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Sanderson Design Group PLC
26 April 2023

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SANDERSON DESIGN GROUP PLC

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

Financial Results for the year ended 31 January 2023

Strong performances from licensing income, US sales and the Morris & Co. brand

Margin improvement from 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 2023.

Financial highlights

Year ended 31 January	**2023**	2022	Change
Revenue	**£112.0m**	£112.2m	(0.2%)
Adjusted underlying profit before tax*	**£12.6m**	£12.5m	0.8%
Adjusted underlying EPS*	**14.18p**	13.75p	3.1%
Statutory profit before tax	**£10.9m**	£10.4m	4.8%
Statutory profit after tax	**£8.8m**	£7.8m	12.8%
Basic EPS	**12.42p**	10.93p	13.6%
Net cash**	**£15.4m**	£19.1m	(19.4%)

**excluding share-based incentives, defined benefit pension charge and non-underlying items as summarised in note 7*
*** Net cash is defined as cash and cash equivalents less borrowings. For the purpose of this definition, borrowings does not include lease liabilities*

- Revenue unchanged at £112.0m (FY2022: £112.2m), representing a resilient performance in a challenging consumer environment
- Licensing momentum continues with revenue up 25.0% at £6.5m (FY2022: £5.2m) including accelerated licensing income of £2.4m (FY2022: £1.4m)
- Brand products sales down 0.8% at £83.4m (FY2022: £84.1m) and down 2.8% in constant currency
  - o Morris & Co. brand continuing to perform well with reported sales up 15.9% and up 13.8% in constant currency
  - o North America continues to deliver a strong performance with reported sales up 19.3% in reported currency and 6.3% in constant currency, driven by the Morris & Co., Sanderson and Clarke & Clarke brands
- Third party manufacturing sales performed robustly against a strong comparator with sales down 3.1% in reported currency

- Adjusted underlying profit before tax of £12.6m (FY2022: £12.5m). Reported profit before tax of £10.9m, up £0.5m (FY2022: £10.4m)
- Liquidity and headroom^ of £27.9m (FY2022: £31.6m) with net cash of £15.4m (FY2022: £19.1m)
- Proposed final dividend of 2.75p per share (FY2022: 2.75p) to give a total dividend for the year of 3.50p (FY2022: 3.50p)

^ comprising net cash of £15.4m and banking facilities of £12.5m

Operational highlights

- Significant licence renewals in the year including Bedeck, NEXT and Williams Sonoma along with strong generation of new collaborations and a resilient performance from core bedding and Japanese partnerships
- Morris & Co. sales driven by the Simply Morris collection with the current year launch of Emery Walker's House Collection being well received
- Sanderson extended its National Trust collaboration for a further 2 years and announced an exciting collaboration with Disney to revive vintage Disney characters in the Sanderson archive from 1936
- Harlequin's Own the Room campaign gained momentum with colour panel events, colour pods in two top John Lewis stores and an exclusive edit with Brewers
- Further investment in digital printing with two new printers installed at the Anstey wallpaper factory, introducing new capability in design

Sustainability highlights

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

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

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

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

Analyst meeting and webcast

A meeting for analysts and institutional investors will be held at 9.30am today, 26 April 2023, 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://stream.buchanan.uk.com/broadcast/642c5b6209685ed988693680

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, Clarke & Clarke and Scion.

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, and Amsterdam.

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.

CHAIRMAN'S STATEMENT

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

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

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

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

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

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

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

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

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

Financial results

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

Dividend

The Directors recommend a final dividend of 2.75p (FY2022: 2.75p) taking the full year dividend to 3.50p (FY2022: 3.50p). This payment will be made on 11 August 2023 to the shareholders registered on the Company's register on 14 July 2023 if approved at the Company's forthcoming Annual General Meeting. The Board remains committed to a progressive dividend policy as part of the capital allocation priorities of the Group.

