company's shareholders		**–**	(2,179)
Net cash used in financing activities		**(2,546)**	(4,914)
Net increase in cash and cash equivalents		**14,375**	918
Cash and cash equivalents and bank overdraft at beginning of year		**1,336**	434
Effect of exchange rate fluctuations on cash held		**(162)**	(16)
Cash and cash equivalents and bank overdraft at end of year	28	**15,549**	1,336

The notes on pages 69 to 97 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 JANUARY 2021

	Attributable to owners of the parent						
				Other reserves			
	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
Balance at 1 February 2019	710	18,682	1,392	43,457	(2,950)	(409)	60,882
Profit for the year	–	–	3,723	–	–	–	3,723
Other comprehensive income/(expense):							
Remeasurements of defined benefit pension schemes (note 22)	–	–	2,727	–	–	–	2,727
Deferred tax relating to pension scheme liability	–	–	(558)	–	–	–	(558)
Currency translation differences	–	–	–	–	–	(156)	(156)
Total comprehensive income	–	–	5,892	–	–	(156)	5,736
Transactions with owners, recognised directly in equity:							
Dividends	–	–	(2,179)	–	–	–	(2,179)
Long-term incentive plan charge	–	–	390	–	–	–	390
Balance at 31 January 2020	710	18,682	5,495	43,457	(2,950)	(565)	64,829

	Attributable to owners of the parent						
				Other reserves			
	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
Balance at 1 February 2020	**710**	**18,682**	**5,495**	**43,457**	**(2,950)**	**(565)**	**64,829**
Profit for the year	–	–	3,906	–	–	–	3,906
Other comprehensive income/(expense):							
Remeasurements of defined benefit pension schemes (note 22)	–	–	(1,565)	–	–	–	(1,565)
Deferred tax relating to pension scheme liability	–	–	297	–	–	–	297
Currency translation differences	–	–	–	–	–	(301)	(301)
Total comprehensive income	**–**	**–**	**2,638**	**–**	**–**	**(301)**	**2,337**
Transactions with owners, recognised directly in equity:							
Dividends	–	–	–	–	–	–	–
Long-term incentive plan charge	–	–	294	–	–	–	294
Related tax movements on long-term incentive plan	–	–	19	–	–	–	19
Balance at 31 January 2021	**710**	**18,682**	**8,446**	**43,457**	**(2,950)**	**(866)**	**67,479**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies and general information
General information
Sanderson Design Group PLC (formerly Walker Greenbank PLC ('the Company')) and its subsidiaries (together 'the Group') is a luxury interior furnishing group whose brands include Sanderson, Morris & Co., Harlequin, Zoffany, Scion, Anthology and Clarke & Clarke. 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. Around one-third of the Brand's turnover 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 international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. 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.

The Group meets its day-to-day working capital requirements through its banking facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facilities as disclosed in note 21.

A key accounting judgement for the year ended 31 January 2021 is the adoption of the going concern basis of preparation. This is described further in note 3. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

Adoption of new and revised accounting standards and interpretations
On 31 December 2020 EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. The Consolidated Financial Statements will transition to UK-adopted international accounting standards for financial periods beginning 31 January 2021.

IFRS 3
An amendment to IFRS 3 'Business Combinations' relating to the definition of a business was endorsed by the EU in April 2020 with an effective date of 1 January 2020, which the Group has adopted from the effective date.

The change in definition of a business within IFRS 3 introduces an optional concentration test to perform a simplified assessment of whether an acquired set of activities and assets is or is not a business on a transaction by transaction basis. This change is expected to result in more consistency in accounting for substantially similar transactions that, under the previous definition, may have been accounted for in different ways despite limited differences in substance.

The change would not have resulted in a different accounting treatment for the prior year.

Basis of consolidation
The consolidated financial information incorporates the financial statements of the Company and all its subsidiary undertakings made up to 31 January each year. Subsidiaries are entities where the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The results of subsidiaries acquired or disposed of during the year are included in the Income Statement from the effective date on which control is transferred to or from the Group, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used by the Group.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control of the acquiree. Any acquisition costs are expensed as incurred. The identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill arising on acquisition is recognised as an asset in accordance with the policy described below.

All inter-company transactions and balances are eliminated on consolidation. Profits and losses resulting from inter-company transactions that are recognised in assets, such as inventory, are eliminated in full. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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.

In addition, a number of exposure drafts of new or amended standards and interpretations have been announced by the International Accounting Standards Board ('IASB'). Until final details of these exposure drafts have been concluded by the IASB the Group is not able to evaluate the potential impact on the Group of these pronouncements.

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 98 to 110).

Revenue
The Group derives its revenue principally from the following:
- Design, manufacture and 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.

Deposits received from customers in advance of the delivery of goods or services are recognised as deferred revenue. Amounts receivable from customers representing the recovery of expenses incurred by the Group for design and set-up costs, delivery and marketing materials are not considered to be revenue, and are credited to the relevant expense within the Income Statement. 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.

Fixed minimum guaranteed income amounts receivable under 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 performances obligation 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.

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 from the sale of marketing materials and additional services to support the sale of the Group's core products are classified within 'Net other income'.

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

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

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

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

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

On disposal of a subsidiary or cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

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

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

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

Intangible assets – *Brands*
Brands acquired, separately or as part of a business combination, are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied. Strategic brands are well-known international/local brands with a strong market position and an established brand name.

Strategic brands have a finite useful economic life and are carried at cost less accumulated amortisation. Brands are amortised on an individual straight-line basis over the estimated useful life of the brands, being 20 years.

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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

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

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, on a first-in, first-out basis, and direct labour, plus attributable production overheads based on a normal level of activity. Net realisable value is based on estimated selling prices less anticipated costs of disposal. Provision is made for any slow-moving and obsolete inventory.

Marketing materials
Marketing materials consist of patterning books and other saleable marketing assets used to support the sale of the Group's products. They are recognised at the lower of cost and net realisable value. Cost comprises direct materials plus costs of production.

Net realisable value is based on estimated recoveries from customers and distributors for those pattern books expected to be sold, less the anticipated cost of disposal.

As books are sold or otherwise utilised and are no longer within the control of the Group, their cost is charged to the Income Statement as an expense. An impairment allowance is made for any slow-moving and obsolete marketing materials including those expected to be given away free of charge. The Group's policy is to classify marketing materials on the Balance Sheet within trade and other receivables. Non-saleable marketing materials are expensed to the Income Statement once the collection that these marketing materials relate to has been launched. Any subsequent costs or development expenditure are expensed as incurred.

Trade and other receivables
Trade and other receivables are initially measured at fair value, which for trade receivables is equal to the consideration expected to be received from the satisfaction of performance obligations, plus any directly attributable transaction costs. Subsequent to initial recognition these assets are measured at amortised cost less any provision for impairment losses including expected credit losses. In accordance with IFRS 9 the Group applies the simplified approach to measuring 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 such as the ageing of the debt and the credit risk of the customers. An historical credit loss rate is then calculated for each group and then adjusted to reflect expectations about future credit losses. The Group does not have any significant contract assets.

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

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

- 'trade and other receivables' – 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 2021 or 31 January 2020 respectively and the corresponding historical credit losses experiences within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

  We use historical credit loss experience for trade receivables to estimate the lifetime expected credit losses as relevant. We apply specific fixed provision rates depending on the number of days that a receivable is past due. We group historical credit loss experience for different customer segments being customer rating and type of customer. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the Income Statement within distribution and selling expenses. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against distribution and selling expenses in the Income Statement.

- 'cash and cash equivalents' – these comprise deposits with an original maturity of three months or less with banks and financial institutions, bank balances, bank overdrafts with the right of offset and cash in hand.

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

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

Derivative financial instruments and hedge accounting – measurement basis
The Group's activities expose it to the financial risks of changes in exchange rates, and the Group uses forward exchange rate contracts and swap exchange rate contracts to manage these exposures where deemed appropriate. The use of derivative financial instruments is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of derivative financial instruments.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity.

The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement within 'Other operating income/(expense)'. Amounts accumulated in equity are released to the Income Statement when the hedged item affects the Income Statement, and are also classified in the Income Statement within 'Other operating income/(expense)'.

Derivatives that do not qualify for hedge accounting under IAS 39 'Financial Instruments: Recognition and Measurement' are classified as 'financial assets or liabilities at fair value through profit or loss'. They are initially recognised at fair value, with fair value being remeasured at each reporting date. The fair value of the derivative is based on market price of comparable instruments at the Balance Sheet date. Changes in fair value are included in the Income Statement within finance costs.

The Group has no embedded derivatives that are not closely related to the host instrument.

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 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 noncancellable period of the lease plus any periods for which the Group is 'reasonably certain' to exercise any extension options. If right-of-use assets are considered to be impaired, the carrying value is reduced accordingly.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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

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

Employee benefits – *retirement benefit obligations*
Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

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

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

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

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

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

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

Employee benefits – *share-based payments under Long-Term Incentive Plans ('LTIP')*
The Group issues equity-settled share-based payments to certain employees which must be measured at fair value and recognised as an expense in the Income Statement with a corresponding increase in equity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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, who are responsible for the allocation of resources and assessing performance of the operating segments.

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

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

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

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

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

To manage the foreign exchange risk arising on future transactions, it is the Group's policy to enter into forward currency contracts to hedge the exposure where deemed appropriate.

For the year ended 31 January 2021, the average sterling to US dollar translation rate applied by the Group was £1: US$1.31. If the rate had been £1: US$1.21 with all other variables held constant, profit before tax would have been higher by £199,000. If the rate had been £1: US$1.41 with all other variables held constant, profit before tax would have been lower by £171,000.

