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Sanderson Design Group PLC
28 April 2022

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SANDERSON DESIGN GROUP PLC

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

Financial Results for the year ended 31 January 2022

A year of strong trading, cash generation and strategic progress

Sanderson Design Group PLC (AIM: SDG), the luxury interior design and furnishings group, announces its audited financial results for the year ended 31 January 2022.

Financial highlights

Year ended 31 January	**2022**	2021 *restated***	Change 2022 cf 2021	2020 *restated***	Change 2022 cf 2020
Revenue	**£112.2m**	£93.8m	19.6%	£111.5m	0.6%
Adjusted underlying profit before tax*	**£12.5m**	£7.0m	78.6%	£7.5m	66.7%
Adjusted underlying EPS*	**13.75p**	7.89p	74.3%	9.35p	47.1%
Statutory profit before tax	**£10.4m**	£4.9m	112.2%	£4.5m	131.1%
Statutory profit after tax	**£7.8m**	£3.8m	105.3%	£3.8m	105.3%
Basic EPS	**10.93p**	5.39p	102.8%	5.41p	102.0%
Net cash***	**£19.1m**	£15.1m	26.5%	£1.3m	>1,000%

**excluding share-based incentives, defined benefit pension charge and non-underlying items as summarised in note 1*
*** refer to note 12 for details on the prior year restatements*
**** Net cash is defined as cash and cash equivalents less borrowings. For the purpose of this definition, borrowings does not include lease liabilities*

· Revenue up 19.6% at £112.2m (FY2021: £93.8m; FY2020: £111.5m), reflecting the receding impact of Covid-19 and the Group's strategy for growth.
· Third party manufacturing sales up 30.9% from FY2021 and up 8.0% against FY2020, with total sales (including sales to Group brands) up 46.8% from FY21 and up 17.5% against FY2020 contributing substantially to Group profitability.
· Brand product sales up 17.8% compared with FY2021 and up 0.8% compared with FY2020 in constant currency:
o Morris & Co. brand performing very well in all regions, up 32.4% on FY2021 and up 45.1% on FY2020 in constant currency.
o North America has continued to deliver a very strong performance with all brands.
o Licensing income delivered £5.2m (FY2021: £3.7m; FY2020: £5.5m) including accelerated licensing income of £1.4m (FY2021: £0.9m; FY2020: £2.3m) with strong and exciting collaborations with NEXT, Bedeck and Blinds2Go in the UK, Sangetsu, Nishikawa and Kawashima in Japan and Williams Sonoma in the US.

· Adjusted underlying profit before tax £12.5m (FY2021: £7.0m; FY2020: £7.5m), reflecting stronger sales and the full-year impact of the operational measures introduced to reduce and control discretionary and fixed costs. Reported profit before tax of £10.4m is up 112.2% on the year ended 31 January 2021 (FY2021: £4.9m; FY2020: £4.5m).
· Liquidity and headroom of £31.6m (FY2021: £27.9m; FY2020: £13.8m) with a net cash of £19.1m (FY2021: £15.1m; FY2020: £1.3m).
· Proposed final dividend of 2.75p per share (FY2021: nil; FY2020: nil) to give a total dividend for the year of 3.50p (FY2021: nil; FY2020: 0.52p)

Operational highlights

- Morris & Co. sales driven in part by its 160th anniversary year in 2021 with a compilation of best sellers performing significantly ahead of management expectations and the Simply Morris collection showing encouraging sales since its September 2021 launch.
· Sanderson's One Sixty compilation collection of re-worked classic designs has exceeded management expectations with the positive impact of the Very Sanderson media campaign, featuring British sports personality Maro Itoje, launched in April 2021.
- Harlequin's Own The Room TV campaign launched in September 2021 renewed the momentum in the brand.
- Direct-to-consumer digital incubator projects advanced with the launch our direct-to-consumer website franchise collaboration, Scion Living | Uplifting Design For Your Home , and the online launch of Archive by Sanderson Design, a consumer brand targeting a new customer demographic for the Group.
· Planet Mark certification for Year 4 of carbon reduction, reflecting our Live Beautiful sustainability pledge.

