

Live Beautiful

SANDERSON
DESIGN GROUP

Sanderson Design Group

Annual Report & Accounts 2024







We are a luxury interior furnishings group united in a single purpose

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To bring the beautiful into people's homes and lives.

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At a Glance

We are Sanderson Design Group PLC, an international luxury interior furnishings company that designs, manufactures, and markets wallpapers and fabrics together with strong licensing partnerships that produce a wide range of ancillary interior products. Design is at the heart of everything we do.

Our Vision

To lead the interiors industry in transforming the way we design, manufacture and distribute, enriching people's lives, helping them to live beautiful.

Our Purpose & Values

As custodians of over 160 years of design experience, our purpose is to Bring the Beautiful into People's Homes and Lives. We do this by being:

Intrepid: We're brave, we're bold, we take the lead, and inspire others around us.

Imaginative: We take a creative and innovative approach to everything we do.

Respectful: We consider customers, colleagues, the planet, and the people who live on it.

Starting the
**Journey to
Sustainability.**

0/30

ZeroBy30

We are committed to being net carbon ZeroBy30.*

#1

The employer of choice

We are committed to being a great and happy place to work.

Product Overview

The Group is home to a collective of six quintessentially British luxury interior brands targeted at consumers: Sanderson, Morris & Co., Zoffany, Harlequin, Clarke & Clarke and Scion as well as two manufacturing brands which produce fabric and wallpaper for the industry.

We operate in the upper sector of the market, producing high value products. Our UK domestic market is strongly penetrated, and our USA subsidiary is a key focus for the business.

Locations

We employ 610 people globally across our brands and manufacturing businesses, with the majority based in the UK.

* Refer to Greenhouse Gas Emission and Energy Consumption Reporting section for definition of ZeroBy30.



Highlights

Sanderson Design Group PLC (AIM: SDG), the luxury interior furnishings group, is pleased to announce its financial results for the 12-month period ended 31 January 2024.

Revenue
£108.6m
2023: £112.0m (-3.0%)

Adjusted underlying EPS*
13.74p
2023: 14.18p (-3.1%)

Cash**
£16.3m
2023: £15.4m (+5.8%)

Adjusted underlying profit before tax*
£12.2m
2023: £12.6m (-3.2%)

Statutory profit before tax
£10.4m
2023: £10.9m (-5.4%)

Basic EPS
11.46p
2023: 12.42p (-7.7%)

* Excluding share-based incentives, defined benefit pension charge and non-underlying items as summarised in note 12.

** Cash is defined as cash and cash equivalents less borrowings. For the purpose of this definition, borrowings does not include lease liabilities.



Highlights continued

Financial highlights

- Revenue marginally down 3.0% at £108.6m (FY2023: £112.0m), in what has been a challenging consumer environment
- A record year for licensing, with sales up 67.7% at £10.9m (FY2023: £6.5m)
- North America, our strategic growth market, performed strongly in the year, with brand product sales up 8.2% in reported currency, and up 9.2% in constant currency
- Total manufacturing sales fell 10.3% to £35.0m (FY2023: £39.0m)
- Operating cost efficiencies and contribution from licensing offset volume decline to deliver broadly similar profit before tax for the year. Adjusted underlying profit before tax of £12.2m (FY2023: £12.6m). Reported profit before tax of £10.4m, down £0.5m (FY2023: £10.9m)
- Liquidity and headroom of £26.3m (FY2023: £27.9m) with cash position of £16.3m (FY2023: £15.4m) and banking facilities of £10.0m (FY2023: £12.5m)
- Proposed final dividend of 2.75p per share (FY2023: 2.75p) to give a total dividend for the year of 3.50p (FY2023: 3.50p)

Operational highlights

- A significant number of new multi-year licensing agreements with a wide range of businesses including major retailers such as NEXT and Sainsbury's
- We announced a direct-to-consumer Morris & Co. online shop that will showcase the strength of the Morris & Co. full portfolio of core products and finished goods to the UK, USA and EU. This adds to the Morris & Co.'s US licensing agreements with Ruggable, the washable rug company, and the US retailer Williams Sonoma, for tableware and cookware
- Strong product launches from our brands, including a collaboration for Sanderson with designer and illustrator Giles Deacon, and the Disney Home x Sanderson capsule collection launched in autumn 2023 and was well received
- The Group's head office will relocate later in the year to the Sanderson brand's historic home in Chiswick, west London at Voysey House

Sustainability highlights

- Planet Mark certification for Year 6 of carbon reduction, reflecting our Live Beautiful sustainability pledge
- CO₂ emissions reduced by 10.4% in FY2024 on location basis, ahead of our plan to reach ZeroBy30
- Energy consumption all from renewables, validated by Planet Mark
- Product packaging focus at our warehouses, with 15% reduction in plastic and 12% for cardboard and fabric bags moved from plastic to 100% recycled/100% recyclable
- Climate-related Financial Disclosure Regulations 2022 will be reported in this year's annual report for the first time
- We are proud to be a Real Living Wage employer



Chairman's Statement



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Record licensing sales reflect the unique intellectual property in the Group's brands and the strategic focus on licensing as a growth driver.

Dianne Thompson
Non-executive Chairman

During the year ended 31 January 2024, our licensing activities within our brands business became firmly established as the third strategic pillar for the Group, complementing our brand sales and manufacturing operations. For the first time in the Group's history, licensing contributed more than £10m of sales, at £10.9m for the year ended 31 January 2024 (FY2023: £6.5m). These record sales reflect the unique intellectual property in the Group's brands and design archives along with the Board's strategic focus on licensing as a growth driver.

During the year, we signed a significant number of new licensing agreements with a wide range of businesses including major companies such as NEXT and Sainsbury's. The visibility of licensing income continues to strengthen, given recent and upcoming product launches, contract renewals and extensions, and a strong pipeline of opportunities. The incremental costs to the Group of licensing sales are very low so licensing is reported at a 100% margin, and leverages the strength of our brands' performance over recent years.

The excellent performance from licensing during the year mitigated the challenging consumer environments in the UK and other markets but North America, the Group's second largest market after the UK, performed strongly and will continue to be the Group's most important geographic region for driving growth. The strategy for the UK and other geographic regions is to control costs and drive efficiency whilst ensuring that the Group is positioned to take advantage of any upturn in consumer confidence.

During the year, we have continued to advance our Live Beautiful sustainability strategy, which has two major commitments: for the Company to be net carbon zero by 2030 and to be the employer of choice in the interior design and furnishings industry. We were pleased to receive our Planet Mark Year 6 certification earlier this year, marking the sixth financial year that the sustainability of our business has been measured by Planet Mark, the sustainability certification organisation. In the year to 31 January 2024, our total carbon footprint was 5,707 tonnes, a decrease on FY2023's 6,368 tonnes reflecting continued progress in our journey to net zero.

Chairman's Statement continued

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The strategy for the UK and other geographic regions is to control costs and drive efficiency whilst ensuring that the Group is positioned to take advantage of any upturn in consumer confidence.

This year's annual report marks the first time that the Group has been required to include a report under the Climate-related Financial Disclosure Regulations 2022. We welcome this opportunity to provide further clarity for investors and wider stakeholders on how the Group is managing climate-related risks and opportunities.

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

Financial results

The results for the year ended 31 January 2024 reflect strong growth in licensing income offset by the challenging consumer environment in the UK and Europe. Adjusted underlying profit before tax at £12.2m was down 3.2% on the previous year (FY2023: £12.6m). Reported profit before tax of £10.4m was down 5.4% for the year ended 31 January 2024 (FY2023: £10.9m). The Group's Balance Sheet remains strong with cash at the year end of £16.3m compared with £15.4m at 31 January 2023 and £15.9m at 31 July 2023.

Dividend

The Directors recommend a final dividend of 2.75p (FY2023: 2.75p) taking the full year dividend to 3.50p (FY2023: 3.50p). Payment of the final dividend, if approved at the Company's forthcoming Annual General Meeting, will be made on 9 August 2024 to shareholders on the Company's register at 12 July 2024, with an ex-dividend date of 11 July 2024. The Board remains committed to a progressive dividend policy as part of the capital allocation priorities of the Group.

People

On behalf of the Board, I would like to thank all of our colleagues for their commitment, energy and creativity during another year of challenges and opportunities for the business.

Outlook

The positive momentum in our licensing activities has continued into the current year with two major renewals, with window coverings company Blinds 2go and rugmaker Brink & Campman, which together represent accelerated income of approximately £2.0m.

Trading conditions overall are expected to remain challenging in the year. The Board remains focused on its strategic growth drivers, including North America and licensing, and remains confident in the business's agility to navigate further market uncertainties, supported by the Company's strong cash position. The Board's expectations for the current year's performance are unchanged.

Dianne Thompson

Non-executive Chairman
23 April 2024



Chief Executive Officer's Strategy and Operating Review



Significant strategic and operational progress was made during the year.

Lisa Montague
Chief Executive Officer

Introduction

The results for the year ended 31 January 2024 show the strength of our business model, which has provided the Group with the ability to face into a generally challenging consumer environment. Our business model has three pillars – brands, licensing and manufacturing – bringing resilience to the Group in that the impact of subdued consumer confidence on brand product sales has been substantially mitigated by licensing, which is now firmly established as a key part of the business.

It was a record year for licensing, with sales up almost 68% at £10.9m (FY2023: £6.5m), representing approximately 10% of Group sales. As licensing is reported at 100% margin, as a result of leveraging the strength of our brand's performance over recent years, the contribution to Group profits is substantial.

The strategic growth market of North America performed strongly in the year, with brand product sales up 8.2% in reported currency, and up 9.2% in constant currency. Total Group sales for the year were 3.0% below the prior year at £108.6m (FY2023: £112.0m) in reported currency, down 3.0% in constant currency.

As part of our continued focus on cost control, we successfully managed inflationary pressures during the year including pay rises in line with the Real Living Wage. We are proud to be a Real Living Wage employer and we have honoured this year's increase for FY2025. We again finished the year with a strong balance sheet, with cash at 31 January 2024 of £16.3m, which protects the business in current markets and enables us to invest for growth.

We have entered the current financial year with strong momentum in licensing and with strong product launches from our brands, including a collaboration for Sanderson with designer and illustrator Giles Deacon. The Sanderson brand is a key focus for the current year with a number of initiatives underway to maximise the success of the brand, starting with Giles Deacon's collection, which has been well received.

Chief Executive Officer's Strategy and Operating Review continued

We were pleased to announce recently that the Group's head office will relocate later in the year to the Sanderson brand's historic home in Chiswick, West London. The Group has become sole tenant of Voysey House, a building originally designed by the Arts & Crafts architect and designer CFA Voysey, in 1902, as a wallpaper factory for Arthur Sanderson & Sons, the forerunner of the Group's Sanderson brand.

The relocation to London is expected to be cost neutral on a run rate basis as Voysey House is a smaller building than the current headquarters and the London location reduces the requirement for showroom space elsewhere. The strategic benefits of being in London include supporting the sales and marketing of Group brands, better showcasing the Sanderson and Morris & Co. archives and assisting in attracting and retaining talent.

Our commitment to developing talent in our industry includes working with the Queen Elizabeth Scholarship Trust ('QEST'), a charity dedicated to supporting excellence in British craftsmanship, and we recently announced that we are sponsoring a new QEST rising star craft award. I am also proud to represent our Royal Warrant holding brand, Sanderson, as a trustee of QEST and it is a privilege to be able to contribute on behalf of the Group.

Strategy and progress

Our core strategy for the Group, which is set out below, was reaffirmed at the time of our half year results in October 2023 when we also highlighted particular strategic priorities including a focus on international growth, licensing, re-energising the Sanderson brand and investment in technology to drive innovation, efficiency and environmental benefits. Our strategy is underpinned and guided by our Live Beautiful sustainability strategy in which we are focused on achieving net zero by 2030.

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

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

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

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

Growing key geographies: Our brands have significant international market potential, reflected in them being sold in more than 85 countries worldwide. To maximise return, we are focused on building market share in key geographies: the USA, France, Germany and Japan, while supporting our UK base. Our approach is tailored to each individual region.

Operational review

The table below shows the Group's sales performance in the year ended 31 January 2024, compared with FY2023. The table shows our three key revenue streams of brand product sales, licensing income and manufacturing. It also gives the four key geographies of our brand product sales: the UK, Northern Europe, North America and Rest of the World.

	Year to 31 January (£m)		% Change FY2024 v FY2023	
	2024	2023	Reported	Constant currency
Brands				
UK	37.9	42.6	(11.0)%	(11.0)%
North America	21.4	19.8	8.2%	9.2%
Northern Europe	9.9	10.8	(8.8)%	(9.1)%
Rest of the World	9.6	10.2	(5.8)%	(6.8)%
Total Brand product revenue	78.8	83.4	(5.6)%	(5.5)%
Manufacturing				
External	18.9	22.1	(14.5)%	(14.5)%
Internal (eliminated on consolidation)	16.1	16.9	(4.7)%	(4.7)%
Total Manufacturing revenue	35.0	39.0	(10.3)%	(10.3)%
Total Licence revenue	10.9	6.5	67.7%	67.7%
Total Group revenue	108.6	112.0	(3.1)%	(3.0)%

Brands

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

	Year ended 31 January (£m)		2024 versus 2023	
	2024	2023	Reported	Constant currency
Brands				
Morris & Co.	19.1	19.0	0.3%	0.8%
Sanderson	13.6	14.0	(3.2)%	(3.2)%
Zoffany	8.2	8.8	(7.3)%	(7.2)%
Clarke & Clarke	22.4	23.6	(4.9)%	(5.1)%
Harlequin	14.0	15.8	(11.2)%	(11.2)%
Scion	1.3	1.8	(29.4)%	(29.6)%
Other	0.2	0.4	(35.5)%	(33.7)%
Total	78.8	83.4	(5.6)%	(5.5)%

Chief Executive Officer's Strategy and Operating Review continued



Morris & Co. is our leading heritage brand. Founded by William Morris in 1860 and powered by a substantial archive of designs, wallpapers, fabrics, printing blocks and fragments, Morris & Co. has authority and integrity as the home of William Morris.