For the year ended 31 January 2021, the average sterling to Euro translation rate applied by the Group was £1: €1.09. If the rate had been £1: €0.99 with all other variables held constant, profit before tax would have been higher by £291,000. If the rate had been £1: €1.19 with all other variables held constant, profit before tax would have been lower by £242,000.

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

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

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

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

For the year ended 31 January 2021, had the benchmark interest rate levels been 0.5% higher/(lower) than the actual experience, with all other variables held constant, the profit before tax of the Group would have been (lower)/higher by £4,000 due to the change in interest rate expense on variable rate 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.

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.

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

During the year the Group had facilities with Barclays Bank plc which are disclosed in note 21.

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

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

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

The Group monitors capital on the basis of the average net debt to adjusted capital ratio (or 'gearing ratio'). The ratio is calculated as average net debt divided by adjusted capital. Average net debt is calculated as the total debt less cash and cash equivalents during the year. Adjusted capital comprises all components of equity (i.e. share capital, share premium, retained earnings, and other reserves) other than amounts recognised in equity relating to cash flow hedges and forward currency contracts. The average gearing ratios for 2021 and 2020 were as follows:

	Year ended 31 January	
	2021 £000	2020 £000
Average net (funds)/debt	**(3,728)**	3,790
Total equity	**67,479**	64,829
Average net (funds)/debt to adjusted capital ratio	**(5.5)%**	5.8%
Year end net (funds)/debt to adjusted capital ratio	**(22.4)%**	(1.9)%

The Group considers the average net debt to adjusted capital ratio to be appropriate at this time, but it will continue to consider its dividend policy as the external environment develops and will also to invest within the Group through capital expenditure and working capital.

f) Fair value estimation
The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the Balance Sheet date provided by relationship banks. Under the revisions to IFRS 7 these amounts are classified within Level 2 of the fair value hierarchy.

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

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.

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. Further disclosures relating to the estimates and assumptions applied, and carrying amounts of the non-financial assets, are set out in notes 13 and 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. Critical accounting estimates and judgements continued
The Group makes provision for impairment in the carrying amount of its inventories and marketing materials. The nature of the Group's products are exposed to changes in taste and attitudes from time to time, which can affect the demand for those products. The Group has skilled and experienced management who utilise historical sales information, and exercise their judgement, in making estimates about the extent of provisions necessary based on the realisable value of inventory and expected future benefit to the Group of marketing materials taking into account the estimated price and volume of future sales or usage, less the further costs of sale and holding costs. Further disclosures relating to the effect on the Income Statement of the establishment and reversal of such provisions against inventory are included in note 7. Details of the carrying amount of inventories are disclosed in note 17 and of marketing materials in note 18. The carrying values of the non-financial assets are not considered to be sensitive due to the nature of the assets.

c) Deferred tax recognition
The Group considers it appropriate to recognise at the Balance Sheet date deferred tax assets resulting from historical trading losses and other temporary differences including pension deficits and the impact of awards under the Long-Term Incentive Plan ('LTIP'). The amount of deferred tax recognised is based on estimates of the timing and amount of future taxable profits of companies within the Group, which in turn relies upon estimates of future operating profits and the occurrence, timing and tax treatment of significant items of income and expenditure including contributions to pension schemes and the vesting of LTIP payment awards. Further disclosures relating to the effect on the Income Statement of the recognition of deferred tax assets are included in note 11 and the amount of deferred tax liability recognised and other relevant disclosures are included in note 16. The Group considers the sensitivity on deferred tax recognition to be based on profits generated by the Group and tax rates substantively enacted. There has been no material impact on sensitivity in the current or previous financial year.

d) Going concern
A key accounting judgement for the year ended 31 January 2021 is the adoption of the going concern basis of preparation.

In the context of the current Covid-19 outbreak, 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, including the availability and maturity profile of the Group's financing facilities and covenant compliance. These financial statements have been prepared on the going concern basis which the directors consider appropriate for the reasons set out below.

The Group funds its operations through cash generated by the Group and has access to a £12.5m Revolving Credit Facility ("RCF") which is linked to two covenants. These covenants are tested quarterly at 30 April, 31 July, 31 October and 31 January each year until the debt matures in October 2024. The Group also agreed a temporary overdraft facility with Barclays at the start of the pandemic of £2.5m, to April 2021, giving total facilities of £15m until April 2021 and £12.5m thereafter. In addition, there is an uncommitted accordion facility of £5m. In June 2020, the Directors successfully negotiated a waiver of the Group's interest cover covenants to July 2021 and leverage covenant to April 2021 and replaced them with a liquidity covenant that requires the Group to maintain £5m headroom against the facilities between 1 November 2020 and 31 July 2021. Throughout the financial year and up to the date of this report the Company has met all required covenant tests and maintained headroom of well over £5m.

The total headroom of the Group at 31 January 2021 was £30.5m (2020: £13.8m), including cash and cash equivalents of £15.5m, the committed facility of £12.5m and the temporary overdraft facility of £2.5m.

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

There remain significant uncertainties concerning the future effects of Covid 19 in terms of variants, further restrictions and lockdowns. The actual results which will be reported will be undoubtedly different from the MBC and other scenarios modelled by the Company. In the event that there are significant negative variations from the MBC, management would act decisively, as they have done in the last year, to protect the business particularly its cash position. Having taken into account all of the comments above the Directors consider that the Group and the Company have 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.

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 Sanderson, Morris & Co., Harlequin, Zoffany, Anthology, Scion and Clarke & Clarke brands operated from the UK and its foreign subsidiaries in the US, France, Russia and Germany.
- Manufacturing – comprising the wallcovering and printed fabric manufacturing businesses operated by Anstey and Standfast respectively.

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

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

Year ended 31 January 2021	**Brands £000**	**Manufacturing £000**	**Eliminations and unallocated £000**	**Total £000**
UK revenue	**38,077**	**11,339**	**–**	**49,416**
International revenue	**34,549**	**6,111**	**–**	**40,660**
Licence revenue	**3,684**	**–**	**–**	**3,684**
Revenue – external	**76,310**	**17,450**	**–**	**93,760**
Revenue – internal	**–**	**10,911**	**(10,911)**	**–**
Total revenue	**76,310**	**28,361**	**(10,911)**	**93,760**
Profit/(loss) from operations	**7,494**	**1,664**	**(3,982)**	**5,176**
Net finance costs	**–**	**–**	**(161)**	**(161)**
Profit/(loss) before tax	**7,494**	**1,664**	**(4,143)**	**5,015**
Tax charge	**–**	**–**	**(1,109)**	**(1,109)**
Profit/(loss) for the year	**7,494**	**1,664**	**(5,252)**	**3,906**

Year ended 31 January 2020	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
UK revenue	44,945	14,443	–	59,388
International revenue	39,754	6,809	–	46,563
Licence revenue	5,502	–	–	5,502
Revenue – external	90,201	21,252	–	111,453
Revenue – internal	–	14,291	(14,291)	–
Total revenue	90,201	35,543	(14,291)	111,453
Profit/(loss) from operations	8,161	2,235	(5,618)	4,778
Net finance costs	–	–	(400)	(400)
Profit/(loss) before tax	8,161	2,235	(6,018)	4,378
Tax charge	–	–	(655)	(655)
Profit/(loss) for the year	8,161	2,235	(6,673)	3,723

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

Tax charges have not been allocated to a segment.

b) Additional segmental revenue information

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

Brands international revenue by export market:	**2021 £000**	2020 £000
North America	**12,521**	14,393
Northern Europe	**12,480**	13,039
Rest of the World	**9,548**	12,322
	34,549	39,754

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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:	2021 £000	2020 £000
Harlequin, incorporating Anthology and Scion	**18,439**	25,311
Sanderson, incorporating Morris & Co.	**24,220**	24,081
Zoffany	**7,827**	9,548
Clarke & Clarke, incorporating Studio G	**21,704**	25,333
Other brands	**436**	426
Licensing	**3,684**	5,502
	76,310	90,201

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

Manufacturing revenue analysis:	2021 £000	2020 £000
Standfast	**14,410**	17,061
Anstey	**13,951**	18,482
	28,361	35,543

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 2021	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Depreciation and impairments	**3,502**	**1,423**	**772**	**5,697**
Amortisation	**429**	**15**	**1,291**	**1,735**
Impairment losses – trade receivables	**381**	**8**	**938**	**1,327**
Reversal of impairment losses – trade receivables	**(390)**	**(30)**	**(854)**	**(1,274)**
Net impairment losses – inventory	**1,338**	**396**	**534**	**2,268**
LTIP payment charge	**–**	**–**	**345**	**345**

Year ended 31 January 2020	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Depreciation and impairments	3,572	1,414	645	5,631
Amortisation	707	11	1,016	1,734
Impairment losses – trade receivables	478	38	1,194	1,710
Reversal of impairment losses – trade receivables	(405)	(38)	(889)	(1,332)
Net impairment losses – inventory	2,353	87	–	2,440
LTIP payment charge	–	–	395	395

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 2021	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Assets	**49,636**	**17,443**	**33,317**	**100,396**
Liabilities	**(16,465)**	**(6,535)**	**(9,917)**	**(32,917)**
Total net assets	**33,171**	**10,908**	**23,400**	**67,479**
Capital expenditure – intangible assets	**227**	**–**	**18**	**245**
Capital expenditure – property, plant and equipment	**353**	**459**	**18**	**830**

Year ended 31 January 2020	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Assets	55,211	17,376	32,261	104,848
Liabilities	(19,735)	(6,693)	(13,591)	(40,019)
Total net assets	35,476	10,683	18,670	64,829
Capital expenditure – intangible assets	736	–	–	736
Capital expenditure – property, plant and equipment	1,261	639	38	1,938

e) Additional entity-wide disclosures

Revenue by geographical location of customers:	**2021 £000**	2020 £000
United Kingdom	**51,535**	62,947
Northern Europe	**14,329**	15,153
North America	**16,811**	18,627
Rest of the World	**11,085**	14,726
	93,760	111,453

No single customer of the Group accounts for 10% or more of total revenue.

