Company No. 01167325

Sanderson Design Group Brands Limited

Annual Report and Financial Statements
for the financial year ended 31 January 2023

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for the financial year ended 31 January 2023

Sanderson Design Group Brands Limited
Officers and Professional Advisors

Directors
Lisa Montague
Mike Woodcock

Company Secretary
Caroline Geary (resigned on 22 June 2023)
Danielle Gisbourne (appointed on 23 June 2023)

Registered office
Chalfont House
Oxford Road
Denham
UB9 4DX

Independent Auditors
BDO LLP
Two Snowhill
Birmingham
B4 6GA

Bankers
Barclays Commercial Bank
The Pinnacle
Midsummer Boulevard
Milton Keynes
MK9 1BP

Sanderson Design Group Brands Limited
Strategic Report for the financial year ended 31 January 2023

Principal activities

The principal activities of the Company are the design, manufacture, marketing and distribution of luxury wallcoverings, furnishing fabrics and associated products for the consumer market. The Company's brand portfolio – comprising Morris & Co., Sanderson, Zoffany, Clarke & Clarke, Harlequin and Scion – are targeted at the affordable to upper end of the premium market and have worldwide distribution including our prestigious showroom at Chelsea Harbour, London. The Company also derives licensing income from the use of its designs in lifestyle products.

The Company is a trading subsidiary of the group of companies, the "Sanderson Design Group" headed by its ultimate parent company, Sanderson Design Group PLC, and is included in the consolidated financial statements of Sanderson Design Group PLC which are publicly available. All references to the "Group" in this report and the accompanying financial statements relate to the Sanderson Design Group.

Review of the business and future developments

Our profit was driven by strong performances from licensing, inter-company sales to US 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% at £6.5m (FY2022: £5.2m). Our decision to cease trading in Russia, which contributed £1.8m in brand product sales in FY2022, impacted trading and the year-on-year comparison.

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 the Group's 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, to 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, Group's 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, the Group's 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.

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 £6.4m (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.

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 Group 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.

Morris & Co.

Brand product sales at Morris & Co. were up 6.6% compared with FY2022 in reported 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.

Sanderson

Brand product sales at Sanderson were down 4.9% compared with FY2022 in reported currency.

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's brand product sales in the UK were up 0.2% compared with FY2022 in reported currency.

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's brand product sales in the UK were down 6.2% compared with FY2022 in reported currency.

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

Harlequin's brand product sales were down 11.5% compared with FY2022 in reported currency.

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 wellbeing. 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.

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's brand product sales in the UK were down 12.4% compared with FY2022 in reported currency.

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.

Manufacturing

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

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

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 £18.4m (FY2022: £20.4m).

Financial review summary

Our profit was driven by strong performances from licensing and the Morris & Co. brand, both 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% at £6.4m (FY2022: £5.2m).

Key performance indicators (KPIs)

The directors of Sanderson Design Group PLC manage the Group's operations, including those of the Company which is the wholly-owned trading subsidiary of the Group. For this reason, the Directors believe that analysis using KPIs for the Company is not necessary or appropriate. The development, performance and position of the Group, which includes the Company, is discussed on page 34 of the 2023 Annual Report & Accounts of Sanderson Design Group PLC which does not form part of this report.

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 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.

Continued uncertainty in the UK consumer environment had caused the UK brand sales in the first six-month period the current financial year to trade slightly lower against the same period last year and had a knock-on effect on manufacturing. European markets are beginning to show signs of improvement, particularly in the south of Europe, and the Middle East is also performing well. Growth in the US have mitigated the difficult market conditions in the UK.

The Group continues to trade in line with Board expectations for the full year and has a strong balance sheet.

Principal risks and uncertainties

The risks and uncertainties of the Company are managed at the Group level, details of which are disclosed in the 2023 Annual Report & Accounts of Sanderson Design Group PLC.

Business risks

The Directors have identified key business risks for the Company and these are explained below. The Directors carry out regular assessments of other business risks to the Company. Insurance policies are entered into by the Company, when it considers it commercially appropriate to insure against financial loss caused by unforeseen events.

The Company is a wholly owned trading subsidiary of the group of companies (the "Sanderson Design Group") headed by its ultimate parent company Sanderson Design Group PLC.

Going concern

The Directors reviewed a Management Base Case ('MBC') model, together with alternative stress tested scenarios, and considered the uncertainties 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. 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.

Financial risks

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

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

Foreign exchange risk

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

The Company's policy is, where possible, to allow the Company's entities to settle liabilities in their functional currency through natural hedges with the cash generated from their operations in that currency. Where the Company's entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere in the Company. Hedging instruments are put in place to mitigate foreign currency risk.

Interest rate risk

As the Company has no significant interest-bearing assets, its revenue and cash generated from operations are substantially independent of changes in market interest rates.

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

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

Credit risk

Credit risk arises from the Company's trade receivables, cash held with banks and derivative financial instruments. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. Cash at bank and derivative financial instruments are predominantly held with the Company's major relationship bank, Barclays Bank plc, and the Company considers this credit risk to be minimal.

Prior to accepting new customers, an independent credit check is obtained. Based on this information individual credit limits and payment terms are established. If no independent credit ratings are available, customers are asked to pay on a proforma basis until creditworthiness can be established. The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one to three months for its customers. The utilisation of credit limits is regularly monitored. Credit limits may only be exceeded with the authorisation from key management: this is dependent on the amount expected to exceed the limit and the Company's trading history with that customer.

There is no difference between the carrying amount and the maximum credit risk exposure. No collateral is held as security by the Company.

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The maturity profile of the Company's debt and other financial liabilities is disclosed in note 21.

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

Capital risk management

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

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

Fair value estimation

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

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Section 172 Statement

From the perspective of the Directors, as a result of the Group governance structure, the matters that the Directors are responsible for considering under Section 172 (1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent by the Group's Board in relation both to the Group and to the Company. The Directors of the Company have also considered relevant matters where appropriate. To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the Group's Board has considered the matters set out in s172 (for the Group and for the Company) is set out on the 2023 Annual Report & Accounts of Sanderson Design Group PLC.

By order of the Board

Danielle Gisbourne

Danielle Gisbourne
Company Secretary
31 October 2023

Sanderson Design Group Brands Limited
Report of the Directors for the financial year ended 31 January 2023

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of Sanderson Design Group Brands Limited, hereinafter "the Company", for the financial year ended 31 January 2023.

Results and dividends

The profit before taxation amounted to £11.3m (2022: £12.2m). During the financial year, the Company paid no dividend (2022: nil).

Business review and future developments

A review of the financial year and likely developments is contained in the Strategic Report.

Financial Risk Management

Details of the Company's financial risk management objectives and policies are contained in the Strategic Report.