Brand product sales during the year at £19.1m in reported currency were broadly unchanged compared with FY2023.

By region, sales were up strongly in North America with an increase of 24% in constant currency, as a result of initiatives including a special edit in a collaboration with McGee & Co, a direct-to-consumer website created by the influential interiors company Studio McGee.

In addition to brand product sales, Morris & Co. makes a substantial contribution to the Group through licensing agreements, examples of which are discussed in the Licensing section on page 11.

The momentum behind the Morris & Co. brand has continued in the current financial year. In March 2024, we announced a direct-to-consumer collaboration in which Morris & Co. wallpapers, fabrics and licensed products will be made available from a dedicated online shop serving customers in the UK, USA and other countries worldwide. The Morris & Co. online shop will be launched in the second half of FY2025 and will be developed and operated in collaboration with Design Online Limited ('Design Online'), a business that already operates an online shop for the Scion brand.

We have also recently announced an exciting collaboration agreement for the Morris & Co. brand with The Huntington Library, Art Museum, and Botanical Gardens ('The Huntington'), a renowned education and research institution in San Marino, California, with a vast archive of William Morris's work, including textiles, wallpapers, tapestries, books and other items. The Huntington archive includes unique, unfinished designs by William Morris and, under the terms of the collaboration agreement, Sanderson Design Group will use this unfinished work as the inspiration for an entirely new collection of Morris & Co. wallpapers and fabrics, expected to launch in September 2025.

SANDERSON

The Sanderson brand is a strategic focus for the Group with a number of initiatives underway or planned to elevate the brand during the course of this year and next. The heightened focus on the brand in the current year has started with the launch of a capsule collection through a collaboration with Giles Deacon, the renowned couture designer and illustrator, who has innovatively reworked original Sanderson designs.

Sanderson's brand product sales were £13.6m in reported currency during the year, slightly down on £14.0m in the prior year. The brand grew well in North America, with sales up 10% in constant currency compared with FY2023.

The Disney Home x Sanderson capsule collection of fabrics and wallpapers, based on original Sanderson wallpapers, launched in autumn 2023 and has been well received. We remain positive about the future potential of this collection.

Other collaborations during the year included a trimmings launch by Salvesen Graham, a renowned British design duo, who have created a small collection of trimmings to complement the brand's fabrics and wallpapers.

ZOFFANY

Zoffany is the Group's luxury, interior designer-led brand, which occupies the highest quality positioning of the Group's brands. We have reconnected the brand to its roots in the restoration of grand houses, positioning it for high-end bespoke projects. During the year, Zoffany's brand product sales were £8.2m in reported currency, down from £8.8m in the prior year. In North America, the brand's sales were up 12% in constant currency.

The Suffolk Damasks and Stripes collection was launched in autumn 2023, celebrating the work of traditional English silk manufacturers, and the Arcadian Thames collection has continued to sell well.

Zoffany has performed particularly well in the US, where the Company has been working directly with designers on major residential projects.

CLARKE & CLARKE

Clarke & Clarke, our biggest selling brand, reported brand product sales of £22.4m in reported currency, down from £23.6m in the prior year. In North America, sales were down 5% in constant currency but the brand finished the year strongly after the renewal for a further five years of the distribution agreement with Kravet Inc., which distributes the brand in North America.

The brand, which historically did not have licensing partners, is also beginning to make an important contribution to the Group's licensing sales thanks to the NEXT agreement launching in spring/summer 2024.

During the year, Clarke & Clarke formed an important collaboration in the USA with Breegan Jane, the California-based interior designer and lifestyle commentator.

HARLEQUIN

Harlequin remains the biggest selling wallpaper and fabric brand in John Lewis, which in the autumn last year launched its own Harlequin-licensed products including cushions. Harlequin collections are presented as colour stories to suit each of four design pillars – Rewild, Reflect, Retreat and Renew – and the Group is gaining traction in promoting the brand through this initiative.

Harlequin's brand product sales were £14.0m in the year in reported currency compared with £15.8m in the prior year. In North America, the brand's sales were up 4% in constant currency.

The Sophie Robinson collection was launched in the autumn last year and has been well received. A new collaboration will follow for autumn/winter 2024 created by designer and tastemaker Henry Holland of henryhollandstudio.com.

Scion

Scion is predominantly a licensing brand, and its licensing revenue makes a strong contribution to the Group. Scion is also a direct-to-consumer brand from the scionliving.com website, which brings all Scion products onto one platform. Owing to this positioning, the Company no longer produces full seasonal collections of wallpapers and fabrics but launches capsule collections instead to bring newness. The brand's product sales during the year were £1.3m in reportable currency, down from £1.8m in the prior year.

Chief Executive Officer's Strategy and Operating Review continued

Manufacturing

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

Reducing energy consumption as part of our net zero commitments has been a continued focus in our manufacturing operations along with positive steps to improve biodiversity, including staff-based initiatives such as allotments and flower growing at the Anstey wallpaper factory.

	Year ended 31 January (£m)		2024 versus 2023
	2024	2023	
Sales to Group brands	16.1	16.9	(4.7)%
Third party sales	18.9	22.1	(14.5)%
Total Manufacturing sales	35.0	39.0	(10.2)%

Standfast & Barracks ('Standfast')

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

2024 is a landmark year for Standfast in that the factory celebrates its 100th anniversary. A programme of events is planned to celebrate a century in business and to promote the factory's capabilities.

Total sales at Standfast in the year were £19.1m (FY2023: £20.7m) and digital printing as a proportion of factory output was 77% (FY2023: 74%).

Anstey Wallpaper Company ('Anstey')

Anstey, our wallpaper printing and paint-tinting business, is an unrivalled factory in its range of wallpaper printing techniques on one site. We continue to invest in new technology to extend the potential of the factory and to build on its unique capabilities.

Total sales at Anstey were £15.9m (FY2023: £18.3m) and digital printing as a proportion of factory output was 18% (FY2023: 16%).

In the current financial year, we have continued to focus on efficiency and, reflecting lower volumes and the growing proportion of less labour-intensive digital production at Anstey, we have completed a consultation exercise resulting in a reduction of 24 of the 126 roles at the factory.

This reduction in roles will lead to annualised cost savings of £1.1m at an exceptional cost in the current financial year of £0.5m. The estimated cost saving in the current year is approximately £0.7m. I thank all colleagues at Anstey and across the Group for their understanding as we make these important changes to evolve the business for future success.

Licensing

Licensing is the most profitable part of the Group and a key area of strategic focus. Our licensing activities leverage our designs and design archives and bring wider consumer awareness of our brands across multiple categories of finished goods.

Licensing brings additional visibility for our brands and the potential to stimulate sales of our core products of fabric, wallpaper and paint.

The Group has strong creative skills in scaling and colouring designs so that they can be transferred successfully to a multitude of different licensed products and works closely with licensing partners throughout the product development process.

Licensing had a record year, with sales and profits up 67.7% at £10.9m (FY2023: £6.5m) including £6.5m of accelerated income (FY2023: £2.4m) from licence agreements signed during the year, including major new deals along with a number of smaller deals, contract renewals and extensions. Accelerated income, recognition of which is a requirement of IFRS 15, represents the total minimum guaranteed sales associated with newly signed contracts with a discount rate applied to them.

Major licensing agreements signed in the year included NEXT with the Clarke & Clarke brand for a wide range of homewares. This five-year agreement, the first products from which have already been launched, included accelerated income of £3.0m. A major, multi-year agreement was also signed with J Sainsbury plc, in which the supermarket group's Habitat homewares brand and Tu clothing brand will develop a wide range of licensed products in collaboration with the Morris & Co. and Scion brands respectively.

Renewals signed during the year include a three-year renewal with Bedeck starting February 2024, which was extended by a further two years to 2029, and the Morris & Co. deal with US retailer Williams Sonoma, which was extended by a further year until August 2026 with new product categories added. In addition, Williams Sonoma's monogrammed gifting brand Mark & Graham has signed a three-year agreement with the Sanderson brand for the USA and Canada.

Close to the year end, we announced a direct-to-consumer Morris & Co. online shop that will showcase the strength of the Morris & Co. full portfolio of core products and finished goods to the UK, USA and EU. We expect the site to launch in the second half of FY2025 and are working with our operating partner, who will act as an agent, to build the proposition and halo the brand for the benefit of all our customers.

Morris & Co.'s US agreement with Ruggable LLC, the washable rug company, performed strongly during the year, providing a larger than expected contribution. The agreement was also expanded to include European countries including the UK, Ireland, Germany, France and Austria.

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

Summary

We have confidence in our brands, products and strategy and particularly in our people, who are the foundation of the Company. Whilst the consumer environment in the year ahead will bring challenges, we intend to maximise the many opportunities available to the Group, particularly through the strategic priorities outlined at the time of our half year results in October 2023 including a focus on international growth, licensing income and re-energising the Sanderson brand.

Lisa Montague
Chief Executive Officer
23 April 2024

Our Business Model

Rich heritage and wealth of printing knowledge

One of the biggest fabric and wallpaper archives in the world

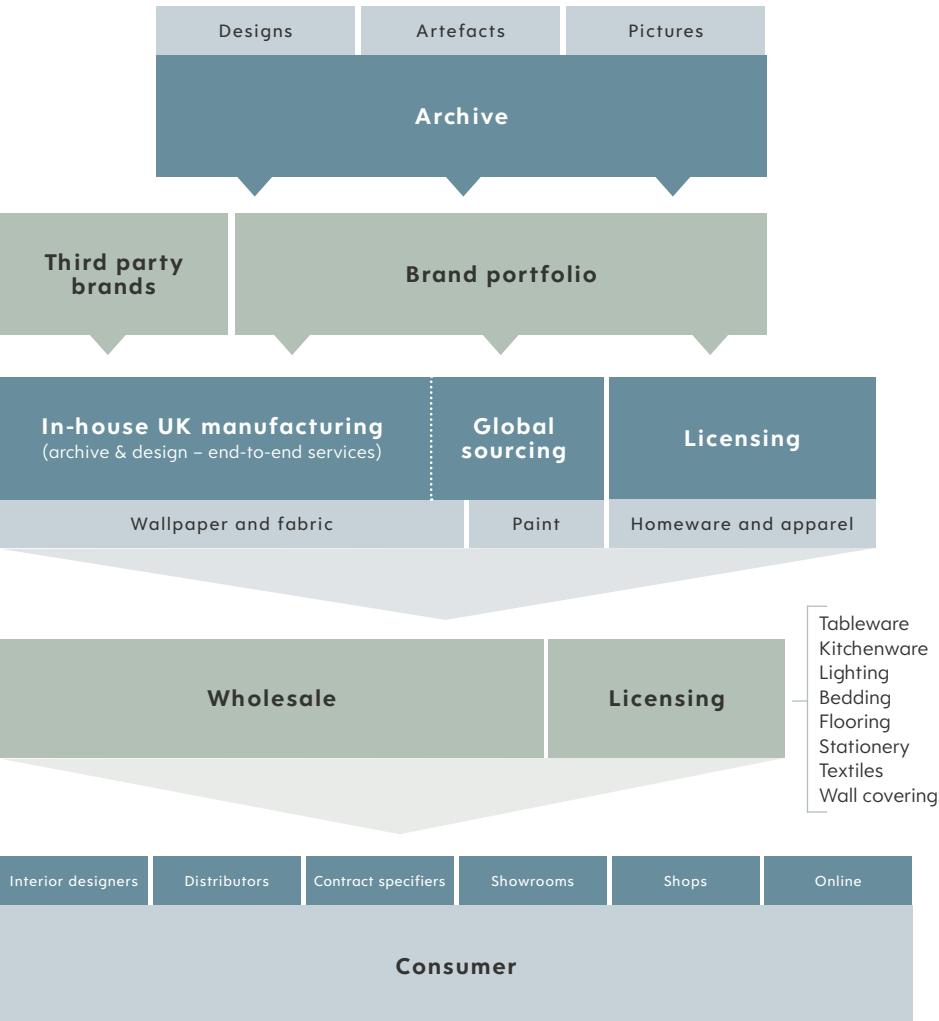
With an archive, of many thousands of artefacts, going back to the 18th century, our archives have grown over the years as we have incorporated more brands into the Group. We are continually embellishing our Group archives with new treasures sourced globally. Over the last two years, we have been carrying out a significant project to digitise our archive, which is due to be completed in September 2024.

Design in our heart

Design is at the centre of everything we do at Sanderson Design Group. As well as taking inspiration from our own archives, our talented team of designers scout globally for ideas to bring our collections to life. We also work with external collaborators and international tastemakers to bring new collections and edits to market. We are committed to nurturing design talent in the UK and support QEST, and New Designers amongst others.

