For immediate release **13 October 2021**

SANDERSON DESIGN GROUP PLC

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

Interim Results for the six months ended 31 July 2021

Strong recovery continues with key financial metrics ahead of the previous two half years

Reinstatement of interim dividend. Full year trading in line with expectations

Sanderson Design Group PLC (AIM: SDG), the luxury interior design and furnishings group, announces its financial results for the six months ended 31 July 2021.

Financial highlights

Six months ended 31 July	2021	2020	2019
Revenue	**£57.5m**	£38.8m	£55.9m
Adjusted underlying profit before tax*	**£6.0m**	£0.4m	£4.9m
Adjusted underlying EPS*	**6.53p**	0.54p	5.54p
Statutory profit/(loss) before tax	**£4.9m**	(£0.9m)	£3.5m
Statutory profit/(loss) after tax	**£3.8m**	(£0.8m)	£2.6m
Basic EPS	**5.31p**	(1.10p)	3.68p
Net cash excluding 'Leases'	**£15.4m**	£4.5m	£0.9m
Net cash/(debt) including 'Leases'	**£10.5m**	(£2.6m)	(£7.7m)
Interim dividend per share	**0.75p**	n/a	0.52p

**excluding share-based incentives, defined benefit pension charge and non-underlying items – see note 8(b) of the financial statements*

- Revenue up 48.2% at £57.5m (2020: £38.8m), reflecting continued demand for home interior products, the sustained trend towards decorative styles and the strength of our UK manufacturing.
- Brand product sales up 42.3% compared with the same period in 2020 in constant currency and up 5.4% compared with the same period in 2019 in constant currency:
    - North America has delivered a very strong performance.
    - Brand product sales in Northern Europe were up 21.1% in constant currency against 2020 and up 7.8% against 2019.
    - Licensing income delivered £2.0m (2020: £1.3m) including accelerated licensing income of £0.5m (2020: £0.3m).
- Manufacturing sales up 100.0% from the same period in 2020 when the manufacturing sites were affected by Covid-19 closures and up 22.8% against the same period in 2019 reflecting the buoyant order books from both UK and export customers.
- Adjusted underlying profit before tax £6.0m (2020: £0.4m) on the back of stronger sales and the positive effect of the operational measures introduced to reduce and control discretionary and fixed costs. This also includes the forgiveness of the US Paycheck Protection Payment scheme of £0.4m.

- Cash inflow from operating activities of £4.6m (2020: £5.1m) supporting increased liquidity and headroom of £27.9m (2020: £17.0m) with a net cash position of £15.4m (2020: £4.5m) as at 31 July 2021.
- Interim dividend of 0.75p per share (2020: nil; 2019: 0.52p).

Operational highlights

- Sanderson 160th anniversary collection was well received along with the positive impact of the Very Sanderson media campaign, featuring British sports personality Maro Itoje, launched in April 2021.
- Harlequin's Own The Room TV campaign launched in September 2021.
- Morris & Co. demonstrating strong appeal with the apparel collaboration with NEXT performing very strongly since launch in May 2021 and its first major US licensing agreement with Williams Sonoma, America's market leader in high quality kitchenware.
- Direct-to-consumer digital strategy advanced with the launch of scionliving.com, our direct-to-consumer website franchise collaboration, and the online launch of Archive by Sanderson Design, a consumer brand targeting a new customer demographic for the Group.
- Planet Mark certification for Year 3, reflecting our Live Beautiful sustainability commitment.

Dianne Thompson, Sanderson Design Group's Chairman, said:

"The first six months of our financial year have continued the strong recovery of the business, with particularly impressive performances from North America, manufacturing and the Morris & Co. brand. This positive trading and the strength of our balance sheet mean we are delighted to return to the dividend list with an interim payment.

"As we enter the second half of the financial year, we are mindful of the cost, supply chain and other issues affecting the UK and international business environment. We are focused on mitigating the potential impact of those issues on our business.

"Since the half year, manufacturing sales and licensing income remained robust and offset a slight softening in brand sales. Our key Autumn selling weeks in October and November have just started and we remain confident of meeting the Board's expectations for the full year."

Webcast and Analyst Q&A call

A pre-recorded presentation of the half year results, by Lisa Montague, Chief Executive Officer, and Michael Williamson, Chief Financial Officer, will be available from 7.05am today, 13 October 2021, at the following link: https://webcasting.buchanan.uk.com/broadcast/614b5fa43ae1ca74490b23b9

The pre-recorded presentation will also be available at the Company's investor website, https://sandersondesign.group/investors/

A Q&A call for analysts and institutional investors will be held at 11.00 a.m. today via video conferencing. For dial-in details, please contact Buchanan at SDG@buchanan.uk.com.

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About Sanderson Design Group

Sanderson Design Group PLC is a luxury interior furnishings company that designs, manufactures and markets wallpapers, fabrics and paints. In addition, the Company derives licensing income from the use of its designs on a wide range of products such as bed and bath collections, rugs, blinds and tableware.

Sanderson Design Group's brands include Zoffany, Sanderson, Morris & Co., Harlequin, Scion, Clarke & Clarke and Archive by Sanderson Design.

The Company has a strong UK manufacturing base comprising Anstey wallpaper factory in Loughborough and Standfast & Barracks, a fabric printing factory, in Lancaster. Both sites manufacture for the Company and for other renowned interiors brands.

Sanderson Design Group employs approximately 610 people and its products are sold worldwide. It has showrooms in London, New York, Chicago, Paris, Amsterdam and Dubai.

Sanderson Design Group trades on the AIM market of the London Stock Exchange under the ticker symbol SDG.

For further information please visit: www.sandersondesigngroup.com

CHIEF EXECUTIVE OFFICER'S STRATEGY, OPERATIONAL AND FINANCIAL REVIEW

INTRODUCTION

The six months to 31 July 2021 were a period of strong trading, continuing the momentum reported in the second half of the previous financial year. It was also a period of considerable strategic and operational development, particularly in respect of our digital initiatives and sustainability strategy.

Comparing the first half of this year with the six months ended 31 July 2020, a period materially affected by Covid-19, shows that the Group is significantly ahead on all the key metrics of revenue, revenue growth, profit, EBITDA and net cash. This comparative performance is particularly striking given that Covid-19 restrictions continued to have an impact at the beginning of the current financial year.

The Group is benefiting from the sustained demand for home interior products and the renewed focus on the home, which has characterised the Covid-19 pandemic. Our manufacturing operations are performing very strongly, reflecting the high quality of our offering along with our post-Brexit competitiveness for both UK and overseas customers.

