RNS Number : 4086C
Sanderson Design Group PLC
11 October 2022

11 October 2022

SANDERSON DESIGN GROUP PLC

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

Interim Results for the six months ended 31 July 2022

Profit growth driven by licensing income, US sales and the Morris & Co. brand

Full year trading remains in line with Board expectations

Sanderson Design Group PLC (AIM: SDG), the luxury interior design and furnishings group, announces its unaudited financial results for the six months ended 31 July 2022.

Financial highlights

	Six months ended 31 July		% Change	Year ended 31 January
	2022	2021		2022
Revenue	**£57.9m**	£57.5m	0.7%	£112.2m
Adjusted underlying profit before tax*	**£6.3m**	£5.6m**	12.5%	£12.5m
Adjusted underlying EPS*	**6.90p**	6.11p**	12.9%	13.75p
Statutory profit before tax	**£5.5m**	£4.9m	12.2%	£10.4m
Statutory profit after tax	**£4.2m**	£3.8m	10.5%	£7.8m
Basic EPS	**5.89p**	5.31p	10.9%	10.93p
Net cash***	**£15.0m**	£15.4m	(2.6%)	£19.1m
Dividend per share	**0.75p**	0.75p	-	3.50p

**excluding share-based incentives, defined benefit pension charge and non-underlying items as summarised in note 5*
*** refer to note 5(b) for details on the prior year reclassification*
**** Net cash is defined as cash and cash equivalents less borrowings. For the purpose of this definition, borrowings do not include lease liabilities*

· Revenue up 0.7% at £57.9m (H1 FY22: £57.5m), representing a resilient sales performance in a challenging market
· Strong performance from licensing with revenue up 90.0% at £3.8m (H1 FY22: £2.0m) in reported currency
· Brand product sales down 2.5% in reported and constant currency at £42.2m (H1 FY22: £43.3m), impacted by cessation of trade in Russia and Brexit customs benefit in prior period
  o Strong growth from the Morris & Co. brand, with sales up 20.8% in the UK and up 53.7% in North America in reported currency (up 42.3% in constant currency)
  o North America continues to deliver a strong performance, particularly with the Morris & Co., Sanderson and Clarke & Clarke brands

· Third party manufacturing performed robustly against a strong comparator with sales down 2.5% in reported currency at £11.9m (H1 FY22: £12.2m)
· Adjusted underlying profit before tax of £6.3m up 12.5% (H1 FY22: £5.6m), reflecting management actions and the significant contribution from higher margin licensing activities. Statutory profit before tax of £5.5m is up 12.2% (H1 FY22: £4.9m)
· Strong balance sheet with net cash of £15.0m at 31 July 2022 (31 January 2022: £19.1m), following a strategic investment in core stock lines
· Interim dividend of 0.75p per share (H1 FY22: 0.75p)

Operational highlights

· Significant licence renewals in the year-to-date including Bedeck, NEXT and Williams Sonoma along with strong generation of new collaborations and a resilient performance from core bedding and Japanese partnerships

- Growth in Morris & Co. brand product sales led by continued increase in demand for classic designs and sales of Simply Morris, launched last year
- Harlequin exclusive edit with Brewers/wallpaperdirect created in H1 FY22 and launched to market in September 2022
- US distribution of Harlequin with Perigold and McGee & Co online has attracted a new customer

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

"Thanks to the Group's strong and rich portfolio of valuable brands, and the creative design talent and agility of our teams, we have managed to navigate the trading challenges of the first half, taking opportunities where possible to support the strategic progress of the Group.

"I am delighted to see positive developments in North America, where we have been under-distributed in the past and where management continues to focus. The UK performance of our top customers is encouraging, whilst challenges abound in the wider economy.

"Our current year performance to date is testament to the diversity of our model, and we continue to anticipate meeting Board expectations for the full year. Given the uncertainties in the current macro-economic and consumer environment, we look forward with caution and continue to actively manage the headwinds. We have a high-quality brand portfolio, growing US presence and strong cash balances to support ongoing investment. Alongside continued management action to reduce costs and increase efficiency, we remain confident in the strategy for the business."

Analyst meeting and webcast

A meeting for analysts and institutional investors will be held at 10.00 a.m. today, 11 October 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/630e0ad7da906b287e9a13ac

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

For further information:

Sanderson Design Group PLC	**c/o Buchanan +44 (0) 20 7466 5000**
Lisa Montague, Chief Executive Officer	
Mike Woodcock, Chief Financial Officer	
Caroline Geary, Company Secretary	
Investec Bank plc (Nominated Adviser and Joint Broker)	**+44 (0) 20 7597 5970**
David Anderson / Alex Wright / Ben Farrow	
Singer Capital Markets (Joint Broker)	**+44 (0) 20 7496 3000**
Tom Salvesen / Jen Boorer / Alex Emslie	
Buchanan	**+44 (0) 20 7466 5000**
Mark Court / Toto Berger / Abigail Gilchrist	
SDG@buchanan.uk.com	

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.

This announcement contains certain forward-looking statements that are based on management's *current expectations or beliefs as well as assumptions about future events. These are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries and sectors in which Sanderson Design Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results, and Sanderson Design Group's plans and objectives, to differ materially from those currently anticipated or implied in the forward-looking statements. Investors should not place undue reliance on any such statements. Nothing in this announcement should be construed as a profit forecast.*

CHIEF EXECUTIVE OFFICER'S STRATEGY AND OPERATIONAL REVIEW

INTRODUCTION

We are pleased to report a resilient performance during the six months to 31 July 2022. Most notably, it was a period of improved profitability and margin progression, driven by operational efficiencies, licensing income, improved US sales and continued strong growth from the Morris & Co. brand. Whilst the macro-economic and consumer environments remain difficult to predict, we have mitigated reduced volumes in brand sales and protected our gross margin through price increases in February and August 2022. We have continued to make significant strategic and operational progress, particularly on new licensing collaborations and on initiatives focused on driving the brands' future growth.