Six brands catering to a diverse global market

Each one of our brands contributes a unique chapter to our story. We represent the full spectrum of British interior design, catering from cutting-edge sleek modern styles, to the hearty warmth of traditional forms. Our six brands cater for an ever-growing market with diverse needs. Our three luxury and heritage powered brands are Zoffany, Morris & Co. and Sanderson. They all take inspiration from the past and preserve the artistry of designs from the past for generations to come. Harlequin, Scion and Clarke & Clarke are our premium brands, targeted to a more contemporary audience.



Preserving craftsmanship for generations to come with two UK manufacturing sites

Between our two manufacturing sites we offer unique combinations of gravure, rotary screen, flexographic, surface, surflex, digital, flat screen and hand block printing as well as some of the most advanced digital printing techniques available worldwide. The rich heritage and wealth of printing knowledge amongst the team is exceptional, employing only the finest, skilled craftspeople in designing and printing our fabrics and wallpaper.

We have several routes to market including through our licensing partners

We work with large international retailers, global showrooms, carefully selected high street partners and internet retailers as well as large contract suppliers. We have developed a strong licensing business, for which we create exclusive designs. Licensing has significantly expanded our brand reach.

Quintessentially British – Our Brands



Elevating our brands and creating consumer demand.

Driving Brand Engagement

- Market-leading portfolio of British brands
- Extensive historical archive of design demonstrating authority, provenance and authenticity
- Unique design expertise, specialising in colour and scale
- Designed with a global appeal
- Clear design pillars to resonate with different audiences
- UK's leading high-end wallcoverings and printed fabric manufacturers
- Innovative production techniques including digital
- Building engagement of the brands in core strategic markets
- Defined Digital Marketing strategy
- Elevated creative content to inspire and delight
- Immersive events focused on customer-centricity
- Strategic collaborations to elevate brand awareness

ZOFFANY

THE ORIGINAL
MORRIS & CO
FOUNDED BY WILLIAM MORRIS IN 1861

SANDERSON

HARLEQUIN

scion

CLARKE & CLARKE

Our Heritage Brands



ZOFFANY

Inspired by cultural history, Zoffany provides architects and interior designers with a wide range of high-quality wallcoverings, as well as woven, printed and embroidered fabrics.

Combining artistry, integrity and a rich, illustrious heritage.

Founded during the restoration of Temple Newsam, an English Jacobean estate, home to treasures dating back to the 17th century, Zoffany archived and restored these lost creations, breathing new life into historic designs.

Today, Zoffany partners with the world's finest artisans, producing collections that exceed expectations in a luxurious and globally attuned manner. Wonderful archive documents, repurposed and given a new lease of life, sit alongside beautiful original pieces produced on incredible elevated substrates. A richly pigmented paint range completes the Zoffany portfolio, ensuring the brand remains the go-to resource for interior designers.



For more info visit:
zoffany.sandersondesigngroup.com

Our Heritage Brands continued



THE ORIGINAL
MORRIS & C°

FOUNDED BY WILLIAM MORRIS IN 1861

As a political theorist, publisher, environmental campaigner, poet, and outstanding designer, William Morris (1834–1896) was one of the most influential figures of the nineteenth century.

Lovingly crafted designs that uphold the legacy of William Morris.

Under his direction, Morris & Co. was founded in 1861 and grew into a flourishing Arts & Crafts decorating firm renowned for its wallpapers and textiles. Today, Morris & Co. builds on that proud heritage with inventive reimaginations of design classics, ever upholding the impeccable standard of craftsmanship which has defined all Morris & Co. products since their inception.

Working across wallpaper, fabric, paint, and licensed product ranges, designs are inspired by artworks safely stored in the Morris & Co. archive. This precious collection houses historical logbooks, samples of wallpaper, printed and woven textiles, and original wooden printing blocks.



For more info visit:
morrisandco.sandersondesigngroup.com

Our Heritage Brands continued



SANDERSON

Founded in 1860 by Arthur Sanderson, Sanderson began life as a business importing luxury French paper-hangings to Britain and evolved to become one of the most renowned interior design and decorating brands worldwide, holding a Royal Warrant since 1924, for supplying fabrics, wallcoverings and paint to the Royal Residences.

The home of iconic florals and illustrative botanicals, pushing the boundaries of heritage design.

From importing to establishing printing works and acquiring businesses, Sanderson's illustrious history of innovation and beautiful designs has formed its prestigious legacy and paved the way for a future that continues to push the boundaries of heritage design. Its treasured archive houses a vast collection of fabrics, wallpapers and printing blocks dating back to the 19th century, encapsulating its impressive history and providing a reference point for its design studio today.

Known for its exceptional quality, timelessness and quintessentially English style, Sanderson, the home of iconic florals and illustrative botanicals, offers beautifully crafted fabrics, trimmings and wallcoverings for all. Layered in nostalgia, the brand continuously looks back to move forward with exceptional designs that captivate a discerning global audience.



For more info visit:
sanderson.sandersondesigngroup.com

Our Contemporary Brands



HARLEQUIN

With a focus on colour and the creativity it sparks in interiors, Harlequin is on a mission to celebrate the importance of self-expression through design individuality. A proudly British brand, Harlequin's designs are inspired by all aspects of our natural and architectural worlds.

Expressing individuality through colour and design.

This lens on life is projected through a spectrum of colour and textures, exploring innovative techniques through the hands of our designers, with a broad design range that ignites all the senses. Harlequin journeys through styles, influences, and palettes to empower with the confidence to create interiors that reflect originality.

Backed by science, the road to creativity is a meeting of design expertise and scientific research at Harlequin. Harlequin continues to explore the positive power of colour and the importance of palette choices in shaping who we are and how we express ourselves.

Harlequin is dedicated to understanding and conveying the power of colour through fabrics and wallcoverings.



For more info visit:
harlequin.sandersondesigngroup.com

Our Contemporary Brands continued



scion

For homes that surprise and delight, think Scion, a place where bold motifs and confident colours join with Scandi influences to create an uplifting lifestyle brand.

Playful British designs that bring joy to the everyday.

A team of talented designers create joy-filled designs to bring a smile to the everyday. Scion is on a mission to create happy homes by putting the happiness back into interiors, celebrating fun-loving characters and an abundance of playful patterns across wallcoverings, fabrics and homewares.



For more info visit:
scionliving.com

Our Contemporary Brands continued



CLARKE & CLARKE

A leading name in the design of fabric, wallpaper and homewares, Clarke & Clarke is at the heart of transitional style.

Polished looks that embody the best of British eclecticism.

Recognising that interior design is an expression of who we are, its range of trend-led looks are varied and versatile. Perfectly suited to modern life, this Manchester-based brand is at the forefront of interior design, creating contemporary spaces with an eccentric, glamourous twist.



For more info visit:
clarke-clarke.sandersondesigngroup.com

Licensing

Licensing enables us to leverage our design archives and bring wider consumer awareness of our brands across multiple finished goods categories. The wider visibility of our designs brings the potential to stimulate the sales of our core products of fabric, wallpaper and paint, and reinforces our identity as a design-led business.

Some notable agreements this year have included the announcement of a direct-to-consumer Morris & Co. online shop that will showcase the strength of the Morris & Co. full portfolio of core products and finished goods to the UK, USA and EU. This adds to the Morris & Co. licensing agreements with Ruggable, the washable rug company, and the US retailer Williams Sonoma, for tableware and cookware.

NEXT continues to be an important licensing partner for the Group, with agreements in place across Morris & Co., Sanderson, Scion and Clarke & Clarke.

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

The Company is continuing to progress a pipeline of further licensing opportunities, leveraging its brands and design archives, with a strategic push towards larger, long-term partnerships.



Chief Financial Officer's Review



The Chairman's Statement and the Chief Executive Officer's Strategic and Operating Review both provide analysis of the key factors contributing to our financial results for the year ended 31 January 2024. In a challenging consumer environment, profits have been underpinned by the exceptional performance of the Licensing channel. The Balance Sheet remains a key strength of the Group with net cash of £16.3m on hand at year-end.

Revenue

Our reported revenue for the year was £108.6m compared with £112.0m in FY2023.

Revenue	FY2024 £m	FY2023 £m	Change FY2023
Brand Product	78.8	83.4	(5.6%)
Manufacturing – External	18.9	22.1	(14.5%)
Licensing	10.9	6.5	67.7%
Group	108.6	112.0	(3.1%)

Gross profit

Gross profit for the full year was £73.7m compared with £74.2m in FY2023 whilst the gross profit margin at 67.9% represents an increase of 160 basis points over FY2023. Excluding the impact of licence income, which generates 100% gross profit, margins improved slightly to 64.3% in FY2024 versus 64.2% in FY2023.

	FY2024	FY2023
Brands and Manufacturing		
Revenue (£m)	97.7	105.5
Gross profit (£m)	62.8	67.7
%	64.3%	64.2%
Licensing		
Revenue (£m)	10.9	6.5
Gross profit (£m)	10.9	6.5
%	100%	100%
Total		
Revenue (£m)	108.6	112.0
Gross profit (£m)	73.7	74.2
%	67.9%	66.3%

Chief Financial Officer's Review continued

Within the Brands division gross margin improved by 1.0%. Now that our SKU reduction programme is largely complete and sales per SKU are growing, we are starting to realise volume-related sourcing efficiencies and have been able to reduce the level of promotional activity required to clear slow-selling collections.

Conversely, our Manufacturing division has been impacted by reduced volumes of both internal and external orders. Given the relatively high fixed cost base of both of our factories, gross margins fell by nearly 4% despite a number of cost-saving measures that were implemented during the year. Following the year-end we have completed a restructuring of our Anstey Wallpaper facility to reflect both lower volumes and a growing proportion of less labour-intensive, digital production.

Profit before tax

Profit before tax was £10.4m, down from £10.9m in FY2023. This resilient performance is driven by the strength of licensing revenues, gross margin improvement and a continued focus on cost control.

	FY2024 £m	FY2023 £m
Revenue	108.6	112.0
Gross profit	73.7	74.2
Distribution and selling expenses	(25.3)	(25.1)
Administration expenses	(43.5)	(43.0)
Other operating income	4.9	4.5
Finance income – net	0.6	0.3
Profit before tax	10.4	10.9

Distribution and selling expenses increased by £0.2m compared to FY2023 although this was entirely due to an increase in the cost of marketing materials (mainly pattern books). Income from the sales of these pattern books is responsible for the increase of £0.4m in Other Operating Income.

Administration expenses grew to £43.5m in FY2024 from £43.0m in FY2023. Inflationary pressures impacted all areas of spend, however, we continued to implement cost efficiency measures which limited this increase to only 1% compared to the prior year. Administration expenses remain £2.1m below the pre-Covid FY2020 levels.

Adjusted underlying profit before tax

The adjusted underlying profit before tax was £12.2m, down from £12.6m in FY2023.

	FY2024 £m	FY2023 £m
Profit before tax	10.4	10.9
Amortisation of acquired intangible assets	0.3	0.8
Restructuring and reorganisation costs	0.6	–
Share-based payment charge	0.5	0.5
Net defined benefit pension charge	0.4	0.5
Adjusted underlying profit before tax	12.2	12.6

In calculating the adjusted underlying profit before tax, the Group excludes material non-recurring items or items considered to be non-operational in nature and that do not relate to the operating activities of the Group. Share-based payment charges are excluded as they are a non-cash measure.

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

Non-underlying items in the year of £0.9m (FY2023: £0.8m) refer to the amortisation of intangible assets in respect of the acquisition of Clarke & Clarke in October 2016 and the restructuring and reorganisation of Anstey. Please refer to note 12(b) to the financial statements for further details of the adjusted underlying profit before tax.

Taxation

Tax for the year is charged on profit before tax based on the forecast effective tax rate for the full year. The estimated effective tax rate (before adjusting items) for the year is 21% (FY2023: 19%).

Capital expenditure

Capital expenditure in the year totalled £3.3m (FY2023: £4.8m). We continue to focus our investment on digital printing technology, across both of our factories, and in projects that reduce our environmental impact and support our Live Beautiful sustainability strategy. Significant investments in the year included a new, more efficient Steamer at Standfast & Barracks, and the commissioning of our new Durst Digital Wallpaper Printer at Anstey.

The reduced level of spend compared to FY2023 was due to delays in a number of planned projects including the installation of solar panels and the new ERP system at Standfast and the relocation of the Group's head office, all of which will now be completed in FY2025.

Minimum guaranteed licensing receivables

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

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

During the year, several long-term licensing agreements were agreed, including those with NEXT Plc, Sainsbury/Habitat and envogue. As a result, on 31 January 2024, minimum guaranteed licensing receivables due after more than one year grew to £7.3m (FY2023: £2.6m) and those due within one year grew to £2.1m (FY2023: £1.4m).

Chief Financial Officer's Review continued

Inventories

Despite cost increases driven by the continued impact of salary, utility, and raw material inflation for both our in-house factories and third-party suppliers, net inventories fell by £1.1m ending the year at £26.7m compared to £27.8m for FY2023.

Now that our SKU reduction strategy has been completed, we have been able to reduce our investment in finished goods inventory whilst also increasing the availability of our best-selling ranges. Reduced production volumes in our factories has meant that raw material and work-in-progress levels remain above their optimum level and this will be an area of focus for us in FY2025.

Trade receivables

Trade receivables declined to £10.8m (FY2023: £12.0m) reflecting the lower level of Brand and Manufacturing sales.

Our business model means that most of our customers do not hold inventory. We are able to quickly react to any aged accounts in order to mitigate potential credit risks. As a result, despite the current economic environment, we have experienced limited bad debts in the last year.

