

Company No. 01167325

Sanderson Design Group Brands Limited
(formerly Abaris Holdings Limited)

**Annual Report and Financial Statements
for the financial year ended 31 January 2021**

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Sanderson Design Group Brands Limited
(formerly Abaris Holdings Limited)
Annual Report and Financial Statements
for the financial year ended 31 January 2021

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Sanderson Design Group Brands Limited
(formerly Abaris Holdings Limited)
Officers and Professional Advisors

Directors

Lisa Montague
Michael Williamson

Company Secretary

Caroline Geary

Registered office

Chalfont House
Oxford Road
Denham
UB9 4DX

Independent Auditors

PricewaterhouseCoopers LLP
40 Clarendon Road
Watford
Hertfordshire
WD17 1JJ

Bankers

Barclays Commercial Bank
Ashton House
497 Silbury Boulevard
Milton Keynes
MK9 2LD

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Strategic Report for the financial year ended 31 January 2021

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 Sanderson, Morris & Co., Harlequin, Zoffany, Scion, Anthology and Clarke & Clarke – 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" (formerly the "Walker Greenbank Group") headed by its ultimate parent company, Sanderson Design Group PLC (formerly Walker Greenbank 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

Overview

The financial year ended 31 January 2021 was a challenging year during which Covid-19 was the dominant theme for individuals, businesses and society. The year started well but almost immediately the Company was affected, which brought the temporary closure of our factories in March 2020 along with lockdowns and severe disruption across our target markets. Against this challenging backdrop, the Directors are pleased that the Company made significant progress during the year. The impact of the pandemic was mitigated by careful cost control, the UK Government's Coronavirus Job Retention Scheme ("CJRS") and other measures.

Revenue has declined by £10,518,000 (13.6%) to £66,804,000, however, operating profit* has increased by £573,000 (13.2%) to £4,916,000 due to actions taken by the Company to reduce the cost base, increase efficiencies and access government support such as the CJRS. Gross profit margin has held up at 58.0% (2020: 57.9%), despite the disruptive effects of Covid-19, Brexit, and the enforced manufacturing operation closure for three months in the first half of the year. The manufacturing facilities have operated at full capacity in the second half of the financial year, during which trading overall was more in line with prior years.

Profit before taxation* was up by £738,000 (17.9%) to £4,860,000. Included within operating profit* are amounts relating to the Long-Term Incentive Plan ("LTIP") of senior managers working for the Company.

As part of the Group's strategy of simplifying the organisation, making things more efficient and reducing complexities within the Group structure, trade and assets, excluding leases, of Globaltex Limited ("Globaltex") were transferred into the Company. The transfer took effect on 29 November 2020. As part of this transfer, employees of Globaltex were also transferred to the Company in line with applicable laws and regulations. The intention of the Group is for Globaltex to continue operating on a going concern basis to fully settle its obligations under ongoing leases. Globaltex will not enter any new leases after the transfer date. As both Globaltex and the Company are wholly owned subsidiaries within the Group, no gain or loss on the transfer was recorded by the Group which accurately reflects the fact the ultimate control over net assets has not changed.

Business review

Our strategy for the Company's growth remains unchanged and is focused on five key areas:

- Driving the individual brands
- Focusing on core products of wallpaper, fabric and paint
- Partnering with core customers
- Investing in people
- Growing key geographies – UK, Northern Europe and US

Whilst inevitably, Covid-19 has had an impact on the delivery of this strategy, we have made significant progress during the year in pursuing this strategy despite the pandemic. Most importantly, the Company acted quickly to protect the health and safety of its employees. The Company also took significant operational and financial measures to protect liquidity.

An important strategic objective to improve the efficiency of the business is to significantly reduce the number of colourways and other options within the collections so there are fewer, stronger launches. The pandemic impacted planned launches, however, it propelled innovation in the niche launches that the Company did proceed with. It enabled the Company to accelerate some ideas to improve efficiency in the launch process, particularly around the use of digital communications to mitigate the cost of traditional printed pattern books. In future, all product pre-launches will be digital. This is because the customer feedback from the initial sampling can be used to inform the launch marketing, pattern book content and inventory.

Sustainability is imperative for the business and will underpin the Company's growth. During the year, the Group developed its sustainability strategy, Live Beautiful, which was launched this year on 16 April 2021 with the ambitious but achievable objective of the Group becoming net carbon zero by 2030. Sustainability is high on the Group's agenda and the Company is passionate about Sanderson Design Group leading the industry on this important issue.

The Company is grateful for the support received from the UK Government's CJRS, particularly during the critical weeks of the first lockdown. During the financial year, the Company received a net total of £2,546,000 from the CJRS. From 1 April 2021, there are no staff furloughed and the Company has returned CJRS monies (totalling £105,000) received in February and March 2021 in April 2021.

* See note 28 for explanation of adjustment for the year ended 31 January 2020.

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Strategic Report for the financial year ended 31 January 2021 (continued)

Review of the business and future developments (continued)

Internal communications have been very important throughout Covid-19. Senior management has communicated regularly with all colleagues which has made the Company more cohesive as a business and used video conferencing to create a forum for discussion. This enhanced internal communication will continue going forwards.

The Directors are pleased to report an increase in the Company's net assets by £586,000 to £34,477,000 (2020: £33,891,000). The Balance Sheet remains resilient which will support future plans.

Brands

For the financial year ended 31 January 2021, total Brands sales declined by 12.0% compared with last year to £49,354,000 due to the impact of the pandemic on sales, which primarily affected the first half of the financial year. The performance of the individual Brands is discussed below.

Harlequin, incorporating Anthology & Scion remains the UK's leading contemporary brand. Sales decreased by 29.0% to £15,245,000 compared to last year. Harlequin's children's collection, the Book of Little Treasures, was launched in July 2020 and was our first digital launch. We collaborated with Mumsnet, the internet forum for parents, on the launch, which was well received. This launch highlighted the benefits of a digital launch, particularly in terms of the feedback from the sampling process in which we can see which of the designs and colourways are the most popular and therefore the ones we should focus on. The collection was reduced from 76 SKUs to just 40 and sales are performing as forecast with strong uptake from John Lewis in particular for the Little Home offer.

Scion is an upbeat brand conveying fresh ideas for modern living. In addition to wallpaper and fabric, Scion is a valuable brand for licensing, where the contemporary and graphic nature of the designs have stretched very successfully to a wide range of products, ranging from bedding and bathroom products to window furnishings, gifting, tableware and stationery. In March 2020, Scion announced a homewares collection with the major retailer NEXT plc, underscoring the strength of the brand's licensing potential. This collection was launched in the summer of 2020 and has performed well.

Anthology, aimed at the contract market with its creative finishes, subtle textures and sophisticated complexity remained popular with interior designers and hotel groups worldwide.

Sanderson, incorporating Morris & Co sales were almost unchanged compared with the same period last year at £20,988,000, despite the pandemic, reflecting the trend for more decorative finishes and the renewed appeal of Arts & Crafts design. As one of the oldest surviving English soft furnishing brands, Sanderson, a Royal Warrant holder, is famous today for a signature style that is informed by heritage and designed for modern living.

In January 2020, we announced Sanderson's collaboration with the National Trust to create a unique collection of fabrics to celebrate the Trust's 125th anniversary. The collaboration was announced prior to Covid-19 and was well received when previewed at Chelsea Harbour in March 2020. We were unable to print the pattern books, owing to the temporary closure of the printer during the first UK lockdown. Therefore, we gained our first experience of using digital communication to replace a traditional launch and our first webinars, which were greatly appreciated by our distributors, particularly in export markets, who were struggling to access new collections.

Sanderson's 160th anniversary was officially last year but we delayed the launch of an anniversary collection until April 2021. A limited preview of 12 styles was launched exclusively with John Lewis in December 2020 with strong results. Wallpaper Direct, the online wallpaper business, launched an exclusive collection of 50 SKUs in honour of the anniversary and reported strong demand from its March 2021 launch. The wider collection launch during London Design Week in May 2021 will be supported by the first significant media campaign for many years, featuring England rugby star Maro Itoje as the new face of the Sanderson brand. The media campaign will look back to the Very Sanderson campaigns of the 1970s, which featured British celebrities of the day such as Petula Clark, Diana Rigg and Robert Carrier.