People

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

Outlook

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

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

Dianne Thompson
Non-executive Chairman
25 April 2023

CHIEF EXECUTIVE OFFICER'S STRATEGY AND OPERATING REVIEW

INTRODUCTION

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

Our profit was driven by strong performances from licensing, US sales and the Morris & Co. brand, all of which bring further growth opportunities. Of our three main revenue streams - brand product sales, licensing, and third-party manufacturing - licensing was the star performer, with licensing revenue increasing by 25.0% to £6.5m (FY2022: £5.2m).
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Significant strategic and operational progress was made during the year - progressing our licensing strategy, improving the efficiency of the business, and investing in manufacturing. We again finished the year with a strong balance sheet, with net cash at 31 January 2023 of £15.4m, which will protect the business during the current economic uncertainty and enable us to invest for growth.

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

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

STRATEGY AND PROGRESS

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

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

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

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

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

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

We have made significant progress during the year in pursuing this strategy in a challenging marketplace.

Efficiency

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

£22.7m).

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

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

Sustainability

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

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

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

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

Digital and direct-to-consumer initiatives

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

OPERATIONAL REVIEW

The table below shows the Group's sales performance in the year ended 31 January 2023, compared with FY2022. The table shows our three key revenue streams of brand product sales, licensing income and manufacturing. It also gives the four key geographies of our brand product sales: the UK, Northern Europe, North America and Rest of the World.

	Year ended 31 January (£m)		2023 versus 2022	
	2023	2022	Reported	Constant currency
UK Brand product sales	**42.6**	43.7	(2.5%)	(2.6%)
International Brand product sales	**40.8**	40.4	(1.0%)	(3.3%)
- *North America*	**19.8**	16.6	19.3%	6.3%
- *Northern Europe*	**10.8**	13.2	(18.2%)	(16.5%)
- *Rest of the World*	**10.2**	10.6	(3.8%)	(3.1%)
Total Brand product sales (*includes carriage income*)	**83.4**	84.1	(0.8%)	(2.8%)
Licensing income	6.5	5.2	25.0%	25.1%
Total Brand sales including Licensing	**89.9**	89.3	0.7%	(1.2%)
Total Manufacturing sales*	**39.0**	41.7	(6.5%)	-
Intercompany elimination*	**(16.9)**	(18.8)	(10.1%)	-
Total Revenue*	**112.0**	112.2	(0.2%)	-

*does not report in constant exchange rate

LICENSING

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

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

Licensing performed strongly during the year, with sales and profits up 25.0% at £6.5m (FY2022: £5.2m) including £2.4m of accelerated income (FY2022: £1.4m). Accelerated income represents the total minimum guaranteed sales associated with newly signed contracts with a discount rate applied to them. It is a requirement of IFRS 15 that these minimum guarantees are recognised in this way on contract signature although it is hoped that, once the licensed products are launched, their sales will potentially exceed the minimum guarantees.

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

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

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

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

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

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

Since signing our first licensing agreement with NEXT in March 2020, NEXT has become an increasingly important licensing partner for the Group across the Morris & Co., Sanderson and Scion brands and across a broad range of home and apparel products. In February 2023, we were particularly pleased to announce a major licensing agreement with NEXT for Clarke & Clarke homewares, marking the brand's first significant licensing agreement.

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

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

THE BRANDS

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

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

Other	**0.4**	0.3	(33.3%)	(33.3%)
Total	**83.4**	84.1	(0.8%)	(2.8%)

Morris & Co.

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

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

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

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

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

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

Sanderson

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

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

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

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

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

Zoffany

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

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

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

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

Clarke & Clarke

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

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

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

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

Harlequin

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

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

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

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

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

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

Scion

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

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

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

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

MANUFACTURING

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

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

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

	Year ended 31 January (£m)		**2023 versus 2022**
	2023	2022	Reported
Sales to Group brands	16.8	18.8	(10.6%)
Third party sales	22.2	22.9	(3.1%)
Total Manufacturing sales	**39.0**	41.7	**(6.5%)**

Standfast & Barracks ('Standfast')

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

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

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

Anstey Wallpaper Company ('Anstey')

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

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

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

SUMMARY

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

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

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

Lisa Montague
Chief Executive Officer

25 April 2023

CHIEF FINANCIAL OFFICER'S REVIEW

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

Revenue

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

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

Gross profit

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

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

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

Profit before tax

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

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

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

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

Adjusted underlying profit before tax

Adjusted operating profit was £12.6m up from £12.5m in FY2022.

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

In calculating the adjusted underlying profit before tax, the Group adjusts for non-underlying items which are material non-recurring items or items considered to be non-operational in nature and do not relate to the operating activities of the group. Share based payment charges are added back in the adjusted underlying profit as they are non-cash measure.