Non-current assets by geographical territory:	**2021 £000**	2020 £000
United Kingdom	**44,736**	50,011
Northern Europe	**394**	427
North America	**1,039**	1,870
	46,169	52,308

Non-current assets included above comprise intangible assets, property, plant and equipment and right-of-use assets.

5. (a) Analysis of revenue by category

	2021 £000	2020 £000
Sale of goods	**90,076**	105,951
Licence royalty income	**3,684**	5,502
	93,760	111,453

5. (b) Analysis of expense by nature

	2021 £000	2020* £000
Changes in inventories of finished goods and work in progress	**7,816**	3,165
Raw materials and consumables used	**23,532**	34,651
Employee benefit expense	**26,911**	29,589
Government covid-19 employee related support	**(2,772)**	–
Depreciation and amortisation charges	**7,432**	6,349
Transportation expenses	**5,094**	3,758
Advertising costs	**1,920**	2,209
Other selling costs	**10,433**	11,536
Establishment costs	**3,400**	6,653
Operating lease payments	**117**	154
Repairs and maintenance	**920**	1,201
Other expenses	**7,603**	10,693
Total cost of sales, distribution and selling costs and administration expenses included within underlying results	**92,406**	109,958

* The total employee benefit expense reported for 2020 has been restated upwards by £1,564,000 as these costs were included elsewhere in the income statement. Other expenses have been restated downwards by the same amount.

6. Net Other Income

Net other income comprises consideration received from the sale of marketing materials and additional services of £3,822,000 (2020: £5,268,000), and business interruption reimbursements to cover loss of profits of £nil (2020: £54,000). In addition, there was non-underlying net other income of £nil (2020: £144,000 as per note 12(b)).

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7. Profit from operations

	2021 £000	2020 £000
Group profit from operations is stated after charging/(crediting):		
Depreciation and impairments of property, plant and equipment and right-of-use assets	**5,697**	5,631
Amortisation of intangibles	**719**	718
Amortisation of acquired intangibles	**1,016**	1,016
Cost of inventories recognised as expense in cost of sales	**27,941**	33,815
Net impairment of inventories	**2,268**	2,440
Impairment of trade receivables	**1,327**	1,710
Reversal of impairment of trade receivables	**(1,274)**	(1,332)
Government covid-19 employee related support	**(2,772)**	–
Net foreign exchange (gains)/losses	**(191)**	108
Losses/(gains) on sale of fixed assets	**72**	(9)
Rental expense:		
– Hire of motor vehicles and plant and machinery	**72**	46
– Land and buildings	**46**	108

	2021 £000	2020 £000
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	**78**	62
Fees payable to the Company's auditors for other services: Audit of the Company's subsidiaries pursuant to legislation	**197**	156
Other non-audit services	**–**	2
Compliance services	**–**	2
Taxation services	**–**	20
Payroll related services	**3**	11
	278	253

8. Finance costs

	2021 £000	2020 £000
Interest income:		
Interest received on bank deposits	**1**	3
Interest expense:		
Interest payable on bank borrowings	**(97)**	(255)
Amortisation of issue costs of bank loans	**(21)**	(50)
Unwind of discount on minimum guaranteed licensing income	**138**	147
Lease interest	**(182)**	(245)
Total finance costs	**(162)**	(403)
Net finance costs	**(161)**	(400)

9. Emoluments of Directors

Information on the remuneration of the Directors is included in the Directors' Remuneration Report set out on pages 53 to 56.

10. Employee Information

	2021 £000	2020* £000
Wages and salaries	**22,987**	25,234
Social security costs	**2,144**	2,550
Other pension costs	**1,435**	1,410
LTIP awards, including NIC thereon	**345**	395
Employee benefit expense	**26,911**	29,589

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

* The total employee benefit expense reported for 2020 has been restated upwards by £1,564,000 as these costs were included in the other expenses in income statement.

The average monthly number of employees (including Directors) during the year	2021	2020
Brands, including warehousing	**287**	324
Manufacturing	**272**	270
Overseas	**39**	42
Corporate and administration	**21**	24
	619	660

Compensation of key management personnel

	2021 £000	2020 £000
Short-term employee benefits (including short-term incentives)	**2,548**	3,384
Post-employment benefits (including pension costs)	**137**	168
LTIP awards	**339**	395
	3,024	3,947

The Group regards its key management personnel to be its Directors and senior management having authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly. LTIP awards reflect the charge in the Income Statement and do not reflect the market value of shares expected to vest.

11. Tax expense

	2021 £000	2020 £000
Current tax:		
– UK current tax	**1,018**	744
– UK adjustments in respect of prior years	**39**	557
– overseas, current tax	**24**	40
Corporation tax	**1,081**	1,341
Deferred tax:		
– current year	**7**	(26)
– adjustments in respect of prior years	**21**	(660)
– effect of changes in corporation tax rates	**–**	–
Deferred tax	**28**	(686)
Total tax charge for the year	**1,109**	655

Reconciliation of total tax charge for the year	2021 £000	2020 £000
Profit on ordinary activities before tax	**5,015**	4,378
Tax on profit on ordinary activities at 19% (2020: 19%)	**953**	832
Fixed asset differences	**(27)**	2
Non-deductible expenditure	**63**	119
Impact of rate difference between deferred and current tax	**–**	20
Income not subject to tax	**(2)**	–
Share based payment	**1**	75
Group income	**(11)**	–
Adjustments in respect of prior years	**39**	557
Adjustments in respect of prior years – deferred tax	**21**	(660)
Overseas tax suffered	**(33)**	(337)
Timing differences not recognised	**–**	(958)
Movement in deferred tax not recognised	**141**	916
Current tax – other	**32**	60
Effect of changes in corporation tax rates	**(68)**	29
Total tax charge for year	**1,109**	655

Factors affecting current and future tax charges

The March 2021 Budget announced that a rate of 25% will apply with effect from 1 April 2023, and this change was substantively enacted on 11 March 2021. This will increase the Group's future current tax charge accordingly and increase the deferred tax liability by £162,000.

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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.

	2021			2020		
	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	**3,906**	**70,980**	**5.50**	3,723	70,984	5.24
Effect of dilutive securities:						
Shares under LTIP		**1,652**			545	
Diluted earnings per share	**3,906**	**72,632**	**5.38**	3,723	71,529	5.20
Adjusted underlying basic and diluted earnings per share:						
Add back LTIP accounting charge	**345**			395		
Add back net defined benefit pension charge	**531**			593		
Non-underlying items (see below)	**1,187**			1,985		
Tax effect of non-underlying items and other add backs	**(287)**			(126)		
Adjusted underlying basic earnings per share	**5,682**	**70,980**	**8.00**	6,570	70,984	9.26
Adjusted underlying diluted earnings per share	**5,682**	**72,632**	**7.82**	6,570	71,529	9.19

Sanderson Design Group PLC's issued ordinary share capital with voting rights consists of 70,983,505 (2020: 70,983,505) ordinary shares of which no (2020: nil) ordinary shares are held in treasury and 50,000 (2020: nil) ordinary shares are held by the Walter Greenbank PLC EBT. Shares held in treasury or by the EBT are treated as cancelled when calculating EPS.

The market value of shares held by the EBT at 31 January 2021 was £56,000 (2020: £nil). The total number of shares held in the EBT at the year end represented 0.1% (2020: 0%) of the issued shares.

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) below.

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

	2021 £000	2020 £000
Statutory profit before tax	**5,015**	4,378
Amortisation of acquired intangible assets	**1,016**	1,016
Restructuring and reorganisation costs	**171**	1,059
Anstey net other income	**–**	(90)
Total non-underlying charge included in statutory profit before tax	**1,187**	1,985
Underlying profit before tax	**6,202**	6,363
LTIP accounting charge	**345**	395
Net defined benefit pension charge	**531**	593
Adjusted underlying profit before tax	**7,078**	7,351

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

(a) *Restructuring and reorganisation costs*
These relate to the reorganisation of the Group and comprise of the rationalisation of certain operational and support functions. The costs mainly comprise employee severance and professional fees associated with the reorganisation process of £171,000 (2020: £702,000); compensation for loss of office and associated costs to the former Chief Financial Officer of £nil (2020: £330,000) as well as a further £nil (2020: £27,000) in respect of property termination and asset impairment costs associated with the Clarke & Clarke Haslingden site exit.

(b) *Anstey fire-related net other income*
This comprises £nil (2020: £144,000) of proceeds arising from reimbursement of repair costs in respect of plant and equipment and related costs following a minor fire, less repair costs £nil (2020: £54,000).

(c) Amortisation of acquired intangible assets £1,016,000 (2020: £1,016,000).