The Morris & Co. brand enjoyed a very strong sales performance, up 9.0% during the year, reflecting sustained consumer interest in the Arts & Crafts movement, particularly in Scandinavia and the United States. An exciting collaboration with the highly regarded designer Ben Pentreath, who created the Queen Square edit from our archive using a new and vibrant colour palette, was our next experience of a digital launch. The sampling from the pre-launch showed that 25% of sampling was on one wallpaper, a green and turquoise colourway. We focused attention on the colourway for our inventory and marketing material, receiving a huge amount of positive media coverage on launch. Sales of the collection have exceeded expectations and a follow up is planned. Digital communication has been an important part of marketing all the brands with the number of Instagram followers being a key metric. Morris & Co. achieved the milestone of 100,000 Instagram followers in December 2020 and that has since increased to 121,000 Instagram followers in May 2021. Morris & Co. had 65,000 Instagram followers at 31 January 2020.

The year ending 31 January 2022 marks the 160th anniversary of the Morris & Co print works. We intend to mark the anniversary by launching a compilation collection of his most signature designs. We have several other exciting launches planned in a calendar of anniversary events throughout the year.

Zoffany, positioned at the upper end of the premium market, is a fusion of luxury and art and is the lead brand for the Company in North America. Sales fell 19.5% compared with last year to £6,491,000. Zoffany's Palladio collection, an exciting, screen-printed wallpaper collection that draws on the original Palladio wallpapers launched in the 1950s, was launched in September 2020. The collection includes Precarious Pangolins by the influential designer and conservationist Sam Wilde. The design adds a contemporary dimension to the collection and continues the tradition established in the 1950s of talented new designers creating Palladio wallpapers. We ran the Zoffany Visual Arts Award championing new design talents. The winner was announced in April 2021 and will receive funds towards the second-year studies.

Sanderson Design Group Brands Limited

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Strategic Report for the financial year ended 31 January 2021 (continued)

Review of the business and future developments (continued)

As a result of the transfer of trade and assets of Globaltex into the Company on 29 November 2020, the Clarke & Clarke brand is now included within the Company's results. Clarke & Clarke is positioned at the more affordable end of our premium target markets. Reported sales from the transfer date to 31 January 2021 were £2,710,000. Clarke & Clarke is distributed in North America by Kravet Inc, and Kravet has been pleased with the first full year's performance and further growth is anticipated. Clarke & Clarke secured an exciting, exclusive licence agreement with the heritage brand Wedgwood with the product launching in spring 2022. Under the agreement, Clarke & Clarke will launch up to five bedding designs with coordinated accessories alongside a stunning collection of fabrics and wallpapers.

Licensing

Licensing income is a dynamic and high margin revenue stream for the Company with further potential for growth. As a result of the impact of the pandemic on our licensees during the financial year, reported licensing income was down 33.0% to £3,684,000 (2020: £5,502,000), including a £400,000 recognition of a minimum guarantee under IFRS 15 from NEXT PLC in connection with a licensing agreement signed in November 2020. This exciting agreement with the Sanderson and Morris & Co brands is for an extensive range of clothing, homeware and accessories. With the Morris & Co brand, NEXT is producing apparel, including womenswear, men's shirts and childrenswear for summer 2021, some of which are already available instore. With the Sanderson and Sanderson Home brands, NEXT is producing a range of homeware, which is expected to be launched later this year.

Manufacturing

Covid-19 had a major impact on our manufacturing operations, Standfast & Barracks and Anstey, which were both closed at the start of the first UK lockdown before being progressively reopened in May 2020. The factories performed strongly during the second half of the year.

Our unique integrated vertical supply chain is an important pillar in our strategy. The benefits of owning our production capabilities have been underlined by the pandemic in that it enabled the Company's brands to secure supply. Our manufacturing has also proven to be an important strategic and competitive asset under current Brexit arrangements as supply from Europe and elsewhere is subject to duties and tariffs.

Total manufacturing sales in the first half decreased 38.5% compared with the corresponding period, with third-party sales down 32.5%. In the full year, total sales, including revenues from internal sales to the Group's Brands, decreased by just 20.2% to £28,361,000. Total third-party sales were down just 17.9%.

Both factories have continued to attract export orders as a result of their range of digital and conventional printing capabilities.

Sales at Anstey, our UK-based wallpaper printing business, decreased 24.5% to £13,951,000 (2020: £18,482,000). Third party sales in the UK were down 27.5%, and third party export sales were down 20.4%. Anstey 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 blend them.

Sales at Standfast, our UK-based fabric printing business, decreased by 15.5% to £14,410,000 (2020: £17,061,000). Third party sales in the UK decreased by 15.2%, and third party export sales declined by 2.8%. Standfast is widely regarded internationally, as the destination for creative, innovative and high-quality fabric printing and 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. In April 2020, Standfast was awarded the prestigious Queen's Award for Enterprise 2020 in the International Trade category, recognising the factory's impressive overseas sales growth in the preceding three years.

Internal sales to our own Group brands were down 23.7% to £10,911,000 (2020: £14,291,000).

Outlook

The most significant impact of the pandemic on performance was during the total initial lockdown, including temporary factory closures, and over the first six months of financial year 2021. Over the second six months, despite further lockdowns, our sales recovered to levels in line with prior periods.

The six months to July 2021 have been a period of strong trading, continuing the momentum from the second half of the previous financial year. The Company is benefiting from the sustained demand for home interior products and the renewed focus on the home, which has characterised the Covid-19 pandemic. At 31 January 2021, the Company has a strong balance sheet with net cash of £6,326,000, which positions the business strongly in the event of further disruption. Overall, the Directors remain cautiously optimistic in their outlook for the year ahead.

Financial review

The Financial Review provides an analysis of the key factors impacting turnover and operating profit. Further information on our two segments can be found in note 4 to the financial statements.

The current year corporation tax charge was £347,000 (2020*: £673,000). There was a deferred tax charge of £159,000 (2020: credit of £522,000).

Capital expenditure was £1,040,000 (2020: £2,167,000) with tight cash controls applied in response to Covid-19. Depreciation and amortisation charge during the financial year was £3,203,000 (2020: £3,250,000).

* See note 28 for explanation of adjustment for the year ended 31 January 2020.

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Strategic Report for the financial year ended 31 January 2021 (continued)

Review of the business and future developments (continued)

The Company continues to recognise a deferred tax asset arising from the pension deficit. During the year, the Company made additional payments to the pension schemes of £2,118,000 (2020: £1,870,000) to reduce the deficit, as part of the ongoing planned reduction.

Despite the effects of the pandemic on our revenues, we have achieved a profit before taxation of £4,860,000 (2020*: £4,122,000). The profit performance has benefitted from actions to grow revenue in the second half, reduce the cost base, increase efficiencies and access government support such as the CJRS.

Key performance indicators (KPIs)

The directors of Sanderson Design Group PLC (formerly Walker Greenbank 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 36 of the 2021 Annual Report & Accounts of Sanderson Design Group PLC which does not form part of this report.

Summary

Our confidence in the Company's Brands and belief in the Company's people has grown even more. Covid-19 has brought challenges and our workforce has responded with fortitude and resilience, for which the Directors are immensely grateful. Having established the Company's strategy in October 2019, Covid-19 has meant we have been even more focused on taking action and ensuring the business continues to form new collaborations and initiatives so that the Company is positioned to emerge strongly as the pandemic recedes.

Principal risks and uncertainties

The risks and uncertainties of the Company are managed at the Group level, details of which are disclosed in the 2021 Annual Report & Accounts of Sanderson Design Group PLC on pages 38 to 40.

Business risks

The Directors have identified a number of financial 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 (formerly Walker Greenbank PLC).