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

"I am extremely pleased to be able to report a strong set of results, not only delivering substantial growth against a year impacted by COVID-19, but also against 2020, prior to the pandemic. We delivered an excellent performance from manufacturing, continued strong growth from the Morris & Co. brand, strong licensing income and more than

40% sales growth in the USA, a key target growth market for us.

Trading in the first three months of the current financial year has performed in line with our expectations, with continued demand for manufacturing and strong brand sales, particularly Morris & Co. and Sanderson. Licence income has also performed strongly. As we carefully navigate another potentially challenging year, the Board remains confident in its strategy and the results that are being delivered."

Analyst meeting and webcast

A meeting for analysts and institutional investors will be held at 10am today, 28 April 2022, at the offices of Buchanan, 107 Cheapside, London EC2V 6DN. For details, please contact Buchanan at SDG@buchanan.uk.com.

A live webcast of the meeting will be available via the following link:

https://webcasting.buchanan.uk.com/broadcast/62435b9e48e2f937d0543c90

A replay of the webcast will be made available following the meeting at the Company's investor website, www.sandersondesign.group.

For further information:

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Notes for editors:

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 wallpaper and fabric brands.

Sanderson Design Group employs approximately 600 people and its products are sold worldwide. It has showrooms in London, New York, Chicago, 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.

CHAIRMAN'S STATEMENT

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

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

Our manufacturing operations, which print fabric and wallpaper for our own brands and third parties, deserve special mention after a record year, with sales and profits making a very significant contribution to Group results. Third party manufacturing sales in the year were up 30.9% compared with the year ended 31 January 2021 (up 8.0% on FY2020), reflecting the quality and competitiveness of our printing along with the design strength in our factories' studios. Manufacturing, particularly digital printing, is a significant opportunity for the Group and order books remain strong.

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

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

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

Financial Results

The results for the year ended 31 January 2022 show a strong recovery from Covid-19, which had a very significant effect on the first half of the previous financial year. Adjusted underlying profit before tax at £12.5m is up 78.6% on the year ended 31 January 2021 (FY2021: £7.0m; FY2020: £7.5m). Reported profit before tax of £10.4m is up 112.2% on the year ended 31 January 2021 (FY2021: £4.9m; FY2020: £4.5m). The Group's balance sheet strengthened considerably throughout the year, resulting in net cash at the year end of £19.1m compared with £15.1m at 31 January 2021 (FY2020: £1.3m).

Dividend

The Directors recommend the payment of a final dividend of 2.75p per share (FY2021: nil; FY2020: nil) which, subject to shareholder approval at the Company's forthcoming Annual General Meeting, will be payable on 12 August 2022 to shareholders on the register at 15 July 2022. This brings the total dividend for the year to 3.50p per share (FY2021: nil; FY2020: 0.52p) if approved at the Company's forthcoming annual general meeting. The Board remains committed to a progressive dividend policy as part of the capital allocation priorities of the Group.

Going Concern

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

Board and People

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

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

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

Outlook

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

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

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

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

Dianne Thompson
Non-executive Chairman
27 April 2022

CHIEF EXECUTIVE OFFICER'S STRATEGY AND OPERATIONAL REVIEW

Introduction

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

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

Brand product sales recovered during the year, performing broadly in line with expectations with a particularly strong performance from Morris & Co., up 32.4% on FY2021 in constant currency and up 45.1% on FY2020 in constant currency. Licensing income performed strongly during the year, with income up 43.7% compared with FY2021 in constant currency.

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

STRATEGY AND PROGRESS

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

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

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

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

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

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

We have made significant progress during the year and delivered results from pursuing this strategy.

Efficiency

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

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

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

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

Sustainability

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

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

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

Digital and direct-to-consumer initiatives

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

OPERATIONAL REVIEW

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

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

**does not report in constant exchange rate*

MANUFACTURING

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

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

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

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

Standfast & Barracks ('Standfast')

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

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

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

Anstey Wallpaper Company ('Anstey')

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

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

In line with the Group's stated ambition to increase capacity, Anstey has reviewed shift patterns and completed a restructure that opened a total of 20 new roles in the business to ensure capacity for growth, of which 16 have been recruited.