Our income from licensing has also performed strongly. In the half year, core licensing income, which excludes the recognition of fixed minimum guaranteed licensing income under IFRS 15 and income from apparel contracts, was £1.2m (2020: £1.0m; 2019: £0.9m), driven by online retail. Licensing income from apparel was £0.3m (2020: £nil; 2019: £0.3m) with the Morris & Co apparel collaboration at NEXT performing particularly strongly since launch in May 2021. Accelerated licensing income under IFRS 15 was £0.5m (2020: £0.3m; 2019: £2.0m).

Significant strategic and commercial progress has also been made in the year-to-date. Our digital strategy advanced with the launch of scionliving.com, our direct-to-consumer website franchise collaboration, and more recently by the direct online launch of Archive by Sanderson Design, a consumer brand targeting a new customer demographic for the Group.

We have signed a number of new licensing deals in the year to date, including an exclusive agreement with Japan's Sangetsu Corporation for Morris & Co. products in 14 countries in east and southeast Asia. The first products under this agreement are expected to be launched in autumn 2023. In August 2021, we signed our first major licensing agreement in the US, again for the Morris & Co brand. This agreement, with kitchenware specialist Williams Sonoma, covers a broad range of tableware, cookware and kitchen accessories. NEXT is an increasingly important licensing partner for the Group, with the most recent agreement being a homewares collaboration with the Morris & Co. brand signed earlier this month.

Initiatives to achieve our strategic ambition to increase brand awareness have included working with Maro Itoje, the England rugby star, on a media campaign for the Sanderson brand and using TV advertising to launch Harlequin's Own the Room campaign.

In light of Covid-19, health and safety remains the top priority throughout the business, particularly in our manufacturing, warehousing and showroom operations. Progressively, the Group's desk-based staff are returning to our offices and finding a balance between office and remote working that best serves our people and protects productivity. Covid-19 continues to create some uncertainties for the near-term outlook, which we plan to mitigate through maintaining a robust balance sheet and strong liquidity.

It is particularly noteworthy that the Group's net cash balances were £15.4 million at the half year end, excluding leases. Inventory management remains focused on efficiency while ensuring that strong-selling lines are always in stock. The Board will continue to review further capital requirements across the business as we come out of the pandemic to invest in a strong platform to support future growth and efficiency.

As previously reported, in June 2021 we received US$565,818 in forgiveness for a loan under the Paycheck Protection Payment scheme in the US. We have had no staff on furlough from 1 April 2021 and, during April 2021, we returned all CJRS monies received in the current financial year, totalling £100,000.

The Audit Committee report in this year's Annual Report & Accounts noted the intention to hold a competitive tender process to appoint a new external auditor to succeed PricewaterhouseCoopers, which has audited the Company for many years. This tender process is well advanced and an announcement will be made in due course.

Sustainability

We launched our Live Beautiful sustainability strategy in April 2021 with a broad range of initiatives including two major commitments: for the Company to be net carbon zero by 2030 and to be the employer of choice in the interior design and furnishings industry.

As previously announced, our employee engagement survey carried out earlier this year gave an overall employee satisfaction rating of 78%, which compares with 58% two years ago when the survey was last conducted. We have since raised our target of 70% to 80% for employee satisfaction as we continuously strive for improvement.

We were pleased to receive our Year 3 Planet Mark sustainability certification, which measures our carbon footprint. In the year to 31 January 2021, our total carbon footprint was 6,359.3 tonnes (2020: 7,977.8 tonnes; 2019: 9,246.9 tonnes) of carbon dioxide equivalent.

Dividend

The strong performance in the first half of the financial year and the strength of our balance sheet has enabled the Board to restore the Company to the dividend list with an interim dividend payment of 0.75p for the six months ended 31 July 2021 (2020: nil; 2019: 0.52p).

People

As announced in May this year, Vijay Thakrar, Non-Executive Director, will step down from the Board on 27 November 2021 on completion of his current three-year term. We are very grateful to Vijay for his valuable contribution to the Board and wish him well for the future. The recruitment process for further strengthening the Board is proceeding well and it is expected that a further announcement will be made shortly.

Earlier this month, we were delighted to welcome Mike Woodcock to the Company as Group Financial Officer. Mike, an executive with a strong track record in consumer and brand-based businesses, will become Chief Financial Officer, and join the Board, on 1 November 2021 as announced on 29 September 2021. Michael Williamson, the Company's current Chief Financial Officer, will step down from the Company on 31 October 2021 to pursue new career opportunities. We extend our sincere thanks to Michael for leading the Group's finances through the challenging periods of Covid and Brexit and wish him every success in the future.

Sanderson Design Group is a people business. We would like to thank all employees for their tremendous energy and commitment during the year to date.

OPERATIONAL REVIEW

The table below shows the Group's sales performance in the six months ended 31 July 2021, compared with the same period in 2020 and in 2019. The major progress against 2020 reflects the significant impact of Covid-19 in the early part of last year, when the Group's factories were temporarily closed and the first lockdowns were introduced worldwide.

The comparison with 2019 provides a better insight into the Group's performance albeit during the initial months of the current year there were Covid-related restrictions in the UK and elsewhere.

	Six months ended 31 July (£m)			Change (%) 2021 compared with 2020		Change (%) 2021 compared with 2019	
	2021	2020	2019	Reported	Constant currency	Reported	Constant currency
UK Brand product sales	**22.3**	15.5	22.2	43.9%	43.9%	0.5%	0.5%
International Brand product sales	**21.0**	15.6	20.9	34.6%	40.0%	0.5%	6.6%
- *Northern Europe*	**6.9**	5.7	6.5	21.1%	21.1%	6.2%	7.8%
- *North America*	**8.6**	5.4	8.1	59.3%	75.5%	6.2%	11.0%
- *Rest of the World*	**5.5**	4.5	6.3	22.2%	22.2%	(12.7%)	(8.3%)
Total Brand product sales (*includes carriage income*)	**43.3**	31.1	43.1	39.2%	42.3%	0.5%	5.4%
Licensing income	2.0	1.3	3.2	53.8%	53.8%	(37.5%)	(35.5%)
Total Brand sales including Licensing*	**45.3**	32.4	46.3	39.8%	-	(2.2%)	-
Total Manufacturing sales*	**21.0**	10.5	17.1	100.0%	-	22.8%	-
Eliminations and unallocated*	**(8.8)**	(4.1)	(7.5)	114.6%	-	17.3%	-
Total Revenue*	**57.5**	38.8	55.9	48.2%	-	2.9%	-

**does not report in constant exchange rate*

The Brands

This interim report marks the first time that the performance of each brand is reported separately with the intention being to enhance transparency for shareholders. Previously some of the brands were grouped together. The Brands segment comprises Sanderson, Morris & Co, Harlequin, Zoffany, Scion, Clarke & Clarke and Archive by Sanderson Design. The relatively small Anthology brand has been absorbed into Harlequin, in line with our strategic focus on efficiency. No new Anthology products will be launched but existing products will continue to be sold and supported by Harlequin.