Of our three key geographic segments - the UK, Northern Europe and North America, brand product sales showed resilience. In the UK, they were almost unchanged at £22.1m (H1 FY22: £22.3m) whilst in North America they benefited from strong currency markets and were up 12.8% in reported currency (3.3% in constant currency). As previously reported, the decision to cease trade in Russia, which contributed £0.8m of sales in H1 FY22, impacted brand product sales in Northern Europe in the first half, down 20.3% in reported currency and down 16.8% in constant currency.

Overall, third-party manufacturing performed robustly in the first six months of the year, given the strong comparator at the same time last year as customers began restocking following the Covid pandemic. We are continuing to invest in our manufacturing operations to build further on our competitiveness post-Brexit for both UK and overseas customers and capitalise on future opportunities.

In support of our focused strategy, our higher margin licensing revenue performed particularly strongly during the first half, with sales up 90.0% in reported currency to £3.8m (H1 FY22: £2.0m). This growth was driven by accelerated income under IFRS 15 of £1.9m (H1 FY22: £0.5m), reflecting new and extended licensing agreements, along with a robust performance by core licensees.

Notable licensing agreements signed in the first half include a three-year renewal with Bedeck, one of our core licensees which has rights in multiple geographies to a wide range of bedlinen and towelling for the Morris & Co., Sanderson, Harlequin and Scion brands, and a renewal with NEXT for up to two years for Morris & Co. womenswear.

The momentum in licensing has continued into the current half with the announcement in August 2022 of a Sanderson collaboration with Disney. In addition, the Morris & Co. kitchenware partnership with major US retailer Williams Sonoma, initially signed in August 2021, has been extended by two years to 2025. The initial products from the partnership will be fully launched across the Williams Sonoma retail network on 17 October 2022.

The Morris & Co. brand grew strongly in the first half, with the brand's product sales up 53.7% in North America in reported currency (up 42.3% in constant currency) and up 20.8% in the UK.

Overall, brand product sales growth was focused on North America, a key growth market for us, where, in addition to the strong performance from Morris & Co., the Clarke & Clarke brand was up 9.2% in reported currency (up 0.9% in constant currency) and Sanderson was up 6.6% in reported currency (down 1.6% in constant currency).

The Group's net cash balances remained strong at the half year end at £15.0m (31 January 2022: £19.1m), with the decrease from the end of the last financial year in part reflecting a strategic investment in inventory to ensure that our best-selling lines of wallpaper and fabric are always in stock. In line with our typical buying cycle, inventory peaked at the half year end and the subsequent focus has been the turn of stock and efficiency to optimise cover on a reduced portfolio of collections (SKUs) in the current trading environment.

The strength of our balance sheet protects our business in a time of macro-economic uncertainty and enables investment in future growth opportunities and initiatives, including achieving our ZeroBy30 pledge.

Live Beautiful

Our Live Beautiful sustainability strategy, launched in April 2021, has 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.

Initiatives in the current financial year have included the planned installation of solar panels at our Standfast & Barracks fabric printing factor in Lancaster. These panels will cover 3,000 sq. m and, in addition to contributing electricity to the factory, will result in a carbon reduction of 141.72 tonnes of carbon per annum according to an independent forecast.

LED lighting is being installed across all our locations and the shift towards digital printing from traditional methods is also reducing our energy consumption.

Last month, Scion launched a capsule collection of wallpapers and fabrics created in collaboration with Designs in Mind, a social enterprise that uses art and design to support people with mental health challenges. The collection, which was created through workshops hosted by the Scion design team and is available via the Scion online shop, demonstrates our commitment to the positive power of design.

People

Sanderson Design Group is a people business that remains committed to the Real Living Wage. I would like to thank all colleagues for their energy, talent and commitment during the year to date. I would also like to welcome Shailini Revel to the Group Leadership Team as Group Marketing and Digital Director, replacing Nigel Hunt, who left the Company last month after three years of valued contribution to the business.

OPERATIONAL REVIEW

The table below shows the Group's sales performance in the six months ended 31 July 2022 ('H1 FY23'), compared with H1 FY22.

	Six months to July 31 of financial year (£m)		**Change (%)**	
	2022	2021	Reported	Constant currency
Brand product				
UK	***22.1***	*22.3*	*(0.9%)*	*(0.9%)*
Northern Europe	***5.5***	*6.9*	*(20.3%)*	*(16.8%)*
North America	***9.7***	*8.6*	*12.8%*	*3.3%*
Rest of the World	***4.9***	*5.5*	*(10.9%)*	*(9.6%)*
Total Brand product revenue	**42.2**	43.3	(2.5%)	(3.5%)
Total Licensing revenue	**3.8**	2.0	90.0%	89.3%
Total Brand revenue	**46.0**	45.3	1.5%	2.5%
Manufacturing*				
External	***11.9***	*12.2*	*(2.5%)*	-
Internal	***9.8***	*8.8*	*11.4%*	-
Total Manufacturing revenue	**21.7**	21.0	3.3%	**-**
Intercompany eliminations*	***(9.8)***	*(8.8)*	*11.4%*	**-**
TOTAL REVENUE*	**57.9**	57.5	0.7%	**-**

**does not report in constant exchange rate*

The Brands

The brands segment comprises Morris & Co, Sanderson, Clarke & Clarke, Harlequin, Zoffany, Scion, and Archive by Sanderson Design. It also includes licensing income as well as global trading from the brands, including our overseas operations in the US, Dubai, Netherlands and Germany.