Adjusted measures are used as way for the Board in monitoring performance of the Group and are not considered to be superior or a substitute to statutory measure but are provided to provide further depth and understanding to the users of the financial information to allow for improved assessment of performance. The Group considers adjusted underlying profit before tax to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board. This is a measure used within the Group's incentive plans.

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

Taxation

Tax for the year is charged on profit before tax based on the forecast effective tax rate for the full year. The estimated effective tax rate (before adjusting items) for the year is 19% (FY2022: 25%).

Capital expenditure

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

Minimum Guaranteed Licensing Receivables

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

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

During the year, several long-term licensing agreements were agreed, including those with NEXT Plc and Bedeck. As a result, at 31 January 2023, minimum guaranteed licensing receivables due after more than one year grew to £2.6m (FY2022: £1.6m) and those due within 1 year grew to £1.4m (FY2022: £0.9m).

Inventories

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

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

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

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

Trade receivables

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

The ageing profile of trade debtors shows that payments from customers are close to terms although the current economic environment presents an enhanced level of credit risk. In addition to specific provisions against individual receivables, a provision has been made of £0.9m (FY2022: £0.8m), which is a collective assessment of the risk against non-specific receivables calculated in accordance with IFRS 9.

The Group has experienced limited bad debts in the last year and continues to focus on its credit management procedures to mitigate future potential credit risks.

Cash position and banking facilities

Net cash from operating activities was £5.6m (FY2022: £9.0m).

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

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

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

Net defined benefit pension

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

During the year, the triennial valuation of the schemes has been concluded based on the schemes' position on 5 April 2021. New deficit contribution schedules have been agreed as part of the valuations and the Group will continue making cash contributions, at levels similar to historical amounts, into the schemes to make good any deficits, as well as making contributions towards the ongoing expenses incurred in the running of the schemes.

The methodology and assumptions prescribed for the purposes of IAS 19 mean that the Balance Sheet surplus or deficit, the Profit or Loss figures and the Statement of Comprehensive Income figures are inherently volatile and vary greatly according to investment market conditions at each accounting date. As a result of changes in assumptions (primarily the change in the discount rate), experience loss (inflation being higher than expected) and asset returns being lower than expected, the Group reports a net liability of £2.5m at 31 January 2023 compared with a £2.6m surplus at 31 January 2022. Further details of these movements are disclosed in note 11 to the financial statements.

Dividend

During the financial year, an interim dividend of 0.75p per share was paid on 25 November 2022. A final dividend of 2.75p is now proposed taking the full year dividend to 3.50p. This payment will be made on 11 August 2023 to the shareholders registered on the Company's register on 14 July 2023 if approved at the Company's forthcoming Annual General Meeting. The Board remain committed to a progressive dividend policy as part of the capital allocation priorities of the Group.

Capital allocation policy

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

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

Going concern

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

Mike Woodcock

Chief Financial Officer

25 April 2023

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 JANUARY 2023

	Note	**2023 Total £000**	2022 Total £000
Revenue	3	**111,978**	112,200
Cost of sales		**(37,761)**	(38,365)
Gross profit		**74,217**	73,835
Net operating expenses:			
Distribution and selling expenses		**(25,043)**	(25,052)
Administration expenses		**(42,997)**	(42,796)
Other operating income	4	**4,470**	4,342
Profit from operations		**10,647**	10,329
Finance income		**445**	184
Finance costs		**(152)**	(154)
Net finance income	5	**293**	30
Profit before tax		**10,940**	10,359
Tax expense	6	**(2,115)**	(2,600)
Profit for the year attributable to owners of the parent		**8,825**	7,759
Earnings per share - Basic	7	**12.42p**	10.93p
Earnings per share - Diluted	7	**12.31p**	10.80p
Adjusted earnings per share - Basic*	7	**14.18p**	13.75p
Adjusted earnings per share - Diluted*	7	**14.08p**	13.59p

All of the activities of the Group are continuing operations.