Directors

The Directors of the Company who served during the financial year ended 31 January 2023 and up to the date of signing the financial statements were as follows:

- Lisa Montague
- Mike Woodcock

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare the Annual Report and the financial statements for each financial year. Under that law, the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concem basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Stakeholder statements

From the perspective of the Directors, as a result of the Group's governance structure, the Group's Board has taken the lead in carrying out the duties of Directors in respect of the Company's various stakeholders – colleagues, shareholders, customers and clients, suppliers, communities and government and regulators- including engaging with them, having regard to their interests and the effect of that regard, including on the principal decisions taken by the Group during the financial year. The Directors of the Company have also considered relevant matters where appropriate. An explanation of how the Group's Board has carried out these responsibilities (for the Group and for the Company) is set out in the 2023 Annual Report & Accounts of Sanderson Design Group PLC, which does not form part of this report.

Directors' and officers' liability insurance

During the financial year, the Company maintained Directors' and officers' liability insurance.

Research and development

The Company continues to invest in its products to retain and enhance its market position. Details of expenditure on collection design development costs are set out in the financial statements.

Independent Auditors

BDO LLP has expressed its willingness to continue in office as auditors, and a resolution to reappoint them will be proposed at the AGM.

By order of the Board

Danielle Gisbourne

Danielle Gisbourne
Company Secretary
31 October 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANDERSON DESIGN GROUP BRANDS LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Sanderson Design Group Brands Limited ("the Company") for the year ended 31 January 2023 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations

we considered the significant laws and regulations to be applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice) and UK tax legislation.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be employment law and the health and safety legislation etc.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
    - Detecting and responding to the risks of fraud; and
    - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be manipulation of the reported results through the use of journals, and manipulation of revenue recognition, capitalisation of collection design costs, and inventory provision workings.

Our procedures in respect of the above included:

- identifying and testing of supporting documentation for the following type of journals:
    - any journals outside the normal course of business or outside of our expectations that could be indicative of manipulation of the financial statements;
    - all journals posted to revenue outside of expected pairings to ascertain if any unusual transactions exist which are outside the normal course of business; and
    - any manual or late journals posted at the financial statement preparation process
- performing amongst other, the following revenue testing:
    - review of the revenue nominal accounts for any unusual transactions;
    - testing a sample of transactions posted to the nominal ledger in January 2023 to check the revenue has been recorded in the correct period; and
    - review of elimination of intra-segment revenue and associated unrealised profits within inventories across the different trading segments in the Company.
- verification, on a sample basis, of costs capitalised as collection design costs to ensure that the relevant recognition criteria had been met and costs were not being capitalised to manipulate reported earnings;
- Assessing significant estimates made by management including inventory provisions for bias or manipulation by agreeing to historic trends or evidence to support the inputs into the estimate.
- consideration of management's assessment of related parties and any unusual transactions and evaluating the process for identifying and monitoring any such transactions; and
- consideration of the total unadjusted audit differences for indication of bias or deliberate misstatement.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Gareth Singleton

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Gareth Singleton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK

31 October 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Sanderson Design Group Brands Limited
Income Statement
For the financial year ended 31 January 2023

	Note	2023 £000	2022 £000
Revenue	3	**97,385**	99,640
Cost of sales		**(37,976)**	(38,289)
Gross profit		**59,409**	61,351
Net operating expenses:			
Distribution and selling expenses		**(20,640)**	(21,111)
Administration expenses		**(32,227)**	(32,225)
Other operating income	4	**4,360**	4,116
Profit from operations	5	**10,902**	12,131
Finance income		**445**	179
Finance costs		**(60)**	(77)
Net finance income	6	**385**	102
Profit before tax		**11,287**	12,233
Tax expense	9	**(2,061)**	(2,581)
Profit for the year		**9,226**	9,652

All of the activities of the Company are continuing operations.

The notes on *pages* 20 to 44 form an integral part of the financial statements.

Sanderson Design Group Brands Limited
Statement of Comprehensive Income
For the financial year ended 31 January 2023

	Note	2023 £000	2022 £000
Profit for the year		**9,226**	9,652
Other comprehensive (expense) / income:			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit pension schemes	20	**(6,981)**	6,492
Deferred tax credit/(charge) relating to pension schemes	10	**1,256**	(1,233)
Corporation tax credit relating to pension schemes		**372**	-
Cash flow hedge		**112**	-
Total items that will not be reclassified to profit or loss		**(5,241)**	5,259
Other comprehensive (expense) / income for the year, net of tax		**(5,241)**	5,259
Total comprehensive income for the year		**3,985**	14,911

The notes on pages 20 to 44 form an integral part of the consolidated financial statements.

Sanderson Design Group Brands Limited
Balance Sheet
As at 31 January 2023

	Note	2023 £000	2022 £000
Non-current assets			
Intangible assets	11	**6,659**	6,420
Property, plant and equipment	12	**11,775**	10,850
Right-of-use assets	13	**1,502**	2,332
Investments	14	**4,214**	4,214
Retirement benefit surplus	20	**-**	2,577
Minimum guaranteed licensing receivables	17	**2,637**	1,619
		26,787	28,012
Current assets			
Inventories	15	**27,774**	22,645
Trade and other receivables	16	**14,532**	19,670
Minimum guaranteed licensing receivables	17	**1,433**	879
Financial derivative instruments	21	**112**	-
Cash and cash equivalents		**13,697**	16,910
		57,548	60,104
Total assets		**84,335**	88,116
Current liabilities			
Trade and other payables	18	**(26,356)**	(35,554)
Lease liabilities	13	**(892)**	(1,176)
		(27,248)	(36,730)
Net current assets		**30,300**	23,374
Non-current liabilities			
Lease liabilities	13	**(612)**	(1,168)
Deferred income tax liabilities	10	**(985)**	(1,547)
Retirement benefit obligations	20	**(2,446)**	-
Provision for liabilities and charges	19	**(387)**	-
		(4,430)	(2,715)
Total liabilities		**(26,935)**	(39,445)
Net assets		**52,657**	48,671

Sanderson Design Group Brands Limited
Balance Sheet (cont'd)
As at 31 January 2023

	Note	2023 £000	2022 £000
Capital and reserves			
Called up share capital	22	**19,400**	19,400
Share premium account	22	**1,808**	1,808
Retained earnings		**29,760**	25,774
Capital contribution		**1,689**	1,689
Total shareholders' funds		**52,657**	48,671

Provision for liabilities and charges is analysed into current and non-current assets as detailed in note 19.

The notes on pages 20 to 44 form an integral part of these financial statements.