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

THE BRANDS

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

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

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

Morris & Co.

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

The brand's sales were driven in part by Morris & Co.'s 160th anniversary year in 2021, with an anniversary compilation collection of the brand's best sellers performing significantly ahead of our expectations. Marketing around the anniversary is continuing into current financial year, with the brand staging its first-ever show garden at the 2022 Chelsea flower show. Award-winning garden designer Ruth Willmott has created an exciting and highly imaginative show garden on the main avenue based on two of William Morris's best known wallpaper designs, Trellis and Willow Boughs.

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

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

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

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

Sanderson

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

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

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

Zoffany

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

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

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

Clarke & Clarke

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

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

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

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

Harlequin

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

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

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

Scion

Scion's brand product sales in the UK were down 0.2%, in Northern Europe were down11% and in North America were down 16% in constant currency compared with FY2021 and down 26%, 28.8% and 25.6% respectively compared with FY2020. The smallest brand in the portfolio, the strategically reduced investment in new designs and the important proportion of licensing, lead to a good level of contribution.

As part of advancing the Group's digital strategy, the Company signed an agreement in November 2020 with a business formed by the leading internet retailer Jane Clayton and Company to launch a direct-to-consumer online shop, Scion Living. The shop, which sells a broad range of Scion's wallpapers, fabrics and licensed products, went live in June 2021 at www.scionliving.com. Sales of direct-to-consumer are not material, but the metrics of visitors to the site, and sales, are beginning to improve and we will provide a further update with the current year's interim results.

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

Archive by Sanderson Design

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

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

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

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

LICENSING

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

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

Our core licensing 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. The agreement with Blinds2Go performed very strongly during the year, particularly with the Harlequin and Scion brands. Core licensing income also benefits from many smaller agreements across a wide range of homewares.

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

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

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

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

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

Summary

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

Lisa Montague
Chief Executive Officer

27 April 2022

CHIEF FINANCIAL OFFICER'S REVIEW

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

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

	Year ended 31 January (£m)			**Change (%) 2022 compared with 2021**	**Change (%) 2022 compared with 2020**
Revenue	**2022**	2021	2020	Reported	Reported
Brands	84.1	72.6	84.7	15.8%	(0.7%)
Licensing	5.2	3.7	5.5	40.5%	(5.5%)
Total Brands	89.3	76.3	90.2	17.0%	(1.0%)
Manufacturing - External	22.9	17.5	21.3	30.9%	7.5%
Group	**112.2**	**93.8**	**111.5**	**19.6%**	**0.6%**

Gross Profit
Gross Profit for the full year was £73.8m, compared with £56.9m in FY2021 and £68.2m in FY2020, whilst the Gross Profit Margin at 65.8% represents an increase of 510 basis points over FY2021 (60.7%) and 460 basis points over FY2020 (61.2%).

The Group has adjusted the profit figures for FY2021 and FY2020. See the section later on prior year adjustments for further details.

		Year ended 31 January		
		2022	2021 restated	2020 restated
Products	Revenue (£m)	107.0	90.1	106.0
	Gross Profit (£m)	68.6	53.2	62.9
	%	64.1%	59.1%	59.3%
Licensing	Revenue (£m)	5.2	3.7	5.5
	Gross Profit (£m)	5.2	3.7	5.5
	%	100%	100%	100%

Total	**Revenue (£m)**	**112.2**	**93.8**	**111.5**
	Gross Profit (£m)	**73.8**	**56.9**	**68.2**
	%	**65.8%**	**60.7%**	**61.2%**

Excluding the impact of licence income, which generates 100% gross profit, margins improved to 64.1% in FY2022 versus 59.1% in FY2021 and 59.3% in FY2020. This improvement was a result of a change in the sales mix towards higher margin brands within the portfolio and volume driven efficiencies at the Group's two manufacturing sites.