In assessing going concern of the Group as whole, management has taken account of the uncertainties caused by Covid 19. A Management Base Case (MBC) model has been prepared, together with alternative stress tested scenarios, given the uncertainty regarding the impact of Covid 19 (including variants and further waves of the virus). These indicate that the Group retains adequate headroom against its borrowing facilities and bank covenants for the foreseeable future. Details of this assessment are fully disclosed within the 2021 Annual Report & Accounts of Sanderson Design Group PLC.

There remain significant uncertainties concerning the future effects of Covid 19 in terms of variants, further restrictions and lockdowns. The actual results which will be reported will be undoubtedly different from the MBC and other scenarios modelled by the Group. In the event that there are significant negative variations from the MBC, management would act decisively, as they have done in the last year, to protect the business particularly its cash position.

Having taken into account all of the afore-mentioned comments, the Directors consider that the Group and the Company have adequate resources to continue trading for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

On 31 December 2020, the UK ended the transition period and exited the EU with a new trade deal agreed a few days before. The free trade deal was announced by the UK and EU governments. However, there are complications in these tariff free arrangements which are likely to add costs in the short to medium term. The new arrangements also add a layer of additional documentation required for shipments between the UK and EU and vice versa. In early 2021 this has led to some delays in shipments to the EU largely due to processing backlogs in Europe. The Group continues to review the impact of the trade agreement regulations on the business activity as it has become apparent that there is potential for tariffs to be charged on trade between the UK and EU owing to complex rules on the origin of exports to the EU. The Group has joined with other companies in the sector in lobbying the UK Government to agree changes to these rules to allow smoother tariff free operations. The business works closely with its shippers and other advisers to ensure it remains compliant with the new rules and documentation requirements. Delivery times are much improved after initial disruption and our customers appreciate our support.

Pensions

The Company operates a defined contribution pension scheme and maintains a closed defined benefit pension scheme. Further details on the schemes, including valuations, are set out in note 21 to these financial statements.

Payment to suppliers

The Company agrees terms and conditions for its business transactions with suppliers. Payment is then made on these terms subject to the terms and conditions being met by the supplier. The amount of trade creditors shown in the Balance Sheet at 31 January 2021 represents 112 days (2020: 122 days) of average purchases during the financial year. The variance on the previous year arose due to the timing and seasonality of revenues and investment in product.

* See note 28 for explanation of adjustment for the year ended 31 January 2020.

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Strategic Report for the financial year ended 31 January 2021 (continued)

Financial risk management

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.

Foreign currency risk

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 Company's functional currency.

The Group's, including the Company's, policy is, where possible, to allow the Group's entities to settle liabilities in their functional currency with the cash generated from their operations in that currency. Where the Group'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 Group.

All foreign currencies are bought and sold by Sanderson Design Group PLC (formerly Walker Greenbank PLC), the parent company. Regular reviews take place of the foreign currency cash flows and any unmatched exposures are covered by forward contracts entered into by the parent company wherever economically practical.

Credit risk

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

The Company does not have any significant credit risk exposure to any single company or group of companies within trade receivables, as the nature of the Company's operations mean that trade receivables consist of a large number of customers spread across diverse industries and geographical areas.

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 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.

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the interest charges and principal repayments on its borrowings. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Group, including the Company, meets its day-to-day working capital requirements through a £12,500,000 committed revolving credit facility to October 2024, a temporary £2,500,000 overdraft facility taken in light of Covid-19 to April 2021 together with an uncommitted £5,000,000 accordion. The Group's forecasts, taking into account future expectations of the Group's performance, indicate that there is sufficient headroom within these bank facilities. The Group's assessment has been made with reference to the resilience of the Group and its strong financial position as demonstrated by its performance over the past year, the Group's current strategy, the Group's risk appetite and the Group's principal risks and how these are managed. These are described in the 2021 Annual Report & Accounts of Sanderson Design Group PLC.

Agreement was reached with Barclays Bank PLC during June 2020 to waive the interest cover covenant condition for the quarterly tests arising through to July 2021 and to waive the leverage covenant condition for the quarterly tests through to April 2021. A liquidity covenant was introduced, requiring that available headroom within the £12,500,000 facility remains above £5,000,000 through to July 2021. All covenants were complied with during the year and up to the date of this report. All of the Group's bank facilities remain secured by first fixed and floating charges over the Group's assets.

As a result of the Group's strong performance, the temporary £2,500,000 overdraft facility was not renewed in April 2021.

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 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 Board has considered the matters set out in s172 (for the Group and for the Company) is set out on pages 41 to 43 of the 2021 Annual Report & Accounts of Sanderson Design Group PLC.

By order of the Board


Caroline Geary
Company Secretary
29 September 2021

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Report of the Directors for the financial year ended 31 January 2021

The Directors present their report and the audited financial statements of Sanderson Design Group Brands Limited (formerly Abaris Holdings Limited), hereinafter "the Company", for the financial year ended 31 January 2021.

With effect from 2 December 2020, the name of the Company changed from "Abaris Holdings Limited" to "Sanderson Design Group Brands Limited" to better convey the activities of the Company. The new name, highlights design as being at the heart of all we do and leverages the international recognition of the Sanderson brand as well as helping drive internal efficiencies.

Results and dividends

The profit before taxation amounted to £4,860,000 (2020*: £4,122,000).

During the financial year, the Company paid an interim dividend of £2,500,000 (2020: £1,753,000).

Business review and future developments

A review of the financial year and likely developments is contained in the Strategic Report on pages 3 to 6.

Financial Risk Management

Details of the Company's financial risk management objectives and policies are contained in the Strategic Report on page 7.

Directors

The Directors of the Company who served during the financial year ended 31 January 2021 and up to the date of signing the financial statements were as follows:

- Lisa Montague
- Michael Williamson

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare 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, 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 concern 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

Colleagues

From the perspective of the Directors, as a result of the Group governance structure, the Group board has taken the lead in carrying out the duties of Directors in respect of the Company's employees, including engaging with them, having regard to their interests and the effect of that regard (including on the principal decisions taken by the Company during the financial year). The Directors of the Company have also considered relevant matters where appropriate. An explanation of how the Group board has carried out these responsibilities (for the Group and for the Company) is set out on page 42 of the 2021 Annual Report & Accounts of Sanderson Design Group PLC, which does not form part of this report. The Company is committed to ensuring that disabled persons are given full and fair consideration for employment when an appropriate vacancy arises, having regard to their particular aptitudes and abilities. Whenever possible, arrangements are made for the continuing employment of colleagues who have become disabled during service with the Company. The Company ensures that appropriate training is available to all disabled colleagues and that they are given equal consideration in promotion and career opportunities available within the Company.

On 29 November 2020, as part of the transfer of trade and assets of Globaltex Limited (a group undertaking) into the Company, the employees of Globaltex Limited were also transferred to the Company in line with applicable laws and regulations.

* See note 28 for explanation of adjustment for the year ended 31 January 2020.

Sanderson Design Group Brands Limited

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Report of the Directors for the financial year ended 31 January 2021 (continued)

Stakeholder statements (continued)

Other stakeholders

Similarly, from the perspective of the Directors, as a result of the Group governance structure, the Group board has taken the lead in carrying out the duties of Directors in respect of the Company's other stakeholders. The Directors of the Company have also considered relevant matters where appropriate. An explanation of how the directors on the Group board have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken during the financial year, is set out (for the Group and for the Company) on pages 41 to 43 of the 2021 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 note 12 of the financial statements.

Independent Auditors

The Company is in the process of re-tendering the audit. Pricewaterhouse Coopers LLP ('PwC') has confirmed that it is not its intention to participate.

By order of the Board



Caroline Geary
Company Secretary
29 September 2021

Sanderson Design Group Brands Limited

Independent auditors' report to the members of Sanderson Design Group Brands Limited

Report on the audit of the financial statements

Opinion

In our opinion, Sanderson Design Group Brands Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 January 2021; the Income Statement, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 January 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Sanderson Design Group Brands Limited

Independent auditors' report to the members of Sanderson Design Group Brands Limited (formerly Abaris Holdings Limited) (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK taxation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of unusual journal entries or manipulating accounting estimates which could be subject to management bias. Audit procedures performed by the engagement team included:

- Reviewing minutes of meetings of those charged with governance;
- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Auditing the risk of management override of controls, including through testing unusual journal entries and other adjustments for appropriateness and testing accounting estimates (because of the risk of management bias).