The financial statements on pages 15 to 44 were approved by the Board of Directors on 31 October 2023 and signed on its behalf by

Mike Woodcock

Lisa Montague
Director

Mike Woodcock
Director

Registered number: 01167325

Sanderson Design Group Brands Limited
Statement of Changes in Equity
For the financial year ended 31 January 2023

	Note	Called up share capital £000 (note 22)	Share Premium account £000 (note 22)	Retained Earnings £000	Capital contribution £000	Total shareholders' funds £000
Balance at 1 February 2021		19,400	1,808	10,863	1,689	33,760
Profit for the year		-	-	9,652	-	9,652
Other comprehensive income/(expense):						
Remeasurements of defined benefit pension schemes	20	-	-	6,492	-	6,492
Tax charge relating to pension schemes	10	-	-	(1,233)	-	(1,233)
Total comprehensive income		-	-	14,911	-	14,911
Balance at 31 January 2022 / 1 February 2022		19,400	1,808	25,774	1,689	48,671
Profit for the year		-	-	9,226	-	9,226
Other comprehensive income/(expense):						
Remeasurements of defined benefit pension schemes,	20	-	-	(6,981)	-	(6,981)
Deferred tax credit relating to pension schemes	10	-	-	1,256	-	1,256
Corporation tax credit relating to pension schemes		-	-	372	-	372
Cash flow hedge	21	-	-	112	-	112
Total comprehensive income		-	-	3,986	-	3,986
Balance at 31 January 2023		**19,400**	**1,808**	**29,760**	**1,689**	**52,657**

The notes on pages 20 to 44 form an integral part of these financial statements.

Sanderson Design Group Brands Limited
Notes to the Financial Statements

For the financial year ended 31 January 2023

1. Accounting policies and general information

Sanderson Design Group Brands Limited, hereinafter "the Company", is a luxury interior furnishing company 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 Company'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 private company, limited by shares, domiciled and incorporated in the UK and registered in England & Wales. The company registration number is 01167325 and the address of its registered office is listed on page 2.

These financial statements were prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, and with the accounting policies set out below.

Basis of preparation
These financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The financial statements have been prepared under the historical cost convention, and with the accounting policies set out below.

In accordance with FRS 101, the following exemptions from the requirements of IFRSs have been applied in the preparation of these financial statements:

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

All amounts in these financial statements have been rounded to the nearest thousand.

Going concern
The Company is a wholly owned trading subsidiary company of the group of companies (the "Sanderson Design Group") headed by Its ultimate parent company, Sanderson Design Group PLC. Therefore, in carrying out the going concern assessment, the Directors of the Company have considered the wider group position as part of their assessment.

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 the 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.

1. Accounting policies and general information (cont'd)

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 Group 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 Group. 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.

Adoption of new and revised accounting standards and interpretations
No new standards and interpretations issued and effective for the year have had any significant impact on the preparation of the financial statements.

Basis of consolidation
The Company and its subsidiaries have taken advantage of the exemption provided by section 400 of the Companies Act 2006 not to prepare consolidated financial statements, as the Company is included in the consolidated financial statements of Sanderson Design Group PLC, the ultimate parent undertaking whose consolidated financial statements are publicly available. Accordingly, these financial statements present information about the Company as an individual undertaking and not as a group of companies.

The presentation of information contained within these financial statements has been revised to more closely align the presentation followed by the Company's ultimate parent undertaking, Sanderson Design Group PLC.

Revenue
The Company derives its revenue principally from the following:
- Manufacturing sales. These comprise the sale of wallpaper and fabrics to Brands and third-party customers.
- Brand sales. Sale of home furnishings e.g. wallpaper, fabrics and ancillary interior products.
- Licensing arrangements. These comprise a combination of both minimum guaranteed incomes and time and sales-based royalties receivable from Licensing Partners under contracts for the licensing of our products and designs.

Revenue comprises sales of goods to customers outside the Company less an appropriate deduction for actual and expected returns, discounts and volume-related rebates, and is stated net of value added tax and other sales taxes. Revenue is recognised when performance obligations are satisfied and goods are delivered to our franchise partners or the customer and the control of goods is transferred to the buyer. Online sales are recognised when items are delivered, as this is when the performance obligation is deemed to have been satisfied.

Deposits received from customers in advance of the delivery of goods or services are recognised as deferred revenue. Revenue and cost of sales are adjusted for expected returns values, which are estimated on historical returns experience. A refund liability is recognised within 'trade and other payables', and the asset to be recovered is recognised within stock. The validity of the historical data and assumptions and estimates are assessed at each reporting date.

Licensing contracts give rise to performance-based variable consideration. Income dependent on the performance of the third-party operations is recognised when it is highly probable that a significant reversal in the amount of income recognised will not occur. Fixed minimum guaranteed income amounts receivable under single-year or multi-year licensing agreements from Licensing partners are recognised from the point the licence and hence control has transferred to the licensee, provided there are no further performance obligations to fulfil, and the recoverability of the income is deemed highly probable. The income is recognised as revenue and accrued income reduces as the balance is settled in accordance with the terms of the contractual agreement.

Carriage costs relating to the delivery of the supply of goods, are classified within 'revenue' as these are contractual sales of distinct services with a separate performance obligation from which consideration is received.

Consideration received or expenses reimbursed relating to marketing materials and additional services to support the sale of the Company's core products are classified within 'Other operating income'.

Foreign currencies
For the purpose of the financial statements, the results and financial position are expressed in Sterling, which is the functional; currency of the Company, and presentation currency for the financial statements. Transactions in foreign currencies, which are those other than the functional currency of the Company, are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at the Balance Sheet date. All unhedged exchange differences are recognised in the Income Statement for the period within administration expenses.

1. Accounting policies and general information (cont'd)

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

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

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

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

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

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

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

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

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

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

Land is not depreciated, Government grants received for property, plant and equipment are included within other payables and deferred revenue and released to the Income Statement over the life of the asset.

Investments
Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

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

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

1. Accounting policies and general information (cont'd)

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

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

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, on a first-in, first-out basis, and direct labour, plus attributable production overheads based on a normal level of activity. Net realisable value is based on estimated selling prices less anticipated costs of disposal. Provision is made for any slow-moving and obsolete inventory. Inventories include marketing materials consisting of patterning books and other saleable marketing assets used to support the sale of the Company's products.

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

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

- 'trade and other receivables' and 'minimum guarantee licence receivable' – these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides goods directly to a customer, or advances money, with no intention of trading the loan or receivable. Trade receivables are recognised initially at the amount of consideration that is unconditional. Subsequent to initial recognition, loans and receivables are included in the Balance Sheet at amortised cost using the effective interest method less any amounts written off to reflect impairment, with changes in the carrying amount recognised in the Income Statement within distribution and selling or administration expenses. The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 January 2023 or 31 January 2022 respectively and the corresponding historical credit losses experiences within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. We use historical credit loss experience for trade receivables to estimate the lifetime expected credit losses as relevant. We apply specific fixed provision rates depending on the number of days that a receivable is past due. The Company groups historical credit loss experience for different customer segments being customer rating and type of customer. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the Income Statement within distribution and selling expenses. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against distribution and selling expenses in the Income Statement.
- 'cash and cash equivalents' – these comprise deposits with an original maturity of three months or less with banks and financial institutions, bank balances, bank overdrafts with the right of offset and cash in hand.