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

	Year ended 31 January (£m)		
	2022	2021 restated	2020 restated
Revenue	**112.2**	**93.8**	**111.5**
Gross Profit	**73.8**	**56.9**	**68.2**
Distribution and selling expenses	(25.1)	(19.1)	(22.9)
Administration expenses	(42.8)	(36.5)	(45.8)
Net other income	4.5	3.8	5.4
Finance costs - net	0.0	(0.2)	(0.4)
Profit before tax	**10.4**	**4.9**	**4.5**

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

Administration expenses grew to £42.8m in FY2022 from £36.5m in FY2021. In the prior year, as a response to Covid-19, the business cut back on discretionary expenditure, with significant reductions in marketing and travel and a hiring freeze across the business. Although many of these activities recommenced in FY22, the benefits of our restructuring and ongoing cost efficiency and control measures are evident in that administration expenses are £3.1m below FY2020 of £45.8m.

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

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

	Year ended 31 January (£m)		
	2022	2021 restated	2020 restated
	£m	£m	£m
Profit before tax	**10.4**	**4.9**	**4.5**
Amortisation of acquired intangible assets	1.0	1.0	1.0
Restructuring and reorganisation costs	1.2	0.2	1.0
Forgiveness of loan	(0.4)	-	-
Release of a provision for legal case	(0.6)	-	-
Underlying profit before tax	**11.6**	**6.1**	**6.5**
LTIP Accounting Charge	0.4	0.4	0.4
Net defined benefit pension charge	0.5	0.5	0.6
Adjusted underlying profit before tax	**12.5**	**7.0**	**7.5**

Non underlying items comprise:

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

Taxation

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

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

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

Earnings Per Share

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

Capital Expenditure

Capital expenditure in the year totalled £2.1m (FY2021 £1.0m; FY2020 £2.4m). Overall capital expenditure was slightly lower than planned due to the later timing of projects. For FY2023 we expect capital expenditure to be around £6-7m as we step up our investment in digital printing technology and initiatives to reach our Zeroby30 pledge.

Inventories

Net inventory ended the year at £22.7m compared with FY2021 £19.6m and FY2020 at £27.8m.

This increase on FY2021 reflects a combination of stock re-build following Covid-19 supply chain disruption together with investment to assure strong availability of best sellers as we move into our Spring/Summer FY2022 trading season. The reduction versus FY2020 is evidence of the success of our SKU reduction programme in which we have already achieved our five-year target, set in October 2019, of approximately 12,000 SKUs.

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

Trade Receivables

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

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

Cash position and banking facilities

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

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

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

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

Net defined benefit pension

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

The triennial valuation of the schemes, based on the position of the schemes on 5 April 2021, is in the process of being completed. Independent pension and actuarial specialists are supporting the Group through the valuation process.

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

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

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

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

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

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

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

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

Going concern
The Directors reviewed a Management Base Case (MBC) model and considered the uncertainties regarding the further impact of Covid-19, supply chain and inflationary pressures and the Russian invasion of Ukraine for the assessment of going concern. The Directors consider that, having reviewed forecasts prepared by the management team which have been stress tested, the Group 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. Further details of the review are disclosed in note 1.

Mike Woodcock
Chief Financial Officer
27 April 2022

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 JANUARY 2022

	Note	**2022 Total £000**	*(restated)* 2021 Total £000
Revenue		112,200	93,760
Cost of sales		(38,365)	(36,855)
Gross profit		73,835	56,905
Distribution and selling expenses		(25,052)	(19,129)
Administration expenses		(42,796)	(36,502)
Other operating income	4	4,342	3,822
Profit from operations	3	10,329	5,096
Finance income		184	139
Finance costs		(154)	(300)

Net finance income/(costs)	5	30	(161)
Profit before tax		10,359	4,935
Tax expense	6	(2,600)	(1,109)
Profit for the year attributable to owners of the parent		7,759	3,826
Earnings per share - Basic	7	10.93p	5.39p
Earnings per share - Diluted	7	10.80p	5.27p
Adjusted earnings per share - Basic*	7	13.75p	7.89p
Adjusted earnings per share - Diluted*	7	13.59p	7.71p

All of the activities of the Group are continuing operations.

Note 12 explains the effect of the prior year restatements for the year ended 31 January 2021.

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

** these are alternative performance measures*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 JANUARY 2022

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

Note 12 explains the effect of the prior year restatements for the year ended 31 January 2021.