* These are alternative performance measures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 JANUARY 2023

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

CONSOLIDATED BALANCE SHEET

AS AT 31 JANUARY 2023

	Note	31 January 2023 £000	(restated) 31 January 2022 £000	(restated) 1 February 2021 £000
Non-current assets				
Intangible assets		**26,448**	26,979	28,325
Property, plant and equipment		**12,619**	11,258	12,061
Right-of-use assets		**4,577**	3,923	5,783
Retirement benefit surplus	1	**-**	2,577	-
Minimum guaranteed licensing receivables		**2,637**	1,619	1,222
		46,281	46,356	47,391
Current assets				
Inventories		**27,774**	22,652	19,633
Trade and other receivables	8	**16,327**	16,792	15,885
Minimum guaranteed licensing receivables		**1,433**	879	1,221
Financial derivate instrument		**112**	-	-
Cash and cash equivalents		**15,401**	19,050	15,549
		61,047	59,373	52,288
Total assets		**107,328**	105,729	99,679
Current liabilities				
Trade and other payables		**(16,286)**	(18,282)	(19,263)
Lease liabilities		**(1,701)**	(1,983)	(2,676)
Provision for liabilities and charges	9	**-**	(1,043)	(559)
Borrowings		**-**	-	(412)
		(17,987)	(21,308)	(22,910)
				29,378

Net current assets		**43,060**	38,065	

	Note	**31 January 2023 £000**	(restated) 31 January 2022 £000	(restated) 1 February 2021 £000
Non-current liabilities				
Lease liabilities		**(3,421)**	(1,920)	(3,206)
Deferred income tax liabilities		**(1,121)**	(1,998)	(514)
Retirement benefit obligation	10	**(2,446)**	-	(5,637)
Provision for liabilities and charges	9	**(1,037)**	(790)	(650)
		(8,025)	(4,708)	(10,007)
Total liabilities		**(26,012)**	(26,016)	(32,917)
Net assets		**81,316**	79,713	66,762
Equity				
Share capital		**715**	710	710
Share premium account		**18,682**	18,682	18,682
Foreign currency translation reserve		**(367)**	(796)	(866)
Retained earnings		**21,779**	20,610	7,729
Other reserves		**40,507**	40,507	40,507
Total equity		**81,316**	79,713	66,762

A third consolidated balance sheet as at 1 February 2021 has been shown above to show the effect of the prior year restatement as detailed in note 11. Provision for liabilities and charges is analysed into current and non-current assets as detailed in note9.

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 JANUARY 2023

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

Cash flow from financing activities		
Repayment of lease liability	(1,984)	(2,686)
Interest paid	-	(76)
Repurchase of shares vesting from share-based payment	(430)	-
Dividends paid	(2,484)	(532)
Net cash used in financing activities	**(4,898)**	**(3,294)**
Net decrease in cash and cash equivalents	(4,042)	3,563
Net foreign exchange movement	393	(62)
Cash and cash equivalents at beginning of year	**19,050**	**15,549**
Cash and cash equivalents at end of year	**15,401**	**19,050**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 JANUARY 2023

	Attributable to owners of the parent						
				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 year	-	-	7,759	-	-	-	7,759
Other comprehensive income/(expense):							
Remeasurements of defined benefit pension schemes	-	-	6,492	-	-	-	6,492
Tax credit relating to pension schemes	-	-	(1,233)	-	-	-	(1,233)
Currency translation differences	-	-	-	-	-	70	70
Total comprehensive income/(expense):	-	-	13,018	-	-	70	13,088
Transactions with owners, recognised directly in equity:							
Dividends	-	-	(532)	-	-	-	(532)
Share-based payment equity charge	-	-	253	-	-	-	253
Related tax movements on share-based payment	-	-	142	-	-	-	142
Balance at 31 January 2022	710	18,682	20,610	43,457	(2,950)	(796)	79,713

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 JANUARY 2023

	Attributable to owners of the parent						
				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 year			8,825				8,825
Other comprehensive income/(expense):							
Remeasurements of defined benefit pension schemes	-	-	(6,981)	-	-	-	(6,981)
Tax charge relating to pension schemes	-	-	1,745	-	-	-	1,745
Cash flow hedge	-	-	112	-	-	-	112
Currency translation differences	-	-	-	-	-	429	429