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

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

Derivative financial instruments
The Company applies IFRS 9 'Financial Instruments'. Where qualifying for hedge accounting, derivative financial instruments are held at fair value through other comprehensive income, non-qualifying derivatives are held at fair value through profit or loss.

The Company designates certain hedging instruments, which include derivatives, in respect of foreign currency risk, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The Company uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates, these have been designated as qualifying cash flow hedges.

1. Accounting policies and general information (cont'd)

In accordance with IFRS 9, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged.

Cash and cash equivalents
Cash and cash equivalents represent only liquid assets with original maturity of 90 days or less. Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts that cannot be offset against other cash balances are shown within borrowings in current liabilities on the Balance Sheet.

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

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

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

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the asset's useful life or the end of the lease term. The lease term is the noncancellable period of the lease plus any periods for which the Company is 'reasonably certain' to exercise any extension options. If right-of-use assets are considered to be impaired, the carrying value is reduced accordingly.

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

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

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

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

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

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

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

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

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

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

Employee benefits – share-based payments under Long-Term Incentive Plans ('LTIP')
The Company, through its ultimate parent undertaking, issues equity-settled share-based payments to certain employees.

1. Accounting policies and general information (cont'd)

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

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

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

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

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

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

Segmental reporting
The Company is a designer, manufacturer and distributor of furnishings, fabrics and wallpaper and manages its operations as two reportable segments, which are Brands and Manufacturing.

Reportable segments consist of one or more operating segments. Aggregation of operating segments into reportable segments occurs when aggregation criteria, as laid down in IFRS 8 'Operating Segments' are satisfied, including similar economic characteristics or when operating segments are less than the quantitative limits as laid down in IFRS 8.

The Company considers its Chief Operating Decision Maker ('CODM') to be the Board of Directors, who are responsible for the allocation of resources and assessing performance of the operating segments.

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

Dividend distribution
Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2. Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning future events. The resulting accounting estimates will seldom precisely equal the related actual results. The Company applies its best endeavours in setting accounting estimates, and uses historical experience and other factors, including input from experienced and specialist management. Estimates and assumptions are periodically re-evaluated and the resulting accounting balances updated as new information, including actual outcomes, become apparent.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Retirement benefit obligations
The Company 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 Company takes advice from a qualified actuary about which assumptions reflect the nature of the Company'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 were 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 Company's understanding that, based on facts and circumstances at the balance sheet date, it is able, without condition or restriction placed on it by the trustees, to run the Schemes until there are no remaining members; wind up the Schemes at that point; and reclaim any remaining monies. Consequently, the Company is able to recognise the full surplus calculated in accordance with IAS 19 and IFRIC 14.

The Company 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 Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Details of the estimates and assumptions applied, and carrying amounts of retirement benefit obligations and pension assets, are set out in note 20.

b) Impairment of non-financial assets
The Company 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 Company 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 Company's business, have been based on the value in use ('VIU').

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

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

The Company makes provision for impairment in the carrying amount of its inventories and marketing materials. The nature of the Company's products are exposed to changes in taste and attitudes from time to time, which can affect the demand for those products. The Company 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 Company of marketing materials taking into account the estimated price and volume of future sales or usage, less the further costs of sale and holding costs.

Sanderson Design Group Brands Limited
Notes to the Financial Statements (continued)

3. Revenue analysis

The Company is a designer, manufacturer and distributor of luxury interior furnishings, fabrics and wallpaper. The reportable segments of the Company 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, the US, France, the Netherlands and Germany.
- Manufacturing – comprising the wallcovering and printed fabric manufacturing businesses operated by Anstey and Standfast respectively.

This is the basis on which the Company presents its revenue to the Board of Directors, which is considered to be the CODM for the purposes of IFRS 8.

a) Segmental revenue analysis by business class

Year ended 31 January 2023	**Brands £000**	**Manufacturing £000**	**Intersegment elimination and unallocated £000**	**Total £000**
UK revenue	**42,612**	**15,024**	**-**	**57,636**
International revenue	**26,207**	**7,093**	**-**	**33,300**
Licence revenue	**6,449**	**-**	**-**	**6,449**
Revenue – external	**75,268**	**22,117**	**-**	**97,385**
Revenue – internal	**-**	**16,953**	**(16,953)**	**-**
Total revenue	**75,268**	**39,070**	**(16,953)**	**97,385**

Year ended 31 January 2022	Brands £000	Manufacturing £000	Intersegment elimination and unallocated £000	Total £000
UK revenue	43,681	14,173	–	57,854
International revenue	27,866	8,761	–	36,627
Licence revenue	5,159	–	–	5,159
Revenue – external	76,706	22,934	–	99,640
Revenue – internal	–	18,807	(18,807)	–
Total revenue	76,706	41,741	(18,807)	99,640

The segmental Income Statement disclosures are measured in accordance with the Company'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.

Brand revenue analysis

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	**12,817**	14,479
Scion	**1,665**	1,901
Sanderson	**11,678**	12,283
Morris & Co.	**14,660**	13,757
Zoffany	**6,943**	6,927
Clarke & Clarke	**20,752**	22,133
Other brands	**304**	67
Licensing	**6,449**	5,159
	75,268	76,706

Manufacturing revenue analysis

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

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

b) Revenue by geographical location of customers

Revenue by geographical location of customers:	**2023 £000**	2022 £000
United Kingdom	**62,305**	60,347
North America	**9.897**	10,369
Northern Europe	**13,266**	15,164
Rest of the World	**11,917**	13,760
	97,385	99,640

No single customer of the Company accounts for 10% or more of total revenue for either the current or prior year.