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



David Beer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
29 September 2021

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Income Statement

For the financial year ended 31 January 2021

	Note	2021 £000	2020 £000
Revenue	4	66,804	77,322
Cost of sales		(28,056)	(32,567)
Gross profit		38,748	44,755
<i>Net operating expenses:</i>			
Distribution costs		(11,946)	(14,036)
Administrative expenses*		(27,090)	(30,022)
Other operating income	5	5,204	3,646
Operating Profit*	7	4,916	4,343
Finance costs	8	(56)	(221)
Profit before taxation*		4,860	4,122
Tax on profit*	11	(506)	(151)
Profit for the financial year*		4,354	3,971

* See note 28 for explanation of adjustment for the year ended 31 January 2020.

All of the activities arise from continuing operations.

The notes on pages 16 to 40 form an integral part of these financial statements.

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Statement of Comprehensive Income

For the financial year ended 31 January 2021

	Note	2021 £000	2020 £000
Profit for the financial year*		4,354	3,971
Other comprehensive (expense) / income:			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit pension schemes	21	(1,565)	2,727
Increase / (reduction) of deferred tax asset relating to pension scheme liability		297	(558)
Total items that will not be reclassified to profit or loss		(1,268)	2,169
Other comprehensive (expense) / income for the financial year, net of tax		(1,268)	2,169
Total comprehensive income for the financial year		3,086	6,140

* See note 28 for explanation of adjustment for the year ended 31 January 2020.

The notes on pages 16 to 40 form an integral part of these financial statements.

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Balance Sheet

As at 31 January 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	12	6,751	7,222
Property, plant and equipment	13	11,484	13,178
Right-of-use assets	14	3,454	4,999
Investments	15	4,352	4,352
		26,041	29,751
Current assets			
Inventories	16	20,316	21,004
Trade and other receivables*	17	20,649	17,145
Cash and cash equivalents		6,326	1,318
Deferred income tax assets	18	433	295
Total current assets		47,724	39,762
Creditors: amounts falling due within one year*	19	(31,583)	(26,648)
Net current assets		16,141	13,114
Total assets less current liabilities		42,182	42,865
Lease liabilities	14	(2,068)	(3,315)
Pensions and similar obligations	21	(5,637)	(5,659)
Net assets		34,477	33,891
Capital and reserves			
Called up share capital	23	19,400	19,400
Share premium account	23	1,808	1,808
Retained earnings*		11,580	10,994
Capital contribution		1,689	1,689
Total shareholders' funds		34,477	33,891

* See note 28 for explanation of adjustment for the year ended 31 January 2020.

The notes on pages 16 to 40 form an integral part of these financial statements.

The financial statements on pages 12 to 40 were approved by the Board of Directors on 29 September 2021 and signed on its behalf by


Lisa Montague
Director

Michael Williamson
Director

Registered number: 01167325

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Statement of Changes in Equity

For the financial year ended 31 January 2021

	Called up share capital £000 (note 23)	Share Premium account £000 (note 23)	Retained Earnings £000	Capital contribution £000	Total shareholders' funds £000
Balance at 1 February 2019	19,400	1,808	6,607	1,689	29,504
Profit for the financial year as reported	-	-	2,803	-	2,803
Other comprehensive income / (expense):					
Remeasurements of defined benefit pension schemes (note 21)	-	-	2,727	-	2,727
Deferred tax relating to pension scheme liability	-	-	(558)	-	(558)
Total comprehensive income as reported	-	-	4,972	-	4,972
Adjustment for the financial year ended 31 January 2020 (note 28)	-	-	1,168	-	1,168
Total comprehensive income (restated)	-	-	6,140	-	6,140
Dividends (note 25)	-	-	(1,753)	-	(1,753)
Balance at 31 January 2020 and 1 February 2020	19,400	1,808	10,994	1,689	33,891
Profit for the financial year	-	-	4,354	-	4,354
Other comprehensive (expense) / income:					
Remeasurements of defined benefit pension schemes (note 21)	-	-	(1,565)	-	(1,565)
Deferred tax relating to pension scheme liability	-	-	297	-	297
Total comprehensive income	-	-	3,086	-	3,086
Dividends (note 25)	-	-	(2,500)	-	(2,500)
Balance at 31 January 2021	19,400	1,808	11,580	1,689	34,477

The notes on pages 16 to 40 form an integral part of these financial statements.

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Notes to the Financial Statements

For the financial year ended 31 January 2021

1. General information

Sanderson Design Group Brands Limited (formerly Abaris Holdings Limited), hereinafter "the Company", is a luxury interior furnishing company whose brands include Sanderson, Morris & Co., Harlequin, Zoffany, Scion, Anthology and Clarke & Clarke. 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. Around one-third of the Brand's turnover 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 name of the Company changed from "Abaris Holdings Limited" to "Sanderson Design Group Brands Limited", with effect from 2 December 2020, to better convey the activities of the Company.

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.

2. Significant accounting policies

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.

2.1 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:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment';
 - (iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period); and
 - (iv) 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.

2.1.1 Going Concern

As disclosed in note 3(d), the Directors have a reasonable expectation that the Company has adequate resources to continue as a going concern for the foreseeable future. Therefore, the Company continues to adopt the going concern basis in preparing its financial statements.

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

2.1.2 Adoption of new and revised accounting standards and interpretations

On 31 December 2020 EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board.

IFRS 3

An amendment to IFRS 3 'Business Combinations' relating to the definition of a business was endorsed by the EU in April 2020 with an effective date of 1 January 2020, which the Company has adopted from the effective date.

The change in definition of a business within IFRS 3 introduces an optional concentration test to perform a simplified assessment of whether an acquired set of activities and assets is or is not a business on a transaction by transaction basis. This change is expected to result in more consistency in accounting for substantially similar transactions that, under the previous definition, may have been accounted for in different ways despite limited differences in substance.

The change would not have resulted in a different accounting treatment for the prior year.

2.2 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 (formerly Walker Greenbank 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.

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.

2.3 Revenue

The Company derives its revenue principally from the following:

- Design, manufacture and 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.

Deposits received from customers in advance of the delivery of goods or services are recognised as deferred revenue. Amounts receivable from customers representing the recovery of expenses incurred by the Company for design and set-up costs, delivery and marketing materials are not considered to be revenue and are credited to the relevant expense within the Income Statement. Revenue and cost of sales are adjusted for expected returns values, which are estimated on historical returns experience. A refund liability is recognised within 'creditors', and the asset to be recovered is recognised within 'inventories'. The validity of the historical data and assumptions and estimates are assessed at each reporting date.

Fixed minimum guaranteed income amounts receivable under 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 performances obligation 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.

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 from the sale of marketing materials and additional services to support the sale of the Company's core products are classified within 'other income'.

2.4 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 the 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 administrative expenses.

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

2.5 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.

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.

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.

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.

2.6 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%

Government grants received for property, plant and equipment are included within 'other creditors and deferred revenue' and released to the Income Statement over the life of the asset.

2.7 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.

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

2.8 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.

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.

2.9 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.

2.10 Marketing materials

Marketing materials consist of patterning books and other saleable marketing assets used to support the sale of the Company's products. They are recognised at the lower of cost and net realisable value. Cost comprises direct materials plus costs of production.

Net realisable value is based on estimated recoveries from customers and distributors for those pattern books expected to be sold, less the anticipated cost of disposal.

As books are sold or otherwise utilised and are no longer within the control of the Company, their cost is charged to the Income Statement as an expense. An impairment allowance is made for any slow-moving and obsolete marketing materials including those expected to be given away free of charge. The Company's policy is to classify marketing materials on the Balance Sheet within trade and other receivables. Non-saleable marketing materials are expensed to the Income Statement once the collection that these marketing materials relate to has been launched. Any subsequent costs or development expenditure are expensed as incurred.