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	Total £000
Cost							
1 February 2019	17,091	4,300	4,404	5,566	4,427	3,031	38,819
Additions	–	–	568	–	–	168	736
Disposals	–	–	(1,284)	–	–	–	(1,284)
31 January 2020	17,091	4,300	3,688	5,566	4,427	3,199	38,271
Additions	–	–	225	–	–	20	245
Reclassifications	–	–	(19)	–	–	19	–
Disposals	–	–	–	–	–	(19)	(19)
31 January 2021	17,091	4,300	3,894	5,566	4,427	3,219	38,497
Accumulated amortisation							
1 February 2019	841	–	2,732	650	1,724	2,056	8,003
Charge	–	–	417	278	738	301	1,734
Disposal	–	–	(1,281)	–	–	–	(1,281)
31 January 2020	841	–	1,868	928	2,462	2,357	8,456
Charge	–	–	418	278	738	301	1,735
Reclassifications	–	–	(15)	–	–	15	–
Disposal	–	–	–	–	–	(19)	(19)
31 January 2021	841	–	2,271	1,206	3,200	2,654	10,172
Net book amount							
31 January 2021	**16,250**	**4,300**	**1,623**	**4,360**	**1,227**	**565**	**28,325**
31 January 2020	16,250	4,300	1,820	4,638	1,965	842	29,815
31 January 2019	16,250	4,300	1,672	4,916	2,703	975	30,816

(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 £1,735,000 (2020: £1,734,000) is split between administration expenses £739,000 (2020: £707,000), distribution and selling costs £nil (2020: £11,000) and £1,016,000 (2020: £1,016,000) in non-underlying items. The amount included in non-underlying items relates to the amortisation of acquired intangible assets.

Impairment tests for Goodwill and Arthur Sanderson and William Morris Archive
Within the total carrying value of goodwill at year end of £16,250,000 (2020: £16,250,000), £15,691,000 (2020: £15,691,000) is attributable to the Brands segment and £559,000 (2020: £559,000) to the Manufacturing segment.

The carrying value of the Archive at the year end of £4,300,000 (2020: £4,300,000) is attributable to the Brands segment.

The Group tests goodwill and the Archive for impairment annually or more frequently if there are indications that they might be impaired. There was no impairment charge recognised in the year (2020: £nil).

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

The Group estimates the VIU using a discounted cash flow model ('DCF'), where the projected cash flows for separate or collective groups of CGUs are discounted using a pre-tax rate of 10.1% (2020: 9.4%). The discount rate used is the same across all segments.

The Group has used formally approved budgets for the first two years (2020: 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% (2020: 1% to 2%) depending upon the CGU being tested.

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

The recoverable amount of the Archive intangible asset is estimated based on VIU, and comprises estimated future cash flows from royalty income relating to the Archive. A discount rate of 10.1% (2020: 9.4%) is applied.

The Group does not consider it reasonably possible that any significant changes to the key assumptions will arise that would result in impairment of either goodwill or the Archive as at 31 January 2021.

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14. Property, plant and equipment

	Freehold land and buildings £000	Leasehold improvements £000	Plant, equipment and vehicles £000	Computer hardware £000	Total £000
Cost					
1 February 2019	6,030	557	35,791	2,342	44,720
Additions	92	–	1,517	71	1,680
Disposals	(63)	–	(2,486)	(100)	(2,649)
Currency movements	–	–	(18)	(1)	(19)
31 January 2020	6,059	557	34,804	2,312	43,732
Additions	9	–	793	28	830
Disposals	–	–	(1,598)	(141)	(1,739)
Reclassifications	(15)	15	(34)	34	–
Currency movements	(8)	–	(23)	(1)	(32)
31 January 2021	**6,045**	**572**	**33,942**	**2,232**	**42,791**
Accumulated depreciation and impairment					
1 February 2019	2,096	78	25,340	1,979	29,493
Charge	125	–	2,454	192	2,771
Impairments	–	–	–	–	–
Disposals	(48)	–	(2,475)	(100)	(2,623)
Currency movements	–	–	(9)	(1)	(10)
31 January 2020	2,173	78	25,310	2,070	29,631
Charge	109	112	2,367	129	2,717
Impairments	–	–	–	–	–
Disposals	–	–	(1,457)	(141)	(1,598)
Reclassifications	35	125	(194)	34	–
Currency movements	(1)	–	(18)	(1)	(20)
31 January 2021	**2,316**	**315**	**26,008**	**2,091**	**30,730**
Net book amount					
31 January 2021	**3,729**	**257**	**7,934**	**141**	**12,061**
31 January 2020	3,886	479	9,494	242	14,101
31 January 2019	3,934	479	10,451	363	15,227

The total depreciation expense of £2,717,000 (2020: £2,771,000) has been allocated to the following categories: administration expenses £2,666,000 (2020: £2,720,000) and distribution and selling costs £51,000 (2020: £51,000).

The net book amount of freehold land and buildings comprises:	**2021 £000**	2020 £000
Freehold land	**450**	450
Freehold buildings	**3,279**	3,436
Net book amount	**3,729**	3,886

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

All of the Group's banking facilities remain secured by a fixed and floating charge over the carrying value of assets (land and buildings) of £3,729,000 (2020: £3,886,000).

15. Leases

As a lessee

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

Amounts recognised in the balance sheet

	2021 £000	2020 £000
Right-of-use assets		
Leasehold properties	**5,036**	7,083
Plant, equipment and vehicles	**747**	1,309
	5,783	8,392

Additions to right-of-use assets during 2021 were £427,000 (2020: 1,693,000). Depreciation of right-of-use assets during 2021 was £2,980,000 (2020: £2,860,000).

	2021 £000	2020 £000
Lease liabilities		
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**2,719**	2,949
One to five years	**3,544**	5,643
More than five years	**40**	85
Total undiscounted cash flows	**6,303**	8,677
Current	**2,676**	2,810
Non-current	**3,206**	5,603
Total lease liabilities	**5,882**	8,413

16. Deferred income tax

A net deferred tax liability of £514,000 (2020: £802,000) is recognised in respect of future deductions for LTIP payments and other temporary differences.

	2021 £000	2020 £000
Taxable temporary differences on property, plant and equipment	**(647)**	(677)
Taxable temporary differences on intangible assets	**(1,060)**	(1,121)
Taxable temporary differences on share based payments	**83**	–
Other temporary differences	**39**	14
	(1,585)	(1,784)
Retirement benefit obligations	**1,071**	982
	(514)	(802)

A deferred tax charge of £297,000 (2020: tax charge £558,000) arising on retirement benefit obligations has been recognised within the Statement of Comprehensive Income.

At 31 January 2021 the Group had gross unused UK tax losses of £3,225,000 (2020: £3,225,000) available for offset against future profits. Potential deferred tax assets at 31 January 2021 of £622,000 (2020: £557,000) relating to UK tax losses and deductible temporary differences have not been recognised as it is not considered probable that recovery of the potential deferred tax asset will arise under existing tax legislation. These are summarised in the table below and comprise the following:

- No deferred tax has been recognised on £3,225,000 (2020: £3,225,000) of gross UK losses as these are not readily available for offset against the Group's future profits under existing tax legislation and therefore the realisation of these losses is not considered probable.
- Other deductible temporary differences which predominantly arise on LTIP payment reserves.

	2021 £000	2020* £000
Unutilised tax losses – UK	**613**	548
Unutilised tax losses – overseas	**–**	473
Other deductible temporary differences – UK	**9**	9
	622	1,030

* The unutilised tax losses disclosed in the 2020 results had been largely utilised in prior years.

There are also unutilised capital tax losses at 31 January 2021 of £4,881,000 (2020: £4,881,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised.

Movements on the deferred income tax account are as follows:

Net deferred tax liability	2021 £000	2020 £000
At 1 February	**(802)**	(970)
Income Statement (charge)/credit	**(28)**	686
Tax credit/(charge) relating to components of other comprehensive income	**297**	(558)
Tax credited directly to equity	**19**	40
At 31 January	**(514)**	(802)

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17. Inventories

	2021 £000	2020 £000
Raw materials	**3,035**	3,324
Work in progress	**1,628**	2,081
Finished goods	**15,687**	23,051
	20,350	28,456

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 £9,682,000 (2020: £8,205,000).

The cost of inventories recognised as an expense and included in cost of sales amounted to £27,941,000 (2020: £33,815,000).

18. Trade and other receivables

Current	2021 £000	2020 £000
Trade receivables	**12,632**	14,171
Less: provision for impairment of trade receivables	**(903)**	(1,025)
Net trade receivables	**11,729**	13,146
Other taxes and social security	**1,346**	1,071
Minimum guaranteed licensing income	**2,442**	1,954
Other receivables	**268**	381
Marketing materials	**581**	1,184
Prepayments	**1,962**	2,807
	18,328	20,543

There is no material difference between the carrying amount and the fair value of the trade and other receivables. The only impaired assets are within trade receivables, minimum guaranteed licensing income and marketing materials.

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

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

On this basis, the total loss allowance for trade receivables as at 31 January 2021 is determined as follows:

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

Under IFRS 9, the Directors believe that in the current economic environment there is objective evidence of credit deterioration and an impairment of £451,000 (2020: £430,000) is required, representing a collective assessment of risk against receivables that are yet to be specifically identified. Due to the nature of the Group's products, there is a limited amount of inventory left in the possession of customers that could act as collateral under terms of trade. As the value of this inventory is immaterial, it has not been disclosed in the financial statements.

Credit quality of financial assets

(i) Not past due

Included in the Group's trade receivable balances are receivables with a carrying value of £10,611,000 (2020: £10,630,000) which are not past due. Under the expected credit loss model a provision is held for the lifetime credit loss on these balances of £451,000 (2020: £460,000). 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 £1,475,000 (2020: £3,031,000) 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 £126,000 (2020: £361,000).

(iii) Past due – individually impaired

As at 31 January 2021, trade receivables of £546,000 (2020: £510,000) were individually determined to be impaired and provided for. The amount of the provision was £326,000 (2020: £204,000). The main factor used to assess the impairment of trade receivables is the circumstances of the individual customer.