4. Other operating income

	2023 £000	2022 £000
Sale of marketing materials and other services	**4,360**	3,820
Research and development expenditure credit ("RDEC")	**-**	296
	4,360	4,116

5. Profit from operations

	2023 £000	2022 £000
Company profit from operations is stated after charging/(crediting):		
Net management (income receivable from)/charge payable to Group undertakings	(106)	731
Depreciation and impairments of property, plant and equipment	2,169	2,347
Depreciation of right-of-use assets	1,380	1,348
Amortisation of intangibles	723	709
Cost of inventories recognised as expense in cost of sales	27,957	29,422
Net impairment charge - inventories	1,064	268
Net impairment charge/(reversal) - trade receivables	313	(192)
Government Covid-19 employee related support repaid	-	103
Transportation expenses	6,656	7,841
Advertising costs	3,533	4,825
Other selling costs	9,041	8,624
Establishment costs	3,502	3,241
Net foreign exchange (gains) / losses	(71)	169
Losses on disposal of fixed assets	79	-
Short-term rental expense:		
Hire of motor vehicles and plant and machinery	32	38
Land and buildings	5	39

	2023 £000	2022 £000
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the Company's financial statements	213	195

6. Net finance income

	Note	2023 £000	2022 £000
Interest income:			
Interest received on bank deposits		**28**	-
Unwind of discount on minimum guaranteed licensing income		**341**	179
Total interest received		**369**	179
Net pension interest income	20	**76**	-
Total finance income		**445**	**179**
Interest expense:			
Lease interest		**(60)**	(77)
Total finance costs		**(60)**	(77)
Net finance income/(costs)		**385**	102

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.

Sanderson Design Group Brands Limited
Notes to the Financial Statements (continued)

7. Emoluments of Directors

The Directors did not receive any remuneration from the Company (2022: £nil). The Directors are remunerated by Sanderson Design Group PLC, the ultimate parent undertaking. No apportionment can easily be made in respect of their services to the Company. Directors' emoluments are fully disclosed within the 2023 Annual Report & Accounts of Sanderson Design Group PLC.

8. Employee Information

	2023 £000	2022 £000
Wages and salaries	**20,820**	19,773
Social security costs	**2,152**	1,818
Other pension costs	**801**	874
Employee benefit expense	**23,773**	22,465

The average monthly number of employees during the financial year:

	2023 Number	2022 Number
Brands, including warehousing	**294**	286
Manufacturing	**282**	270
	576	556

9. Tax expense

	2023 £000	2022 £000
Current tax:		
- UK current tax	**1,626**	1,972
- adjustments in respect of prior years	**(278)**	(32)
- overseas, current tax	**19**	(106)
Corporation tax	**1,367**	1,834
Deferred tax:		
- current year	**661**	716
- adjustments in respect of prior years	**33**	31
Deferred tax	**694**	747
Total tax charge for the financial year	**2,061**	2,581

Reconciliation of total tax charge for the financial year

	2023 £000	2022 £000
Profit before tax	**15,441**	12,233
Tax on profit before taxation at 19% (2022: 19%)	**2,934**	2,325
Fixed asset differences	**164**	36
Non-deductible expenditure	**(1)**	37
Income not subject to tax	**(791)**	(2)
Adjustments in respect of prior years	**(278)**	(139)
Adjustments in respect of prior years – deferred tax	**33**	31
Effect of changes in corporation tax rates	**(116)**	372
Effect of Group relief/others	**116**	(79)
Total tax charge for the financial year	**2,061**	2,581

10. Deferred income tax (liabilities)/assets

Deferred tax (liabilities)/assets	2023 £000	2022 £000
Taxable temporary differences on property, plant and equipment	**(1,176)**	(903)
Retirement benefit obligations	**191**	(644)
	(985)	(1,547)

A tax credit of £1,628,000 (2022: tax charge £1,233,000) arising on retirement benefit obligations has been recognised within the Statement of Other Comprehensive Income. The change of UK corporation tax rate from 19% to 25%, effective from 1 April 2023 and substantively enacted last year, has also increased the amount of deferred tax asset in future years.

Movements on the deferred income tax account are as follows:

Net deferred tax asset / (liability)	2023 £000	2022 £000
At 1 February	**(1,547)**	433
Income Statement charge	**(694)**	(747)
Tax credit / (charge) relating to components of other comprehensive income	**1,256**	(1,233)
At 31 January	**(985)**	(1,547)

Sanderson Design Group Brands Limited
Notes to the Financial Statements (continued)

11. Intangible assets

	Goodwill £000	Arthur Sanderson and William Morris Archive £000	Collection design £000	Software £000	Assets under construction £000	Total £000
Cost						
1 February 2022	1,400	4,300	4,183	3,309	-	13,192
Additions	-	-	443	37	206	686
Reclassification	-	-	-	-	276	276
Disposals	(298)	-	(2,334)	(552)	-	(3,184)
31 January 2023	**1,102**	**4,300**	**2,292**	**2,794**	**482**	**10,970**
Accumulated amortisation						
1 February 2022	1,139	-	2,689	2,944	-	6,772
Charge	-	-	468	255	-	723
Disposals	(298)	-	(2,334)	(552)	-	(3,184)
31 January 2023	**841**	**-**	**823**	**2,647**	**-**	**4,311**
Net book amount						
31 January 2023	**261**	**4,300**	**1,469**	**147**	**482**	**6,659**
31 January 2022	261	4,300	1,494	365	-	6,420
31 January 2021	261	4,300	1,623	567	-	6,751

The total amortisation expense of £723,000 (2022: £709,000) is included in administrative expenses.

Impairment tests for Goodwill and Arthur Sanderson and William Morris Archive
The total carrying value of goodwill at year end of £261,000 (2022: £261,000) is attributable to the Brands segment.

The carrying value of the Arthur Sanderson and William Morris Archive at the year end of £4,300,000 (2022: £4,300,000) is attributable to the Brands segment.

The Company does not consider it reasonably possible that changes to the key assumptions will arise that would result in impairment of either Goodwill or the Arthur Sanderson and William Morris Archive as at 31 January 2023. As explained in note 2, the key assumptions in the impairment review are a post-tax discount rate of 10% (2022: 9.25%) and a long-term growth rate of 1% to 2% (2022: 1% to 2%). A 2% sensitivity increase in the discount rate would lead to a potential impairment. The financial impact of climate change and the 'Live Beautiful' strategy is not anticipated to be material within the timeframe of the forecasts used for impairment reviews and as such is not included. This will be kept under review as the strategy progresses.

Sanderson Design Group Brands Limited
Notes to the Financial Statements (continued)

12. Property, plant and equipment

	Freehold Land and buildings £000	Leasehold Improvements £000	Plant, equipment and vehicles £000	Computer hardware £000	Assets under construction £000	Total £000
Cost						
1 February 2022	5,971	400	33,762	2,016	-	42,149
Additions	351	-	2,690	188	214	3,443
Reclassification	-	-	(276)	-	-	(276)
Disposals	-	-	(6,058)	(204)	-	(6,262)
31 January 2023	**6,322**	**400**	**30,118**	**2,000**	**214**	**39,054**
Accumulated depreciation						
1 February 2022	2,189	380	26,768	1,962	-	31,299
Charge	116	-	1,973	80	-	2,169
Disposals	-	-	(5,985)	(204)	-	(6,189)
31 January 2023	**2,305**	**380**	**22,756**	**1,838**	**-**	**27,279**
Net book amount						
31 January 2023	**4,017**	**20**	**7,362**	**162**	**214**	**11,775**
31 January 2022	3,782	20	6,994	54	-	10,850
31 January 2021	3,726	100	7,565	93	-	11,484

The total depreciation expense of £2,169,000 (2022: £2,347,000) is included in administration expenses £2,118,000 (2022: £2,296,000) and distribution costs £51,000 (2022: £51,000).