Morris & Co.

Morris & Co. sales in the first half were £9.5m in reported currency, an increase of 15.5% on the first half last year. Sales in the UK were up 20.8%, in Northern Europe were down 13.2% and in North America were up 53.7% in reported currency (in constant currency, Northern Europe sales were down 9.1% and North America sales were up 42.3%).

Morris & Co. continues to be the Group's fastest growing brand and the focus of exciting licensing collaborations. Brand product sales in the first half have been driven by the launch of a second collection by Ben Pentreath, the influential architect and designer, and also by sales of the Simply Morris collection, which was launched last year.

Licence income during the first half has been driven both by accelerated income from new and extended licensing agreements and by income from existing licensees, with apparel collections from NEXT performing particularly well. In July 2022, NEXT extended its licensing agreement for Morris & Co. womenswear for up to two years, starting from April 2023.

Morris & Co. paints were relaunched in February 2022, after being unavailable since 2008 owing to a change in manufacturing regulations. The new range of paints, based on historic William Morris colour recipes and documents, have been well received and are now available through national retailers.

Exciting collaborations signed in the first half include a sponsorship agreement with the Emery Walker Trust, a charity that preserves the London home of Emery Walker, a typographer, engraver and dear friend of William Morris. The Morris & Co. brand will next year launch a collection of fabrics, wallpapers, bedding and homewares based on inspirational items and stories from the house.

One of the Company's incubator initiatives to test direct-to-consumer sales is a Morris & Co. concession in Harrods at its flagship location in Knightsbridge. The Morris & Co. Home Emporium at Harrods opened in April this year and will be launched online at Harrods.com ahead of the peak trading season.

Sanderson
Sanderson sales in the first half were £7.2m in reported currency, a decrease of 4.4% on the first half last year. Sales in the UK were down 0.8%, in Northern Europe were down 29.4% and in North America were up 6.6% in reported currency (in constant currency, Northern Europe sales were down 27.8% and North America sales were down 1.6%).

Sanderson also attracts licensing income, and in August 2022, the Company announced an exciting licensing agreement with Disney. The Sanderson archive includes a unique collection of original wallpapers and fabrics, dating back to the 1930s, based on classic Disney characters. Products created under this licensing agreement will be distributed internationally from next year.

In October 2022, we announced another exciting development for the Sanderson brand in a collaboration with Giles Deacon, the renowned, London-based couture designer and illustrator, who will create a capsule collection of fabrics, wallpapers and apparel. The collection will be based on an innovative reworking of original Sanderson designs and launch in Spring 2024, bringing fashion to the Sanderson brand to create future nostalgia from classic creations.

Zoffany
Zoffany sales in the first half were £4.2m in reported currency, a decrease of 5.3% on the first half last year. Sales in the UK were down 3.6%, in Northern Europe were down 15.8% and in North America were down 2.6% (in constant currency, Northern Europe sales were down 13.9% and North America sales were down 10.0%).

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.

Clarke & Clarke
Clarke & Clarke sales in the first half were £11.8m in reported currency, a decrease of 6.0% on the first half last year. Sales in the UK were down 8.2%, in Northern Europe were down 9.1% and in North America were up 9.2% (in constant currency, Northern Europe sales were down 7.1% and North America sales were up 0.9%).

Sales in North America, where the brand is distributed by Kravet Inc, were resilient against a strong comparator. 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.

Harlequin
Harlequin sales in the first half were £8.3m in reported currency, a decrease of 9.0% on the first half last year. Sales in the UK were down 1.6%, in Northern Europe were down 34.6% and in North America were

down 3.0% (in constant currency, Northern Europe sales were down 33.0% and North America sales were down 10.4%).

The brand has performed well at John Lewis Partnership. In September 2022, Brewers/wallpaperdirect launched exclusively a special edit of designs backed by a stock commitment.

The focus for the Harlequin brand has been to drive renewed impetus through colour science, expressed in the Own the Room campaign and colour quiz, which seek to empower consumers to choose the best designs and colours for their individual emotional and physical well-being. Harlequin collections are presented as colour stories to suit each of four profiles: Rewild, Reflect, Retreat and Renew.

The collaboration with Sophie Robinson, known as the "Queen of Colour" announced in June 2022, is a further step in inspiring people to put colours together to suit individual styles. Working with Harlequin, Sophie will create a capsule collection of wallpapers and fabrics using her signature bright colours and exuberant styling for launch in Autumn 2023.

Scion

Scion sales in the first half were £1.0m in reported currency, a decrease of 17.2% on the first half last year. Sales in the UK were down 9.3%, in Northern Europe were down 39.5% and in North America were down 11.6% (in constant currency, Northern Europe sales were down 38.1% in North America sales were down 18.7%).

As part of advancing the Group's digital strategy, Scion products are also sold direct-to-consumer via www.scionliving.com, an online shop created by the leading internet retailer Jane Clayton and Company. Scion designs are also highly suited to out-licensing across a wide range of homewares.