CONSOLIDATED BALANCE SHEET

AS AT 31 JANUARY 2022

	Note	**2022 £000**	(restated) 31/01/2021 £000	(restated) 01/02/2020 £000
Non-current assets				
Intangible assets		26,979	28,325	29,815
Property, plant and equipment		11,258	12,061	14,101
Right-of-use assets		3,923	5,783	8,392
Retirement benefit surplus	10	2,577	-	-
Minimum guaranteed licensing receivable	9	1,619	1,222	1,455
		46,356	47,391	53,763
Current assets				
Inventories		22,652	19,633	27,819
Trade and other receivables	8	16,792	15,885	18,593
				495

Minimum guaranteed licensing receivable	9	879	1,221	3,055
Cash and cash equivalents		19,050	15,549	
		59,373	52,288	49,962
Total assets		105,729	99,679	103,725
Current liabilities				
Trade and other payables		(20,115)	(20,472)	(22,940)
Lease liabilities		(1,983)	(2,676)	(2,810)
Borrowings		-	(412)	(1,719)
		(22,098)	(23,560)	(27,469)
Net current assets		37,275	28,728	22,493
Non-current liabilities				
Lease liabilities		(1,920)	(3,206)	(5,603)
Deferred income tax liabilities		(1,998)	(514)	(802)
Retirement benefit obligation	10	-	(5,637)	(5,659)
		(3,918)	(9,357)	(12,064)
Total liabilities		(26,016)	(32,917)	(39,533)
Net assets		79,713	66,762	64,192
Equity				
Share capital		710	710	710
Share premium account		18,682	18,682	18,682
Foreign currency translation reserve		(796)	(866)	(565)
Retained earnings		20,610	7,729	4,858
Other reserves		40,507	40,507	40,507
Total equity		79,713	66,762	64,192

A third consolidated balance sheet as at 1 February 2020 has been included above to show the effect of the prior year restatements as detailed in note 12. Minimum guaranteed income is analysed into current and non-current assets as detailed in note 12.

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 JANUARY 2022

	Note	**2022 £000**	(restated) 2021 £000
Profit before tax		10,359	4,935
Defined benefit pension charge		487	531
Net finance (income)/costs		(30)	161
Depreciation and impairment of property, plant and equipment and right-of-use assets		5,065	5,697
Amortisation		1,725	1,735
Loss on disposal of fixed assets		-	72
Charge for LTIP recognised in equity		253	294
Unrealised foreign exchange gains/(losses) included in operating profit		468	(52)
Forgiveness of loan into a grant		(412)	-
Defined benefit pension cash contributions		(2,209)	(2,118)
Cash generated from operating activities		15,706	11,255
Changes in working capital:			
(Increase)/decrease in inventories		(3,018)	8,186
(Increase)/decrease in trade and other receivables		(669)	2,310
Increase/(decrease) in trade and other payables		716	(3,529)
Cash generated from operations		12,735	18,222
Corporation tax paid		(3,754)	(23)
Net cash generated from operating activities		8,981	18,199
Cash flows from investing activities			
Interest received		5	1
Purchase of intangible assets		(379)	(245)
Purchase of property, plant and equipment		(1,750)	(830)

Proceeds from disposal of property, plant and equipment		-	75
Net cash used in investing activities		(2,124)	(999)
Cash flows from financing activities			
Payment of lease liabilities		(2,686)	(2,958)
Interest paid		(76)	(279)
Proceeds from borrowings		-	412
Dividends paid to Company's shareholders		(532)	-
Net cash used in financing activities		(3,294)	(2,825)
Net increase in cash and cash equivalents		3,563	14,375
Cash and cash equivalents at beginning of year		15,549	1,336
Effect of exchange rate fluctuations on cash held		(62)	(162)
Cash and cash equivalents at end of year	11	19,050	15,549

Note 12 explains the effect of the prior year restatements for the year ended 31 January 2021.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 JANUARY 2022