The net book amount of land and buildings comprises:

	2023 £000	2022 £000
Freehold land	**450**	450
Freehold buildings	**3,567**	3,332
Net book amount	**4,017**	3,782

Sanderson Design Group Brands Limited
Notes to the Financial Statements (continued)

13. Leases

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

Right-of-use assets

	Leasehold Properties £000	Vehicles £000	Plant and Equipment £000	Total £000
Cost				
31 January 2022	4,799	680	941	6,420
Additions	68	408	80	556
Disposals	(65)	(212)	(91)	(368)
31 January 2023	**4,802**	**876**	**930**	**6,608**
Accumulated depreciation and impairment				
31 January 2022	3,047	487	554	4,088
Charge	1,002	219	159	1,380
Disposals	(65)	(213)	(84)	(362)
31 January 2023	**3,984**	**493**	**629**	**5,106**
Net book amount				
31 January 2023	**818**	**383**	**301**	**1,502**
31 January 2022	1,752	193	387	2,332
31 January 2021	2,788	183	483	3,454

Lease liabilities

	Leasehold Properties £000	Vehicle £000	Plant and Equipment £000	Total £000
Balance				
31 January 2022	1,758	188	398	2,344
Additions	133	410	60	603
Amounts paid	(1,085)	(201)	(222)	(1,508)
Effect of discounting	37	16	12	65
31 January 2023	**843**	**413**	**248**	**1,504**

Maturity analysis – contractual lease liabilities

	2023 £000	2022 £000
Current	**892**	1,176
Non-current	**612**	1,168
Total lease liabilities	**1,504**	2,344

14. Investments

Shares in subsidiary undertakings:	**2023 £000**	2022 £000
Cost:		
31 January	**6,116**	6,116
Provision for impairment:		
1 February	**(1,902)**	(1,764)
Charge for the year	**-**	(138)
31 January	**(1,902)**	(1,902)
Net book amount at 31 January	**4,214**	4,214

An impairment charge of £ nil (2022: £138,000) has been recognised against the Company's investment in Sanderson Design Group Brands SARL following the closure of the business in France. The impairment charge is included in administration expenses.

Sanderson Design Group Brands Limited is registered and domiciled in the United Kingdom. The Company's subsidiary undertakings, all of which are wholly owned, are as follows:

Name of subsidiary undertaking	*Country of incorporation and place of business*	*Holding*	*Proportion of voting rights / shares held by the Company*	*Nature of business*
Sanderson Design Group Inc	US	Ordinary shares	100%	Luxury interior furnishings
Sanderson Design Group Brands SARL	France	Ordinary shares	100%	Luxury interior furnishings
Sanderson Design Group Brands B.V.	Netherlands	Ordinary shares	100%	Sales support
Sanderson Design Group Brands GmbH	Germany	Ordinary shares	100%	Sales support
Abaris Holdings Limited	UK	Ordinary shares	100%	Dormant
Abaris (Overseas) Holdings Limited	UK	Ordinary shares	100%	Dormant
Anstey Wallpaper Company Limited	UK	Ordinary shares	100%	Dormant
Anthology Fabrics and Wallcoverings Limited	UK	Ordinary shares	100%	Dormant
Arthur Sanderson & Sons Limited	UK	Ordinary shares	100%	Dormant
Barracks Fabric Printing Company Limited	UK	Ordinary shares	100%	Dormant
Cirka Limited	UK	Ordinary shares	100%	Dormant
Clarke & Clarke Inc*	US	Ordinary shares	100%	Dormant
Design Edition Limited	UK	Ordinary shares	100%	Dormant
Harlequin Fabrics & Wallcoverings Limited	UK	Ordinary shares	100%	Dormant
Morris & Co. (Artworkers) Limited	UK	Ordinary shares	100%	Dormant
Sanderson of London Limited	UK	Ordinary shares	100%	Dormant
Sanderson Design Group Brands (Ireland) Limited	Ireland	Ordinary shares	100%	Dormant
Scion Fabrics & Wallcoverings Limited	UK	Ordinary shares	100%	Dormant
Scion Living Limited	UK	Ordinary shares	100%	Dormant
Standfast Dyers and Printers Limited	UK	Ordinary shares	100%	Dormant
Strines Textiles Limited	UK	Ordinary shares	100%	Dormant
Style Library Limited	UK	Ordinary shares	100%	Dormant
Walker Greenbank Distribution Limited	UK	Ordinary shares	100%	Dormant
Walker Greenbank Limited	UK	Ordinary shares	100%	Dormant
William Morris Wallpapers Limited	UK	Ordinary shares	100%	Dormant
Zoffany Limited	UK	Ordinary shares	100%	Dormant

Registered offices of the Company's related undertakings, all of which are wholly owned, are as follows:

Name of subsidiary undertakings	*Registered office*
All undertakings other than the ones listed below	Chalfont House, Oxford Road, Denham, UB9 4DX, UK
Sanderson Design Group Inc	800 Huyler Street, Teterboro, New Jersey, 07608, USA
Clarke & Clarke Inc*	2416 Camino Oleada, San Clemente, California, 92673, USA
Sanderson Design Group Brands SARL	19 Rue de Mail, Paris, 75002, France
Sanderson Design Group Brands B.V.	Postbus 372, 1970 AJ IJMUIDEN, Netherlands
Sanderson Design Group Brands Gmbh	Thurn-und-Taxis Platz 6 60313, Frankfurt am Maine, Germany
Sanderson Design Group Brands (Ireland) Limited	12 Merrion Square, Dublin 2, Dublin, Ireland DO2 H79

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

15. Inventories

	2023 £000	2022 £000
Raw materials	**5,038**	3,042
Work in progress	**1,478**	2,064
Finished goods	**21,258**	17,539
	27,774	22,645

There is no significant difference between the replacement cost of work in progress and finished goods and goods for resale and their carrying amounts. Inventories are stated after provisions for impairment of £4,545,000 (2022: £7,979,000).

16. Trade and other receivables

Current	2023 £000	2022 £000
Trade receivables	**11,345**	12,546
Less: provision for impairment of trade receivables	**(705)**	(765)
Net trade receivables	**10,640**	11,781
Corporation tax debtor	**172**	339
Amounts owned by Group undertakings	**1,493**	5,702
Other receivables	**177**	300
Prepayments	**2,050**	1,548
	14,532	19,670

Amounts owed by Group undertakings are non-interest bearing and are unsecured. These loans are repayable to the Company on demand should payment be required but have no fixed date of repayment.