The Group considers that any exposure to concentrations of credit risk will be impacted principally by underlying economic conditions in the principal geographical territories in which the Group operates. As at the Balance Sheet date the carrying value of trade receivables by geographical territory of the customer was:

	2021 £000	2020 £000
United Kingdom	**6,208**	7,507
Northern Europe	**2,338**	2,029
USA	**1,954**	1,934
Rest of the World	**1,229**	1,676
	11,729	13,146

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

	2021 £000	2020 £000
Sterling	**10,269**	11,747
US dollars	**1,530**	1,450
Euros	**2,049**	2,016
Other	**591**	268
	14,439	15,481

The closing loss allowances for trade receivables as at 31 January 2021 reconcile to the opening loss allowances as follows:

	Lifetime ECL £000	**Credit Impaired £000**	**2021 £000**	2020 £000
At 1 February	**(430)**	**(595)**	**(1,025)**	(888)
Increase in allowance recognised in income statement	**(938)**	**(389)**	**(1,327)**	(1,710)
Receivables written off in the year as uncollectible	**–**	**175**	**175**	241
Unused amounts reversed	**854**	**420**	**1,274**	1,332
At 31 January	**(514)**	**(389)**	**(903)**	(1,025)

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

19. Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	**15,549**	3,055

There is a set-off arrangement for bank accounts held with the UK clearing bank, and accordingly the amounts stated as bank overdraft in note 23 represent the net of accounts in funds and in overdraft.

20. Trade and other payables

	2021 £000	2020 £000
Trade payables	**8,773**	14,296
Corporation tax payable	**1,208**	150
Other taxes and social security	**3,045**	1,918
Other payables and deferred revenue	**2,267**	–
Accruals	**5,179**	6,576
	20,472	22,940

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21. Borrowings

	2021 £000	2020 £000
Bank overdraft	–	1,719
Bank loans	412	–
Total borrowings	**412**	1,719

In October 2019, the Group renewed its committed £12,500,000 multi-currency revolving credit facility with Barclays Bank plc for a further five year period. The agreement also includes a £5,000,000 uncommitted accordion facility option to further increase available credit which provides substantial headroom for future growth. The bank arrangement fee of £106,250 is amortised over the life of the loan. During the year the Group agreed a temporary overdraft facility of £2,500,000 which expired in April 2021, to complement the headroom in our existing £12,500,000 revolving committed credit facility. The total facilities from Barclays Bank plc in the year ended 31 January 2021 comprised the revolving credit facility and overdraft facility secured on the Group's freehold property which may be drawn down in either sterling or euro.

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

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

Excluding the temporary bank overdraft facility between April 2020 and April 2021 the total Barclays Bank plc facilities are capped at £17,500,000 (2020: £17,500,000); the utilisation of the facilities at 31 January 2021 was £nil (2019: £1,719,000). The revolving credit facility bears interest at a variable rate based on a margin above LIBOR (for sterling loans) or the EURIBOR (for euro loans).

On 7 May 2020 the Group entered into a loan contract with Wells Fargo for US$565,818 under the US Paycheck Protection Payment scheme. No repayments have been made in relation to this loan. In April 2021 the Group applied for forgiveness of the loan in accordance with the US government Small Business Administration guidance. In the event that forgiveness is not granted, it is the Group's intention to repay the loan before 31 January 2022 and it has therefore been treated as repayable within 1 year.

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

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

The following table analyses the Group's financial liabilities 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 2021	**Less than 1 year £000**	**Between 1 to 2 years £000**	**Between 2 to 5 years £000**	**Over 5 years £000**
Borrowings	**412**	–	–	–
Trade and other payables	**20,472**	–	–	–
	20,884	–	–	–

31 January 2020	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Borrowings	1,719	–	–	–
Trade and other payables	22,940	–	–	–
	24,659	–	–	–

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2021 £000	2020 £000
Sterling	–	1,719
US Dollars	**412**	–

22. Retirement benefit obligation

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 £389,000 (2020: £464,000). There are no outstanding or prepaid contributions at 31 January 2021 (2020: 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 2021 are expected to be £2,278,000.

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 2021, based on membership data at 5 April 2018, updated to take account of benefit outgoings since 5 April 2018, using actuarial assumptions at 31 January 2021. The major assumptions used by the actuary were (in nominal terms) as follows:

	2021	2020
Discount rate	**1.35%**	1.70%
Inflation assumption (RPI)	**2.90%**	2.90%
Inflation assumption (CPI)	**2.10%**	1.90%
Rate of increase in salaries	**2.90%**	2.90%
Rate of increase to pensions in payment, that increase in line with RPI subject to a maximum of 5% p.a.	**2.80%**	2.80%
Rate of increase to pensions (in excess of GMP) in deferment	**2.10%**	1.90%

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

	2021	2020
Non-pensioner male currently 45	**22.8**	22.8
Pensioner male currently 65	**21.8**	21.8
Non-pensioner female currently 45	**25.3**	25.3
Pensioner female currently 65	**24.1**	24.0

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:

	2021 £000	2020 £000
Equities, absolute return and property	**29,505**	27,060
Gilts	**6,006**	6,354
Fixed interest bonds	**15,289**	19,470
Liability driven investments	**22,474**	21,375
Insured annuities	**690**	775
Cash and cash equivalents	**5,325**	3,074
Fair value of scheme assets	**79,289**	78,108

All assets are invested in the UK. 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 gain of £2,948,000 (2020: gain of £13,208,000).

	2021 £000	2020 £000
Present value of funded obligations	**(84,926)**	(83,767)
Fair value of scheme assets	**79,289**	78,108
Deficit in funded scheme	**(5,637)**	(5,659)
Net liability in Balance Sheet	**(5,637)**	(5,659)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

22. Retirement benefit obligation continued

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

	2021 £000	2020 £000
Benefit obligation at beginning of year	**83,767**	76,505
Interest cost	**1,395**	1,870
Remeasurement losses – changes in financial assumptions	**5,266**	8,996
Remeasurement (gains) – changes in demographic assumptions	**(1,347)**	(521)
Remeasurement (gains)/losses– experience	**(719)**	359
Benefits paid	**(3,436)**	(3,442)
Past service cost	**–**	–
Benefit obligation at end of year	**84,926**	83,767

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

	2021 £000	2020 £ 000
Fair value of plan assets at beginning of year	**78,108**	66,842
Interest income on scheme assets	**1,313**	1,647
Return on assets, excluding interest income	**1,635**	11,561
Contributions by employers	**2,118**	1,870
Benefits paid	**(3,436)**	(3,442)
Scheme administrative cost	**(449)**	(370)
Fair value of scheme assets at end of year	**79,289**	78,108

Analysis of amounts charged against profits

Amounts recognised in the income statement in respect of defined benefit retirement plans are as follows

	2021 £000	2020 £000
Expected return on pension scheme assets	**1,313**	1,647
Interest on pension scheme liabilities	**(1,395)**	(1,870)
Scheme expenses met by the Group	**(449)**	(370)
Net charge	**(531)**	(593)

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

	2021 £000	2020 £000
Net remeasurement – financial	**5,266**	(8,996)
Net remeasurement – demographic	**(1,347)**	521
Net remeasurement – experience	**(719)**	(359)
Return on assets, excluding interest income	**(1,635)**	11,561
Total remeasurements of the net defined benefit liability	**1,565**	2,727

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 2021 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 2021 (£m)		Impact on scheme liabilities 2020 (£m)	
	Change in assumption	**Increase**	**Decrease**	Increase	Decrease
Discount rate	0.25% movement	**(3.4)**	**3.6**	(3.4)	3.6
Rate of inflation (RPI)*	0.25% movement	**1.5**	**(1.5)**	1.5	(1.5)
Rate of inflation (CPI)*	0.25% movement	**0.6**	**(0.6)**	0.7	(0.7)
Assumed life expectancy	1 year movement	**4.8**	**(4.8)**	4.4	(4.4)
Estimated impact of Covid-19 on life expectancy**		**N/A**	**(1.9)**	N/A	N/A

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

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

** The Group with its advisors 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 2021. Given the continuing uncertainties around Covid-19, the Group has not made any adjustment to the reported deficit for the effect of the pandemic.

Risk exposure
Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:
- Asset volatility
  The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.
- Changes in bond yields
  A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
- Inflation risks
  Some of the Group's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's 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 2021	Amortised cost £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
Assets as per Balance Sheet				
Trade and other receivables	**14,439**	–	–	**14,439**
Cash and cash equivalents	**15,549**	–	–	**15,549**
Total	**29,988**	–	–	**29,988**

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

31 January 2020	Amortised cost £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
Assets as per Balance Sheet				
Trade and other receivables	15,481	–	–	15,481
Cash and cash equivalents	3,055	–	–	3,055
Total	18,536	–	–	18,536

31 January 2020	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
Liabilities as per Balance Sheet				
Borrowings	–	1,719	–	1,719
Lease liabilities	–	8,413	–	8,413
Trade and other payables	–	22,940	–	22,940
Total	–	33,072	–	33,072

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. Financial instruments continued
Offsetting of financial assets and liabilities
The following financial assets/(liabilities) are subject to offsetting, enforceable master netting arrangements and similar arrangements.