Archive by Sanderson Design

Archive by Sanderson Design is a new, direct-to-consumer brand launched in September 2021 to test the route to market. This maximalist offer targets digitally native consumers, new customers for the Group, and is an important part of our strategy to test with new routes to market. The first-year performance of this heritage-powered brand indicates that there is a broader direct-to-consumer opportunity to be further explored with online wholesale partners ahead of further investment in the digital platform to support this venture.

Manufacturing

Our manufacturing operations performed robustly in the first half, with third-party orders down 2.5% in reported currency compared with the first half last year reflecting a strong comparator characterised by restocking post-Covid.

Our fabric printers, Standfast, continue to benefit from import duties imposed post Brexit which encourages UK customers to source domestically. Standfast also has a high proportion of customers in a relatively buoyant US market which has helped boost revenues in the first half. Conversely our wallpaper manufacturer, Anstey has traditionally been more focussed on the European market where current trading conditions are significantly tougher.

We are committed to continued investment in digital capacity in both our manufacturing plants. Investment in the current financial year is expected to focus on Anstey, where, in line with our capital expenditure plan, two digital printers with different capabilities are planned for installation this year at a cost of approximately £1.5m. One of the printers allows white backgrounds to be printed digitally at Anstey for the first time and the other offers very rapid print speeds. Both are more environmentally friendly than traditional techniques and are expected to enable the factory to compete for additional business. The introduction of a new ERP system at Standfast & Barracks which will capture data far more effectively than our legacy system and allow us to generate further efficiencies is expected to complete in H1 FY24.

CURRENT TRADING AND OUTLOOK

The Board remains confident in the strategy for the business and accepts that, in challenging markets, we need to look ahead with caution. Uncertainties abound in the current macro-economic and consumer environment so we remain focused on mitigating the potential impact of these issues on our business where we can.

We have focused on building a diversified model backed by our world class brand portfolio and strong balance sheet to enable self-funded growth. To that end, our performance in the first half of the financial year was resilient, with a profit performance driven by licensing income and margin improvement, as a result of operational efficiencies, growing US sales and the Morris & Co. brand. August 2022 was a softer summer month than last year but September and the first week of October 2022 have shown growth. Our key Autumn selling weeks in October 2022 and November 2022 have just started and, whilst we are vigilant in respect of ongoing external factors, we continue to anticipate meeting Board expectations for the full year.

CHIEF FINANCIAL OFFICER'S 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	
	2022	2021
Revenue (£m)	**57.9**	57.5
Profit before tax (£m)	**5.5**	4.9
Profit before tax (%)	**9.5%**	8.5%
Basic earnings per share (pence)	**5.89p**	5.31p
Adjusted underlying profit before tax* (£m)	**6.3**	5.6
Adjusted underlying profit before tax* (%)	**10.9%**	9.7%
Adjusted earnings per share* (pence)	**6.90p**	6.11p
Net cash (£m)	**15.0**	15.4
Inventory (£m)	**26.7**	18.7
Capital expenditure (£m)	**1.5**	1.2

**excluding share-based incentives, defined benefit pension charge and non-underlying items as summarised in note 5*

Revenue

Group sales in the six-month period of £57.9m (comprising Brand product and external Manufacturing sales along with licensing revenue) were up 0.7% compared with the same period last year (H1 FY22: £57.5m), unchanged on a constant currency basis.

	Six months ended 31 July		
	2022	2021	Change
Revenue	**£m**	£m	%
Brands	**42.2**	43.2	(2.5%)
Licensing	**3.8**	2.0	90.0%
Total Brands	**46.0**	45.3	1.5%
Manufacturing - External	**11.9**	12.2	(2.5%)
Group	**57.9**	57.5	(0.7%)

Brand product

Brand product revenue was driven by a strong performance in the targeted growth market of the US, along with continued strong growth from the Morris & Co. brand.

Brand product revenue at £42.2m was down 2.5% against H1 FY22 at reported rates, unchanged on a constant currency basis. Revenue in the prior year benefited from approximately £0.6m of predominantly European dispatches delayed from the financial year ended 31 January 2021, due to customs delays following Brexit. Additionally, Brand product sales in Northern Europe were impacted by the previously announced decision to cease trade in Russia, resulting in the loss of £0.8m of sales compared with H1 FY22. Excluding these two factors, Brand product revenue was up 0.9% against H1 FY22 at reported rates, unchanged on a constant currency basis.

Manufacturing

Overall, third-party manufacturing has performed robustly in the first six months of the year, with third-party orders down 2.5% in reported currency compared with the first half last year reflecting a strong comparator as customers emerged from the Covid pandemic and commenced restocking.

Licensing

Total licensing revenue was up 90.0% at £3.8m (H1 FY22: £2.0m), driven by £1.9m (H1 FY22: £0.5m) of accelerated income.

The progress within licensing continues with the recently announced NEXT contract extension, extending its partnership with Morris & Co to 2025. In addition, the Williams Sonoma kitchenware partnership with Morris & Co, initially signed in August 2021, has been extended by two years to 2025, displaying the major US retailer's confidence in the brand and products, which are due to launch in October 2022.

Gross profit

Gross profit for the period was £38.1m, compared with £35.9m in H1 FY22, whilst the gross profit margin at

65.8% represents an increase of 340 basis points over H1 FY22.

Excluding the impact of licence income, which generates 100% gross profit, margins improved to 63.4% in the current period versus 61.1% for H1 FY22. This improvement continues to be driven by changes in sales mix towards higher margin brands, and increased levels of digital production in our two manufacturing locations.

Cognisant of the inflationary environment during the period, price increases were put through in February and August 2022.