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

Morris & Co.

Morris & Co. sales in the first half were £8.2 million in reportable currency, an increase of 57.7% on 2020 and an increase of 51.9% on 2019. Sales in the UK were up 66.5%, in Northern Europe were up 23.9% and in North America were up 122.6% in constant currency compared with 2020 and up 28.2%, 53.6% and 121.1% respectively compared with 2019.

Morris & Co.'s 160th anniversary year was celebrated with a compilation collection of the brand's best sellers, which has performed significantly ahead of expectations.

The brand's sales in the half year have also been driven by licence income, where highlights include the Morris & Co. apparel collections from NEXT which are performing ahead of expectations. Exciting licensing deals signed in the current year for the Morris & Co. brand include those with Japan's Sangetsu and Williams Sonoma in the US. In addition, we have recently announced a further licensing agreement with NEXT for an exciting range of homewares.

We recently launched the first Simply Morris collection, a new design concept. This bright interpretation of Morris & Co. designs represents a fresh take on maximalism and targets sunshine states in the US, southern Europe and Australia. This highly accessible and on-trend collection is also expected to gain traction in our wider markets.

The use of colour in Simply Morris distinguishes the collection from Pure Morris, the neutral collections launched in 2016 that have sold particularly well in Japan.

Current plans at Morris & Co. include a new collection next year through a collaboration with a designer and an exciting event at the Chelsea Flower Show next year to conclude Morris & Co.'s 160th anniversary celebrations.

Sanderson

Sanderson sales in the first half were £7.5 million in reportable currency, an increase of 53.1% on 2020 and an increase of 11.9% in 2019. Sales in the UK were up 55.2%, in Northern Europe were up 33.0% and in North America were up 85.0% in constant currency compared with 2020 and up 5.1%, 8.2% and 59.8% respectively compared with 2019.

To celebrate the brand's 160th anniversary, Sanderson launched the Sanderson One Sixty collection of fabrics and wallpapers in June this year and began an exciting collaboration with Maro Itoje, the England rugby star, who features as the new face of the Very Sanderson media campaign.

In line with our strategy to focus and invest behind our brand collections, Sanderson collection launches have been rationalised to one big launch each year, the next being planned for February 2022.

Zoffany

Zoffany sales in the first half were £4.5 million in reportable currency, an increase of 28.6% on 2020 but a decrease of 8.2% on 2019. Sales in the UK were up 31.5%, in Northern Europe were down 0.1% and in North America were up 58.1% in constant currency compared with 2020 and down 14.4%, down 14.9% and up 30.9% respectively compared with 2019.

Zoffany's Kensington Walk collection of wallpapers and fabrics was launched earlier this year. Its Palladio collection of screen-printed wallpapers, which draw on the original Palladio wallpapers launched in the 1950s, was launched in September 2020. Each year a new designer is chosen to create a new wallpaper for the collection and the design by this year's winner, Ruth Blanke, will be launched shortly.

Clarke & Clarke

Clarke & Clarke sales in the first half were £12.6 million in reportable currency, an increase of 41.6% on 2020 but a decrease of 4.5% on 2019. Sales in the UK were up 43.0%, in Northern Europe were up 28.3% and in North America were up 83.1% in constant currency compared with 2020 and up 5.4%, down 5.5% and down 23.7% respectively compared with 2019.

Following the change in the distributor of Clarke & Clarke in North America to Kravet Inc in 2020, sales continue to grow strongly in this market.

Clarke & Clarke's collections in the UK with Emma J Shipley and Tess Daly have continued to grow well. NEXT is the main partner for the Tess Daly collections and recent new bedding designs, launched this year, have been well received.

As previously announced, Clarke & Clarke has signed an exclusive licence agreement with the heritage brand Wedgwood. Clarke & Clarke will launch bedding, fabrics and wallpapers in spring next year based on Wedgwood's iconic designs and creative direction.

A key strategic initiative for Clarke & Clarke has been to increase the brand's proportion of wallpaper, as historically it has been largely fabric focused. We believe this represents an important opportunity for the brand over time and we will expand the offering in 2022.

Harlequin

Harlequin sales in the first half were £8.0 million in reportable currency, an increase of 33.3% on 2020 but a decrease of 14.0% on 2019. Sales in the UK were up 32.1%, in Northern Europe were up 13.6% and in North America were up 65.1% in constant currency compared with 2020 and down 14.5%, down 16.7% and up 21.5% respectively compared with 2019.

Harlequin sales have been driven by the combination of the Little Book of Treasures launch last year and a new Momentum collection launched in January this year. The Momentum collection, with its printed velvets aimed at the contract market, is performing well in the UK and the US.

In September this year, the Group used TV advertising for the first time to drive renewed impetus in the Harlequin brand through a campaign called Own the Room, which seeks to empower consumers to choose the best designs and colours for emotional and physical well-being.

Scion

Scion sales in the first half were £1.2 million in reportable currency, an increase of 9.1% on 2020 but a decrease of 29.4% on 2019. Sales in the UK were up 16.4%, in Northern Europe were up 2.7% and in North America were down 4.7% in constant currency compared with 2020 and down 26.5%, 26.9% and 33.7% respectively compared with 2019.

To complement the brand's existing sales channels, and as part of advancing the Group's digital strategy, the Company signed an agreement in November 2020 with Design Online, a business formed by the leading internet retailer Jane Clayton and Company, to launch a direct-to-consumer online shop, Scion Living. The shop went live in June 2021, at www.scionliving.com.

Archive by Sanderson Design

Archive by Sanderson Design is a completely new, direct-to-consumer brand which represents a significant step forward in the Group's digital strategy. Archive, launched in September 2021, is a maximalist brand targeting digitally native consumers who are new customers for the Group.