31 January 2021	Gross amounts of recognised financial assets/(liabilities) £000	Gross amounts of recognised financial assets set off in the Balance Sheet £000	Net amounts of financial assets/(liabilities) included in the Balance Sheet £000
Cash and cash equivalents	**15,549**	**–**	**15,549**
Bank overdraft	**–**	**–**	**–**

31 January 2020	Gross amounts of recognised financial assets/(liabilities) £000	Gross amounts of recognised financial assets set off in the Balance Sheet £000	Net amounts of financial assets/(liabilities) included in the Balance Sheet £000
Cash and cash equivalents	6,000	(6,000)	–
Bank overdraft	(7,000)	6,000	(1,000)

For the financial assets and liabilities, subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for the net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

24. Share capital

Ordinary shares of 1p each:	Number of shares	£
Allotted and fully paid:		
31 January 2021, 31 January 2020 and 1 February 2019	70,983,505	709,835

Sanderson Design Group PLC's issued ordinary share capital with voting rights consists of 70,983,505 (2020: 70,983,505) ordinary shares of which no (2020: nil) ordinary shares are held in treasury and 50,000 (2020: nil) ordinary shares are held by the Walter Greenbank Plc EBT. Shares held in treasury or by the EBT are treated as cancelled when calculating EPS.

The market value of shares held by the EBT at 31 January 2021 was £56,000 (2020: £nil). The total number of shares held in the EBT at the year end represented 0.1% (2020: 0%) of the issued shares.

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

Long Term Incentive Plans ('LTIPs')
The Group operates an LTIP. There have been 13 awards under this plan, and its predecessor, in which Executive Directors and senior management of the Group participate. The first award vested during 2009, the second vested during 2011, the third, fourth, fifth, sixth, seventh, eighth, ninth, tenth and eleventh vesting in subsequent years. The LTIP has previously been approved by the shareholders at an Annual General Meeting.

Awards under the scheme are granted in the form of nil-priced share options, and are to be satisfied either using market-purchased shares or by the issuing of new shares. The awards vest in full or in part dependent on the satisfaction of specified performance targets at the end of the vesting period applying to each award. The number of awards that vest is dependent upon the performance underpinned at the date of grant. Award 12 criteria is based on revenue, adjusted profit before tax ('PBT'), the adjusted earnings before interest and tax ('EBIT'), free cash flow achieved for the relevant measurement period, and the Group's Total Shareholder Return ('TSR') during the vesting period within a comparator group. Award Thirteen criteria is based on revenue, adjusted profit before tax ('PBT'), the adjusted earnings before interest and tax ('EBIT'), free cash flow achieved for the relevant measurement period and continuous improvement in sustainability based on a reduction in carbon footprint and contribution to the UN Sustainable Development Goals.

Details are set out below:

	Award Twelve	Award Twelve	Award Twelve	Award Twelve	Award Thirteen	Award Thirteen	Award Thirteen
Grant date of awards	21 Nov 2019	21 Nov 2019	21 Nov 2019	21 Nov 2019	11 Nov 2020	11 Nov 2020	11 Nov 2020
Grant date fair value of award (pence per award)	42.5	70.0	70.0	70.0	See below	See below	See below
Vesting date of awards	20 Nov 2022	20 Nov 2022	20 Nov 2022	20 Nov 2022	See below	See below	See below
Maximum number of awards	404,638	404,638	404,638	404,638	344,361	344,361	344,361
Vesting condition based on	TSR with PBT floor	EPS	Revenue	Free cash flow	EBIT	Free cash flow	Sustainability Improvement
Relevant date for determination of vesting conditions	TSR as at 20 Nov 2022 PBT for year ending 31 Jan 2022	EPS for year ending 31 Jan 2022	Revenue for year ending 31 Jan 2022	Free cash flow for year ending 31 Jan 2022	EBIT for the year ending 31 Jan 2023	Free cash flow for year ending 31 Jan 2023	Sustainability improvement for year ending 31 Jan 2023

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.

Further details of vesting conditions are set out in the Directors' Remuneration Report on pages 53 to 56.

Award Eleven completed during the year ended 31 January 2021 with no awards being paid as neither of the specified performance targets were satisfied at the end of vesting period.

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

The expense recognised in the Income Statement for share options granted to employees is disclosed in note 10.

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

	2021 Number	2020 Number
At 1 February	**1,587,588**	1,041,976
Granted	**1,033,084**	1,618,541
Exercised	**–**	–
Forfeiture	**(72,989)**	(449,816)
Lapsed	**(347,461)**	(623,113)
At 31 January	**2,200,222**	1,587,588

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 2021 and 2020	**43,457**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

26. Dividends

During the year to 31 January 2021, the Group has not paid any dividends. In the prior year the Group paid a final dividend of 2.55p (£1,810,079) for the financial year ended 31 January 2019 and an interim dividend of 0.52p (£369,000) for the year to 31 January 2020.

During 2020, in light of the Covid-19 pandemic, the Board did not propose payment of a final dividend for the year ended 31 January 2020 or an interim dividend for the year ended 31 January 2021. The Board do not propose a final dividend for the year ended 31 January 2021, due to the ongoing Covid-19 pandemic.

The Board intends to reinstate dividends for the year ending 31 January 2022, depending on how the trading environment develops, particularly with regard to the impact of the ongoing pandemic globally.

27. Cash generated from operations

	2021 £000	2020 £000
Profit before tax	**5,015**	4,378
Defined benefit pension charge	**531**	593
Net finance costs	**161**	400
Depreciation and impairment of property, plant and equipment and right-of-use assets	**5,697**	5,631
Amortisation	**1,735**	1,734
Loss/(gain) on disposal of fixed assets	**72**	(51)
Insurance reimbursements	**–**	(144)
Charge/(credit) for LTIP recognised in equity	**294**	390
Unrealised foreign exchange (losses) included in operating profit	**(52)**	(112)
Defined benefit pension cash contributions	**(2,118)**	(1,870)
Cash generated from operating activities pre insurance proceeds	**11,335**	10,949
Insurance proceeds relating to operating activities	**–**	144
Cash generated from operating activities post insurance proceeds	**11,335**	11,093
Changes in working capital:		
(Increase)/decrease in inventories	**8,106**	(436)
(Increase)/decrease in trade and other receivables	**2,310**	(1,957)
Increase/(decrease) in trade and other payables	**(3,529)**	888
Cash generated from operations	**18,222**	9,588

28. Analysis of net funds/(debt)

	1 February 2020 £000	Cash flow £000	Other non-cash changes £000	**31 January 2021 £000**
Cash and cash equivalents	3,055	12,656	(162)	**15,549**
Bank overdraft	(1,719)	1,818	(99)	**–**
Cash and cash equivalents and bank overdraft	1,336	14,474	(261)	**15,549**
Short term loan	–	(412)	–	**(412)**
Finance lease liabilities	(8,413)	2,958	(427)	**(5,882)**
Net (debt)/funds	(7,077)	17,020	(688)	**9,255**

Other non-cash changes are exchange gains/(losses) from the retranslation of bank balances held in non-sterling bank accounts and new additions to right of use assets. The non-cash change to the bank overdraft reflects the prepaid 5 year facility fee.

The Group took a loan under the US Paycheck Protection Plan on 7 May 2020, under a scheme for businesses affected by the US lockdown.
No repayments have been made in relation to this loan and it has been treated as repayable within 1 year (Sterling equivalent at 31 January 2021 £412,000).

29. Commitments

a) Capital commitments

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

	2021 £000	2020 £000
Property, plant and equipment	**711**	–

b) Lease commitments

The Group previously categorised the majority of its leases as operating leases. As of 1 February 2019 the Group has adopted IFRS 16 and recognised right-of-use assets and lease liabilities for operating leases, except for short-term (12 months or less) and low-value (<£3,000) leases. There were no short term or low value lease commitments due under non-cancellable operating leases during financial year ended 31 January 2021 (2020: £nil).

30. 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 2015 Limited	UK	Chalfont House, Oxford Road, Denham, UB9 4DX
Globaltex Limited, trading as Clarke & Clarke*	UK	Chalfont House, Oxford Road, Denham, UB9 4DX
Sanderson Design Group Inc*	US	800 Huyler Street, Teterboro, New Jersey, 07608
Sanderson Design Group Brands SARL*	France	19 Rue de Mail, Paris, 75002
Sanderson Design Group Brands Gmbh*	Germany	Thurn-und-Taxis Platz 6 60313, Frankfurt am Maine, Germany
Style Library (Rus) LLC*	Russia	Room 46, Floor 8, Building 1, 16A Leningradskoe shosse, Moscow 125171, The Russian Federation

Investments in Group companies are ordinary shares.

* Shares held by subsidiary company.

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

During the year the Group changed the names of the following companies listed above:
Sanderson Design Group Brands Limited (formerly Abaris Holdings Limited)
Sanderson Design Group Inc (formerly Walker Greenbank Inc)

The name changes of Sanderson Design Group Brands SARL (formerly Arthur Sanderson & Sons SARL) and Sanderson Design Group Brands Gmbh (formerly Style Library Gmbh) took place after 31 January 2021.

In order to simplify the Group structure, on 29 November 2020 the business and assets of Globaltex Limited were transferred to Sanderson Design Group Brands Limited.

For a full list of subsidiary companies refer to note 7 to the financial statements of the Company as an entity (pages 106 to 107).

COMPANY STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 JANUARY 2021

	2021 £000	2020 £000
Profit for the year*	**630**	238
Total comprehensive income for the year	**630**	238

* See note 19 for explanation of adjustment for the year ended 31 January 2020.

The notes on pages 101 to 110 form an integral part of these financial statements.

COMPANY BALANCE SHEET

AS AT 31 JANUARY 2021

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	5	**4**	6
Right-of-use assets	6	**1,371**	1,649
Investments	7	**80,441**	80,441
		81,816	82,096
Current assets			
Trade and other receivables	8	**3,356**	1,638
Cash and cash equivalents	9	**7,791**	–
Deferred income tax asset	10	**113**	–
		11,260	1,638
Creditors: amounts falling due within one year*	11	**(23,624)**	(14,740)
Net current liabilities		**(12,364)**	(13,102)
Total assets less current liabilities		**69,452**	68,994
Creditors: amounts falling due after one year	6	**(758)**	(1,243)
Net assets		**68,694**	67,751
Capital and reserves			
Called-up share capital	14	**710**	710
Share premium account		**18,682**	18,682
Retained earnings*		**7,414**	6,471
Capital redemption reserve	15	**41,888**	41,888
Total shareholders' funds		**68,694**	67,751

* See note 19 for explanation of adjustment for the year ended 31 January 2020.