2.11 Trade and other receivables

Trade and other receivables are initially measured at fair value, which for trade receivables is equal to the consideration expected to be received from the satisfaction of performance obligations, plus any directly attributable transaction costs. Subsequent to initial recognition these assets are measured at amortised cost less any provision for impairment losses including expected credit losses. In accordance with IFRS 9 the Company applies the simplified approach to measuring 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 such as the ageing of the debt and the credit risk of the customers. An historical credit loss rate is then calculated for each group and then adjusted to reflect expectations about future credit losses. The Company does not have any significant contract assets.

2.12 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' – 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, trade and other 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 costs.

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 2021 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 on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Company uses historical credit loss experience for trade receivables to estimate the lifetime expected credit losses as relevant. It applies 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 costs. 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 costs 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.

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

2.12 Financial assets and liabilities (continued)

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:

- 'creditors' – 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.

2.13 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.

2.14 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.

2.15 Employment 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 'Administrative expenses' within the Income Statement as the scheme is now closed to future accruals.

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

2.15 Employee benefits (continued)

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.

Share based payments under long term incentive plans ("LTIP")

The Company, through its ultimate parent undertaking, operates a share-based incentive scheme for certain employees. The equity shares issued are those of the ultimate parent undertaking. The costs associated with the scheme are measured at fair value and are recognised as an expense in the Income Statement with a corresponding increase in equity.

The fair values of these payments are measured at the date of grant, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become conditionally entitled to the awards, subject to the Company's estimate of the number of awards which will lapse, either due to employees leaving the Company prior to vesting or due to non-market based performance conditions not being met.

The total amount recognised in the Income Statement as an expense is adjusted to reflect the actual number of awards that vest. National insurance contributions related to the awards are recognised as an expense in the Income Statement with a corresponding liability on the Balance Sheet.

The financial effect of awards by the Company of options over the equity shares of its ultimate parent undertaking are recognised as capital contributions within equity in accordance with IFRS 2.

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.

2.16 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.

2.17 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.

2.18 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.

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

2.19 Taxation including deferred 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 differs 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 also 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.

2.20 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.

Segmental information is disclosed in a manner consistent with the internal reporting to the Chief Operating Decision Maker ("CODM").

The Company considers its CODM to be the Board of Directors, who are responsible for the allocation of resources and assessing performance of the operating segments.

2.21 Interest received

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

2.22 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.

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Notes to the Financial Statements (continued)

3. Critical accounting estimates and assumptions

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.

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 21.

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. Further disclosures relating to the carrying amounts of the non-financial assets, are set out in notes 12 and 13.

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. Further disclosures relating to the effect on the Income Statement of the establishment and reversal of such provisions against inventory are included in note 7. Details of the carrying amount of inventories are disclosed in note 16 and of marketing materials in note 17. The carrying values of the non-financial assets are not considered to be sensitive due to the nature of the assets.

c) Deferred tax recognition

The Company considers it appropriate to recognise at the Balance Sheet date deferred tax assets resulting from historical trading losses and other temporary differences including pension deficits. The amount of deferred tax recognised is based on estimates of the timing and amount of future taxable profits of the Company, which in turn relies upon estimates of future operating profits and the occurrence, timing and tax treatment of significant items of income and expenditure including contributions to pension schemes. Further disclosures relating to the effect on the Income Statement of the recognition of deferred tax assets are included in note 11 and the amount of deferred tax assets / liability recognised and other relevant disclosures are included in note 18. The Company considers the sensitivity on deferred tax recognition to be based on profits generated by the Company and tax rates substantively enacted.

d) Going concern

A key accounting judgement for the year ended 31 January 2021 is the adoption of the going concern basis of preparation.

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 (formerly Walker Greenbank PLC).

In assessing going concern of the Group as whole, management has taken account of the uncertainties caused by Covid 19. A Management Base Case (MBC) model has been prepared, together with alternative stress tested scenarios, given the uncertainty regarding the impact of Covid 19 (including variants and further waves of the virus). These indicate that the Group retains adequate headroom against its borrowing facilities and bank covenants for the foreseeable future. Details of this assessment are fully disclosed within the 2021 Annual Report & Accounts of Sanderson Design Group PLC.

There remain significant uncertainties concerning the future effects of Covid 19 in terms of variants, further restrictions and lockdowns. The actual results which will be reported will be undoubtedly different from the MBC and other scenarios modelled by the Group. In the event that there are significant negative variations from the MBC, management would act decisively, as they have done in the last year, to protect the business particularly its cash position.

Having taken into account all of the afore-mentioned comments, the Directors consider that the Group and the Company have adequate resources to continue trading for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Notes to the Financial Statements (continued)

4. 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 Sanderson, Morris & Co, Harlequin, Zoffany, Anthology, Scion and Clarke & Clarke brands operated from the UK.
- 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 operating results to the Board of Directors, which is considered to be the Chief Operating Decision Maker ("CODM").

a) Segmental revenue analysis by business class

	2021 £000	2020 £000
Brands revenue	49,354	56,070
Manufacturing revenue	28,361	35,543
Less: elimination of intersegment revenue	(10,911)	(14,291)
	66,804	77,322

Analysis of revenue by category:

	2021 £000	2020 £000
Sale of goods	63,120	71,820
Licence royalty income	3,684	5,502
	66,804	77,322

Brands revenue analysis

Revenue of the Brands segment represents revenue from operations in all territories where the sale is sourced from the United Kingdom, together with contract and licence revenue.

	2021 £000	2020 £000
Harlequin, incorporating Anthology & Scion	15,245	21,463
Sanderson, incorporating Morris & Co	20,988	21,038
Zoffany	6,491	8,067
Clarke & Clarke, incorporating Studio G	2,710	-
Other brands	236	-
Licensing	3,684	5,502
	49,354	56,070

As a result of the transfer of trade and assets of Globaltex Limited on 29 November 2020 (note 20), Clarke & Clarke brand is now included within the Company's results.

Manufacturing revenue analysis

Revenue of the Manufacturing segment includes revenue from internal sales to the Company's Brands.

	2021 £000	2020 £000
Standfast	14,410	17,061
Anstey	13,951	18,482
	28,361	35,543

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Notes to the Financial Statements (continued)

4. Revenue analysis (continued)

b) Revenue by geographical location of customers

	2021 £000	2020 £000
United Kingdom	38,847	48,127
Western Europe	10,025	10,854
North America	7,675	6,705
Rest of the World	10,257	11,636
	66,804	77,322

No single customer of the Company accounts for 10% or more of total revenue.

5. Other operating income

Other operating income of £5,204,000 (2020: £3,646,000) comprises consideration received from the sale of marketing materials and additional services amounting to £2,658,000 (2020: £3,646,000) and government covid-19 employee related support of £2,546,000 (2020: £nil).

6. Auditors' remuneration

	2021 £000	2020 £000
Fees payable to Company's auditors for the audit of the Company financial statements	127	90
Fees payable to Company's auditors for other services: Audit of other group undertakings	70	50
Other non-audit services	-	2
Compliance services	-	2
Payroll related services	3	11
Taxation services	-	20
	200	175

7. Operating profit

	2021 £000	2020 £000
Operating Profit is stated after charging / (crediting):		
Net management charge payable to group undertakings*	-	1,686
Depreciation and impairments of property, plant and equipment and right-of-use assets	4,152	4,161
Amortisation of intangibles	715	711
Cost of inventories recognised as expense in cost of sales	20,344	23,867
Net impairment of inventories	1,420	1,701
Impairment of trade receivables	991	1,133
Reversal of impairment of trade receivables	(955)	(923)
Government covid-19 employee related support	(2,546)	-
Net foreign exchange (gains) / losses	(121)	133
Losses / (gains) on sale of fixed assets	72	(4)
Rental expense:		
• Hire of motor vehicles and plant and machinery	72	23
• Land and buildings	46	-

* See note 28 for explanation of adjustment for the year ended 31 January 2020.