Total comprehensive income/(expense):	-	-	(5,124)	-	-	429	(4,695)
Transactions with owners, recognised directly in equity:							
Dividends	-	-	(2,484)	-	-	-	(2,484)
Issuance of share capital for share-based payment vesting	5	-	(5)	-	-	-	-
Share-based payment equity charge	-	-	493	-	-	-	493
Related tax movements on share-based payment	-	-	(106)	-	-	-	(106)
Share-based payment vesting	-	-	(430)	-	-	-	(430)
Balance at 31 January 2023	715	18,682	21,779	43,457	(2,950)	(367)	81,316

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies and general information

General information

Sanderson Design Group PLC ('the Company') and its subsidiaries (together 'the Group') is a luxury interior furnishing group whose brands include Morris & Co., Sanderson, Zoffany, Clarke & Clarke, Harlequin and Scion. The brands are targeted at the mid to upper end of the premium market. They have worldwide distribution including prestigious showrooms at Chelsea Harbour, London and the D&D Building, Manhattan, New York. Part of the Brand's inventory is sourced in-house from the Group's own specialist manufacturing facilities of Standfast & Barracks, the fabric printing business situated in Lancaster, and Anstey Wallpaper Company, situated in Loughborough. The manufacturing businesses produce for other interior furnishing businesses both in the UK and throughout the world. The Company is a public limited company which is listed on the Alternative Investment Market of the London Stock Exchange and is registered, domiciled and incorporated in the UK. The Company registration number is 61880 and the address of its registered office is Chalfont House, Oxford Road, Denham, UB9 4DX.

Basis of preparation

The financial information contained within this final results announcement for the year ended 31 January 2023 and the year ended 31 January 2022 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 2022 have been filed with the Registrar of Companies and those for the year ended 31 January 2023 will be filed following the Company's Annual General Meeting.

The auditors' report on the statutory accounts for the year ended 31 January 2023 and the year ended 31 January 2022 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 2022.

Going concern

In the context of the continuing invasion of Ukraine by Russia and the current economic difficulties but with Covid-19 impact ebbing away, the Board of Sanderson Design Group PLC has undertaken an assessment of the ability of the Group and Company to continue in operation and meet its liabilities as they fall due over the period of its assessment. In doing so, the Board considered events throughout the period of their assessment from the date of signing of the report to 31 January 2025, including the availability and maturity profile of the Group's financing facilities and covenant compliance. These financial statements have been prepared on the going concern basis which the Directors consider appropriate for the reasons set out below.

The Group funds its operations through cash generated by the Group and has access to a £12.5m Revolving Credit Facility ('RCF') which is linked to two covenants. These covenants are tested quarterly at 30 April, 31 July, 31 October and 31 January each year until the facility matures in October 2024. Throughout the financial year and up to the date of this report the Company has met all required covenant tests and maintained headroom over £5m. The total headroom of the Group at 31 January 2023 was £27.9m (2022: £31.6m), including cash and cash equivalents of £15.4m and the committed facility of £12.5m. The Group has also access to an uncommitted accordion facility of £5.0m with Barclays.

A Management Base Case ('MBC') model has been prepared, together with alternative stress tested scenarios, given the uncertainty regarding the impact of economic difficulties (including continuing inflationary pressures and interest rate rises) and the Ukraine war (including impact of sanctions, duration of war and inflationary pressures). These scenarios indicate that the Company retains adequate headroom against its borrowing facilities and bank covenants for the foreseeable future.

The actual results which will be reported will be undoubtedly different from the MBC and other scenarios modelled by the Company. If there are significant negative variations from the MBC, management would act decisively, as they have done in recent years, to protect the business, particularly its cash position. Having considered all the comments above the Directors consider that the Group and the Company have adequate resources to continue trading for the foreseeable future and will be able to continue operating as a going concern for a period of at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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.

a) Retirement benefit obligations

The Group recognises its obligations to employee retirement benefits. The quantification of these obligations is subject to significant estimates and assumptions regarding life expectancy, discount and inflation rates, wage and salary changes, the rate of increase in pension payments, and the market values of equities, bonds and other pension assets. In making these assumptions the Group takes advice from a qualified actuary about which assumptions reflect the nature of the Group's obligations to employee retirement benefits. The assumptions are regularly reviewed to ensure their appropriateness.