A profit of £630,000 (2020: £238,000*) has been included within these financial statements.

The financial statements on pages 98 to 110 were approved by the Board of Directors on 17 May 2021 and signed on its behalf by

Lisa Montague
Director

Michael Williamson
Director

Registered number: 61880

COMPANY STATEMENT OF CHANGES IN EQUITY

AS AT 31 JANUARY 2021

	Called-up share capital £000	Share premium account £000	Retained earnings £000	Capital redemption reserve (note 15) £000	Total shareholders' funds £000
Balance at 1 February 2019	**710**	**18,682**	**8,022**	**41,888**	**69,302**
Loss for the year as reported	–	–	(1,515)	–	(1,515)
Adjustment for the year ended 31 January 2020 (note 19)	–	–	1,753	–	1,753
Total comprehensive income	–	–	238	–	238
Transactions with owners, recognised directly in equity:					
Dividends	–	–	(2,179)	–	(2,179)
Long-term incentive plan charge	–	–	390	–	390
Balance at 31 January 2020	**710**	**18,682**	**6,471**	**41,888**	**67,751**
Profit for the year	–	–	630	–	630
Total comprehensive income	–	–	630	–	630
Transactions with owners, recognised directly in equity:					
Long-term incentive plan charge	–	–	294	–	294
Related tax movements on long-term incentive plan	–	–	19	–	19
Balance at 31 January 2021	**710**	**18,682**	**7,414**	**41,888**	**68,694**

The notes on pages 101 to 110 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

Basis of preparation
The financial statements have been prepared in accordance with The Companies Act 2006 as applicable to companies using 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.

No Income Statement is presented for the Company as it has applied the exemption provided by Section 408 of the Companies Act 2006.

In accordance with FRS 101, the following exemptions from the requirements of IFRSs have been applied in the preparation of these financial statements:
- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment';
  (iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period); and
  (iv) paragraphs 76 and 79(d) of IAS 40 'Investment Property'
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  (i) 10(d) (statement of cash flows)
  (ii) 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
  (iii) 16 (statement of compliance with all IFRS)
  (iv) 38A (requirement for minimum of two primary statements, including cash flow statements)
  (v) 111 (cash flow statement information); and
  (vi) 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of Assets'
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 'Business Combinations'

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Adoption of new and revised accounting standards and interpretations
On 31 December 2020 EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board.

IFRS 3
An amendment to IFRS 3 'Business Combinations' relating to the definition of a business was endorsed by the EU in April 2020 with an effective date of 1 January 2020, which the Company has adopted from the effective date.

The change in definition of a business within IFRS 3 introduces an optional concentration test to perform a simplified assessment of whether an acquired set of activities and assets is or is not a business on a transaction by transaction basis. This change is expected to result in more consistency in accounting for substantially similar transactions that, under the previous definition, may have been accounted for in different ways despite limited differences in substance.

The change would not have resulted in a different accounting treatment for the prior year.

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.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

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

Further disclosures of the Group's financial risk management policies are included in note 1 to the consolidated financial statements of the Group, which are presented separately from these financial statements.

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.

Derivative financial instruments and hedge accounting – measurement basis
The Group's activities expose it to the financial risks of changes in exchange rates, and the Company uses forward exchange rate contracts and swap exchange rate contracts to manage these exposures. The use of derivative financial instruments is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of derivative financial instruments.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity.

The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement within administration expenses. Amounts accumulated in equity are released to the Income Statement when the hedged item affects the Income Statement, and are also classified in the Income Statement within administration expenses.

Derivatives that do not qualify for hedge accounting under IAS 39 'Financial Instruments: Recognition and Measurement' are classified as 'financial assets or liabilities at fair value through profit or loss'. They are initially recognised at fair value, with fair value being remeasured at each reporting date. The fair value of the derivative is based on the market price of comparable instruments at the Balance Sheet date. Changes in fair value are included in the Income Statement within finance costs.

The Company has no embedded derivatives that are not closely related to the host instrument.

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.

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

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

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

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the asset's useful life or the end of the lease term. The lease term is the noncancellable 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. Further details of these schemes are included in note 22 of the consolidated financial statements of the Group.

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.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

1. Accounting policies and general information continued

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

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

The fair values of these payments are measured at the date of grant, 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 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.

The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings are recognised by the Company as an increase in its investment in subsidiaries with a credit to equity equivalent to the IFRS 2 cost in subsidiary undertakings.

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.

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. Deferred tax relating to retirement benefit obligations is also recognised in equity where the tax relief arises from contributions paid to fund deficits arising in previous periods that were recognised in equity.

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, 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) Deferred tax recognition
The Company considers it appropriate to recognise at the Balance Sheet date deferred tax assets resulting from historical trading losses and other temporary differences including pension deficits and the impact of awards under the Long-Term Incentive Plan. The amount of deferred tax recognised is based on estimates of the timing and amount of future taxable profits of the Company, which in turn relies upon estimates of future operating profits and the occurrence, timing and tax treatment of significant items of income and expenditure including contributions to pension schemes and the vesting of LTIP payment awards. Further disclosures relating to the amount of deferred tax asset recognised and other relevant disclosures are included in note 10. The Company considers the sensitivity on deferred tax recognition to be based on profits generated by the Company and tax rates substantively enacted. There has been no material impact on sensitivity in the current or previous financial year.

3. Auditors' remuneration

	2021 £000	2020 £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	**78**	62

4. Employee Information

	2021 £000	2020 £000
Wages and salaries	**2,058**	2,045
Social security costs	**170**	208
Other pension costs	**115**	97
Share-based payment awards, including NIC thereon	**345**	395
Employee benefit expense	**2,688**	2,745

The average monthly number of employees (including Directors) during the year	**2021 Number**	2020 Number
Corporate and administration	**15**	16

The Directors' emoluments are disclosed in the Remuneration report on pages 53 to 56 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

5. Tangible assets

	Plant, equipment and vehicles £000	Computer hardware £000	Total £000
Cost			
31 January 2019	90	34	124
Additions	7	–	7
31 January 2020 and 30 January 2021	97	34	131
Accumulated depreciation			
31 January 2019	90	34	124
Charge	1	–	1
31 January 2020	91	34	125
Charge	2	–	2
31 January 2021	93	34	127
Net book amount			
31 January 2021	**4**	**–**	**4**
31 January 2020	6	–	6
31 January 2019	–	–	–

The total depreciation expense of £2,000 (2020: £1,000) is included in administration expenses.

6. Leases
As a lessee
Information about leases for which the Company is a lessee is presented below:

Amounts recognised in the balance sheet

	2021 £000	2020 £000
Right-of-use assets		
Leasehold properties	**1,355**	1,595
Plant, equipment and vehicles	**16**	54
	1,371	1,649

Additions to right-of-use assets during 2021 were £303,000 (2020: £nil). Depreciation of right-of-use assets during the year was £581,000 (2020: £435,000).

	2021 £000	2020 £000
Lease liabilities		
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**515**	449
One to five years	**1,042**	1,299
More than five years	**–**	–
Total undiscounted cash flows	**1,557**	1,748
Current (note 11)	**562**	425
Non-current	**758**	1,243
Total lease liabilities	**1,320**	1,668

7. Investments

Shares in subsidiary undertakings:	2021 £000	2020 £000
Cost		
31 January 2020 and 31 January 2021	**80,441**	80,441
Provision for impairment		
31 January 2020 and 31 January 2021	**–**	–
Net book amount at 31 January	**80,441**	80,441

Sanderson Design Group PLC is registered and domiciled in the United Kingdom. It is the Parent Company of the Sanderson Design Group. The Company's subsidiary undertakings at 31 January 2021, all of which are wholly owned, were as follows:

Name of subsidiary undertaking	Country of incorporation and place of business	Holding	Proportion of voting rights/shares held by the Company	Nature of business
Sanderson Design Group Brands Limited *(formerly Abaris Holdings Limited)*	UK	Ordinary shares	100%	Luxury interior furnishings
Globaltex 2015 Limited	UK	Ordinary shares	100%	Holding company
Globaltex Limited*, trading as Clarke & Clarke	UK	Ordinary shares	100%	Luxury interior furnishings
Sanderson Design Group Inc* *(formerly Walker Greenbank Inc)*	US	Ordinary shares	100%	Luxury interior furnishings
Clarke & Clarke Inc*	US	Ordinary shares	100%	Sales support
Sanderson Design Group Brands SARL* *(formerly Arthur Sanderson & Sons SARL)*	France	Ordinary shares	100%	Luxury interior furnishings
Sanderson Design Group Brands B.V.* *(formerly Abaris Trading Company B.V.)*	Netherlands	Ordinary shares	100%	Sales support
Sanderson Design Group Brands Gmbh* *(formerly Style Library Gmbh)*	Germany	Ordinary shares	100%	Sales support
Style Library (Rus) LLC*	Russia	Ordinary shares	100%	Sales support
Abaris Holdings Limited* *(formerly Sanderson Design Group Brands 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* *(formerly Sanderson Design Group Limited)*	UK	Ordinary shares	100%	Dormant
William Morris Wallpapers Limited*	UK	Ordinary shares	100%	Dormant
Zoffany Limited*	UK	Ordinary shares	100%	Dormant

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

In order to simplify the Group structure, on 29 November 2020 the business and assets of Globaltex Limited were transferred to Sanderson Design Group Brands Limited.