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

The IFRS 9 simplified approach has been applied to measure lifetime expected credit losses for all trade receivables. Trade receivables have been grouped based on shared credit risk characteristics and days past due. The expected loss rates are based on the payment profiles of sales and payment history of individual customer over a period of 12 months before 31 January 2022 or 31 January 2020 respectively and the corresponding historical credit losses experiences within this period. The historical loss rates are adjusted to reflect current and forward-looking information of up to 12 months on macroeconomic factors affecting the ability of the customers to settle the receivables.

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Notes to the Financial Statements (continued)

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

31 January 2023 £000	Current	1-30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Trade Receivables	**9,473**	**377**	**573**	**247**	**675**	**11,345**
Loss Allowance	**(216)**	**(15)**	**(46)**	**(56)**	**(372)**	**(705)**

31 January 2022 £000	Current	1-30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Trade Receivables	10,641	444	1,030	219	212	12,546
Loss Allowance	(483)	(14)	(32)	(17)	(219)	(765)

Due to the nature of the Company's products, there is a limited amount of inventory left in the possession of customers that could act as collateral under terms of trade. As the value of this inventory is immaterial, it has not been disclosed in the financial statements.

Credit quality of financial assets

(i) Not past due

Included in the Company's trade receivable balances are receivables with a carrying value of £9,473,000 (2022: £10,641,000) which are not past due. Under the expected credit loss model a provision is held for the lifetime credit loss on these balances of £216,000 (2022: £483,000). The nature of the Company's business means that it has a long-standing relationship with the majority of its customers, who either have no experience of historical default or only temporary late payments with full recovery of balances due.

(ii) Past due

Included in the Company's trade receivable balances are receivables with a carrying value of £1,586,000 (2022: £1,581,000) which are past due at the reporting date for which the Company does not consider the need to create a specific impairment provision against individually identified receivables, but an expected credit loss provision has been made of £203,000 (2022: £32,000).

(iii) Past due – individually impaired

As at 31 January 2023, trade receivables of £286,000 (2022: £324,000) were individually determined to be impaired and provided for. The amount of the provision was £286,000 (2022: £250,000). The main factor used to assess the impairment of trade receivables is the circumstances of the individual customer. These receivables are analysed separately from the IFRS 9's expected credit loss model.

As at the Balance Sheet date the carrying value of trade receivables by geographical territory of the customer was:

	2023 **£000**	2022 £000
United Kingdom	**5,683**	7,069
Northern Europe	**4,371**	2,320
USA	**322**	1,101
Rest of the World	**264**	1,291
	10,640	11,781

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

	2023 **£000**	(represented) 2022 £000
Sterling	**10,923**	17,000
US dollars	**468**	323
Euros	**1,807**	1,558
Other	**572**	789
	13,770	19,670

The comparatives have been represented to reflect all trade and other receivables to aid comparability.

The closing loss allowances for trade receivables as at 31 January 2023 reconcile to the opening loss allowances as follows:

	Lifetime ECL £000	Credit Impaired £000	2023 £000	2022 £000
At 1 February	(529)	(236)	**(765)**	(851)
Increase in allowance recognised in income statement	(263)	(50)	**(313)**	(118)
Receivables written off in the year as uncollectible	373	-	**373**	44
Unused amounts reversed	-	-	**-**	160
At 31 January	(419)	(286)	**(705)**	(765)

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

17. Minimum guaranteed licensing receivables

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

	Current Less than 1 year £000	Non-current Over 1 year £000	Total £000
31 January 2023	1,433	2,637	4,070
31 January 2022	879	1,619	2,498

18. Trade and other payables

	2023 £000	2022 £000
Trade payables	**9,449**	11,167
Amounts owed to Group undertakings	**12,589**	20,294
Other taxes and social security	**2,381**	1,418
Other payables	**238**	437
Accruals	**1,699**	2,238
	26,356	35,554

Amounts owed to Group undertakings are non-interest bearing and are unsecured. These loans are payable by the Company on demand should payment be required but have no fixed date of repayment.

19. Provision for liabilities and charges

	Total £000
1 February 2021 / 31 January 2022	-
Reclassification	140
Charged	247
31 January 2023	**387**

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

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 is more than one year.

20. Retirement benefit surplus/(obligations)

Defined contribution schemes
The Company contributes to the defined contribution section of the Abaris Holdings Limited Pension Scheme and to a Group Personal Pension Plan which is also a defined contribution scheme. Contributions are charged to the Income Statement as incurred and amounted to £207,000 (2022: £272,000). There are no outstanding or prepaid contributions at 31 January 2023 (2022: £nil). Active members of the schemes are also able to make contributions.

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

Plan assets held in the fund are governed by local regulations and practice in the UK. Responsibility for the governance of the plan, including investment decisions and contributions schedules, lies with the Trustees of the schemes.

Actuarial valuations of the schemes were carried out as at 31 January 2023, based on membership data at 5 April 2022, updated to take account of benefit outgoings since 5 April 2022, using actuarial assumptions at 31 January 2023. The major assumptions used by the actuary were (in nominal terms) as follows:

	2023	2022
Discount rate	**4.50%**	2.20%
Inflation assumption (RPI)	**3.00%**	3.65%
Inflation assumption (CPI)	**2.50%**	3.15%
Rate of increase in salaries	**2.50%**	3.15%
Rate of increase to pensions in payment, that increase in line with RPI subject to a maximum of 5% p.a.	**2.90%**	3.50%
Rate of increase to pensions (in excess of GMP) in deferment	**2.50%**	3.15%

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

	2023	2022
Non-pensioner male currently 45	**22.9**	22.8
Pensioner male currently 65	**21.9**	21.8
Non-pensioner female currently 45	**25.5**	25.4
Pensioner female currently 65	**24.3**	24.2

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

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Reconciliation of (deficit)/surplus in funded scheme (net (liability)/asset on the Balance Sheet)

	2023 £000	2022 £000
1 February	2,577	(5,637)
Contributions by employers	2,382	2,209
Defined benefit pension charge	(424)	(487)
Total remeasurements of the net defined benefit liability / (asset)	6,981	(6,492)
31 January	**(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

All assets are invested with managers in the UK investing in the UK and overseas investments. The assets do not include the Company's financial instruments or property connected with the Company.

The actual return on assets over the year was a loss of £23,675,000 (2022: loss of £387,000).