		Six months ended 31 July	
		2022	2021
Product	Revenue (£m)	**54.1**	55.5
	Gross profit (£m)	**34.3**	33.9
	%	**63.4%**	61.1%
Licence	Revenue (£m)	**3.8**	2.0
	Gross profit (£m)	**3.8**	2.0
	%	**100%**	100%
Total	Revenue (£m)	**57.9**	57.5
	Gross profit (£m)	**38.1**	35.9
	%	**65.8%**	62.4%

We benefit from a fixed price Gas contract that was signed in June 2021 and is not due for renewal until October 2023. Our fixed term electricity agreement was due for renewal on 1 October this year and we are now paying at the government capped rate which represents a £700,000 per annum increase on previous levels. Without this support our electricity bills would increase by a further £2m per annum (an increase we would seek to mitigate through a variety of measures including energy reduction strategies coupled with ongoing price reviews).

Profit before tax

Profit before tax for the period was £5.5m, up from £4.9m for H1 FY22.

	Six months ended 31 July (£m)	
	2022	2021
Revenue	**57.9**	57.5
Gross profit	**38.1**	35.9
Distribution and selling expenses	**(12.7)**	(12.0)
Administration expenses	**(22.4)**	(21.0)
Other operating income	**2.3**	2.0
Net finance income	**0.1**	-
Profit before tax	**5.5**	4.9

In the prior year costs, particularly in H1 FY22, continued to be impacted by cuts to discretionary expenditure and a hiring freeze that had been put in place in response to Covid. In H2 FY22, many of these activities recommenced and the full year-impact can be seen in the results to 31 July 2022.

Distribution and selling expenses of £12.7m represented 21.9% of revenue in the period compared with 20.8% in H1 FY22 and 22.3% for the full year ended 31 January 2022.

Administration expenses grew to £22.4m in the current period from £21.0m for H1 FY22. Marketing spend has returned to pre-pandemic levels and the full year impact of recruitment in H2 FY22 also impacted this area.

Despite the inflationary pressures in the wider economy, the benefits of our restructuring and ongoing cost efficiency can be seen in that administration expenses remain £0.5m below (the pre-Covid) H1 FY20 levels.

Other operating income of £2.3m (H1 FY22: £2.0m) comprises consideration received from marketing materials.

Adjusted underlying profit before tax

Adjusted underlying profit before tax was £6.3m, up from £5.6m in H1 FY22.

	Six months ended 31 July (£m)	
	2022	2021

Profit before tax	**5.5**	4.9
Amortisation of acquired intangible assets	**0.5**	0.5
Forgiveness of loan under the Paycheck Protection Programme	**-**	(0.4)
Underlying profit before tax	**6.0**	5.0
LTIP accounting charge	**-**	0.4
Net defined benefit pension charge	**0.3**	0.2
Adjusted underlying profit before tax	**6.3**	5.6

Non-underlying items comprise:

- Amortisation of intangible assets: £0.5m in respect of the acquisition of Clarke & Clarke in October 2016.
- Forgiveness of loan: In April 2021 the Group successfully applied for the forgiveness of a £0.4m loan awarded under the US Paycheck Protection Programme.

Taxation

Tax for the period 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 period is 23.4% (H1 FY22: 21.4%). This is driven by permanent differences (non-qualifying depreciation and the super deduction), and the differential between the current and deferred tax rate. Tax charge for the period was, therefore, £1.3m (H1 FY22: £1.2m).

Earnings per share

Representative of the improved financial performance for the period, basic reported EPS for the period was 5.89p (H1 FY22: 5.31p). The Group also reports an adjusted underlying EPS which adjusts for the impact of the LTIP accounting charge, net defined benefit pension charge and non-underlying items. The adjusted underlying basic EPS for the period was 6.90p (H1 FY22: 6.11p). The diluted EPS for the period was 5.83p (H1 FY22: 5.19p).

Working capital

(all figures in £m)	**31 July 2022**	31 July 2021	31 January 2022
Inventories	**26.7**	18.7	22.7
Trade debtors	**12.6**	14.0	13.5
Trade creditors	**(9.9)**	(9.2)	(11.7)

Inventories

Inventory levels have increased as we have made strategic investments in products with long lead times to ensure we are never out of stock on our best-selling collections and can fully support new product launches. Inventory levels peaked at 31 July 2022 and the subsequent focus has been the turn of stock to more normalised levels.

Trade receivables

The Group continues to experience limited bad debts across our customer base. However, in the current economic environment we maintain a strong focus on our credit management procedures to improve controls and to mitigate potential credit risk.

Capital expenditure

Capital expenditure in the period totalled £1.5m (H1 FY22: £1.2m). We continue to focus investment in enhancing our digital printing capability in our manufacturing locations and projects that support our "*Live Beautiful*" target of being net carbon ZeroBy30.

Cash position and banking facilities

Cash at the half year was £15.0m compared with £19.1m at 31 January 2022 and £15.4m at 31 July 2021.The cash outflow for the period was driven mainly strategic inventory investments of £4.0m in best-selling collections and a reduction of trade creditors of £1.8m, and partially offset by improvements in trade debtors of £0.9m.

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, further details of which can be found in the Group's Annual Report and Accounts 2022. 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.

Defined benefit pension

The Group operates two defined benefit pension schemes in the UK both of which are closed to new members and to future service accrual. In the six months ended 31 July 2022, the Group made contributions of £1.2m (H1 FY22: £1.1m) to these schemes. The schemes recorded a surplus of £2.6m at 31 July 2022 (H1 FY22: deficit of £4.7m; 31 January 2022: surplus of £2.6m).