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*	Thurn-und-Taxis Platz 6 60313, Frankfurt am Maine, Germany
Style Library (Rus) LLC*	Room 46, Floor 8, Building 1, 16A Leningradskoe shosse, Moscow 125171, The Russian Federation
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.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

8. Trade and other receivables

Current	2021 £000	2020 £000
Other taxes and social security	**1,297**	1,363
Prepayments and other receivables	**2,059**	275
	3,356	1,638

9. Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	**7,791**	–
	7,791	–

10. Deferred income tax
A net deferred tax asset of £113,000 (2020: £nil) is recognised in respect of future deductions for LTIP payments and other temporary differences.

At 31 January 2021 the Company had gross unused UK tax losses of £3,225,000 (2020: £3,225,000) available for offset against future profits. Potential deferred tax assets at 31 January 2021 of £613,000 (2020: £557,000) relating to UK tax losses and deductible temporary differences have not been recognised as it is not considered probable that recovery of the potential deferred tax asset will arise under existing tax legislation.

	2021 £000	2020 £000
Unutilised tax losses – UK	**613**	548
Other deductible temporary differences – UK	**–**	9
	613	557

There are also unutilised capital tax losses at 31 January 2021 of £4,881,000 (2020: £4,881,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised.

The March 2021 Budget announced that a rate of 25% will apply with effect from 1 April 2023, and this change was substantively enacted on 11 March 2021. This will likely increase the potential deferred tax asset in future years.

11. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Bank overdraft	**–**	399
Trade creditors	**111**	87
Amounts owed to subsidiary undertakings*	**21,052**	11,366
Other creditors	**–**	–
Leases (note 6)	**562**	425
Accruals	**1,899**	2,463
	23,624	14,740

* See note 19 for explanation of adjustment for the year ended 31 January 2020.

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.

There is a set-off arrangement for bank accounts held with the UK clearing bank, and accordingly the amount stated as bank overdraft represents the net of accounts in funds and in overdraft.

12. Borrowings
In October 2019, the Group renewed its committed £12,500,000 multi-currency revolving credit facility with Barclays Bank plc for a further five year period. The agreement also includes a £5,000,000 uncommitted accordion facility option to further increase available credit which provides substantial headroom for future growth. The bank arrangement fee of £106,250 is amortised over the life of the loan. During the year the Group agreed a temporary overdraft facility of £2,500,000 which expired in April 2021, to complement the headroom in our existing £12,500,000 revolving committed credit facility. The total facilities from Barclays Bank plc in the year ended 31 January 2021 comprised the revolving credit facility and overdraft facility secured on the Group's freehold property which may be drawn down in either sterling or euro.

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

Due to Covid-19, Management modelled possible downside scenarios to its base case trading forecast during the year. Having taken into account these models, formal agreement was reached with Barclays Bank plc to waive the interest cover covenant condition for the tests arising in July 2020, October 2020, January 2021, April 2021 and July 2021 and to waive the leverage covenant condition for October 2020, January 2021 and April 2021. This was replaced by a liquidity covenant requirement that available headroom in the facility needs to remain above £5,000,000 between 1 November 2020 and 31 July 2021.

The Group has reported to Barclays Bank plc that it was in full compliance with its agreed covenants at each of the testing points during the financial year ended 31 January 2021 and up to the date of this report.

Excluding the temporary bank overdraft facility between April 2020 and April 2021 the total Barclays Bank plc facilities are capped at £17,500,000 (2020: £17,500,000); the utilisation of the facilities at 31 January 2021 was £nil (2020: £1,719,000). The revolving credit facility bears interest at a variable rate based on a margin above LIBOR (for sterling loans) or the EURIBOR (for euro loans).

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

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period to contractual maturity at the Balance Sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. The maturity profile of undiscounted cash flows on variable interest rate borrowings has assumed interest rates as at the Balance Sheet date.

31 January 2021	**Less than 1 year £000**	**Between 1 to 2 years £000**	**Between 2 to 5 years £000**	**Over 5 years £000**
Creditors: amounts falling due within one year	**23,624**	**–**	**–**	**–**
	23,624	**–**	**–**	**–**

31 January 2020	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Creditors: amounts falling due within one year*	14,740	–	–	–
	14,740	–	–	–

* See note 19 for explanation of adjustment for the year ended 31 January 2020.

13. Financial instruments by category
The accounting policies for financial instruments have been applied to the line items below:

31 January 2021	**At amortised cost £000**	**Assets at fair value £000**	**Derivatives used for hedging £000**	**Total £000**
Assets as per Balance Sheet				
Trade and other receivables	**–**	**–**	**–**	**–**
Cash at bank and in hand	**7,791**	**–**	**–**	**7,791**
Total	**7,791**	**–**	**–**	**7,791**

31 January 2021	**Liabilities at fair value £000**	**Other financial liabilities £000**	**Derivatives used for hedging £000**	**Total £000**
Liabilities as per Balance Sheet				
Creditors: amounts falling due within one year	**–**	**23,624**	**–**	**23,624**
Total	**–**	**23,624**	**–**	**23,624**

31 January 2020	At amortised cost £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
Assets as per Balance Sheet				
Trade and other receivables	275	–	–	275
Cash at bank and in hand	–	–	–	–
Total	275	–	–	275

31 January 2020	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
Liabilities as per Balance Sheet				
Creditors: amounts falling due within one year*	–	14,740	–	14,740
Total	–	14,740	–	14,740

* See note 19 for explanation of adjustment for the year ended 31 January 2020.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Called up share capital

Ordinary shares of 1p each:	Number of shares	£
Called up and fully paid:		
31 January 2021	**70,983,505**	**709,835**
31 January 2020	70,983,505	709,835
31 January 2019	70,893,505	708,835

Sanderson Design Group PLC's issued ordinary share capital with voting rights consists of 70,983,505 (2020: 70,983,505) ordinary shares of which no (2020: nil) ordinary shares are held in treasury and 50,000 (2020: nil) ordinary shares are held by the Walker Greenbank Plc EBT. Shares held in treasury or by the EBT are treated as cancelled when calculating EPS.

The market value of shares held by the EBT at 31 January 2021 was £56,000 (2020: £nil). The total number of shares held in the EBT at the year end represented 0.1% (2020: 0%) of the issued shares.

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

Long-Term Incentive Plans ('LTIPs')
The Group operates an LTIP. There have been 13 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

Capital reserve represents:	£000
Capital redemption reserve on capital restructurings	41,888
At 31 January 2021 and 2020	**41,888**

16. Dividends
During the year to 31 January 2021, the Company has not paid any dividends. In the prior year the Company paid a final dividend of 2.55p (£1,810,079) for the financial year ended 31 January 2019 and an interim dividend of 0.52p (£369,000) for the year to 31 January 2020.

During 2020, in light of the Covid-19 pandemic, the Board did not propose payment of a final dividend for the year ended 31 January 2020 or an interim dividend for the year ended 31 January 2021. The Board do not propose a final dividend for the year ended 31 January 2021, due to the ongoing Covid-19 pandemic.

The Board intends to reinstate dividends for the year ending 31 January 2022, depending on how the trading environment develops, particularly with regard to the impact of the ongoing pandemic globally.

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 with Barclays Bank plc.

18. Related party transactions
The Company made contributions to the Walker Greenbank Group Personal Pension Plan of £61,000 for the year ended 31 January 2021 (2020: £61,000).

19. Explanation of adjustment for the year ended 31 January 2020
A dividend receivable of £1,753,000 from a subsidiary undertaking for the year ended 31 January 2020 has been adjusted from amounts owed to subsidiary undertakings to correct the accounting for the prior year, with totals and subtotals amended for this change. Amounts impacted have been identified throughout these financial statements with the use of an asterisk on the financial statement line and a footnote reference to this note. The reported profit for the year ended 31 January 2020 has been adjusted from a loss of £1,515,000 to a profit of £238,000 with overall retained earnings position increased by £1,753,000. There was no impact on the reported profits and retained earnings position of the Group for the same period.

FIVE YEAR RECORD

	2017 £000	2018 £000	2019 £000	2020 £000	**2021 £000**
Revenue	92,373	112,185	113,286	111,453	**93,760**
Overseas revenue by location of customer	36,309	46,531	48,214	48,506	**42,225**
Underlying profit from operations	9,842	11,991	9,111	6,763	**6,363**
Profit from operations	7,859	13,647	5,851	4,778	**5,176**
Underlying EBITDA	12,164	15,067	12,660	13,124	**12,779**
Underlying profit before income tax	9,129	11,731	8,831	6,363	**6,202**
Capital expenditure before proceeds from disposal	6,768	3,497	3,002	2,488	**1,075**
Earnings per ordinary share	8.55p	16.95p	6.15p	5.24p	**5.50p**
Average number of employees	681	689	684	660	**619**
Dividends paid in year	1,818	2,659	3,102	2,179	**-**
Shareholders' funds	51,293	61,793	60,882	64,829	**67,479**
Dividend per share					
– Final (prior year end) – paid	2.45p	3.06p	3.68p	2.55p	**–**
– Interim (current year end) – paid	0.55p	0.69p	0.69p	0.52p	**–**
– Final (current year end) – proposed	3.06p	3.68p	2.55p	–	**–**

SHAREHOLDER INFORMATION

Financial calendar

Annual General Meeting	**20 July 2021**
Announcement of half-year results	**October 2021**

Sanderson Design Group
Chalfont House
Oxford Road
Denham, UB9 4DX

T: 0845 126 5582
F: 0845 126 5583

www.sandersondesign.group

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