Selfridges, the leading luxury lifestyle retailer, which has not sold the Group's products previously, is the exclusive retail launch partner, bringing a new concept and home offer to its discerning audience, launching in store in mid-October 2021.

The brand's first collection comprises a capsule range of wallpapers, fabrics, cushions and lampshades. A made-to-measure service for curtains, blinds and smaller furniture items will be provided on the brand's website as part of developing the brand as a lifestyle offering.

The brand leverages the Company's design archive, both through the use of heritage designs that have not been seen in the recent past, and through the re-invention of well-known Morris & Co designs through bold reinterpretation.

Licensing

Core licensing income, excluding apparel and the recognition of fixed minimum guaranteed licensing income under IFRS 15, was up 20.0% in reportable currency compared with 2020, and up 33.3% compared with 2019, reflecting a strong performance from core bedding, blinds and Japanese licensees.

Our agreement with the UK's Blinds2Go performed very strongly, particularly with the Harlequin and Scion brands during the first half.

Reported licensing income was up 53.8% in both reportable currency and constant currency, compared with 2020 following a strong performance from apparel, but down 37.5% and 35.5% respectively compared with 2019. In 2019, there were significant minimum guarantees and one-off income reported for licensing income including a significant apparel contract

NEXT's Morris & Co.'s womenswear, which was launched in May this year, is performing ahead of expectations. We are working closely with NEXT on a broad range of Morris & Co. and Sanderson products.

We have signed a number of new licensing agreements in the year to date and continue to develop a pipeline of future opportunities.

Manufacturing

Our manufacturing operations have performed strongly in the year-to-date, such that we have added additional shifts to increase capacity. The order books at both Standfast & Barracks, our fabric printer, and Anstey, our wallpaper factory, are substantially ahead of previous levels, reflecting demand in the industry generally and the attraction of UK-based manufacturing post-Brexit to both UK and overseas customers.

Total manufacturing sales in the first half increased 100.0% to £21.0 million compared with 2020, up 22.8% compared with 2019. Total third-party sales were up 89.3% compared with 2020 at £12.2 million, up 27.7% compared with 2019.

Of the third-party sales, 59.3% were from the UK and the remainder from overseas. The US and Europe were our strongest export markets.

The profit contribution from manufacturing during the half year has been ahead of expectations.

The introduction of a new ERP system has recently commenced at Standfast & Barracks. It is expected that capital expenditure at the factories will return to more normalised levels with focused investment in technology to improve productivity and to deliver on our net zero by thirty goals.

CURRENT TRADING AND OUTLOOK

As we enter the second half of the financial year, we are mindful of the cost, supply chain and other issues affecting the UK and international business environment. We are focused on mitigating the potential impact of those issues on our business.

Since the half year, manufacturing sales and licensing income remained robust and offset a slight softening in brand sales. Our key Autumn selling weeks in October and November have just started and we remain confident of meeting the Board's expectations for the full year.

Lisa Montague
Chief Executive Officer

13 October 2021

FINANCIAL REVIEW

Key Financial Indicators

We measure and monitor key performance and financial indicators across the Group. We set out below a summary of the Group's key financial indicators.

	Six months ended 31 July		
	2021	2020	2019
Revenue (£m)	**57.5**	38.8	55.9
Revenue Growth (%)	**48.2%**	(30.6%)	2.2%
Adjusted underlying profit before tax (£m)	**6.0**	0.4	4.9
Adjusted underlying profit before tax (%)	**10.4%**	1.0%	8.8%
Adjusted earnings per share (pence)	**6.53p**	0.54p	5.54p
Net cash position (£m)	**15.4**	4.5	0.9
Net cash flow (£m)	**(0.1)**	3.2	0.5
Inventory (£m)	**19.4**	23.4	28.8
Capital expenditure (£m)	**1.2**	0.4	1.2
Reported EBITDA (£m)	**8.4**	3.0	7.3

These financial indicators have been reported on and used by the Group to drive financial performance. We are able to report a strong recovery in these key financial metrics against the previous two half years. Our revenue has grown over the two prior periods to £57.5 million. Adjusted underlying profit before tax has improved to £6.0 million with a 10.4% operating margin. The net cash position has increased to £15.4 million from £0.9 million on 31 July 2019 through the cash and costs control measures applied through the pandemic period. As a result, operating performance has improved and the balance sheet has been significantly strengthened.

Revenue Performance

Our reported revenue for the period was £57.5 million (2020: £38.8 million and 2019: £55.9 million) an increase of £19.3 million (or 48.2%) over 2020 and an increase of £1.6 million (or 2.9%) over 2019.

	Six months ended 31 July (£m)			Change (%)	Change (%)
	2021	2020	2019	**2021 compared with 2020**	**2021 compared with 2019**
Total revenue	**57.5**	38.8	55.9	48.2%	2.9%
Comprising:					
Brand product revenue	**43.3**	31.1	43.1	39.2%	0.5%
Manufacturing external revenue	**12.2**	6.4	9.6	89.3%	27.7%
Licensing	**2.0**	1.3	3.2	53.8%	(37.5%)

Underlying Profit Performance

Despite the effects of a third lockdown in the first few months of the first half, our adjusted underlying profit before tax increased to £6.0 million (2020: £0.4 million and 2019: £4.9 million). We can report an increase in margin for adjusted underlying profit before tax to 10.4% (2020: 1.0% and 2019: 8.8%). The profit performance has benefited from the increased sales and the effects of the prior year restructuring and cost efficiency and control measures.

	Six months ended (£m)				
	July 2021	January 2021	July 2020	January 2020	July 2019
	H1	H2	H1	H2	H1
Revenue	**57.5**	55.0	38.8	55.6	55.9
Adjusted underlying profit before tax	**6.0**	6.7	0.4	2.5	4.9
Statutory profit/(loss) before tax	**4.9**	5.9	(0.9)	0.9	3.5

Income statement

The Group's income statement is summarised below.

	Six months ended 31 July		
	2021	2020	2019
Revenue (£m)	**57.5**	38.8	55.9
Gross profit (£m)	**35.9**	22.9	35.5
Gross profit (%)	**62.4%**	59.0%	63.5%
Net operating expenses (£m)	**31.0**	23.7	31.8
Profit/(Loss) from operations (£m)	**4.9**	(0.8)	3.7

Gross profit margin in this first half year has improved to 62.4% (2020: 59.0% and 2019: 63.5%). In the first half of 2019, revenue included licensing income of £3.2 million against £2.0 million in the current half, which drove up the gross profit margin percentage in the 2019 period to 63.5%. Distribution and selling costs, administration costs and net other income are included in net operating expenses.