In addition, there were non-underlying administrative expenses of £nil (2020: £205,000).

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Notes to the Financial Statements (continued)

8. Finance costs

	2021 £000	2020 £000
Interest expense:		
Interest payable on bank borrowings	(59)	(241)
Unwind of discount on accelerated licensing income	138	147
Lease interest	(135)	(127)
Net finance costs	(56)	(221)

9. Emoluments of Directors

The Directors did not receive any remuneration from the Company (2020: £nil). The Directors are remunerated by Sanderson Design Group PLC (formerly Walker Greenbank 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 2021 Annual Report & Accounts of Sanderson Design Group PLC.

10. Employee Information

	2021 £000	2020 £000
Wages and salaries	17,247	18,624
Social security costs	1,444	1,585
Other pension costs	1,244	1,229
Employee benefit expense	19,935	21,438

The 2021 employee benefit expense above excludes the UK government Coronavirus Job Retention Support (CJRS) in the year of £2,546,000 which has been included in other operating income (note 5).

The total employee benefit expense reported for 2020 has been restated upwards by £1,564,000 as these costs were included in the other expenses in the Income Statement.

The average monthly number of employees (including Directors) during the financial year:

	2021 Number	2020 Number
Brands, including warehousing	270	259
Manufacturing	272	270
Corporate and administration	6	8
	548	537

As a result of the transfer of trade and assets of Globaltex Limited on 29 November 2020 (note 20), employees of Globaltex Limited were also transferred to the Company in line with applicable laws and regulations.

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Notes to the Financial Statements (continued)

11. Tax on profit

	2021 £000	2020 £000
Current tax:		
- UK current tax*	474	603
- adjustments in respect of prior years	(135)	70
- overseas, current tax	8	-
Corporation tax	347	673
Deferred tax:		
- current year	140	143
- adjustments in respect of prior years	19	(665)
Deferred tax	159	(522)
Total tax charge for the financial year*	506	151

Reconciliation of total tax charge / (credit) for the financial year

	2021 £000	2020 £000
Profit before taxation*	4,860	4,122
Tax on profit before taxation at 19% (2020: 19%)	923	783
Fixed asset differences	(34)	-
Non-deductible expenditure	40	63
Income not subject to tax	(2)	-
Adjustments in respect of prior years	(135)	70
Adjustments in respect of prior years – deferred tax	19	(665)
Effect of changes in corporation tax rates	(32)	-
Effect of group relief / others	(273)	(100)
Total tax charge for the financial year*	506	151

Factors affecting current and future tax charges

The deferred tax balance at 31 January 2021 included within these financial statements has been calculated at a rate of 19%, as this is the rate at which the majority of the balances are expected to unwind.

The March 2021 Budget announced that a rate of 25% will apply with effect from 1 April 2023, and this change was substantively enacted on 11 March 2021. This will increase the Company's future current tax charge accordingly and increase the deferred tax asset by £137,000.

* See note 28 for explanation of adjustment for the year ended 31 January 2020.

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Notes to the Financial Statements (continued)

12. Intangible assets

	Goodwill £000	Arthur Sanderson and William Morris Archive £000	Collection design £000	Software £000	Total £000
Cost					
1 February 2020	1,400	4,300	3,670	3,200	12,570
Additions	-	-	207	20	227
Transfer from group undertakings (note 20)	-	-	20	-	20
Disposals	-	-	(3)	-	(3)
31 January 2021	1,400	4,300	3,894	3,220	12,814
Accumulated amortisation					
1 February 2020	1,139	-	1,853	2,356	5,348
Charge	-	-	418	297	715
Disposals	-	-	-	-	-
31 January 2021	1,139	-	2,271	2,653	6,063
Net book amount					
31 January 2021	261	4,300	1,623	567	6,751
31 January 2020	261	4,300	1,817	844	7,222

The total amortisation expense of £715,000 (2020: £711,000) is included in administrative expenses £715,000 (2020: £700,000) and distribution costs £nil (2020: £11,000).

The Arthur Sanderson and William Morris Archive was purchased as part of the acquisition of Arthur Sanderson & Sons on 29 August 2003. It comprises an historical record of unique designs that are used to generate royalty income in the business.

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Notes to the Financial Statements (continued)

13. Property, plant and equipment

	Freehold Land and buildings £000	Leasehold Improvements £000	Plant, equipment and vehicles £000	Computer hardware £000	Total £000
Cost					
1 February 2020	5,795	400	32,693	2,067	40,955
Additions	9	-	778	26	813
Transfer from group undertakings (note 20)	-	-	116	3	119
Disposals	-	-	(993)	(114)	(1,107)
31 January 2021	5,804	400	32,594	1,982	40,780
Accumulated depreciation					
1 February 2020	1,968	120	23,796	1,893	27,777
Charge	110	80	2,185	113	2,488
Reclassifications	-	100	(100)	-	-
Disposals	-	-	(852)	(117)	(969)
31 January 2021	2,078	300	25,029	1,889	29,296
Net book amount					
31 January 2021	3,726	100	7,565	93	11,484
31 January 2020	3,827	280	8,897	174	13,178

The total depreciation expense of £2,488,000 (2020: £2,539,000) is included in administrative expenses £2,437,000 (2020: £2,488,000) and distribution costs £51,000 (2020: £51,000).

The net book amount of land and buildings comprises:

	2021 £000	2020 £000
Freehold land	450	450
Freehold buildings	3,276	3,377
Net book amount	3,726	3,827

Land and buildings are stated at historical cost.

All of the Company's banking facilities remain secured by a fixed and floating charge over the carrying value of assets (land and buildings) of £3,726,000 (2020: £3,827,000).

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Notes to the Financial Statements (continued)

14. Leases

As a lessee

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

Amounts recognised in the Balance Sheet

	2021 £000	2020 £000
Right-of-use assets		
Leasehold properties	2,788	3,888
Plant, equipment and vehicles	666	1,111
	3,454	4,999

Additions to right-of-use assets during 2021 were £124,000 (2020: 1,630,000). Depreciation of right-of-use assets during 2021 was £1,664,000 (2020: £1,621,000).

	2021 £000	2020 £000
Lease liabilities		
Maturity analysis – contractual undiscounted cash flows		
Less than one year	1,543	1,736
One to five years	2,135	3,424
More than five years	18	30
Total undiscounted cash flows	3,696	5,190
Current (note 19)	1,470	1,623
Non-current	2,068	3,315
Total lease liabilities	3,538	4,938

15. Investments

	2021 £000	2020 £000
Shares in subsidiary undertakings:		
Cost:		
31 January	6,116	6,116
Provision for impairment:		
31 January	(1,764)	(1,764)
Net book amount at 31 January	4,352	4,352

Sanderson Design Group Brands Limited

(formerly Abaris Holdings Limited)

Notes to the Financial Statements (continued)

15. Investments (continued)

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

<i>Name of subsidiary undertaking</i>	<i>Country of incorporation and place of business</i>	<i>Holding</i>	<i>Proportion of voting rights / shares held by the Company</i>	<i>Nature of business</i>
Sanderson Design Group Inc (formerly Walker Greenbank Inc)	US	Ordinary shares	100%	Luxury interior furnishings
Sanderson Design Group Brands SARL (formerly Arthur Sanderson & Sons SARL)	France	Ordinary shares	100%	Luxury interior furnishings
Clarke & Clarke Inc*	US	Ordinary shares	100%	Sales support
Sanderson Design Group Brands B.V.	Netherlands	Ordinary shares	100%	Sales support
Sanderson Design Group Brands GmbH (formerly Style Library GmbH)	Germany	Ordinary shares	100%	Sales support
Style Library (Rus) LLC	Russia	Ordinary shares	100%	Sales support
Abaris Holdings Limited (formerly Sanderson Design Group Brands 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
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
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 (formerly Sanderson Design Group 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:

<i>Name of subsidiary undertakings</i>	<i>Registered office</i>
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
Style Library (Rus) LLC	Room 46, Floor 8, Building 1, 16A Leningradskoe shosse, Moscow 125171, The Russian Federation

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

Sanderson Design Group Brands Limited

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Notes to the Financial Statements (continued)

16. Inventories

	2021 £000	2020 £000
Raw materials	3,035	3,325
Work in progress	1,628	2,081
Finished goods	15,653	15,598
	20,316	21,004

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 provision for impairment of £9,656,000 (2020: £6,692,000). Cost of inventories recognised as an expense and included in cost of sales amounted to £20,344,000 (2020: £23,867,000).