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

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

b) Impairment of non-financial assets

The Group tests annually whether goodwill or its indefinite life intangible asset has suffered any impairment, in accordance with its accounting policy. Other intangibles and property, plant and equipment are also reviewed whenever impairment triggers are apparent. The recoverable amounts of cash-generating units have been determined based on value in use ('VIU') calculations. These calculations require use of estimates of future sales, margins, and other operating and administration expenses, and of discount rates.

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

The Group estimates the VIU using a discounted cash flow model ('DCF'), where the projected cash flows for separate or collective groups of CGUs are discounted using a post-tax rate of 10% (2022: 9.25%). The discount rate used is the same across all segments.

The Group has used formally approved budgets for the first two years (2022: two years) of its VIU calculation, with extrapolation beyond the last explicit year using an assumption of growth for future years ranging from 1% to 2% (2022: 1% to 2%) depending upon the CGU being tested.

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

The Group makes provision for impairment in the carrying amount of its inventories and marketing materials. The nature of the Group's products are exposed to changes in taste and attitudes from time to time, which can affect the demand for those products. The Group has skilled and experienced management who utilise historical sales information, and exercise their judgement, in making estimates about the extent of provisions necessary based on the realisable value of inventory and expected future benefit to the Group of marketing materials considering the estimated price and volume of future sales or usage, less the further costs of sale and holding costs.

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 and Scion brands operated from the UK and its foreign subsidiaries in the US, France, the Netherlands and Germany.

- Manufacturing - comprising the wallcovering and printed fabric manufacturing businesses operated by Anstey and Standfast & Barracks respectively.

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

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

Year ended 31 January 2023	Brands £000	Manufacturing £000	Intercompany eliminations and unallocated £000	Total £000
UK revenue	**42,612**	**15,024**	**-**	**57,636**
International revenue	**40,800**	**7,093**	**-**	**47,893**
Licence revenue	**6,449**	**-**	**-**	**6,449**
Revenue - external	**89,861**	**22,117**	**-**	**111,978**
Revenue - internal	**-**	**16,953**	**(16,953)**	**-**
Total revenue	**89,861**	**39,070**	**(16,953)**	**111,978**

Profit/(loss) from operations	**7,811**	**3,713**	**(877)**	**10,647**
Net finance income	**-**	**-**	**293**	**293**
Profit/(loss) before tax	**7,811**	**3,713**	**(584)**	**10,940**
Tax expense	**-**	**-**	**(2,115)**	**(2,115)**
Profit/(loss) for the year	**7,811**	**3,713**	**(2,699)**	**8,825**

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

The segmental Income Statement disclosures are measured in accordance with the Group's accounting policies as set out in note 1. Inter-segment revenue earned by Manufacturing from sales to Brands is determined on normal commercial trading terms as if Brands were any other third-party customer.

All defined benefit pension costs, and share-based award expenses, are recognised for internal reporting to the CODM as part of Group-wide activities and are included within 'intercompany eliminations and unallocated' above. Other costs, such as Group insurance, rent and auditors' remuneration which are incurred on a Group-wide basis are recharged by the head office to segments on a reasonable and consistent basis for all periods presented and are included within segment results above. Tax charges have not been allocated to a segment.

b) Additional segmental revenue information

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

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

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

Brand revenue analysis:	**2023 £000**	2022 £000
Harlequin	**15,757**	17,623
Scion	**1,824**	2,210
Sanderson	**14,039**	14,421
Morris & Co.	**19,025**	16,444
Zoffany	**8,821**	8,564
Clarke & Clarke	**23,577**	24,554
Other brands	**369**	291

Licensing	**6,449**	5,159
	89,861	89,266

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

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

4. OTHER OPERATING INCOME

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

5. NET FINANCE INCOME

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

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

6. TAX EXPENSE

	2023 £000	2022 £000
Corporation tax:		
- UK current tax	**1,433**	1,973
- UK adjustments in respect of prior years	**(278)**	224
- overseas, current tax	**198**	117
- overseas, adjustment in respect of prior year	**-**	(107)
Corporation tax	**1,353**	2,207
Deferred tax:		
- current year	**697**	157
- adjustments in respect of prior years	**65**	57

- effect of changes in corporation tax rates	**-**	179
Deferred tax	**762**	393
Total tax charge for the year	**2,115**	2,600

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

7. EARNINGS PER SHARE

7. (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.