Dividend

A final dividend of 2.75p in respect of the year ended 31 January 2022 was paid on 12 August 2022 to the shareholders on the Company's register on 15 July 2022.

The Board is announcing a maintained interim dividend of 0.75p for the six months ended 31 July 2022 (H1 FY22: 0.75p), payable on 25 November 2022 to shareholders on the register on 28 October 2022. The ex-dividend date is 27 October 2022. This dividend reflects the progress made by the business in the first half and the strength of the Group's balance sheet whilst also acknowledging the uncertainties in the current macro-economic and consumer environment.

Unaudited Consolidated Income Statement

For the six months ended 31 July 2022

	Note	**6 months to 31 July 2022 £000**	6 months to 31 July 2021 £000
Revenue	2	**57,922**	57,515
Cost of sales		**(19,788)**	(21,574)
Gross profit		**38,134**	35,941
Net operating expenses:			
Distribution and selling expenses		**(12,652)**	(12,014)
Administration expenses		**(22,371)**	(21,037)
Other operating income	3	**2,272**	2,034
Profit from operations		**5,383**	4,924
Finance income		**166**	88
Finance costs		**(83)**	(84)
Net finance income		**83**	4
Profit before tax		**5,466**	4,928
Tax expense	4	**(1,282)**	(1,161)
Profit for the period attributable to owners of the parent		**4,184**	3,767
Earnings per share - Basic	5	**5.89p**	5.31p
Earnings per share - Diluted	5	**5.83p**	5.19p
Adjusted earnings per share - Basic*	5	**6.90p**	6.11p
Adjusted earnings per share - Diluted*	5	**6.82p**	5.97p

*the prior year comparatives have been amended to align treatment with the Annual Report 2022 - see Note 5(b) for details.

Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 31 July 2022

	6 months to 31 July 2022 £000	6 months to 31 July 2021 £000
Profit for the period	**4,184**	3,767
Other comprehensive income / (expense):		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit pension schemes	**(856)**	-
Reduction of deferred tax asset relating		

to pension scheme liability	**214**	-
Total items that will not be reclassified to profit or loss	**(642)**	-
Items that may be reclassified subsequently to profit or loss		
Currency translation losses	**(84)**	(115)
Other comprehensive expense for the period, net of tax	**(726)**	(115)
Total comprehensive income for the period attributable to the owners of the parent	**3,458**	3,652

Unaudited Consolidated Balance Sheet

As at 31 July 2022

	Note	**As at 31 July 2022 £000**	As at 31 January 2022 £000
Non-current assets			
Intangible assets		**26,321**	26,979
Property, plant and equipment		**11,947**	11,258
Right-of-use assets		**4,712**	3,923
Retirement benefit surplus		**2,593**	2,577
Minimum guaranteed licensing receivables		**2,728**	1,619
		48,301	46,356
Current assets			
Inventories		**26,749**	22,652
Trade and other receivables		**15,586**	16,792
Minimum guaranteed licensing receivables		**1,327**	879
Cash and cash equivalents	6	**15,018**	19,050
		58,680	59,373
Total assets		**106,981**	105,729
Current liabilities			
Trade and other payables		**(16,062)**	(20,115)
Lease liabilities		**(2,259)**	(1,983)
		(18,321)	(22,098)
Net current assets		**40,359**	37,275
Non-current liabilities			
Lease liabilities		**(3,208)**	(1,920)
Deferred income tax liabilities		**(2,301)**	(1,998)
		(5,509)	(3,918)
Total liabilities		**(23,830)**	(26,016)
Net assets		**83,151**	79,713
Equity			
Share capital		**710**	710
Share premium account		**18,682**	18,682
Foreign currency translation reserve		**(880)**	(796)
Retained earnings		**24,132**	20,610
Other reserves		**40,507**	40,507
Total equity		**83,151**	79,713

Unaudited Consolidated Cash Flow Statement

For the six months ended 31 July 2022

6 months

	Note	to 31 July 2022 £000	6 months to 31 July 2021 £000
Profit before tax		**5,466**	4,928
Depreciation and impairment of property, plant and equipment and right-of-use assets		**2,486**	2,588
Amortisation		**846**	872
Share-based payment charge		**28**	353
Net finance income		**(83)**	(4)
Forgiveness of a loan into a grant	5(b)	**-**	(412)
Defined benefit pension charge		**310**	233
Defined benefit pension cash contributions		**(1,182)**	(1,130)
Cash generated from operating activities		**7,871**	7,428
(Increase)/decrease in inventories		**(4,097)**	967
Increase in trade, other receivables and minimum guaranteed licensing receivables		**(579)**	(5,036)
(Decrease)/increase in trade and other payables		**(4,393)**	1,241
Cash (used in)/generated from operations		**(1,198)**	4,600
Corporation tax paid		**(133)**	(2,123)
Net cash (used in)/generated from operating activities		**(1,331)**	2,477
Cash flows from investing activities			
Interest received		**10**	11
Purchase of intangible assets		**(188)**	(174)
Purchase of property, plant and equipment		**(1,301)**	(1,016)
Net cash used in investing activities		**(1,479)**	(1,179)
Cash flows from financing activities			
Payment of lease liabilities		**(1,175)**	(1,263)
Interest paid		**(83)**	(72)
Net cash used in financing activities		**(1,258)**	(1,335)
Net decrease in cash and cash equivalents		**(4,068)**	(37)
Cash and cash equivalents at the beginning of period		**19,050**	15,549
Effect of exchange rate fluctuations on cash held		**36**	(72)
Cash and cash equivalents at end of period	6	**15,018**	15,440