Distribution and selling costs have increased to £12.0 million (2020: £8.5 million and 2019: £12.0 million) on the back of a recovery in sales and additional costs due to the transportation and border issues post Brexit. We have experienced higher container costs and carrier capacity issues.

Administration costs are reported at £21.0 million (2020: £17.5 million and 2019: £22.7 million) with our costs returning to normal levels post the pandemic year, when we cut back severely on discretionary spend. The effects of our restructuring and cost efficiency measures are seen in our costs against the first half of 2019. We have reinstated marketing and travel and entertaining spend.

The reported revenue and operating profit by reporting segments is set out below. Both brands and manufacturing had delivered improved performance in revenue and profit from operations in the first half year relative to the prior period of the pandemic and the first half ended 31 July 2019.

Six months ended 31 July 2021	**Brands £m**	**Manufacturing £m**	**Eliminations and unallocated £m**	**Total £m**
Total revenue	**45.3**	**21.0**	**(8.8)**	**57.5**
Profit from operations	**6.4**	**2.3**	**(3.8)**	**4.9**
Six months ended 31 July 2020				
Total revenue	32.4	10.5	(4.1)	38.8
Profit/(Loss) from operations	2.3	(0.4)	(2.7)	(0.8)
Six months ended 31 July 2019				
Total revenue	46.3	17.1	(7.5)	55.9
Profit from operations	5.6	1.0	(2.9)	3.7

Underlying profit before tax

Statutory profit before tax of £4.9 million (2020: loss before tax of £0.9 million) includes non-underlying charges of £0.5 million (2020: £0.9 million) as set out below.

	Six months ended 31 July (£m)		
	2021	2020	2019
Statutory profit/(loss) before tax	**4.9**	(0.9)	3.5
Add back:			
Amortisation of acquired intangible assets of Clarke & Clarke	**0.5**	0.5	0.5
Restructuring and reorganisation costs	**-**	0.4	0.7
Anstey net other income	**-**	-	(0.1)
Total non-underlying charge included in profit before tax	**0.5**	0.9	1.1
Underlying profit before tax	**5.4**	0.0	4.6
Add back:			
LTIP accounting charge	**0.4**	0.1	-
Net defined benefit pension charge	**0.2**	0.3	0.3
Adjusted underlying profit before tax excluding LTIP and defined benefit pension charge	**6.0**	0.4	4.9

Net finance income was £5,000 (2020: £0.1 million net finance costs).

Taxation
Tax expense for the period is £1.2 million (2020: credit of £0.1 million).

Earnings per share
Basic reported EPS for the period was 5.31p (2020: -1.10p). 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 period was 6.53p (2020: 0.54p).

Liquidity and Cash Flow

We have continued to actively manage cash and control costs in the first half year. As a result, the Group has reported liquidity and headroom of £27.9 million on 31 July 2021 (2020: £17.0 million), with a net cash position of £15.4 million (2020: £4.5 million). The Group generated healthy cash inflow from operating activities during the period of £4.6 million (2020: £5.1 million).

Key working capital balances are set out below:

	Six months ended 31 July (£m)		
	2021	2020	2019
Inventory	**19.4**	23.4	28.8
Trade debtors	**14.0**	10.2	13.1
Trade creditors	**(9.2)**	(8.2)	(12.8)

Working capital financial controls have been maintained and we have seen minimal bad debts across our independent retailers and designers.

Inventory levels have continued to be tightly controlled and we are managing effectively supply chain and cost inflation pressures. We continue to implement the strategy of reducing SKUs and the scale of new collection launches. New operating replenishment rules and the introduction of regularised operational reviews has increased controls.

Capital expenditure was £1.2 million (2020: £0.4 million), bringing it back in line with pre-pandemic levels. There are two key projects which will arise in the second half of this financial year relating to the installation of a new ERP platform and the commencement of enhanced digital print capability in manufacturing.

The Group made additional payments to the pension schemes of £1.1 million (2020: £0.9 million) to reduce the deficit, as part of the ongoing planned reduction. Tax paid during the period was £2.1 million (2020: £0.1 million of tax refund), including tax payments made shortly after 31 January 2021 of £1.3 million.

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 £5.0 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 £12.5 million 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 £5.0 million through to July 2021. All covenants were complied with during the period 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.

Dividends

The Board has decided to pay an interim dividend of 0.75p per share on 26 November 2021 to the shareholders registered on the Company's register on 22 October 2021.

Unaudited Consolidated Income Statement
For the six months ended 31 July 2021

	Note	**6 months to 31 July 2021 £000**	6 months to 31 July 2020 £000
Revenue	2,3	**57,515**	38,842
Cost of sales		**(21,574)**	(15,924)
Gross profit		**35,941**	22,918
Net operating expenses:			
Distribution and selling expenses		**(12,014)**	(8,533)
Administration expenses		**(21,037)**	(17,517)
Net other income	5	**2,034**	2,374
Profit / (Loss) from operations		**4,924**	(758)
Finance income		**11**	4
Finance costs		**(7)**	(153)
Finance income / (costs) – net		**4**	(149)
Profit / (Loss) before tax		**4,928**	(907)
Tax (expense) / income	7	**(1,161)**	123
Profit / (Loss) for the period attributable to owners of the parent		**3,767**	(784)
Earnings per share – Basic	8	**5.31p**	(1.10)p
Earnings per share – Diluted	8	**5.19p**	(1.10)p
Adjusted earnings per share – Basic	8	**6.53p**	0.54p
Adjusted earnings per share – Diluted	8	**6.38p**	0.53p

Unaudited Consolidated Statement of Comprehensive Income
For the six months ended 31 July 2021

	6 months to 31 July 2021 £000	6 months to 31 July 2020 £000
Profit / (Loss) for the period	**3,767**	(784)
Other comprehensive income / (expense):		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit pension schemes	**-**	(3,724)
Corporation tax credits recognised in equity	**-**	70
Reduction of deferred tax asset relating to pension scheme liability	**-**	708
Total items that will not be reclassified to profit or loss	**-**	(2,946)
Items that may be reclassified subsequently to profit or loss		
Currency translation losses	**(115)**	(31)
Total items that may be reclassified subsequently to profit or loss	**(115)**	(31)
Other comprehensive expense for the period, net of tax	**(115)**	(2,977)
Total comprehensive income / (expense) for the period attributable to the owners of the parent	**3,652**	(3,761)