	2023			2022		
	Earnings £000	**Weighted average number of shares (000s)**	**Per share amount Pence**	Earnings £000	Weighted average number of shares (000s)	Per share amount Pence
Basic earnings per share	**8,825**	**71,074**	**12.42**	7,759	70,983	10.93
Effect of dilutive securities:						
Shares under share-based payment		**606**			850	
Diluted earnings per share	**8,825**	**71,680**	**12.31**	7,759	71,833	10.80
Adjusted underlying basic and diluted earnings per share:						
Add back share-based payment charge	**508**			406		
Add back net defined benefit pension charge (including National Insurance)	**424**			487		
Non-underlying items (see below)	**772**			1,207		
Tax effect of non-underlying items and other add backs	**(453)**			(96)		
Adjusted underlying basic earnings per share	**10,076**	**71,074**	**14.18**	9,763	70,983	13.75
Adjusted underlying diluted earnings per share	**10,076**	**71,680**	**14.08**	9,763	71,833	13.59

Sanderson Design Group PLC's issued ordinary share capital with voting rights consists of 71,468,206 (2022: 70,983,505) ordinary shares of which nil (2021: nil) ordinary shares are held in treasury and 1* (2022: 220) ordinary shares are held by the Walter Greenbank PLC EBT. Shares held in treasury or by the EBT are treated as cancelled when calculating EPS.

**rounded up*

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

In calculating the adjusted earnings the Group adjusts for non-underlying items which are material non-recurring items or items considered to be non-operational in nature. The nature of these adjustments is outlined in note 7(b) below.

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

	2023 £000	2022 £000
Statutory profit before tax	**10,940**	10,359
Amortisation of acquired intangible assets (a)	**772**	1,016
Restructuring and reorganisation costs (b)	**-**	1,190
Forgiveness of loan under the Payment Protection Programme (c)	**-**	(440)
Release of a provision for a legal case (d)	**-**	(559)
Total non-underlying charge included in statutory profit before tax	**772**	1,207
Underlying profit before tax	**11,712**	11,566
Share-based payment charge	**508**	406
Net defined benefit pension charge	**424**	487
Adjusted underlying profit before tax	**12,644**	12,459

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

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

(b) Restructuring and reorganisation costs
These relate to the reorganisation of the Group and comprise of the rationalisation of certain operational and support functions in the prior year. The costs mainly comprise employee severance and professional fees associated with the closure of Sanderson Design Group Brands SARL in France of £1,100,000 and other reorganisation costs of £90,000. There were no such costs in the current financial year.

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

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

8. TRADE AND OTHER RECEIVABLES

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

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

9. PROVISION FOR LIABILITIES AND CHARGES

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

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

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

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

In the current year, provision for other liabilities and charges is analysed into its own category and has been reclassified from other payables and accruals. The maturity of the expected liabilities has also been restated into less than or more than one year. Note 11 explains the effect of this prior year restatement for the year ended 31 January 2022 and 1 February 2021.

10. RETIREMENT BENEFIT SURPLUS/(OBLIGATIONS)

Defined benefit schemes
Sanderson Design Group PLC operates two defined benefit schemes in the UK which both offer pensions in retirement and death benefits to members: the Walker Greenbank Pension Plan and the Abaris Holdings Limited Pension Scheme. Pension benefits are related to the members' final salary at retirement and their length of service. The schemes are closed to new members and to future accrual of benefits, although deferred members still in service have a salary link to their benefits. This disclosure excludes any defined contribution assets and liabilities.

The Group's contributions to the schemes for the year beginning 1 February 2023 are expected to be £2,404,000.

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

The fair value of the assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the schemes' liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

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

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

	2023 £000	2022 £000
Benefit obligation at beginning of year	**74,124**	84,926
Interest cost	**1,597**	1,122
Remeasurement (gains)/losses - changes in financial assumptions	**(21,601)**	(6,086)
Remeasurement gains - changes in demographic assumptions	**(10)**	(51)
Remeasurement gains - experience		

	3,244	(1,797)
Benefits paid	**(3,125)**	(3,646)
Settlements	**-**	(344)
Benefit obligation at end of year	**54,229**	74,124

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

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

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

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