The ageing profile of trade debtors shows that the majority of customers are close to terms although the wider economy presents an enhanced level of credit risk. In addition to specific provisions against individual receivables, a provision has been made of £0.6m (FY2023: £0.9m), which is a collective assessment of the risk against non-specific receivables calculated in accordance with IFRS 9.

Cash position and banking facilities

Net cash from operating activities was £9.1m (FY2023: £5.6m).

The principal driver for the year-on-year improvement was a £1.1m fall in inventory compared to a £4.9m increase in FY2023.

All foreign currencies are bought and sold centrally on behalf of the Group. Regular reviews take place of our foreign currency cash flows. The Group undertakes hedging only where there are highly probable future cash flows and to hedge working capital exposures. The strong performance of the Group's North American business creates a requirement to put in place a limited level of hedging contracts against the US dollar surplus that is expected to arise.

The Group's banking facilities are provided by Barclays Bank plc. The Group has a £10.0m multi-currency revolving credit facility which was renewed in February 2024. The agreement also includes a £7.5m uncommitted accordion facility to further increase available credit. This provides substantial headroom for future growth. Our covenants under this facility are EBITDA and interest cover measures. This facility has not been drawn during the year.

Net defined benefit pension

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

Deficit contribution schedules have been agreed with the schemes' trustees. The Group will continue making cash contributions, at levels similar to historical amounts, to make good any deficits, as well as making contributions towards the ongoing expenses incurred in the running of the schemes.

The methodology and assumptions prescribed for the purposes of IAS 19 mean that the Balance Sheet surplus or deficit, the Profit or Loss figures and the Statement of Comprehensive Income figures are inherently volatile and vary greatly according to investment market conditions at each accounting date. The Group has reported a net liability of £0.9m on 31 January 2024 compared with a £2.4m net liability on 31 January 2023. Further details of these movements are disclosed in note 20 to the financial statements.

Dividend

During the financial year, an interim dividend of 0.75p per share was paid on 2 November 2023. A final dividend of 2.75p is now proposed taking the full year dividend to 3.50p. This payment will be made on 9 August 2024 to the shareholders registered on the Company's register on 12 July 2024 if approved at the Company's forthcoming Annual General Meeting, with an ex-dividend date of 11 July 2024. The Board remains committed to a progressive dividend policy as part of the capital allocation priorities of the Group.

Capital allocation policy

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

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

Going concern

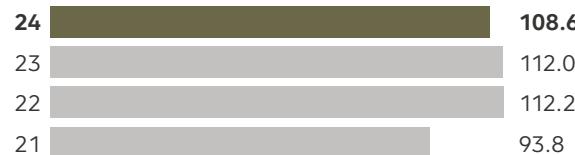
The Directors reviewed a Management Base Case model and considered the uncertain political and economic environment that we are operating in. In our assessment of going concern the Directors consider that, having reviewed forecasts prepared by the management team which have been stress tested, the Group has adequate resources to continue trading for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details of the review are disclosed in note 1 to the financial statements.

Mike Woodcock

Chief Financial Officer
23 April 2024

Key Performance Indicators

Revenue £108.6m



Total current year revenue.

Profit before tax 9.6%



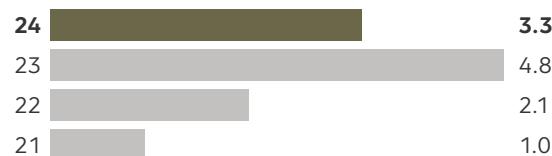
Statutory profit before tax expressed as a percentage of revenue.

Adjusted earnings per share 13.74 pence



Underlying earnings adjusted for accounting charges relating to the share-based incentives, defined benefit pension charge and non-underlying items, less tax at the effective rate, divided by the weighted average number of shares in issue during the year.

Capital expenditure £3.3m



Total capital expenditure less proceeds from disposal for the year.

Profit before tax £10.4m



Statutory profit before tax.

Basic earnings per share 11.46 pence



Profit after tax, divided by the weighted average number of shares in issue during the year.

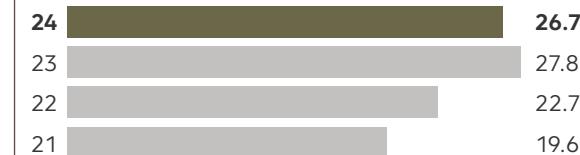
Adjusted underlying profit before tax 11.2%



Underlying earnings adjusted for accounting charges relating to the share-based incentives, defined benefit pension charge and non-underlying items expressed as a percentage of revenue.

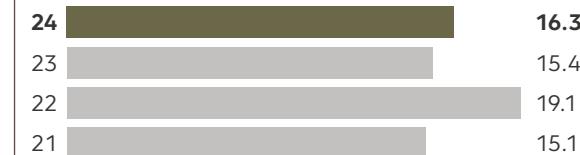
The Group is committed to its sustainability strategy, Live Beautiful, and further details of the relevant key performance measures and targets are set out on page 33.

Inventory £26.7m



Year end total inventory, net of provision.

Cash £16.3m



Year end cash and cash equivalents less borrowings and leases. Borrowings do not include lease liabilities.

Adjusted underlying profit before tax £12.2m



Underlying profit before tax adjusted for the share-based incentives, defined benefit pension charge and non-underlying items.

Stakeholder Engagement

The Board places great emphasis on the consideration of stakeholders in its thinking and decision-making. The various needs and views of our stakeholders are considered by colleagues and leaders throughout the business, and form part of the business updates presented to the Board.

Details of our key stakeholders and how we engage with them are set out in the following table.

	Why we focus on these stakeholders	What matters to them	How we engage and respond	How the Board has taken account of these interests
Colleagues	<p>Our people are key to the success of the Group and we want them to be successful individually and as a team. Our investment in our people protects and strengthens our culture. Our goal is to be the Employer of Choice in our industry. Through our Live Beautiful sustainability strategy, the Group aims to foster a sustainable workplace, creating a culture of empowerment in a commercially successful company. We will embrace diversity, inclusivity and opportunity underpinned by a strong focus on health, safety and wellbeing.</p>	<ul style="list-style-type: none"> • Health and wellbeing. An inclusive, diverse and respectful working environment • Fair and equitable pay and benefits • Open and transparent communication and being heard • Opportunities for personal and career development 	<p>The Board ensures its understanding of colleagues' interests through a variety of forums which include:</p> <ul style="list-style-type: none"> • engagement surveys • site visits • face-to-face briefings • newsletters • internal communities 	<p>The Board is updated regularly with what is important to our colleagues. There is regular review of health and safety and wellbeing programmes. During the year the Board has reviewed the reward, recognition, benefit and employee support programmes available to all employees as well as upholding the commitment to the Real Living Wage, and the all-employee bonus scheme, enabling all colleagues to share in the Company's success.</p> <p>A focused review of talent, succession planning and inclusivity programmes form part of the Board's meeting calendar.</p> <p>Read more about how we engage with our people in our Live Beautiful sustainability strategy.</p>
Customers and Clients	<p>Good relations with our customers are important for the success of our business.</p>	<ul style="list-style-type: none"> • Beautiful, good quality and sustainable products which have been ethically sourced • Excellent service and ease of buying • Employees and suppliers to be treated fairly 	<p>We have a diverse customer base across trade, interior design, contract and hospitality, as well as the homeowner spread across different geographies.</p> <p>Considerable time is spent analysing customer trends and reviewing customer feedback to understand their needs and how we can improve our customer service and new product development.</p>	<p>As part of regular monthly reporting, the Board is appraised of customer and social media engagement after feedback and information, as well as service level fulfilment statistical information to better understand the needs and wants of customers and improve the customer experience.</p> <p>The Board has continued with the programme of investment in IT systems and projects to improve the order process for customers and suppliers.</p> <p>The Board has reviewed continued cost-effective investment in digital marketing systems to enhance communication both internally and externally.</p> <p>Read more about how we engage with customers and product development within the CEO Report and our Live Beautiful sustainability strategy.</p>

Stakeholder Engagement continued

	Why we focus on these stakeholders	What matters to them	How we engage and respond	How the Board has taken account of these interests
Shareholders	<p>As owners of the Group, we recognise the importance of delivering value to our shareholders and their opinions are important to us.</p> <p>We aim to secure long-term sustainable growth and returns by delivering our strategy.</p>	<ul style="list-style-type: none"> • Robust operating and financial performance supported by a strong strategy • Sustainable income and capital growth • Progressive dividend policy • ESG performance 	<p>We maintain a regular dialogue with our shareholders and actively engage with them as part of our investor roadshows following our half year and full year results presentations.</p> <p>Communication methods include investor presentations, regulatory reports and market announcements.</p> <p>The AGM is an important opportunity for all shareholders to meet with the Board.</p> <p>The Company website has an Investors section giving access to business information, reports and presentations; there is also an enquiry mailbox facility.</p>	<p>Discussions with shareholders cover a wide range of topics including financial performance, strategy, outlook and governance.</p> <p>Shareholder feedback along with details of movements in our shareholder base are regularly reported to and discussed by the Board and their views are considered as part of decision-making.</p> <p>Our NOMAD has regular discussion and review with the Board and advises on wider market-related sentiment. Feedback received is considered by the Board where it impacts on strategy.</p> <p>Read more about how we engage with shareholders in our Corporate Governance Report.</p>
Suppliers	An excellent supply chain is key to our business and we look for genuine partnerships that provide a real point of difference.	<ul style="list-style-type: none"> • Ethical and fair dealings that protect human rights • Prompt and fair payments • Open communication and transparency 	<p>We aim to build strong long-term relationships with our key suppliers to develop mutually beneficial and lasting relationships.</p> <p>We work with our suppliers to monitor consumer trends and changing tastes allowing us to evolve and offer differentiated product offerings.</p>	<p>The Board recognises that relationships with suppliers are important to the Group's long-term success.</p> <p>Feedback from attendance at trade events forms part of the Board presentations as well as regular dialogue between our management team and those of our suppliers on increasing efficiency.</p> <p>Key areas of focus include product development and innovation, with focus on health and safety and sustainability.</p> <p>Read more about how we engage with our suppliers in our Live Beautiful sustainability strategy.</p>
Communities	We operate from a number of different sites and seek to be a good neighbour with the local communities and to build trust and understand the local issues that are important to them.	<ul style="list-style-type: none"> • Supporting community and charitable causes • Providing employment opportunities • Reducing the environmental impacts of our activities including carbon emissions, energy and water 	<p>We create opportunities to recruit and develop local people and help to support the local economy and look after the environment. Local charities and fund-raising are supported, often through product and time donations.</p>	<p>The Board recognises the importance of good community relations with both internal and external stakeholders as well as our wider social responsibilities.</p> <p>The impact of our operations from an environmental perspective, both locally and globally, is recognised e.g. capital expenditure projects focused on efficiency and reducing environmental emissions.</p> <p>Read more about how we engage with our local communities in our Live Beautiful sustainability strategy.</p>
Government and regulators	We wish to operate in an ethical way and in compliance with laws and regulations.	<ul style="list-style-type: none"> • Compliance with legislation • Acting fairly and ethically 	<p>The Group has professional advisers in terms of legal, tax and regulatory compliance and all Directors have access to independent advice.</p>	<p>The Board is updated on legal and regulatory developments and takes these into account when considering future actions.</p> <p>Key areas of focus for the Board are compliance with laws and regulations, health and safety and wellbeing of employees and users of our products.</p> <p>Read more about how we ensure compliance in our Live Beautiful sustainability strategy and in our Corporate Governance report.</p>

Section 172 Statement

On the discharge of Directors' duties

In compliance with the Companies Act 2006, the Board of Directors is required to act in accordance with a set of general duties. During the year ended 31 January 2024, the Board of Directors consider they have, individually and collectively, acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole, having regard to a number of broader matters including:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Board recognises the importance of building and maintaining relationships with its key stakeholders, and considering the external and internal impact of the Group's operations, in order to achieve long-term success.

Our Group comprises a number of business units, all of which have engagement with their own unique stakeholders as well as the other parts of the business that form the Group. The Group's governance delegation of authority framework allows local decision-making at business unit level up to defined limits and is monitored by the Board. This allows the individual business units to take account of the needs of their own stakeholders in their decision-making, whilst the Board routinely monitors and retains ultimate responsibility.

The Group Leadership Team ('GLT'), which comprises the leaders of each business unit, meets weekly and reports and presentations are made to the Board by the GLT regarding strategy, performance and key decisions taken.

In its consideration of decisions and actions to be taken in approval of business projects and the Group's strategy, the Board takes care to have regard to the likely consequences on all stakeholders of the decisions and actions they take. Where possible, decisions are carefully discussed with affected groups so as to ensure they are understood and supported, when actions are implemented.

The Board recognises the value of engaging with all of its stakeholders and building strong relationships with them, to understand what matters to them and their changing needs, which helps inform strategic decision making and ensures our long-term success.

More information about our key stakeholders and how we engage with them can be found on pages 25 and 26, Stakeholder Engagement.

Principal decisions taken during the year

Principal decision	Stakeholders	Commentary
Right-sizing the business	Colleagues Shareholders	During the year it was decided to undertake a restructure of the business, and realign the organisation to the conditions prevalent within the market in terms of technology and demand. Consideration was given to the impact on colleagues and the risks the business might face including loss of skills and disruption to production. It was agreed to pursue this to ensure the Company made the cost savings required in challenging market conditions, and support the standardisation of employee contracts across the business.
Capital investment	Customers Suppliers Colleagues Shareholders	The Board agreed to several capital investments through FY2024 to support the delivery of the Company's strategy, including Live Beautiful. This included the approval to purchase a Durst Alpha Pigment printing line, and support the increasing trend towards digital printing. A further capital investment related to the Product Information Management ('PIM') system, which will improve the governance and quality of data within the business, and reduce time to market.
Strategic plan	All	The Board approved the Company's new five-year Strategic Plan. Further information on the Strategy can be found within the CEO Review.