	Attributable to owners of the parent						
				Other reserves			
	Share capital £000	Share premium account £000	(restated) Retained earnings £000	Capital reserve £000	Merger reserve £000	Foreign currency translation reserve £000	(restated) Total equity £000
Balance at 1 February 2020 as previously stated	710	18,682	5,495	43,457	(2,950)	(565)	64,829
Prior period restatement (note 12)	-	-	(637)	-	-	-	(637)
Balance at 1 February 2020 as restated	710	18,682	4,858	43,457	(2,950)	(565)	64,192
Profit for the year	-	-	3,826	-	-	-	3,826
Other comprehensive income/(expense):							
Remeasurements of defined benefit pension schemes	-	-	(1,565)	-	-	-	(1,565)
Deferred tax relating to pension scheme liability	-	-	297	-	-	-	297
Currency translation differences	-	-	-	-	-	(301)	(301)
Total comprehensive income/(expense)	-	-	2,558	-	-	(301)	2,257
Transactions with owners, recognised directly in equity:							
Dividends	-	-	-	-	-	-	-
Long-term incentive plan charge	-	-	294	-	-	-	294
Related tax movements on long-term incentive plan	-	-	19	-	-	-	19
Balance at 31 January 2021	710	18,682	7,729	43,457	(2,950)	(866)	66,762

	Attributable to owners of the parent						
				Other reserves			
	Share capital £000	Share premium account £000	(restated) Retained earnings £000	Capital reserve £000	Merger reserve £000	Foreign currency translation reserve £000	(restated) Total equity £000
Balance at 1 February 2021 as previously stated	710	18,682	8,446	43,457	(2,950)	(866)	67,479
Prior period restatement (note 12)	-	-	(717)	-	-	-	(717)
Balance at 1 February 2021 as restated	710	18,682	7,729	43,457	(2,950)	(866)	66,762
Profit for the year	-	-	7,759	-	-	-	7,759

Other comprehensive income/(expense):							
Remeasurements of defined benefit pension schemes	-	-	6,492	-	-	-	6,492
Deferred tax charge relating to pension scheme asset	-	-	(1,233)	-	-	-	(1,233)
Currency translation differences	-	-	-	-	-	70	70
Total comprehensive income	-	-	13,018	-	-	70	13,088
Transactions with owners, recognised directly in equity:							
Dividends	-	-	(532)	-	-	-	(532)
Long-term incentive plan charge	-	-	253	-	-	-	253
Related tax movements on long-term incentive plan	-	-	142	-	-	-	142
Balance at 31 January 2022	710	18,682	20,610	43,457	(2,950)	(796)	79,713

Note 12 explains the effect of the prior year restatements as at 31 January 2021 and 31 January 2020.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. Accounting policies and general information

General information

Sanderson Design Group PLC ('the Company') and its subsidiaries (together 'the Group') is a luxury interior furnishing group whose brands include Morris & Co., Sanderson, Zoffany, Clarke & Clarke, Harlequin, Scion and Archive by Sanderson Design. The 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.

The consolidated financial information and announcement of Sanderson Design Group plc for the year ended 31 January 2022 were authorised for issue by the Board of Directors on 27 April 2022.

Basis of preparation

The financial information contained within this final results announcement for the year ended 31 January 2022 and the year ended 31 January 2021 is derived from but does not comprise statutory financial statements within the meaning of section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 January 2021 have been filed with the Registrar of Companies and those for the year ended 31 January 2022 will be filed following the Company's annual general meeting.

The auditors' report on the statutory accounts for the year ended 31 January 2022 and the year ended 31 January 2021 is unqualified, does not draw attention to any matters by way of emphasis, and does not contain any statement under section 498 of the Companies Act 2006.

The statutory consolidated financial statements, from which the financial information in this announcement has been extracted have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The accounting policies applied are consistent with those set out in the Sanderson Design Group plc Annual report and Accounts for the year ended 31 January 2021.

Going concern

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

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

In assessing going concern management has taken account of the uncertainties caused by Covid-19and the war in Ukraine, a Management Base Case (MBC) model has been prepared, together with alternative stress tested scenarios, given the uncertainty regarding the impact of Covid-19 (including variants, further waves of the virus, disruption to supply chain and inflationary pressures) and the Russian invasion of Ukraine (including impact of sanctions, duration of war and inflationary pressures). We suspended all trade with Russia on 24 February 2022, a distributor-based region that represented only around 2% of global sales for FY2022. These forecasts indicate that the Company retains adequate headroom against its borrowing facilities and bank covenants for the foreseeable future.