Unaudited Consolidated Balance Sheet
As at 31 July 2021

	Note	**Unaudited As at 31 July 2021 £000**	Unaudited As at 31 July 2020 £000	Audited As at 31 January 2021 £000
Non-current assets				
Intangible assets		**27,624**	29,051	28,325
Property, plant and equipment		**11,768**	13,123	12,061
Right-of-use assets		**4,913**	7,008	5,783
Deferred income tax assets		**-**	147	-
		44,305	49,329	46,169
Current assets				
Inventories		**19,383**	23,383	20,350
Trade and other receivables		**23,411**	17,068	18,328
Cash and cash equivalents	9	**15,440**	4,549	15,549
		58,234	45,000	54,227
Total assets		**102,539**	94,329	100,396
Current liabilities				
Trade and other payables		**(20,572)**	(16,785)	(20,472)
Lease liabilities		**(2,246)**	(2,130)	(2,676)
Borrowings	9	**-**	-	(412)
		(22,818)	(18,915)	(23,560)
Net current assets		**35,416**	26,085	30,667
Non-current liabilities				
Lease liabilities		**(2,806)**	(5,036)	(3,206)
Deferred income tax liabilities		**(669)**	-	(514)
Retirement benefit obligation		**(4,740)**	(9,209)	(5,637)
		(8,215)	(14,245)	(9,357)
Total liabilities		**(31,033)**	(33,160)	(32,917)
Net assets		**71,506**	61,169	67,479
Equity				
Share capital		**710**	710	710
Share premium account		**18,682**	18,682	18,682
Foreign currency translation reserve		**(981)**	(596)	(866)
Retained earnings		**12,588**	1,866	8,446
Other reserves		**40,507**	40,507	40,507
Total equity		**71,506**	61,169	67,479

Unaudited Consolidated Cash Flow Statement
For the six months ended 31 July 2021

	Note	**6 months to 31 July 2021 £000**	6 months to 31 July 2020 £000
Cash flows from operating activities			
Cash generated from operations	10	**4,590**	5,057
Interest paid		**(72)**	(209)
Corporation tax (paid) / refunds		**(2,123)**	59
Net cash generated from operating activities		**2,395**	4,907
Cash flows from investing activities			
Interest received		**11**	4
Purchase of intangible assets		**(174)**	(110)
Purchase of property, plant and equipment		**(1,016)**	(315)
Net cash used in investing activities		**(1,179)**	(421)
Cash flows from financing activities			
Payment of lease liabilities		**(1,263)**	(1,371)
Net cash used in financing activities		**(1,263)**	(1,371)
Net increase in cash and cash equivalents		**(47)**	3,115
Cash and cash equivalents and bank overdraft at beginning of period		**15,549**	1,336
Effect of exchange rate fluctuations on cash held		**(62)**	98
Cash and cash equivalents and bank overdraft at end of period	9	**15,440**	4,549

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 31 July 2021

	Attributable to equity owners of the parent company						
				Other reserves			
	Share capital £000	Share premium account £000	Retained earnings £000	Capital reserve £000	Merger reserve £000	Foreign currency translation reserve £000	Total equity £000
Balance at 1 February 2021	710	18,682	8,446	43,457	(2,950)	(866)	67,479
Profit for the period	-	-	3,767	-	-	-	3,767
Other comprehensive income / (expense):							
Remeasurements of defined benefit pension schemes	-	-	-	-	-	-	-
Deferred tax relating to pension scheme liability	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	(115)	(115)
Total comprehensive income / (expense)	**-**	**-**	**3,767**	**-**	**-**	**(115)**	**3,652**
Transactions with owners, recognised directly in equity:							
Long-term incentive plan charge	-	-	217	-	-	-	217
Related tax movements on long-term incentive plan	-	-	158	-	-	-	158
Balance at 31 July 2021	**710**	**18,682**	**12,588**	**43,457**	**(2,950)**	**(981)**	**71,506**

	Attributable to equity owners of the parent company						
				Other reserves			
	Share capital £000	Share premium account £000	Retained earnings £000	Capital reserve £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
Loss for the period	-	-	(784)	-	-	-	(784)
Other comprehensive income / (expense):							
Remeasurements of defined benefit pension schemes	-	-	(3,724)	-	-	-	(3,724)
Corporation tax credits recognised in equity	-	-	70	-	-	-	70
Deferred tax relating to pension scheme liability	-	-	708	-	-	-	708
Currency translation differences	-	-	-	-	-	(31)	(31)
Total comprehensive expense	**-**	**-**	**(3,730)**	**-**	**-**	**(31)**	**(3,761)**
Transactions with owners, recognised directly in equity:							
Long-term incentive plan charge	-	-	101	-	-	-	101
Balance at 31 July 2020	**710**	**18,682**	**1,866**	**43,457**	**(2,950)**	**(596)**	**61,169**

Notes to the unaudited interim financial statements

1. Basis of preparation of unaudited interim financial statements

The interim financial statements have been prepared in accordance with the accounting policies that the Group expects to apply in its annual financial statements for the year ending 31 January 2022.

On 31 December 2020, International Financial Reporting Standards as adopted by the European Union were brought into UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board.

The Group's accounting policies are based on UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and IFRS Interpretations Committee ("IFRS IC") interpretations. The consolidated financial statements have been prepared under the historical cost convention, except for those assets and liabilities measured at fair value.

These interim financial statements for the six months ended 31 July 2021 have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the UK. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 January 2021 prepared in accordance with IFRS. All comparative information is for the six-month period ended 31 July 2020, unless otherwise stated.

The accounting policies adopted in the preparation of these interim financial statements to 31 July 2021 are consistent with the accounting policies applied by the Group in its Annual Report and Accounts as at, and for the year ended, 31 January 2021.

Since the Group's previous annual financial statements for the year ended 31 January 2021, several amendments to standards issued by the International Accounting Standards Board and IFRS IC are now effective for financial years beginning on or after 1 February 2021. These do not have a significant impact on these interim financial statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The interim financial statements do not represent statutory accounts for the purposes of section 434 'Requirements in connection with publication of statutory accounts' of the Companies Act 2006. The financial information for the year ended 31 January 2021 is based on the statutory accounts for the financial year ended 31 January 2021, on which the auditors issued an unqualified opinion and did not contain a statement under section 498 'Duties of auditor' of the Companies Act 2006 and have been delivered to the Registrar of Companies. The interim financial statements for the six-month period ended 31 July 2021 have not been audited.