17. Trade and other receivables

Current	2021 £000	2020 £000
Trade receivables	10,899	9,435
Less: Provision for impairment	(851)	(648)
Net trade receivables	10,048	8,787
Amounts owed by group undertakings*	5,845	3,838
Accrued accelerated licensing income	2,443	1,954
Other receivables	178	343
Marketing materials	581	920
Prepayments	1,554	1,303
	20,649	17,145

* See note 28 for explanation of adjustment for the year ended 31 January 2020.

Amounts owed by group undertakings are non-interest bearing and are unsecured. These loans are repayable on demand by the Company 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 impaired assets are within trade receivables, accrued accelerated licensing income and marketing materials.

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 over a period of 12 months before 31 January 2021 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 on macroeconomic factors affecting the ability of the customers to settle the receivables.

On this basis, the total loss allowance for trade receivables as at 31 January 2021 is determined as follows:

£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	9,504	34	839	262	260	10,899
Loss Allowance	(497)	(5)	(58)	(27)	(264)	(851)

Under IFRS 9, the Directors believe that in the current economic environment there is objective evidence of credit deterioration and an impairment of £485,000 (2020: £288,000) is required, representing a collective assessment of risk against receivables that are yet to be specifically identified. 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.

Sanderson Design Group Brands Limited

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Notes to the Financial Statements (continued)

17. Trade and other receivables (continued)

Credit quality of financial assets

(i) Not past due

Included in the Company's trade receivable balances are receivables with a carrying value of £9,504,000 (2020: £8,307,000) which are not past due. Under the expected credit loss model a provision is held for the lifetime credit loss on these balances of £434,000 (2020: 351,000). 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 receivables balance are receivables with a carrying value of £872,000 (2020: £871,000) 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 receivable but an expected credit loss provision has been made of £51,000 (2020: £210,000).

(iii) Past due – individually impaired

As at 31 January 2021, trade receivables of £523,000 (2020: £257,000) were individually determined to be impaired and provided for. The amount of the provision was £366,000 (2020: £87,000). The main factors used to assess the impairment of trade receivables is the age of the balance and circumstances of the individual customer. It has been assessed that a proportion of the receivables is expected to be recovered.

The Company considers that any exposure to concentrations of credit risk will be impacted principally by underlying economic conditions in the principal geographical territories in which the Company operates. As at the Balance Sheet date the carrying value of trade receivables by geographical territory of the customer was:

	2021 £000	2020 £000
United Kingdom	6,209	5,440
Continental Europe	1,693	1,091
United States of America	916	941
Rest of the World	1,230	1,315
	10,048	8,787

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

	2021 £000	2020 £000
Sterling	10,269	9,264
Euros	1,379	1,095
US Dollars	430	456
Other	591	269
	12,669	11,084

The closing loss allowances for trade receivables as at 31 January 2021 reconcile to the opening loss allowances as follows:

	Lifetime ECL £000	Credit Impaired £000	2021 £000	2020 £000
At 1 February	(288)	(360)	(648)	(485)
Increase in allowance recognised in income statement	(639)	(352)	(991)	(1,133)
Receivables written off in the year as uncollectible	-	116	116	47
Transfer from group undertakings (note 20)	(91)	(192)	(283)	-
Unused amounts reversed	533	422	955	923
At 31 January	(485)	(366)	(851)	(648)

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

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Notes to the Financial Statements (continued)

18. Deferred income tax assets

A deferred tax asset of £433,000 (2020: £295,000) is recognised in respect of fixed assets and other temporary differences, including retirement benefit obligations.

	2021 £000	2020 £000
Taxable temporary differences on property, plant and equipment	(651)	(1,176)
Taxable temporary differences on intangible assets	-	475
Other temporary differences	13	14
	(638)	(687)
Retirement benefit obligations	1,071	982
Deferred income tax assets	433	295

The gross movement on the deferred income tax account is as follows:

	2021 £000	2020 £000
Net deferred tax assets		
At 1 February	295	331
Income Statement (charge) / credit	(159)	522
Tax credit / (charge) relating to components of other comprehensive income	297	(558)
At 31 January	433	295

19. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Bank overdraft	-	5,000
Trade creditors	7,792	10,783
Amounts owed to group undertakings (note 20)*	14,471	4,077
Corporation tax*	625	286
Other taxes and social security	3,045	1,918
Other creditors and deferred revenue	1,451	310
Leases (note 14)	1,470	1,623
Accruals	2,729	2,651
	31,583	26,648

* See note 28 for explanation of adjustment for the year ended 31 January 2020.

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.

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Notes to the Financial Statements (continued)

20. Amounts owed to group undertakings

	2021 £000	2020 £000
Amounts owed to group undertakings*	14,471	4,077

* See note 28 for explanation of adjustment for the year ended 31 January 2020.

As at 29 November 2020, the trade and assets (excluding leases) of Globaltex Limited ("Globaltex"), another group undertaking, were transferred to the Company. The consideration for trade and assets transferred to the Company at their net book value of £9,897,000 is included within amounts owed to group undertakings. As both the Company and Globaltex are wholly owned subsidiaries within the Group, no gain or loss on the transfer was recorded by the Group, which accurately reflects the fact that the Group's control over net assets has not changed.

As a result, the Clarke & Clarke brand, incorporating Studio G, is now included within the Company's results. Reported revenue from the transfer date to 31 January 2021 was £2,710,000 (note 4).

The net book values of assets and liabilities transferred to the Company were:

	£000
Property, plant and equipment	119
Inventories	5,585
Trade and other receivables	4,363
Creditors: amounts falling due within one year	(170)
	9,897

In October 2019, the Group renewed its committed £12,500,000 multi-currency revolving credit facility with Barclays Bank PLC for a further five year period. The agreement also includes a £5,000,000 uncommitted accordion facility option to further increase available credit which provides substantial headroom for future growth. During the year, to complement the headroom in the existing £12,500,000 revolving committed credit facility, the Group agreed a temporary overdraft facility of £2,500,000 which expired in April 2021. The total facilities from Barclays Bank PLC in the year ended 31 January 2021 comprised the revolving credit facility and overdraft facility secured on the Group's freehold property which may be drawn down in either sterling or euro.

Under the Barclays Bank PLC facilities, the Group is subject to compliance of two financial covenants, interest cover and leverage. Any non-compliance with covenants could, if not remedied or waived, constitute an event of default with respect to any such arrangements.

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

Excluding the temporary bank overdraft facility between April 2020 and April 2021 the total Barclays Bank PLC facilities are capped at £17,500,000 (2020: £17,500,000); the utilisation of the facilities at 31 January 2021 was £nil (2020: £7,500,000). The revolving credit facility bears interest at a variable rate based on a margin above LIBOR (for sterling loans) or the EURIBOR (for euro loans).

For the Group's cash at bank, and the receivable component of derivative financial instruments, the counterparty to the financial instruments is a major UK bank, and the Group does not consider there to be any significant credit risk from holding these financial assets.

21. Pensions and similar 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 £320,000 (2020: £416,000). There are no outstanding or prepaid contributions at 31 January 2021 (2020: 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.

Sanderson Design Group Brands Limited

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Notes to the Financial Statements (continued)

21. Pensions and similar obligations (continued)

The Company's contributions to the schemes for the financial year beginning 1 February 2021 are expected to be £2,278,000.