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

2. 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.

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.

2. Critical accounting estimates and judgements (cont'd)

b) Retirement benefit obligations (cont'd)

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

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.

3. Segmental analysis

The Group is a designer, manufacturer and distributor of luxury interior furnishings, fabrics and wallpaper. The reportable segments of the Group are aggregated as follows:

- Brands - comprising the design, marketing, sales and distribution, and licensing activities of Morris & Co., Sanderson, Zoffany, Clarke & Clarke, Harlequin, Scion and Archive by Sanderson Design brands operated from the UK, the US, France, Netherlands 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 'Intercompany elimination and unallocated'.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. Segmental analysis (cont'd)

a) Principal measures of profit and loss - Income Statement segmental information (cont'd)

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

The segmental Income Statement disclosures are measured in accordance with the Group's accounting policies as set out in note 1. The Group has revised its segmental methodology during the year by reviewing the allocation of central costs to the Brands unit and restated the prior year's comparatives to improve usefulness of the segmentation. The amount reclassified from central costs to Brands for the year ended 31 January 2021 is £2.4m relating to majority of the Company's administrative cost, LTIP expenses and IT costs. The reason this is considered to be more appropriate is the senior management of the Company spend significant amount of time on developing Brands' strategies and managing its day-to-day operations daily and IT costs are mainly incurred by Brands. Note 12 explains the effect of the prior year restatements as at 31 January 2021 and 31 January 2020.

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 'Intercompany elimination 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.

Other costs, such as Group insurance, rent and auditors' remuneration which are incurred on a Group-wide basis are recharged by the head office to segments on a reasonable and consistent basis for all periods presented and are included within segment results above. Tax charges have not been allocated to a segment.

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

Brands international revenue by export market:	**2022 £000**	2021 £000
North America	16,644	12,521

Northern Europe	13,189	12,480
Rest of the World	10,592	9,548
	40,425	34,549

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. Segmental analysis (cont'd)

b) Additional segmental revenue information (cont'd)

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

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

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

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

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

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

5. Net finance income/(costs)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

6. Tax expense

	2022 £000	2021 £000
Current tax:		

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

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

7. 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 year, 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.

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

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

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

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

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 7(b) below Note 12 explains the effect of the prior year restatement as at 31 January 2021 and 31 January 2020.

7. Earnings per share (cont'd)

7**. (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

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

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

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

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

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

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

Note 12 explains the effect of the prior year restatements as at 31 January 2021 and 31 January 2020.

8. Trade and other receivables

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

There is no material difference between the carrying amount and the fair value of the trade and other receivables. The only financial asset that is subject to IFRS 9's expected credit loss model is trade receivables for sales of inventory.

9. Minimum guaranteed licensing receivable

The Group has analysed the minimum guaranteed licensing receivable into its current and non-current components and made a prior year adjustment to reflect similar analysis in the comparatives. This determination is based on the assessment of the operating cycle of the licensing arrangement , taking into consideration the nature of the agreement and the cash and invoicing cycle. This assessment was not carried out in the previous year and as such all amounts receivable were shown as current in error. A prior period adjustment has been processed to reflect the split in the previous year (see note 12).

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

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

10. Retirement benefit obligation

Defined benefit schemes

Sanderson Design Group PLC operates two defined benefit schemes in the UK which both offer pensions in retirement and death benefits to members: the Walker Greenbank Pension Plan and the Abaris Holdings Limited Pension Scheme. Pension benefits are related to the members' final salary at retirement and their length of service. The schemes are closed to new members and to future accrual of benefits, although deferred members still in-service have a salary link to their benefits. This disclosure excludes any defined contribution assets and liabilities. The Group's contributions to the schemes for the year beginning 1 February 2022 are expected to be £2,391,000.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

11. Analysis of net funds/(debt)

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

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

12. Explanation of prior year adjustments for the years ended 31 January 2021 and 31 January 2020

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

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

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

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

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

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