Critical accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 January 2021 – going concern which is explained in further details below, retirement benefit pension obligations, impairment of non-financial assets including inventories, revenue recognition including licensing income, share-based plan and deferred tax recognition, except for changes in estimates that are required in determining the provision for income taxes.

Notes to the unaudited interim financial statements (continued)

1. Basis of preparation of interim financial statements (continued)

Going concern

A key accounting judgement for these interim financial statements for the six months ended 31 July 2021 is the adoption of the going concern basis of preparation.

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 interim 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 on 30 April, 31 July, 31 October and 31 January each year until the debt matures in October 2024. 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 period and up to the date of this report the Company has met all required covenant tests.

The total headroom of the Group at 31 July 2021 was £27.9m (31 January 2021: £30.5m), including cash and cash equivalents of £15.4m (31 January 2021: £15.5m) and the committed facility of £12.5m.

Having considered all of the comments above, the Directors consider that the Group and the Company have adequate resources to continue trading for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing these interim financial statements.

Financial risks

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk, liquidity risk and capital risk. The interim financial statements do not include all risk management information and disclosures required in the annual report and accounts; they should be read in conjunction with the Group's Annual Report and Accounts as at 31 January 2021. In particular, information on the principal risks can be found on page 38 to 40 of the Group's 2021 Annual Report which comprise of trading environment, Brexit, competition, foreign exchange, pension funding, recruitment and retention of key employees, reputation risk, environmental risk, health and safety risk, major incident or disaster such as a fire or flood and IT. There have been no changes in either the principal risks or risk management policies since the year end.

The Board approved the interim financial statements on 13 October 2021.

Notes to the unaudited interim financial statements (continued)

2. Segmental analysis

Sanderson Design Group PLC 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 Chief Operating Decision Maker (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 plans 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

6 months to 31 July 2021	**Brands £000**	**Manufacturing £000**	**Eliminations and unallocated £000**	**Total £000**
UK revenue	**22,263**	**7,253**	**-**	**29,516**
International revenue	**20,976**	**4,987**	**-**	**25,963**
Licence revenue	**2,036**	**-**	**-**	**2,036**
Revenue – external	**45,275**	**12,240**	**-**	**57,515**
Revenue – internal	**-**	**8,807**	**(8,807)**	**-**
Total revenue	**45,275**	**21,047**	**(8,807)**	**57,515**
Profit / (Loss) from operations	**6,379**	**2,294**	**(3,749)**	**4,924**
Net finance income	**-**	**-**	**4**	**4**
Profit / (Loss) before tax	**6,379**	**2,294**	**(3,745)**	**4,928**
Tax expense	**-**	**-**	**(1,161)**	**(1,161)**
Profit / (Loss) for the period	**6,379**	**2,294**	**(4,906)**	**3,767**

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. Tax charges have not been allocated to a segment.

6 months to 31 July 2020	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
UK revenue	15,445	4,137	-	19,582
International revenue	15,597	2,330	-	17,927
Licence revenue	1,333	-	-	1,333
Revenue – external	32,375	6,467	-	38,842
Revenue – internal	-	4,071	(4,071)	-
Total revenue	32,375	10,538	(4,071)	38,842
Profit / (Loss) from operations	2,343	(437)	(2,664)	(758)
Net finance costs	-	-	(149)	(149)
Profit / (Loss) before tax	2,343	(437)	(2,813)	(907)
Tax credit	-	-	123	123
Profit / (Loss) for the period	2,343	(437)	(2,690)	(784)

Notes to the unaudited interim financial statements (continued)

2. Segmental analysis (continued)

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	**6 months to 31 July 2021 £000**	6 months to 31 July 2020 £000
North America	**8,643**	5,450
Northern Europe	**6,847**	5,655
Rest of the World	**5,486**	4,492
	20,976	15,597

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:

Brands revenue analysis	**6 months to 31 July 2021 £000**	6 months to 31 July 2020 £000
Harlequin*	**8,019**	5,967
Scion*	**1,204**	1,107
Anthology*	**1,079**	1,184
Sanderson*	**7,504**	4,933
Morris & Co.*	**8,192**	5,200
Zoffany*	**4,485**	3,523
Clarke & Clarke*	**12,582**	8,859
Other brands	**174**	269
Licensing	**2,036**	1,333
	45,275	32,375

*The Brands reportable segments for the six months ended 31 July 2020 have been redefined in line with the Group's strategy.

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

Manufacturing revenue analysis	**6 months to 31 July 2021 £000**	6 months to 31 July 2020 £000
Standfast	**10,124**	5,961
Anstey	**10,923**	4,577
	21,047	10,538

Notes to the unaudited interim financial statements (continued)

3. Analysis of revenue by category

	6 months to 31 July 2021 £000	6 months to 31 July 2020 £000
Sale of goods	**55,479**	37,509
Licence royalty income	**2,036**	1,333
	57,515	38,842

4. Seasonality and cyclicality

There is no material seasonality or cyclicality impacting the interim financial statements.

5. Net other income

Net other income comprises consideration received from the sale of marketing materials and additional services of £2,034,000 (2020: £2,374,000).

6. Net defined benefit pension charge

	6 months to 31 July 2020 £000	6 months to 31 July 2019 £000
Expected return on pension scheme assets	**531**	662
Interest on pension scheme liabilities	**(565)**	(703)
Scheme expenses met by the Group	**(199)**	(255)
	(233)	(296)

The Group paid contributions of £931,000 (2020: £215,000) and scheme administration costs of £199,000 (2020: £255,000) to the Group's two defined benefit schemes, further details of which can be found in the 2021 Annual Report.

7. Tax expense

	6 months to 31 July 2021 £000	6 months to 31 July 2020 £000
Current tax:		
- UK, current tax	**(848)**	(118)
Corporation tax	**(848)**	(118)
Deferred tax:		
- current period	**(313)**	291
- adjustments in respect of prior years	**-**	(50)
Deferred tax	**(313)**	241
Total tax (expense) / income for the period	**(1,161)**	123

Notes to the unaudited interim financial statements (continued)

7. Tax expense (continued)

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.

The deferred tax balance at 31 July 2021 included within these interim financial statements has been calculated at a rate of 25%, as this is the rate at which the balances are expected to unwind.

A net deferred tax charge of £313,000 arose in the period to 31 July 2021 (2020: credit of £241,000) on the profits for the period and adjustments in respect of prior years.

8. Earnings per share

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 period, excluding those held in the Employee Benefit Trust ('EBT') and those held in treasury, 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.