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 2021, based on membership data at 5 April 2018, updated to take account of benefit outgoings since 5 April 2018, using actuarial assumptions at 31 January 2021. The major assumptions used by the actuary were (in nominal terms) as follows:

	2021	2020
Discount rate	1.35%	1.70%
Inflation assumption (RPI)	2.90%	2.90%
Inflation assumption (CPI)	2.10%	1.90%
Rate of increase in salaries	2.90%	2.90%
Rate of increase to pensions in payment, that increase in line with RPI subject to a maximum of 5% p.a.	2.80%	2.80%
Rate of increase to pensions (in excess of GMP) in deferment	2.10%	1.90%

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

	2021	2020
Non-pensioner male currently 45	22.8	22.8
Pensioner male currently 65	21.8	21.8
Non-pensioner female currently 45	25.3	25.3
Pensioner female currently 65	24.1	24.0

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:

	2021 £000	2020 £000
Equities, absolute return and property	29,505	27,060
Gilts	6,006	6,354
Fixed interest bonds	15,289	19,470
Liability driven investments	22,474	21,375
Insured annuities	690	775
Cash and cash equivalents	5,325	3,074
Fair value of scheme assets	79,289	78,108

All assets are invested in the UK. 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 gain of £2,948,000 (2020: gain of £13,208,000).

	2021 £000	2020 £000
Present value of funded obligations	(84,926)	(83,767)
Fair value of scheme assets	79,289	78,108
Deficit in funded scheme	(5,637)	(5,659)
Net liability in Balance Sheet	(5,637)	(5,659)

Sanderson Design Group Brands Limited

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Notes to the Financial Statements (continued)

21. Pensions and similar obligations (continued)

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

	2021 £000	2020 £000
Benefit obligation at beginning of year	83,767	76,505
Interest cost	1,395	1,870
Remeasurement losses – changes in financial assumptions	5,266	8,996
Remeasurement (gains) – changes in demographic assumptions	(1,347)	(521)
Remeasurement (gains) / losses– experience	(719)	359
Benefits paid	(3,436)	(3,442)
Past service cost	-	-
Benefit obligation at end of year	84,926	83,767

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

	2021 £000	2020 £000
Fair value of plan assets at beginning of year	78,108	66,842
Interest income on scheme assets	1,313	1,647
Return on assets, excluding interest income	1,635	11,561
Contributions by employers	2,118	1,870
Benefits paid	(3,436)	(3,442)
Scheme administrative cost	(449)	(370)
Fair value of scheme assets at end of year	79,289	78,108

Analysis of amounts charged against profits

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

	2021 £000	2020 £000
Expected return on pension scheme assets	1,313	1,647
Interest on pension scheme liabilities	(1,395)	(1,870)
Scheme expenses met by the Group	(449)	(370)
Net charge	(531)	(593)

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

	2021 £000	2020 £000
Net remeasurement – financial	5,266	(8,996)
Net remeasurement – demographic	(1,347)	521
Net remeasurement – experience	(719)	(359)
Return on assets, excluding interest income	(1,635)	11,561
Total remeasurements of the net defined benefit liability	1,565	2,727

Sanderson Design Group Brands Limited

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Notes to the Financial Statements (continued)

21. Pensions and similar obligations (continued)

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 2021 have been calculated using the same valuation method that was used to calculate the defined benefit obligation above and are consistent year on year.

	Change in assumption	Impact on scheme liabilities 2021 (£m)		Impact on scheme liabilities 2020 (£m)	
		Increase	Decrease	Increase	Decrease
Discount rate	0.25% movement	(3.4)	3.6	(3.4)	3.6
Rate of inflation (RPI)*	0.25% movement	1.5	(1.5)	1.5	(1.5)
Rate of inflation (CPI)*	0.25% movement	0.6	(0.6)	0.7	(0.7)
Assumed life expectancy	1 year movement	4.8	(4.8)	4.4	(4.4)
Estimated impact of Covid-19 on life expectancy**		N/A	(1.9)	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 Group 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 2021. Given the continuing uncertainties around Covid-19, the Group 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.

22. Financial instruments

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

	Amortised cost £000	Assets at fair value £000	Total £000
31 January 2021			
Assets as per Balance Sheet			
Trade and other receivables	18,514	-	18,514
Cash and cash equivalents	6,326	-	6,326
Total	24,840	-	24,840

Sanderson Design Group Brands Limited

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Notes to the Financial Statements (continued)

22. Financial instruments (continued)

	Liabilities at fair value £000	Other financial liabilities £000	Total £000
31 January 2021			
Liabilities as per Balance Sheet			
Lease liabilities	-	3,538	3,538
Creditors: amounts falling due within one year	-	26,443	26,443
Total	-	29,981	29,981

	Amortised cost £000	Assets at fair value £000	Total £000
31 January 2020			
Assets as per Balance Sheet			
Trade and other receivables*	14,922	-	14,922
Cash and cash equivalents	1,318	-	1,318
Total	16,240	-	16,240

	Liabilities at fair value £000	Other financial liabilities £000	Total £000
31 January 2020			
Liabilities as per Balance Sheet			
Lease liabilities	-	4,938	4,938
Creditors: amounts falling due within one year*	-	22,821	22,821
Total	-	27,759	27,759

* See note 28 for explanation of adjustment for the year ended 31 January 2020.

For the Company's cash at bank, the counterparty to the financial instruments is a major UK bank, and the Company does not consider there to be any significant credit risk from holding these financial assets.

Offsetting of financial assets and liabilities

The following financial assets/(liabilities) are subject to offsetting, enforceable master netting arrangements and similar arrangements.

	Gross amounts of recognised financial assets/(liabilities) £000	Gross amounts of recognised financial assets set off in the Balance Sheet £000	Net amounts of financial assets/(liabilities) included in the Balance Sheet £000
31 January 2021			
Cash and cash equivalents	6,326	-	6,326
Bank overdraft	-	-	-

	Gross amounts of recognised financial assets/(liabilities) £000	Gross amounts of recognised financial assets set off in the Balance Sheet £000	Net amounts of financial assets/(liabilities) included in the Balance Sheet £000
31 January 2020			
Cash and cash equivalents	1,318	-	1,318
Bank overdraft	(5,000)	-	(5,000)

For the financial assets and liabilities, subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Company and the counterparty allows for the net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

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Notes to the Financial Statements (continued)

23. Share capital and premium

Ordinary shares of £1 each:

	Number of shares	Called up share capital £000	Share premium account £000
<u>Allotted, called up and fully paid:</u>			
31 January 2020 and 31 January 2021	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.

24. Commitments

a) Capital commitments

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

	2021 £000	2020 £000
Property, plant and equipment	711	-

b) Lease commitments

The Company previously categorised the majority of its leases as operating leases. Under IFRS 16, the Company now recognises right-of-use assets and lease liabilities except for short-term (12 months or less) and low-value (<£3,000) leases. There were no short term or low value lease commitments due under non-cancellable operating leases during financial year ended 31 January 2021 (2020: £nil)

25. Dividends

During the year, the Company paid an interim dividend of 12.89p per share (£2,500,000) for the financial year ended 31 January 2021 (2020: 9.04p per share, £1,753,000).

26. 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.

27. Ultimate and immediate parent undertaking

The ultimate and immediate parent undertaking and controlling party is Sanderson Design Group PLC (formerly Walker Greenbank PLC), which is the parent undertaking of the smallest and largest group to consolidate these financial statements.

Copies of 2021 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.

28. Explanation of adjustment for the year ended 31 January 2020

A management charge of £1,442,000 to a subsidiary undertaking for the year ended 31 January 2020 has been adjusted to amounts owed from / to subsidiary undertakings to correct the accounting for the prior year, with totals and subtotals amended for this change. The resulting tax charge of £274,000 has also been recognised as a liability. Amounts impacted have been identified throughout these financial statements with the use of an asterisk on the financial statement line and a footnote reference to this note. The reported profit for the financial year ended 31 January 2020 has been adjusted from £2,803,000 to £3,971,000 with overall retained earnings position increased by £1,168,000.