Delivering sustainability

It is now three years since we launched our Live Beautiful framework in April 2021. We have made great strides in all of the three pillars of People, Product and Planet. These are at the heart of our overall business strategy and continue to drive our focus on far more than our social responsibility. Our original medium-term plan was focused on the three-year horizon, so we now have an opportunity to review our progress and realign for the next three years.

At the core of our Live Beautiful strategy remains our desire to ensure we preserve our heritage and craftsmanship for future generations to enjoy. We remain true to our vision: “To lead the interiors industry in transforming the way we design, manufacture and distribute, enriching people’s lives to Live Beautiful”.



Our Live Beautiful framework



People

People are at the heart of our Group and a fundamental pillar of our Live Beautiful strategy.

This is unified around our values to be Intrepid, Imaginative and Respectful. Our employees drive our Live Beautiful strategy, from talented creative teams and highly skilled craftspeople to knowledgeable sales and office-based colleagues; all our people play an important role.

We are committed to being the employer of choice in our industry and being a Great Place To Work ('GPTW') for our colleagues in a commercially successful company. We have continued to deliver on our Empowering Our People agenda, with work focused on leadership, culture, engagement and ways of working. Our people represent our biggest asset, and so the ability of the Group to attract, develop and retain talent and build capability at the pace required is fundamental to the delivery of the Group's strategic objectives and is done through fostering a dynamic and inclusive culture where all employees feel engaged. As we look ahead, we remain committed to further empowering and equipping our leaders, strengthening capabilities and expanding our talent plans, simplifying how we work, and driving positive change and a more sustainable future across every part of our footprint.

We participated in the GPTW survey for the first time, achieving an excellent response rate of 77% and an overall business rating of 63%. The results were shared across the business leading to positive discussions and targeted actions at team and business level. This has included reviewing and updating our benefits offer, investing in new development opportunities for our line managers and introducing a range of new policies and guidelines which demonstrate our continued commitment to fostering an inclusive, people-centric culture. These have included Menopause, Fertility, Sabbatical and Health and Wellbeing policies. We have also taken the opportunity to improve our maternity and paternity policies and uncoupled pension membership from membership of the Group life assurance and Group income protection schemes, so all employees are covered with effect from their start date thus enabling us to better financially support our employees at this important time of their lives.



Live Beautiful continued

Engaging with our employees regularly is something we are committed to, and we have in place a broad range of ways we do this. During 2023, we continued to work hard to develop a culture of engaging and listening, where employees feel free to share their views, and can see their feedback acknowledged and acted upon. We share a weekly CEO newsletter to ensure all employees can keep up to date with what is happening across the whole business. Other activities such as monthly business briefing sessions and interactive Senior Leader calls were particularly appreciated, as were our Meet the Board and other Board engagement sessions. Senior leader, in person half year and full year results briefings across all sites have been positively received and provide an opportunity for employees to ask questions of the CEO and CFO particularly.

We strive to create a high-performance culture and an environment where people can do their best work. Over the last 12 months, we continued to focus on evolving strategies for recruiting and developing key talent within the business in a way which promotes our cultural values. We sought to build a diverse, open and inclusive culture where all perspectives are valued. Our ambition to foster an inclusive and diverse workforce that increasingly reflects the array of the markets in which we operate is key to creating a purpose-driven culture that ensures everyone feels a sense of belonging. This will continue to be a priority focus as we move into 2024.

Our focus on building our people's capability and improving employee experience has developed over the last 12 months. The second cohort of our Sanderson Futures Team (SFT) began our Leadership Development Programme built around our values in April. The programme runs over nine months and comprises 360° feedback, coaching and training on all aspects of leadership.

In addition to this, across the year, six employees successfully completed our Level 3 CMI-accredited leadership scheme and a further 12 people have now enrolled on this course. We also offer apprentice opportunities in our factories with one of our apprentices at our Anstey Wallpaper factory being awarded Apprentice of the Year by the British Coating Federation. Through these various schemes

we are supporting our employees to develop their skills and capability in operational and financial management leadership and project management.

Delivery of our Live Beautiful strategy relies on our ability to ensure our teams continue to be motivated and empowered. To facilitate this, we developed an internal Learning and Development programme designed for employees at all levels within the business. This programme comprised of two modules, prioritised to build capability identified as an opportunity through the GPTW survey. The modules, 'Developing Effective Communication' and 'Constructive Conversations', aimed to enhance skills in assertive and respectful communication, while fostering openness to diverse perspectives. So far 80 employees have completed this programme and this will continue into the year ahead.

Delivery of our strategy has also required us to review the capability and shape of our organisation. Over the last year we have invested in our US team, ensuring we are well-placed to deliver on our US First approach. We also completed the integration of the Clarke & Clarke brand into the wider business. This resulted in changes to our UK sales team structure, leading to a reduction in the size of the combined sales team with 14 people leaving the business through redundancy. Our priority was to ensure impacted colleagues were treated fairly and with respect through this change. Looking forward we will continue to review our organisational effectiveness to ensure we are structured in a way that supports us to realise our commercial ambitions.

We are also committed to supporting the people and communities touched by our operations and beyond. To support this, we have introduced a Volunteering Policy, providing our employees with three days of paid time off to contribute to a charity of their choice. Through our site-based Community Groups, we have participated in multiple fundraising events to support local initiatives that can positively impact as many people as possible, including a £3,000 medium grant successfully awarded to one of our local charity partners funded by RWHA. Our teams are committed to instigating change and enhancing efficiency across the organisation, aiming for a more sustainable future to safeguard both our people and the planet. Among the initiatives implemented are a Zero Waste Refill Station at our Loughborough site, policies promoting eco-friendly stationery use, adoption of sustainable packaging across our warehouse and factories, and the initiation of an internal competition to encourage employees to share their innovative ideas. We support QEST, the Queen Elizabeth Scholarship Trust, to promote excellence in British craft, offering scholarships where relevant and fundraising, including SDG runners in the Royal Parks Half Marathon, among other activities.

The Company is proud to support charities around the UK. Our nominated charity partners for 2023 included the Rainbows Hospice for Children and Young People, the Lancaster & District Homeless Action Service, The Henry Allen Trust supporting children with cancer, Anna Kennedy Online, campaigning to help people diagnosed with Autism and MacMillan Cancer Support. Food and toy banks were also stationed across sites throughout the holiday seasons to support The Trussell Trust and Salvation Army in UK and Friendship House in the USA. We have also provided several local open days to better understand our operation in collaborations with local schools and provided fabric and sample donations made by the Westhoughton, Lancaster and Loughborough teams to homeworkers, infirmaries, local schools and universities and homeless charities. The Company also generously donated the beautifully curated pergola from the Morris & Co. Garden at the Chelsea Flower Show to a hospice in Leicester.

We embrace diversity, inclusivity and opportunity underpinned by a strong focus on health, safety, and wellbeing. We are delighted to be certified to ISO45001 at Anstey Wallpaper Company. We have also improved our independent external audit performance at all our other sites. In addition, we have 38 employees who have been trained as qualified Mental Health First Aiders to be proactive in providing colleagues with an outlet to support their mental health and welfare. We have held several wellbeing days with activities such as wreath making, colouring and walking offered, as well as running yoga sessions at some of our sites. There is a great opportunity to further develop this work in the year ahead. Designs in Mind, a social enterprise with whom we partnered for our Scion capsule collection in 2022, also hosted a series of creative workshops across our sites in 2023 aimed to encourage adults living with mental health challenges to work on ambitious and experimental art projects together.

Our Executive Committee ensures a competitive total reward offering, both financial and non-financial, to retain our people and attract new hires. During the year the team benefited from our continued commitment to being a Real Living Wage employer.

Reimagining the product lifecycle

In this pillar of our sustainability strategy, we are re-examining and reimagining the entire lifecycle of our products, from the sourcing of raw materials through how products are manufactured on to the process of sales and distribution. The overriding objective is to minimise environmental impact, which will in turn protect and preserve the heritage of our brands and the legacy of craftsmanship in our design and manufacturing. Here are some examples.

- Our in-house wallcovering printer, Anstey Wallpaper Company, has eco non-woven substrate available which uses 100% recycled PET.
- Our in-house fabric printer, Standfast & Barracks, continues its collaboration with the SEAQUAL Initiative to create recycled fabric bases for our printed fabric products that contain yarns made from up-cycled marine plastic.
- We continue to use the Ecofast™ pigment-based printing system, at both our manufacturing sites, significantly reducing water consumption.

- At our warehouses we've focused on product packaging, with 15% reduction in plastic and 12% for cardboard and fabric bags moved from plastic to 100% recycled/100% recyclable. Packing tape and document enclosed moved from plastic to paper, pattern book plastic bags now removed and pallet wrap is now made from 50% recycled material.
- Harlequin is striving to make more environmental choices, and where possible replace any virgin Polyester in fabrics with recycled Polyester. For example, in 'Eco Takara' – we have taken one of our bestselling fabrics and replaced the Polyester in it with Recycled Polyester.
- We are working with suppliers that purchase BC (Better Cotton). BC promotes improvements for the environment, farming communities and the economies of cotton-producing areas.
- In 2023 we launched the Clarke & Clarke eco bedding, throws and curtains (Recycled Cottons/Recycled Polyesters). All packaging fully recyclable – no Plastic (as the ready-mades have been for two years now).
- The C&C pattern books – contain no plastic/use water-based glues/if broken down have components that can all be recycled (apart from the fabrics).
- We have reduced our carbon footprint by just under 2,000 tCO₂ equivalent (FY2023 v FY2020) by moving the majority of our continental European shipments from air to land freight.

A key part of Live Beautiful is to preserve our craftsmanship and heritage.

Preserving craftsmanship through printing techniques:



Block Printing Excellence

A highly skilled craft that produces authentic texture and imparts a handmade feel, achieving a truly special finished look.



Traditional Flatbed Printing

Utilising a time-honoured method, designs are applied to fabric through flat screens, allowing for up to 24 colours on one design using many screens. Each screen contributes a different colour to the fabric.



Modern Long Table Printing

A contemporary take on silk screen style introduced in the 1940s. This table-top process explores a variety of substrates and specialist laminates, employing opaque, metallic, and pearl inks for a dynamic range of printing possibilities.

Committing to net carbon zero

We have been working closely with Planet Mark, and its ZeroBy30 programme, to enable us to become net carbon zero by 2030, an ambitious target and one of the flagship commitments in our sustainability strategy. We have made significant developments against our roadmap to move to a carbon neutral manufacturing process.

We are delighted to have been awarded our Planet Mark Year 6 certification earlier this year, achieving a further 10.4% absolute carbon reduction. This is for the financial year ending 31 January 2024 and means that we have achieved continued reduction in our carbon emissions over the last six years, since we started working with Planet Mark in 2018. We continue to make significant strides reducing our carbon emissions, as we progress along our road map to be net carbon zero by 2030.

We have re-examined our ways of working and delivered significant changes over the last year to reduce our carbon emissions within Scope 1 and Scope 2.

At Anstey Wallpaper Company we have continued to invest in the latest printing technology. Our newest addition to our digital printing offering is a Durst Alpha 190 wallpaper printing line. This has many environmental benefits. The ink system is water-based and certified to the Global Organic Textile Standard and OekoTex Standard 100. The line uses no gas, with all our electricity certified as renewable, further supporting our reduction in carbon emissions. With a far shorter run length, there are significant opportunities to reduce waste with reduced colour adjustments and set-up waste, as well as shorter print runs.

By reducing our carbon footprint, we are addressing nine of the United Nations' Sustainable Development Goals. The UN SDGs reflect an understanding that sustainable development everywhere must integrate economic growth, social well-being and environmental protection.



This technology is similar to our Ecofast™ print process at Standfast & Barracks. This provides our customers with the opportunity to utilise the latest pigment digital printing technology.

Ecofast™ uses high-definition Durst Pigment Inks to print 'multi-colour' performance fabrics suitable for indoor and outdoor use and is OEKO-TEX® Certified for all cotton-based fabrics. The water and energy consumption of Ecofast™ compared with Conventional and Digital Reactive printing is vastly reduced, benefitting the environment on a local and global scale.

We have not stopped there at Standfast & Barracks. We have invested in the latest continuous steaming solutions to reduce energy consumption within the finishing processes, including the use of a new sampling mini steamer for colour adjustments. We have also realigned our work practices and patterns to ensure the most efficient use of steam during the working week, reducing gas consumption by approximately 20%.

At all of our sites we have energy champions, promoting energy-saving initiatives. This has included installing LED lighting throughout our sites in Lancaster and Loughborough and one of our warehouses in Milton Keynes. Within manufacturing we continue to look for incremental improvements such as air or steam leak audits, further changes to work patterns and future investment in new equipment and refurbishment of our current assets.