	6 months to 31 July 2021			6 months to 31 July 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	**3,767**	**70,935**	**5.31**	(784)	70,984	(1.10)
Effect of dilutive securities:						
Shares under LTIP		1,652			545	
Diluted earnings per share	**3,767**	**72,587**	**5.19**	(784)	71,529	(1.10)
Adjusted underlying basic and diluted earnings per share:						
Add back LTIP accounting charge	353			106		
Add back Net defined benefit pension charge	233			296		
Non-underlying items (see below)	508			870		
Tax effects of non-underlying items and other addbacks	(230)			(106)		
Adjusted underlying basic earnings per share	**4,631**	**70,935**	**6.53**	382	70,984	0.54
Adjusted underlying diluted earnings per share	**4,631**	**72,587**	**6.38**	382	71,529	0.53

Notes to the unaudited interim financial statements (continued)

8. Earnings per share (continued)

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 ordinary shares are held in treasury (2020: nil) and 220 (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.

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:

	6 months to 31 July 2021 £000	6 months to 31 July 2020 £000
Statutory profit / (loss) before tax	**4,928**	(907)
Amortisation of acquired intangible assets	**508**	508
Restructuring and reorganisation costs	**-**	362
Total non-underlying charge included in statutory profit before tax	**508**	870
Underlying profit / (loss) before tax	**5,436**	(37)
LTIP accounting charge	**353**	106
Net defined benefit pension charge	**233**	296
Adjusted underlying profit before tax	**6,022**	365

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 last year's reorganisation of the Group and comprise of the rationalisation of certain operational and support functions. The costs mainly comprise employee severance costs and professional fees associated with the reorganisation process. There is no such cost this year (2020: £362,000).

(b) Amortisation of acquired intangible assets £508,000 (2020: £508,000).

Notes to the unaudited interim financial statements (continued)

9. Analysis of net funds / (debt)

	1 February 2021 £000	Cash flow £000	Other non-cash changes £000	31 July 2021 £000
Cash and cash equivalents	15,549	(47)	(62)	**15,440**
Bank overdraft	-	-	-	**-**
Cash and cash equivalents and bank overdraft	15,549	(47)	(62)	**15,440**
Short term loan	(412)	-	412	**-**
Lease liabilities	(5,882)	1,328	(498)	**(5,052)**
Net debt	**9,255**	**1,281**	**(148)**	**10,388**

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 ended 31 January 2021, the Group agreed a temporary overdraft facility of £2,500,000 which expired in April 2021. The total committed facilities from Barclays Bank plc at the period end comprise of the revolving credit 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 noncompliance with covenants could, if not remedied or waived, constitute an event of default with respect to any such arrangements.

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

The total Barclays Bank plc facilities are capped at £17,500,000 (2020: £20,000,000); the utilisation of the facilities at 31 July 2021 was £nil (31 January 2021: £nil). 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. In June 2021, the Group was granted forgiveness in full of the loan by the US government Small Business Administration and this amount has been credited to the Group Income Statement for the 6 months to 31 July 2021.

Notes to the unaudited interim financial statements (continued)

10. Cash generated from operations

	6 months to 31 July 2021 £000	6 months to 31 July 2020 £000
Profit / (Loss) before tax	**4,928**	(907)
Defined benefit pension charge	**233**	296
Net finance (income) / costs	**(4)**	149
Depreciation and impairment of property, plant and equipment and right-of-use assets	**2,588**	2,838
Amortisation	**872**	872
Charge for LTIP recognised in equity	**217**	101
Unrealised foreign exchange losses included in operating profit	**(10)**	(150)
Defined benefit pension cash contributions	**(1,130)**	(470)
Forgiveness of loan under the US Paycheck Protection Payment scheme (note 9)	**(412)**	-
Cash generated from operating activities	**7,282**	2,729
Changes in working capital		
Decrease in inventories	**967**	5,073
(Increase) / Decrease in trade and other receivables	**(5,036)**	3,510
Increase / (Decrease) in trade and other payables	**1,377**	(6,255)
Cash generated from operations	**4,590**	5,057

11. Retirement benefit obligations

The Group 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. The Walker Greenbank Pension Plan is the biggest scheme. All schemes contain defined benefits sections, which are closed to new members and to future accrual of benefits, although deferred members still in-service have a salary link to their benefits. The Abaris Holdings Limited Pension Scheme also contains a defined contribution section; however this section is relatively small.

The pension costs relating to the UK defined benefit schemes are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. These schemes are subject to triennial actuarial reviews with the most recent one having been in April 2018. An updated funding valuation for IAS 19 financial reporting purposes was completed as at 31 July 2021.

In the first half of 2021, the Group paid contributions of £931,000 (2020: £215,000).
The assumptions applied for valuation of the defined benefit schemes are fully disclosed in the annual financial statements for the year ended 31 January 2021 and continue to be applied in the half year ended 31 July 2021. The net defined benefit pension charge recognised in the half year represents the relevant proportion of the annual amounts expected to be recognised for the year ending 31 January 2022 and are based on previous actuarial estimates. The net retirement benefit obligation recognised at 31 July 2021 is based on the updated funding valuation under IAS 19 ‘Employee Benefits’ at 31 July 2021. An updated funding valuation for IAS 19 financial reporting purposes will be completed for the next annual financial statements for the year ending 31 January 2022, at which time any actuarial gains/losses arising throughout the year will be recognised, including those arising from a change in the underlying assumptions applied for valuation of the defined benefit schemes.

Notes to the unaudited interim financial statements (continued)

12. Dividends

During the period to 31 July 2021, the Group has not paid any dividends.

The Group paid an interim dividend of 0.52p for the year ended 31 January 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 / final dividend for the year ended 31 January 2021.

The Board has decided to pay an interim dividend of 0.75p per share on 26 November 2021 to the shareholders registered on the Company's register on 22 October 2021.

13. Related party transactions

Transactions between Group companies, which are related parties, have been eliminated on consolidation and are therefore not disclosed. Other transactions which fall to be treated as related party transactions are those relating to the remuneration of key management personnel, which are not disclosed in the interim financial statements, and which will be disclosed in the Group's next annual report; and transactions between the Group and the Group's defined benefit pension plan, which are disclosed in note 6.

These interim financial statements have not been audited or reviewed by auditors pursuant to the Financial Reporting Council guidance on Review of Interim Financial Information.

By order of the Board

Lisa Montague
Chief Executive Officer

Michael Williamson
Chief Financial Officer