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 31 July 2022

	Attributable to 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 2022	**710**	**18,682**	**20,610**	**43,457**	**(2,950)**	**(796)**	**79,713**
Profit for the period			4,184				4,184
Other comprehensive income / (expense):							
Remeasurements of defined benefit pension schemes	-		(856)	-	-	-	(856)
Deferred tax relating to pension scheme liability	-		214	-	-	-	214
Currency translation							

differences	-		-	-	-	(84)	(84)
Total comprehensive income / (expense)	**-**	**-**	**3,542**	**-**	**-**	**(84)**	**3,458**
Transactions with owners, recognised directly in equity:							
Long-term incentive plan charge	-	-	89	-	-	-	89
Related tax movements on long-term incentive plan	-	-	(109)	-	-	-	(109)
Balance at 31 July 2022	**710**	**18,682**	**24,132**	**43,457**	**(2,950)**	**(880)**	**83,151**

Unaudited Consolidated Statement of Changes in Equity (cont'd)

For the six months ended 31 July 2022

	Attributable to 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	7,729	43,457	(2,950)	(866)	66,762
Profit for the period	-	-	3,767	-	-	-	3,767
Other comprehensive expense:							
Currency translation differences	-	-	-	-	-	(115)	(115)
Total comprehensive 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 1 August 2021	710	18,682	11,871	43,457	(2,950)	(981)	70,789
Profit for the period	-	-	3,460	-	-		3,460
Remeasurements of defined benefit pension schemes	-		6,492	-	-	-	6,492
Deferred tax relating to pension scheme liability	-		(1,233)	-	-	-	(1,233)
Currency translation differences	-	-	-	-	-	185	185
Total comprehensive expense	-	-	8,719	-	-	185	8,904
Transactions with owners, recognised directly in equity:	-	-	36	-	-	-	36
Long-term incentive plan credit	-	-	(16)	-	-	-	(16)
Balance at 31 January 2022	710	18,682	20,610	43,457	(2,950)	(796)	79,713

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 2023.

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The consolidated financial statements have been prepared under the historical cost convention, except for those assets and liabilities measured at fair value, as described in the accounting policies. The accounting policies set out below have been consistently applied to all periods presented unless otherwise indicated.

The accounting policies adopted in the preparation of these interim financial statements to 31 July 2022 are consistent with the accounting policies applied by the Group in its Annual Report and Accounts on, and for the year ended, 31 January 2022.

These interim financial statements for the six months ended 31 July 2022 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 2022 prepared in accordance with IFRS. All comparative information is for the six-month period ended 31 July 2021, except for the Balance Sheet information which is at 31 January 2022.

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 2022 is based on the statutory accounts for the financial year ended 31 January 2022, 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 2022 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 2022 - 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 and deferred tax recognition, except for changes in estimates that are required in determining the provision for income taxes.

Going concern

A key accounting judgement for these interim financial statements for the six months ended 31 July 2022 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. 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 on 31 July 2022 was £27.5m (31 January 2022: £31.6m), including cash and cash equivalents of £15.0m (31 January 2022: £19.1m) and the committed facility of £12.5m (31 January 2022: £12.5m). The Group has also access to an uncommitted accordion facility of £5.0m with Barclays Bank plc.

In assessing going concern, management has taken account of the potential further uncertainties caused by Covid-19, the war in Ukraine, inflationary pressures, rises in interest rates and the depreciation of pound sterling. A Management Base Case ('MBC') model has been prepared, together with alternative stress tested scenarios. These scenarios indicate that the Group retains adequate headroom against its borrowing facilities and bank covenants for the foreseeable future.

The actual results which will be reported will undoubtedly be different from the MBC and other scenarios modelled by the Group. If 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 the comments above the Directors consider that the Group has adequate resources to continue trading for the foreseeable future and will be able to continue operating as a going concern for a period of at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Principal 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 on 31 January 2022. Information on the principal risks can be found on page 44 to 46 of the Group's 2022 Annual Report and Accounts on 31 January 2022 which comprise of trading environment, competition, foreign exchange, recruitment and retention of key employees, reputation risk, environmental risk, health and safety risk, major incident or disaster such as a fire or flood, IT and supply chain pressure. 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 11 October 2022.

2. Segmental analysis

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

- Brands - comprising the design, marketing, sales and distribution, and licensing activities of Morris & Co., Sanderson, Zoffany, Clarke & Clarke, Harlequin, Scion and Archive by Sanderson Design brands operated from the UK and its foreign subsidiaries in the US, France, Netherlands and Germany.
- Manufacturing - comprising the wallcovering and printed fabric manufacturing businesses operated by Anstey and Standfast & Barracks respectively.