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

	2023 £000	2022 £000
Fair value of plan assets at beginning of year	76,701	79,289
Interest income on scheme assets	1,673	1,055
(Loss)/return on assets, excluding interest income	(25,348)	(1,442)
Contributions by employers	2,382	2,209
Benefits paid	(3,125)	(3,646)
Scheme administrative cost	(500)	(420)
Settlements	-	(344)
Fair value of scheme assets at end of year	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

Sanderson Design Group Brands Limited
Notes to the Financial Statements (continued)

Analysis of amounts charged against profits

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

	2023 £000	2022 £000
Expected return on pension scheme assets	1,673	1,055
Interest on pension scheme liabilities	(1,597)	(1,122)
Net pension interest income/(costs)	76	(67)
Scheme expenses met by the Company	(500)	(420)
Defined benefit pension charge, including net pension interest	(424)	(487)

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

	2023 £000	2022 £000
Net remeasurement – financial	(21,601)	(6,086)
Net remeasurement – demographic	(10)	(51)
Net remeasurement – experience	3,244	(1,797)
Return on assets, excluding interest income	25,348	1,442
Total remeasurements of the net defined benefit liability / (asset)	6,981	(6,492)

Sensitivity analysis
The table below shows the impact on the defined benefit obligation of changing each of the most significant assumptions in isolation. The figures in the table as at 31 January 2023 have been calculated using the same valuation method that was used to calculate the defined benefit obligation above and are consistent year on year.

		Impact on scheme liabilities 2023 (£m)		Impact on scheme liabilities 2022 (£m)	
	Change in assumption	Increase	Decrease	Increase	Decrease
Discount rate	0.25% movement	(1.6)	1.7	(2.8)	2.9
Rate of inflation (RPI)*	0.25% movement	0.6	(0.7)	1.3	(1.3)
Rate of inflation (CPI)*	0.25% movement	0.4	(0.4)	0.7	(0.7)
Assumed life expectancy	1 year movement	2.3	2.4	3.8	(3.8)
Estimated impact of Covid-19 on life expectancy**		N/A	N/A	N/A	N/A

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

* With corresponding changes to the salary and pension increase assumptions.
** The Company with its advisors has assessed the potential impact of Covid-19 on the mortality assumptions used to calculate the deficit. The figure above represents a best estimate of the long-term impact at 31 January 2023. Given the continuing uncertainties around Covid-19, the Company has not made any adjustment to the reported deficit for the effect of the pandemic.

Risk exposure
Through its defined benefit pension plans, the Company is exposed to a number of risks, the most significant of which are detailed below:
- Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.
- Changes in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
- Inflation risks: Some of the Company's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by fixed interest bonds or loosely correlated with equities inflation, meaning that an increase in inflation will also increase the deficit.
- Life expectancy: The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The weighted average duration of defined benefit obligations is 16 years.

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Notes to the Financial Statements (continued)

21. Financial instruments

The accounting policies for financial instruments have been applied to the line items below:

31 January 2023	Amortised cost £000	Assets at fair value £000	Financial derivative Instruments for hedging £000	Total £000
Assets as per Balance Sheet				
Net trade receivables and other receivables	12,310	–	–	12,310
Minimum guaranteed licensing receivables	4,070	–	–	4,070
Financial derivative instrument	-	-	112	112
Cash and cash equivalents	13,697	–	–	13,697
Total	30,077	–	112	30,189

31 January 2023	Other financial liabilities £000	Liabilities at fair value £000	Financial derivative Instruments for hedging £000	Total £000
Liabilities as per Balance Sheet				
Lease liabilities	1,504	–	–	1,504
Trade and other payables	23,975	–	–	23,975
Total	25,479	–	–	25,479

31 January 2022	Amortised cost £000	Assets at fair value £000	Financial derivative Instruments for hedging £000	Total £000
Assets as per Balance Sheet				
Net trade receivables and other receivables	12,081	–	–	12,081
Minimum guaranteed licensing receivables	2,498	–	–	2,498
Cash and cash equivalents	16,910	–	–	16,910
Total	31,489	–	–	31,489

31 January 2022	Liabilities at fair value £000	Other financial liabilities £000	Financial derivatives Instruments for hedging £000	Total £000
Liabilities as per Balance Sheet				
Lease liabilities	–	1,176	–	1,176
Trade and other payables	–	35,554	–	35,554
Total	–	36,730	–	36,730

The financial instruments in place are to mitigate the risks associated with net future US dollar receipts. The Company uses fixed forward hedging instruments. The fixed forward contracts are fixed agreements to exchange currency at the hedged rate. To manage the foreign exchange risk arising on future transactions, it is the Company's policy to enter forward currency contracts to hedge the exposure. The details of the notional amounts hedged rate and spot rate at 31 January 2023 are outlined below.

	2023	2022
USD/GBP spot rate at 31 January	**1.2073**	1.3401
Fixed forward contracts		
Weighted average forward rate	**1.1139**	-
Maturing in the next year (Notional amount in US dollars 000's)	**1,800**	-

The hedge ratio is 1:1.

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

31 January 2023	**Less than 1 year £000**	**Between 1 to 2 years £000**	**Between 2 to 5 years £000**	**Over 5 years £000**
Trade and other payables	**23,975**	**–**	**–**	**–**
Leases (undiscounted cash flows)	**387**	**621**	**557**	**-**
	24,362	**621**	**557**	**–**

31 January 2022	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Trade and other payables	19,999	–	–	–
Leases (undiscounted cash flows)	1,169	914	261	-
	21,168	914	261	–

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22. Share capital and premium

Ordinary shares of £1 each:

Allotted, called up and fully paid:	Number of shares	Called up share capital £000	Share premium account £000
31 January 2022 and 31 January 2023	19,400,000	19,400	1,808

All holders of ordinary shares have the right to vote at general meetings of the Company and to distributions from dividends or on winding up of the Company.

23. Commitments

Capital commitments

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

	2023 £000	2022 £000
Property, plant and equipment	**162**	957

Contingent liabilities

The Company is party to a cross guarantee with its ultimate parent undertaking in relation to the borrowings of the Company under the funding arrangements with Barclays Bank PLC. The amount of this contingent liability is £900,000 (2022: £900,000).

24. Dividends

During the year, the Company did not pay any dividend to the shareholder of the Company (2022: nil).

25. Ultimate and immediate parent undertaking

The ultimate and immediate parent undertaking and controlling party is Sanderson Design Group PLC, which is the parent undertaking of the smallest and largest Company to consolidate these financial statements.

Copies of 2023 Annual Report & Accounts of Sanderson Design Group PLC can be obtained from the Company Secretary at Sanderson Design Group PLC, Chalfont House, Oxford Road, Denham, UB9 4DX.

26. Related party transactions

Under FRS 101, the Company is exempt from disclosing related party transactions with entities within the Sanderson Design Group, as the Company is wholly owned by a member of that group.