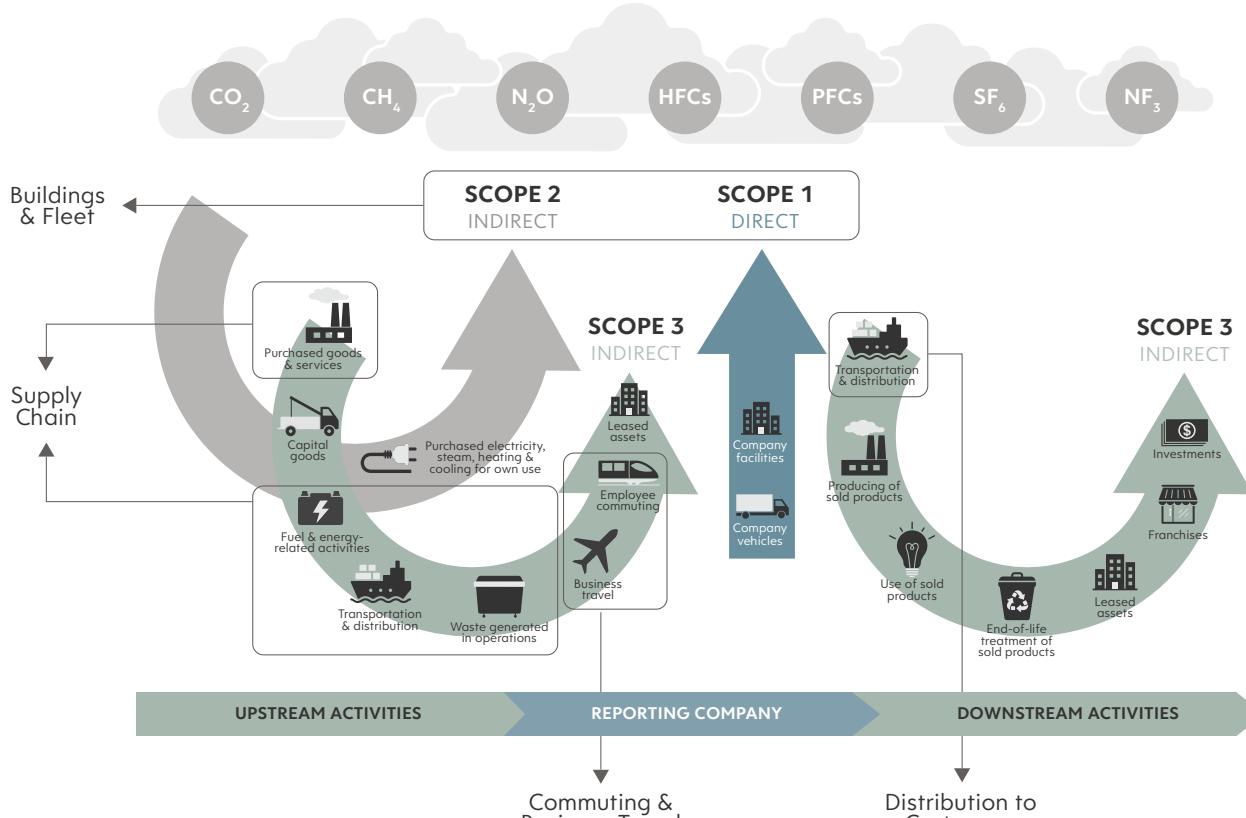


Greenhouse Gas Emission and Energy Consumption Reporting

Planet Mark's ZeroBy30 programme requires organisations to commit to a rigorous and transparent definition of net zero carbon, which is aligned to the net zero requirements set out by the UN Race to Zero and Science Based Targets initiative ('SBTi'):

- Direct greenhouse gas emissions from owned or controlled resources and electricity (Scope 1 & 2) emissions have a target of zero.
- Indirect emissions (Scope 3) must be reduced by at least 50% by 2030 against the baseline year and must continue to be reduced after 2030 by at least 90% against the baseline by 2050.
- Residual carbon remaining at the net zero target date must be balanced by carbon removal schemes (note that these differ from carbon offsets, which avoid or mitigate carbon).

The carbon reduction forecast/target trajectory each year to FY2031 has been modelled and provides annual targets for each element of the roadmap, together with the estimated financial impact where applicable. The financial forecast is a 'worst case scenario' based on current pricing and technology. Costs, especially capital investments, may reduce as the marketplace evolves and technology matures. Impact of business growth has been factored into the carbon forecast for Supply Chain and Distribution to Customers, where a direct impact on carbon is anticipated.



SECR METHODOLOGY

We have reported our GHG emissions and energy consumption in accordance with the Companies and Limited Liability Partnership Regulations. To calculate our emissions, we have followed the GHG Protocol Corporate Accounting and Reporting Standard and the emissions factors.

Our Scope 1 emissions were calculated through monthly meter readings and invoice data for stationary emissions and mileage data for mobile emissions. Company vehicle emissions are based on the size, fuel type and annual mileage of each company car during the year.

Our Scope 2 emissions were calculated through monthly meter readings and invoice data, showing market-based emission factors to reflect the change in electricity supply to 100% renewable sourced. We have also calculated our intensity metric both as location and market based.

Our Scope 3 emissions data is business travel in private cars, calculated from refunded business mileage, and emissions from UK Electricity Transmission and Distribution. An average CV and CO₂e factor have been applied to the refunded business mileage as individual private vehicle details have not been provided.

The Group has reported on greenhouse gas emissions in line with the UK Government's Environmental Reporting Guidelines, including Streamlined Energy and Carbon Reporting ('SECR') guidance.

The Group's UK energy usage is expressed as an annual quantity of emissions in tonnes of carbon dioxide equivalent ('CO₂e'). The amounts disclosed under SECR relate to the total UK energy use from electricity, gas and from transport where fuel is purchased directly by the Company.

The table on the next page shows the energy and GHG emissions from business activities involving the combustion of gas and fuels, the purchase of electricity, and business mileage.

Greenhouse Gas Emission and Energy Consumption Reporting continued

We are delighted that the initiatives we have put in place over the last three years to reduce our carbon footprint has resulted in a 38% reduction in location based CO₂ equivalent emissions since 2019.

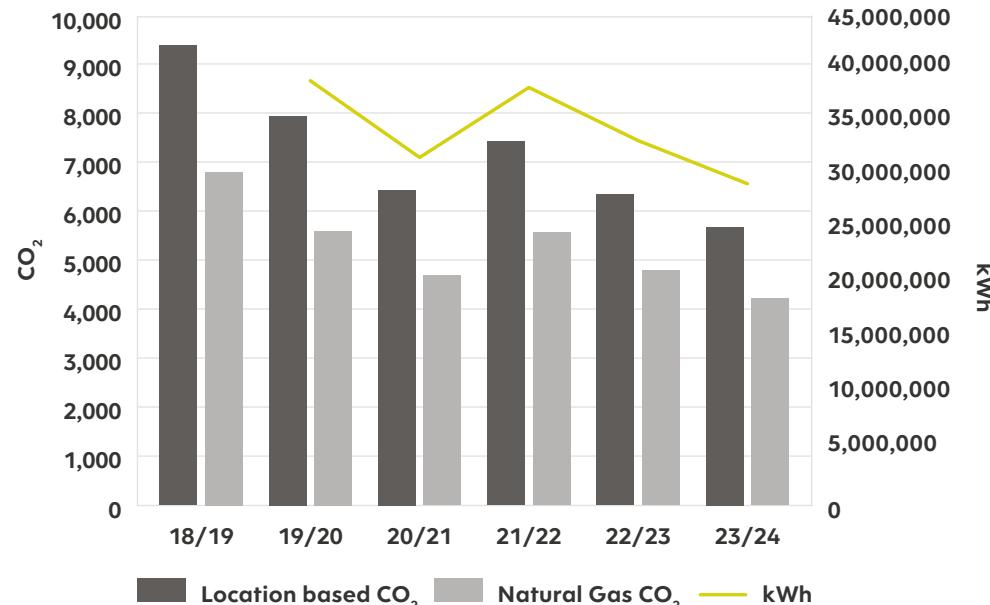
Tonnes CO ₂ e Greenhouse Gas Emissions ¹	FY2024	FY2023
Scope 1	4,336.5	4,906.8
Scope 2	Location based ² 1,223.0	1,282.1
	Market based ³ 0.0	31.7
Scope 3	26.6	179.6
Total Greenhouse Gas Emissions	Location based ² 5,707.2	6,368.5
	Market based ³ 4,484.3	5,118.1
Carbon intensity (per £1m Revenue)	Location based ² 51.0	56.9
	Market based ³ 40.0	45.7
Total Energy Use kWh	29,659,629	33,636,491

1 Data is presented on a like-for-like basis following scope reclassifications during the year.

2 Location based method is based on average energy generation emission factors for defined locations.

3 Market based method is based on GHG emissions emitted by the generators from which the organisation contractually purchases electricity.

Location based CO₂ emissions and kWh consumption



We have selected a carbon intensity metric based on the energy consumption per tonnes of CO₂e per £1m of revenue. We will use this ratio to monitor our energy efficiency performance over time.

Our total energy use, greenhouse gas emissions and intensity ratio calculations have been independently calculated by Planet Mark using activity data collected by us.

Energy efficiency actions taken

Progress against our ZeroBy30 ambition has been underpinned by:

Anstey:

- Increase in digital printing
- Change to LED lighting
- Introducing new, aligned production plan to run steam equipment concurrently
- Upgrade to key equipment to reduce gas consumption
- Energy-saving initiatives including energy champions

Standfast:

- Increase in digital printing
- Change to LED lighting
- Continued focus on working patterns to minimise energy consumption from boiler usage and electricity
- Energy-saving initiatives including energy champions

Sanderson Design Group:

- Switch to renewable energy, validated by Planet Mark
- Change to LED lighting in one of our warehouses
- Move to hybrid or fully electric company cars
- Significant reduction in short haul air express despatch
- Significant reduction on inbound air freight

Climate-related Financial Disclosure Regulations

Introduction

We have aligned our climate-related financial disclosures to the Climate-related Financial Disclosure Regulations 2022 (SI 2022/31). This report describes the work that was carried out in FY2024 to identify, assess, and manage the climate-related risks and opportunities that are relevant and material to the business. As this is the first year that we have reported climate-related financial disclosures, this report also includes details on the approach of the assessment as well as the next steps that the Group can take.

Governance

Governance structure for climate-related issues
The Board has oversight of climate-related issues and is supported by the Group Operations Director, whose role is to keep the Board informed of all relevant climate-related issues and any necessary actions that need to be taken, and approved by the Board if necessary, on a quarterly basis as a standard agenda item.

With the support of the newly appointed Sustainability Co-ordinator, the Group Operations Director is responsible for delivering the Group's Live Beautiful framework. Reducing our environmental impact is a core pillar in the framework, as is addressing all climate change-related issues that impact our business. Both the CEO and CFO are ultimately responsible, with oversight by the Non-executive Directors, for driving the Live Beautiful sustainability strategy.

The Executive Directors' annual bonus is directly linked to at least one of our ESG objectives and achieving annual Planet Mark Business Certification is part of this. These incentives were established to drive the sustainability agenda forward and ensure we achieve our ZeroBy30 ambition.

Management's role

In line with our Live Beautiful framework, we strive to embed sustainable practices into our business model and are working towards achieving net zero by 2030. This entails reducing direct emissions from Scope 1 and 2 to zero and indirect emissions from Scope 3 to 50%. After 2030, we will continue reducing our indirect emissions to 90% from baseline by 2050.

It is the responsibility of the Group Operations Director to manage climate-related issues and performance, as well as the development and implementation of our sustainability strategy. During the course of the climate-related assessment, our business functions were consulted to ensure their views were suitably reflected. We also engage with government bodies and trade bodies to identify existing and emerging regulatory requirements related to climate change as part of a broader horizon scanning exercise.

An example of one of the measures that have been implemented to address climate-related risks is our recent engagement with existing suppliers to identify carbon hotspots within the value chain, with the objective of helping suppliers reduce their own operational emissions and increase resilience to climate-related risks.

Strategy

Climate scenario analysis process

We are committing to complete a Group-wide assessment of climate-related risks and opportunities. Climate scenario analysis is being carried out in two phases:

- Phase 1 in Financial Year End 2024 (1 February 2023 – 31 January 2024): Qualitative risks and opportunities**
We completed the first phase of this analysis by carrying out a qualitative assessment of identified climate-related risks and opportunities across climate scenarios, which scores and ranks the most material climate-related risks and opportunities and how these would affect our business.
- Phase 2 in Financial Year End 2025 (1 February 2024 – 31 January 2025): Quantification of financial impact from material risks and opportunities, development of governance structure, and risk management integration**
In FY2025, we will continue with climate scenario analysis by estimating the potential financial impacts of a selection of material risks and opportunities. Outcomes will be incorporated in financial planning to help inform our business strategy. We will also look to develop our governance structure and risk management process to embed climate-related impacts.



Climate-related Financial Disclosure Regulations continued

Identified risks and opportunities

To be able to identify the relevant climate-related risks and opportunities to the business and their potential impacts, we have conducted peer benchmarking, desk-based research and stakeholder interviews. A list that identified the most material risks and opportunities was produced as well as better information on how climate-related impacts affect our operations and value chain. The tables on pages 37 to 41 set out the priority risks and opportunities.

Risk and opportunity assessment

The identified risks and opportunities were scored and ranked using three assessment criteria: vulnerability (combination of exposure, adaptive capacity and sensitivity), magnitude and likelihood across climate scenarios and time horizons.

Each risk and opportunity were assessed over different time horizons:

- **Short-term:** 1 to 3 years (2024 to 2026), aligns with business risk and finance strategy in dealing with the most immediate events that might impact our business.
- **Medium-term:** 4 to 7 years (2027 to 2030), aligns with our ZeroBy30 initiative of achieving net zero by 2030 and developing long-term business resilience through our Live Beautiful framework.
- **Long-term:** 8 to 19 years (2031 to 2050), aligns with UK net zero targets to decarbonise the UK economy by 2050, anticipating any long-term effects of climate change. It aligns with the long-term Science Based Targets initiative (SBTi) Corporate Net Zero Standard's target of a 90% reduction of Scope 3 emissions by 2050 if that is not achieved by our ZeroBy30 programme.