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

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

6 months to 31 July 2022	**Brands £000**	**Manufacturing £000**	**Inter-company eliminations and unallocated £000**	**Total £000**
UK revenue	**22,039**	**7,827**	-	**29,866**
International revenue	**20,131**	**4,090**	-	**24,221**
Licence revenue	**3,835**	**-**	-	**3,835**
Revenue - external	**46,005**	**11,917**	-	**57,922**
Revenue - internal	**-**	**9,773**	**(9,773)**	**-**
Total revenue	**46,005**	**21,690**	**(9,773)**	**57,922**
Profit / (Loss) from operations	**3,023**	**3,193**	**(833)**	**5,383**
Net finance income	**-**	**-**	**83**	**83**
Profit / (Loss) before tax	**3,023**	**3,193**	**(750)**	**5,466**
Tax expense	**-**	**-**	**(1,282)**	**(1,282)**
Profit / (Loss) for the period	**3,023**	**3,193**	**(2,032)**	**4,184**

Inter-

6 months to 31 July 2021	Brands £000	Manufacturing £000	company 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	2,876	2,834	(786)	4,924
Net finance income	-	-	4	4
Profit / (Loss) before tax	2,876	2,834	(782)	4,928
Tax credit	-	-	(1,161)	(1,161)
Profit / (Loss) for the period	2,876	2,834	(1,943)	3,767

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 for the year ended 31 January 2022 by reviewing the allocation of central costs to the Brands unit and restated the prior period's comparatives to improve the usefulness of the segmentation. 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.

b) Additional segmental revenue information

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

Brands international revenue by export market	**6 months to 31 July 2022 £000**	6 months to 31 July 2021 £000
North America	**9,681**	8,643
Northern Europe	**5,521**	6,847
Rest of the World	**4,929**	5,486
	20,131	20,976

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 2022 £000**	6 months to 31 July 2021 £000
Clarke & Clarke	**11,828**	12,582
Morris & Co.	**9,462**	8,192
Harlequin	**8,277**	9,098
Sanderson	**7,174**	7,504
Zoffany	**4,247**	4,485
Scion	**997**	1,204
Other brands	**185**	174
Licensing	**3,835**	2,036
	46,005	45,275

*The Brands reportable segments for the six months ended 31 July 2021 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	**6 months to 31 July 2022 £000**	6 months to 31 July 2021 £000
Standfast	**11,265**	10,124

Anstey	**10,425**	10,923
	21,690	21,047

3. Other operating income

Other operating income comprises consideration received from the sale of marketing materials and additional services of £2,272,000 (H1 FY22: £2,034,000).

4. Tax expense

	6 months to 31 July 2022 £000	6 months to 31 July 2021 £000
Current tax:		
- UK, current tax	**(759)**	(848)
- overseas, current tax	**(61)**	-
- overseas, adjustment in respect of prior year	**(54)**	-
Corporation tax	**(874)**	(848)
Deferred tax:		
- current period	**(408)**	(313)
Deferred tax	**(408)**	(313)
Total tax expense for the period	**(1,282)**	(1,161)

5. 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 2022			6 months to 31 July 2021*		
	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	**4,184**	**70,983**	**5.89**	3,767	70,935	5.31
Effect of dilutive securities:						
Shares under LTIP		838			1,652	
Diluted earnings per share	**4,184**	**71,821**	**5.83**	3,767	72,587	5.19
Adjusted underlying basic and diluted earnings per share:						
Add back: LTIP accounting charge	28			353		
Add back: Net defined benefit pension charge	310			233		
Non-underlying items (see below)	508			96		
Tax effects of non-underlying items with other add backs	(134)			(115)		
Adjusted underlying basic earnings per share	**4,896**	**70,983**	**6.90**	4,334	70,935	6.11

Adjusted underlying diluted earnings per share	**4,896**	**71,821**	**6.82**	4,334	72,587	5.97

* the prior year comparatives have been amended to align with the treatment of a forgiveness of loan in the Annual Report 2022 - see Note 5(b) for details.

The Group issued ordinary share capital with voting rights consists of 70,983,505 (H1 FY22: 70,983,505) ordinary shares of which nil (2021: nil) ordinary shares are held in treasury and 220 (H1 FY22: 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 2022 £000	6 months to 31 July 2021 £000
Statutory profit before tax	**5,466**	4,928
Amortisation of acquired intangible assets (a)	**508**	508
Forgiveness of loan under the Paycheck Protection Programme (b)	**-**	(412)
Net non-underlying charge included in statutory profit before tax	**508**	96
Underlying profit before tax	**5,974**	5,024
LTIP accounting charge	**28**	353
Net defined benefit pension charge	**310**	233
Adjusted underlying profit before tax	**6,312**	5,610

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:

-Amortisation of acquired intangible assets £508,000 (H1 FY22: £508,000).

-In May 2020, the Group entered 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 £412,000. For the period ended 31 July 2021 this grant was included within the underlying profit before tax. In the audited annual report and accounts for the period ended 31 January 2022, the Group reclassified this grant as a non-underlying income. The comparative for the period ended 31 July 2021 is therefore adjusted to treat this grant as a non-underlying income to aid comparability.

6. Analysis of net funds

	1 February 2022 £000	**Cash flow £000**	**Other non-cash changes £000**	**31 July 2022 £000**
Cash and cash equivalents	19,050	(4,068)	36	**15,018**
Total funds	19,050	(4,068)	36	**15,018**
Lease liabilities	(3,903)	1,175	(2,739)	**(5,467)**

Total debt	(3,903)	1,175	(2,739)	**(5,467)**
Net funds/(debts)	15,147	(2,893)	(2,703)	**9,551**

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.

7. Dividends

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

For dividends related to the financial year ended 31 January 2022, the Company paid:

- an interim dividend of 0.75p (£532,000) on 26 November 2021.
- a final dividend of 2.75p (£1,951,000) on 12 August 2022.

The Board has proposed an interim dividend of 0.75p per share to be paid on 25 November 2022 to the shareholders on the Company's register on 28 October 2022. The ex-dividend date is 27 October 2022.

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.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our Privacy Policy.

END

IR DGBDGSGBDGDG