A range of scenarios were selected to understand the potential impact of climate change under uncertain future outcomes. We have used three different scenarios, namely the Orderly, Disorderly and Hot House scenarios, to ensure that understanding of all different outcomes of climate change are considered.

For transition risks, we have utilised climate scenarios published by the Network for Greening the Financial System ('NGFS'), an open-source platform containing a variety of climate indicators including projections on energy demand, commodities prices etc. Looking at physical risks, we utilised climate projections from the IPCC WGI Interactive Atlas. The database outlines regional information on climate variations including precipitation, snowfall, wind, and temperature. The most recent climate model CMIP6 has the latest climate change projections available, allowing for an assessment over several shared socio-economic pathways (SSP1-2.6, SSP2-4.5 and SSP5-8.5).

	Orderly Transition	Disorderly Transition	Hot House World
Approx. temperature increase by 2100	1.4° – 1.8°C	1.6° – 2.7°C	2.6° – 4.4°C
Scenario narrative	Decisive global policy action is taken to limit global warming from early 2020s.	Policy measures are delayed until late 2020s/ early 2030s.	No new policies are introduced leading to increasing physical impacts.
Scenario sources	<ul style="list-style-type: none"> • NGFS Orderly (net zero 2050) transition • REMIND-MAgPIE Net Zero scenario • IPPC's SSP1-2.6 	<ul style="list-style-type: none"> • NGFS Disorderly (delayed) transition • REMIND-MAgPIE Delayed Action scenario • IPPC's SSP2-4.5 	<ul style="list-style-type: none"> • NGFS Hot House World (current policies) • REMIND-MAgPIE Current Policy scenario • IPPC's SSP5-8.5

Impact assessment of risks and opportunities

A qualitative assessment was conducted, where risks were prioritised on their overall risk score across all three scenarios and time horizons; the assessment was validated by the Group Operations Director. In the table below, are the risks and opportunities identified as the most material to the Group and corresponding opportunities and mitigation actions.

Overall, we are not exposed to any material climate change risks in the defined time frames and climate scenarios. As we are already taking action to achieve our ZeroBy30 programme through the Live Beautiful programme, the identified risks are perceived to have lower impact as decarbonisation measures and a supply chain engagement programme are already in place.

As society transitions to a low-carbon economy, customer preferences will shift towards sustainable products from organisations that actively address climate change matters. We are well positioned to expand our branding as a sustainable organisation, leveraging existing brands within our portfolio which have embraced sustainable practices.

Our actions strongly depend on the development of low-carbon technologies to achieve our ZeroBy30 programme, which has been identified as being the most significant matter for us to closely monitor.

Climate-related Financial Disclosure Regulations continued

Transition Risks

Market Risks – Declining sales

Declining sales due to shifting customer sentiment towards more environmentally friendly products reduces revenues. Failure to attract new clients who have higher environmental concerns and retain existing customers who become increasingly aware of climate change impacts. Consumers are becoming more environmentally conscious and making purchases based on product's environmental footprint, usage of sustainably sourced materials, animal welfare testing, etc.

	SHORT	MEDIUM	LONG
Orderly	●	●	●
Disorderly	●	●	●
Hot House	●	●	●

Scoring rationale: This risk is considered to have a very low to low impact to the business over the short and medium term, as customer sentiment is not likely to change overwhelmingly over the period of time. However, a higher score is attained when considering longer time frames, especially under the Orderly scenario, as more increased efforts to mitigate the acceleration of climate change and global warming are introduced.

Management actions:

1. Leverage existing brand portfolio with sustainable practices and expand to the wider Sanderson Design Group.

Linked opportunities: Access to new markets by increasing product portfolio of environmentally friendly products. By accessing new markets, we will be able to generate revenue from new stream of products.

Market Risks – Increased cost of carbon removal projects

Increased price of carbon removal projects as more organisations sign up for net zero. We have communicated publicly the intention of using carbon removal projects after we have achieved our net zero target. As time moves forward, carbon removal projects will become increasingly popular, increasing in price as demand increases. We need to account for investment in such projects in our annual budgets as investment in carbon removal projects will become more expensive as demand for it increases.

	SHORT	MEDIUM	LONG
Orderly	●	●	●
Disorderly	●	●	●
Hot House	●	●	●

Scoring rationale: Although increased demand of carbon removal projects is expected under an Orderly and Disorderly scenario, our ambitious ZeroBy30 programme ensures we start investing early in carbon removal projects, anticipating any price surges due to demand.

Management actions:

1. Support the development of effective carbon removal projects by investing at the right time when demand is still relatively low. Prepare an appropriate residual emissions strategy forecasting the budget needed for investment.

Linked opportunities: Increased reputational recognition by supporting reputable removal projects which are a crucial part of reducing society's global footprint by capturing carbon dioxide from the atmosphere.

MAGNITUDE OF IMPACT SCORE NUMBER

Very high impact	81 – 100
High impact	61 – 80
Moderate impact	41 – 60
Low impact	21 – 40
Very low impact	1 – 20

Climate-related Financial Disclosure Regulations continued

Transition Risks continued

Market Risks – Suitably skilled personnel				Technology Risks – Low-carbon technologies not being developed			
	SHORT	MEDIUM	LONG		SHORT	MEDIUM	LONG
Orderly	●	●	●	Orderly	●	●	●
Disorderly	●	●	●	Disorderly	●	●	●
Hot House	●	●	●	Hot House	●	●	●
Scoring rationale:	Under an Orderly and Disorderly scenario, increased demand for employees with relevant low-carbon knowledge and skills will increase. We have already set out the ambition to be the employer of choice within the industry, which would mitigate any issues with hiring personnel required to implement low-carbon technologies.						
Management actions:	<ol style="list-style-type: none"> 1. Develop a comprehensive plan of necessary labour skills and effective recruitment strategy, liaising with recruitment agencies specialised in the manufacturing industry. 2. Develop an upskilling programme for the existing workforce. 						
Linked opportunities:	Link with Live Beautiful framework of being the employer of choice within the industry, being able to attract the best talent.						
MAGNITUDE OF IMPACT	SCORE NUMBER						
Very high impact	81 – 100						
High impact	61 – 80						
Moderate impact	41 – 60						
Low impact	21 – 40						
Very low impact	1 – 20						

MAGNITUDE OF IMPACT	SCORE NUMBER
Very high impact	81 – 100
High impact	61 – 80
Moderate impact	41 – 60
Low impact	21 – 40
Very low impact	1 – 20

Climate-related Financial Disclosure Regulations continued

Transition Risks continued

Market Risks – Suitably skilled personnel

The Group needs to hire the right personnel with the necessary skills to assist in the implementation of low-carbon technologies within our operations. Technology upgrades will require expert employees to deal with low-carbon manufacturing processes. If the right personnel is not hired, we may not achieve our target product manufacturing.

	SHORT	MEDIUM	LONG
Orderly	●	●	●
Disorderly	●	●	●
Hot House	●	●	●

Scoring rationale: Under an Orderly and Disorderly scenario, increased demand for employees with relevant low-carbon knowledge and skills will increase. We have already set out the ambition to be the employer of choice within the industry, which would mitigate any issues with hiring personnel required to implement low-carbon technologies.

Management actions:

1. Develop a comprehensive plan of necessary labour skills and effective recruitment strategy, liaising with recruitment agencies specialised in the manufacturing industry.
2. Develop an upskilling programme for the existing workforce.

Linked opportunities: Link with Live Beautiful framework of being the employer of choice within the industry, being able to attract the best talent.

Policy and Legal Risks – Increased regulation on waste disposal

Increased operating costs through increased regulation on waste disposal and materials used such as plastics. As society transitions to a low-carbon economy, to tackle emissions from all industries, governments may push for stricter legislation imposing directives on waste disposal practices and plastic use.

	SHORT	MEDIUM	LONG
Orderly	●	●	●
Disorderly	●	●	●
Hot House	●	●	●

Scoring rationale: Regulation over waste disposal and materials used is expected to increase significantly under the medium to longer term on the Orderly scenario, and exponentially in late 2020s/ early 2030s on a Disorderly scenario. Our existing policies and continuous engagement with regulatory bodies mitigate exposure of unexpected regulation, hence this risk, whilst important, is perceived as very low impact to the business.

Management actions:

1. ZeroBy30 programme ensures we are well positioned to mitigate exposure to any future legislation surrounding waste disposal and plastics usage. We are already addressing our waste disposal methods and keep engaging with suppliers to reduce the amount of waste in packaging.

Linked opportunities: Reduce exposure to future environmental legislation by reducing waste and increasing sustainable packaging in supply chain. Simultaneously, this increases brand perception by developing sustainable practices within the business.

MAGNITUDE OF IMPACT SCORE NUMBER

Very high impact	81 – 100
High impact	61 – 80
Moderate impact	41 – 60
Low impact	21 – 40
Very low impact	1 – 20

Climate-related Financial Disclosure Regulations continued

Transition Risks continued

Policy and Legal Risks – Introduction of carbon taxes

Carbon taxes in the consumer goods industry could lead to an increase in supplier prices as they pass down the increased production costs. There is also a possibility of existing carbon taxes being extended to other imported materials. As society transitions to a low-carbon economy, to tackle emissions from all industries, governments may push for stricter legislation imposing carbon taxes.

	SHORT	MEDIUM	LONG
Orderly	●	●	●
Disorderly	●	●	●
Hot House	●	●	●

Scoring rationale: Introduction of carbon taxes has increased probability under the Orderly scenario, as society increases efforts to tackle global warming. We are well positioned to mitigate the impact of carbon taxes due to the early action of achieving net zero, reducing our carbon footprint.

Management actions:

1. ZeroBy30 programme ensures we are well positioned to mitigate exposure to any future carbon taxes. We do not operate in an emissions-heavy industry hence likelihood of carbon tax affecting us is not high.

Linked opportunities: Reduce exposure to future environmental legislation by reducing waste and increasing sustainable packaging in supply chain. Simultaneously, increases brand perception by developing sustainable practices within the business.

MAGNITUDE OF IMPACT SCORE NUMBER

Very high impact	81 – 100
High impact	61 – 80
Moderate impact	41 – 60
Low impact	21 – 40
Very low impact	1 – 20

Physical Risks

Physical Risks – Impact of temperature variability on supply chain

Temperature variability and its impact on crop yield such as cotton. Cotton is highly sensitive to temperature variation and precipitation, which could lead to less availability and increase in commodity price.

	SHORT	MEDIUM	LONG
Orderly	●	●	●
Disorderly	●	●	●
Hot House	●	●	●

Scoring rationale: Increased effects of climate change and strain on supply chain has increased probability under the Hot House scenario with increased global temperatures and frequency and magnitude of extreme weather events. We have a geographically dispersed supply chain, mitigating the risk exposure of supply chain issues.

Management actions:

1. Diversifying supply base to different geographies ensures the resilience of the supply chain.
2. Supplier engagement programme to develop local mitigation actions to increase the resilience of existing suppliers.

Linked opportunities: Increase the resilience of the supply chain, ensuring the continuous supply of raw materials needed in producing existing products.

Physical Risks – Impact of climate change

Increased severity of extreme weather events such as cyclones and floods. Flooding events are likely to become more frequent in locations close to water streams and coastal regions, as well as areas where extreme rainfall events occur. Particularly relevant to those locations that lie next to a river.

	SHORT	MEDIUM	LONG
Orderly	●	●	●
Disorderly	●	●	●
Hot House	●	●	●

Scoring rationale: Potential disruption to our operations such as manufacturing plants and warehouses located close to rivers. Under the Hot House scenario, such events have higher likelihood and magnitude impact. We have made significant investments in flood defence systems, mitigating impact of such events.

Management actions:

1. Undertake a location-specific assessment of asset exposure to understand river level rise in the area and if further investment in flood defence systems is required.
2. Revision of asset leases and relocate assets if the risk is considerable, which may cause asset impairment.

Linked opportunities: Develop supply chain resilience to extreme weather events that may disrupt business operations.

Climate-related Financial Disclosure Regulations continued

Physical Risks continued

Physical Risks – Disruption to the supply chain

Increased severity of extreme weather events such as cyclones and floods. Business disruption and loss of revenue following damage to distribution and procurement network. As the frequency and intensity of weather disruption increases, transportation of goods is disrupted, with delays in shipping.

	SHORT	MEDIUM	LONG
Orderly	●	●	●
Disorderly	●	●	●
Hot House	●	●	●

Scoring rationale: Increased effects of climate change and strain on supply chain has increased probability under the Hot House scenario with increased global temperatures and frequency and magnitude of extreme weather events. We have a geographically dispersed supply chain, mitigating the risk exposure of supply chain issues.

Management actions:

1. Diversifying the supply base and having less geographically concentrated suppliers.
2. Engage with existing suppliers to develop an understanding of climate change impacts and local mitigation opportunities.

Linked opportunities: Develop supply chain resilience to extreme weather events that may disrupt business operations.

Climate resilience

We are committed to embedding sustainable practices in our value chain and operations, and to delivering on our commitment of ZeroBy30. Reducing our environmental impact is already embedded into our Live Beautiful framework.

We are a leading manufacturer of printed fabric and wall-covering products in the interiors industry. One of the biggest considerations we have to make is allocating investment to low-carbon technologies, reducing the operational footprint of the business, and engaging with suppliers to understand their value chain emissions hotspots. These projects support the low-carbon transition and will help us to achieve our ambitious 2030 net zero target.

Whilst the likelihood of severe weather events disrupting business operations is low, the magnitude of impact would be high.

We will therefore need to consider the level of exposure to climate change impacts and apply mitigation strategies. We have already invested significantly in flood-defence systems. By investing in low-carbon technology, such as digital printing, we will be able to reduce water and energy consumption and thus reduce the environmental impact of our operations.

Furthermore, we are investigating innovative technologies to find alternative energy sources to gas steamers; this includes hydrogen steamers which will contribute to reducing our operational carbon footprint. We also demonstrate business resilience by having a dispersed supplier base, which results in minimal business disruption in the event of a supplier being unable to deliver the necessary raw materials.

To develop climate resilience, our organisational strategy is informed by the Live Beautiful framework, of which a core pillar is 'Planet'. To contribute to climate resilience, we have identified the following key actions to take:

- Reduce energy consumption within the business
- Switch to renewable energy sources
- Enhance biodiversity through sites
- Enhance biodiversity through the supply chain

Risk management

We had already incorporated environmental legislation in our principal risk register as part of wider industry monitoring. We are reporting our climate-related financial disclosures aligned to the Climate-related Financial Disclosure Regulations 2022, as it is a useful tool to guide our understanding of climate change and further identify areas of risk and opportunity that we had not previously considered. This assessment was carried out in FY2024 and the results were presented to the Board and senior management with detailed indicators of climate-related risks and the drivers. Looking ahead, we will use the results of this assessment to inform a review of measures necessary to mitigate exposure and capitalise on climate-related opportunities.

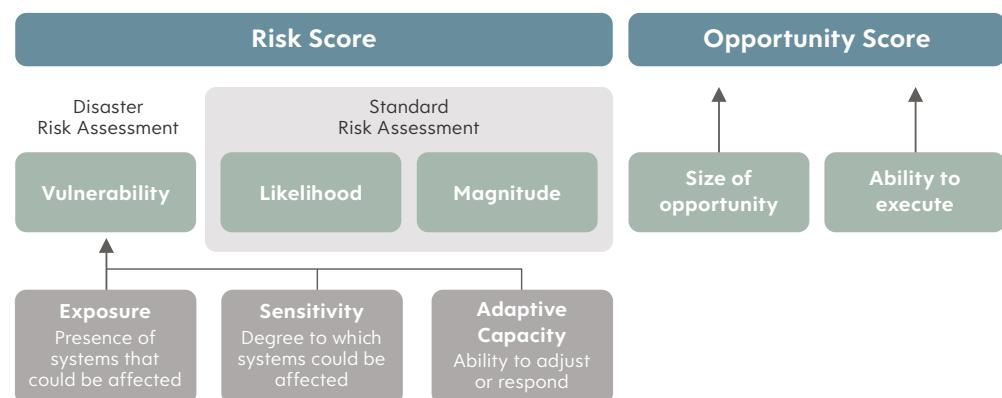
Risks and opportunities identification process
Initially, we held internal interviews to understand how climate change risks and opportunities may affect different functions across the

business. Interviews were held with relevant employee teams such as Finance, Purchasing, Sales, Risk Management and Operations teams. Stakeholder engagement was complemented by peer benchmarking and desk-based research and looked at climate-related events and policy developments, such as the introduction of carbon taxes in the interiors industry and waste regulation.

Identified risks and opportunities were qualitatively assessed, scored, and ranked to develop an understanding of their relevance and potential impact on the business. List of risks and opportunities and results of scoring can be found above on pages 37 to 41.

Risks were scored against three main criteria: vulnerability (consideration of exposure, adaptive capacity, and sensitivity), likelihood and magnitude of impact. Opportunities have been scored against two main criteria: the size of the opportunity and if we have the ability to execute this opportunity, taking into account associated costs and its strategic alignment. Each risk and opportunity is assessed over the climate scenarios and time horizons defined previously (see page 36).

Risks and opportunities have been validated by the Group Operations Director, who reports back to the Board.



Climate-related Financial Disclosure Regulations continued

Risk controls

The Risk Manager works closely with the Group Operations Director to identify and assess any climate-related risks. If risks have been identified as having a material impact on the business, the Group Operations Director is assigned as the risk owner and mitigation methods are put in place. We will look to integrate the results of the assessment and identified risks to our risk register in FY2025. The enterprise risk management will appropriately consider the mitigation actions in place against each risk.

Risk integration

Group-level risks are assessed and reviewed on an annual basis with all relevant risk owners. We currently only include Group-wide risks that may impact the business in the short to medium term. Climate change impacts are considered on a longer-term basis, hence why they have not been included in the current enterprise risk management. We will continue to expand our work on integrating the results of this assessment in FY2025.

Metrics and targets

We monitor our performance across absolute and intensity environmental indicators, keeping the business informed and accountable for our environmental performance and ambitions. We measure our operational carbon footprint (Scope 1 and 2 greenhouse gas ('GHG') emissions) and relevant Scope 3 GHG emissions; Planet Mark's measurement methodology is aligned to the GHG Protocol.

We are committed to achieving net zero by 2030.

Our direct and electricity (Scope 1 & 2) emissions have a target of zero and our indirect emissions (Scope 3) must be reduced by at least 50% by 2030 against the baseline year and must continue to be reduced after 2030 by at least 90% against the baseline by 2050. To ensure we achieve our net zero ambition, one of the three compensation criteria relates to an environmental, social and governance ('ESG') target. As an example, in the latest award granted in June 2023, one of the ESG targets was retaining Planet Mark certification and making progress on the roadmap to ZeroBy30 pledge.

Achieving net zero by 2050 is in line with the net zero requirements set out by the UN-backed Race to Zero campaign and the Science Based Targets initiative (SBTi). We will take efforts even further by investing in carbon removal schemes to abate any unavoidable residual emissions.

Furthermore, we are considering other climate-related metrics linked to the identified risks and opportunities, which will be incorporated in the next assessment in FY2025.

Cross-industry metrics

We have disclosed our KPIs to track our environmental performance, however, it is important to also consider cross-industry metrics.

Metric category	Alignment and rationale
GHG emissions: Absolute Scope 1, 2 and 3 emissions; emissions intensity	Scope 1, 2 and 3 tonnes of CO ₂ e, tonnes of CO ₂ e of energy consumption per £1m revenue. We have been reporting our GHG emissions since 2019.
Transition risks: Amount and extent of assets or business activities vulnerable to transition risks	We will look to set metrics and risk management indicators to measure and monitor the extent to which our material transition risks impact the business, and will monitor the necessary management actions.
Physical risks: Amount and extent of assets of business activities vulnerable to physical risks	We will look to set metrics and risk management indicators to measure and monitor the extent to which our material physical risks impact the business, and will monitor the necessary management actions.
Climate-related opportunities: Proportion of revenue, assets, or other business activities aligned with climate-related opportunities	We will further consider appropriate metrics to measure and monitor the development of opportunities which align to our business strategy.
Capital deployment: Amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities	We will further consider appropriate metrics for capital deployment once quantitative scenario analysis is complete.
Internal carbon price: Price on each tonne of GHG emissions used internally by an organisation	We have not yet developed an internal carbon price and this will be considered in the next reporting period.
Remuneration: Proportion of executive management remuneration linked to climate considerations	Our remuneration policy has ESG objectives linked to it, such as Planet Mark certification and progress towards the ZeroBy30 pledge.

Next steps

In FY2025, we will continue our alignment to the Climate-related Financial Disclosure Regulations 2022 (SI 2022/31) by actioning the below:

- **Strategy:** Quantification of financial impacts of identified risks and opportunities across climate scenarios (where methodologies and data availability permit).
- **Transition Plans:** Expand climate resilience measures in response to climate-related risks and opportunities.
- **Risk Management:** Integrate climate scenario analysis with existing business level risk identification process.
- **Metrics & Targets:** Drive climate resilience further by reviewing climate-related metrics to identify targets.

Principal Risks

The Group has put in place an ongoing process to identify, monitor and manage the risks faced by the Group. Risks are ranked according to their potential financial impact and probability. The Board regularly reviews the risks faced by the Group and the controls in place to mitigate any potential adverse impacts. There are general business risks faced by the Group that are comparable to those faced by most other businesses.

In addition, there are a number of more specific risks which are more relevant to the Group and the industry in which we operate. These risks are principal risks and uncertainties facing the Group that are material to our strategy. The Board recognises that the nature and scope of risks can change; the list is not intended to be exhaustive, and regular review and monitoring form part of the Board's agenda.

Marketplace

Risk Category	Risk description	Change	Controls to Mitigate	Focus for FY2025
Competitor environment (international)	<p>The Group operates in markets that are highly competitive.</p> <p>The Group owns a rich design archive that supports its heritage brands. There have always existed various external credible sources of historic designs globally. As the visibility of the Group's brands increases through our own marketing activities, there is an inevitable, growing risk of market competition that is difficult to predict and impossible to control.</p> <p>Change in consumer behaviour towards purchasing more ready-made and less made-to-measure items.</p>	↑	<ul style="list-style-type: none"> With six key brands, the Group has sought to differentiate itself through high-quality luxury products and continues to develop new product categories and extension of market positions. We have continued to invest in our British manufacturing sites through innovative printing techniques, including in-house paint tinting and distribution. There is focus on product extension through global recognition of the Group's heritage brands and the contemporary design excellence, broadening the product range, including selling finished products online in the future, and exploring worldwide licensing opportunities. The Group's focus is on international expansion through the distribution and marketing of our brands, in particular the US market. Continued focus on enhanced positioning with launches of new, authentic, heritage and archival designs, such as the partnership with Emery Walker's House and Sanderson's National Trust collections. Create new contemporary edits such as Simply Morris and Pure Morris, explore innovation and invest in new print techniques to refresh traditional patterns. Mitigate the threat of competitors launching similar-looking products with the Group reinforcing its integrity and authority by investing in the nurturing of its design archive assets, strengthening the organisation's reputation as the destination for high-quality, authentic design capability. This is further supported by our in-house manufacturing skill that enables the Group to make high-value product that upholds the legacy of the historic founders. The Board continually reviews strategy and performance and will realign rapidly to deal with major threats. 	<ul style="list-style-type: none"> Further creation of high-value partnerships for all brands. Potential to develop a consumer website as an additional sales channel.

KEY



Principal Risks continued

Marketplace continued

Risk Category	Risk description	Change	Controls to Mitigate	Focus for FY2025
Trading environment	<p>Specific macroeconomic and geopolitical factors can influence our business and ability to trade across borders. Governments in key markets influence cross-border control, which could make it more difficult for us to source, buy and move products into and out of the territories we operate in.</p> <p>The Group operates in major international markets which have different drivers and macroeconomic outlooks.</p> <p>Given that our products may be viewed as discretionary, there is a risk that these are impacted by consumer confidence. The UK accounts for approximately half of total product sales, and it will be impacted by the continued cost of living crisis for the short to medium term. Interest rates remain high and this has further damped consumer confidence.</p>	↑	<ul style="list-style-type: none"> The Group monitors key markets closely to keep abreast of local changes or developments globally, and recommends changes or adaptations to our business operations to mitigate the impact, and these are under constant review. Focus on product diversification through licensing opportunities, new product categories including ready-made curtains, bedding and furniture all help to strengthen our product offering and adapt to the increasing online homewares share of the market. Global inflationary pressure continues. The Group offers a well-balanced portfolio of brands and products at the upper end of the market. Cost pressures are carefully monitored and price increases passed on to protect margins. The Group is broad-based and the design teams constantly monitor trends within and outside our marketplace. 	<ul style="list-style-type: none"> Maintain the strong commercial focus on procurement, pricing and cost improvement initiatives along with ongoing monitoring of pricing performance. Focus on the development of high-value licensing partnerships.

Financial

Risk Category	Risk description	Change	Controls to Mitigate	Focus for FY2025
Foreign exchange	An increasing proportion of the Group's activities and earnings are denominated in US dollars and euros, giving rise to foreign currency exposure.	↓	<ul style="list-style-type: none"> The Group monitors revenue and earnings to minimise exposure to foreign exchange losses. Increasing exchange rate volatility may have an adverse effect on the balance sheet and/or profit and loss account. We continue to monitor the implications of emerging macroeconomic risks to help prepare for any volatility in foreign exchange movements with focus on the US dollar. The Group has specific hedging contracts in US dollars and employs natural hedging in other currencies where possible. 	<ul style="list-style-type: none"> Continue with USD hedging programme and natural hedging by sourcing in US dollars where possible.

KEY



Principal Risks continued

Operational

Risk Category	Risk description	Change Controls to Mitigate	Focus for FY2025
Supply chain pressure	<p>The Group's manufacturing operations are exposed to global supply chain issues such as disruptions from geopolitical instability, pandemic, trade restrictions, extreme weather events and key supplier or sourcing issues which could impact its ability to receive raw materials, purchased goods and deliver orders on a timely basis.</p> <p>Higher energy, labour, raw materials and other input costs have a direct impact on product margins. This risk may be influenced by global supply and demand, supply chain challenges, weather events, political uncertainties, changes in regulations and a new wave of a pandemic.</p>	<p>→</p> <ul style="list-style-type: none"> The Group has robust supplier relationship management processes at all sites. Work with alternative suppliers to have multiple sourcing options where possible. Work with technical team and suppliers to develop alternative products that are less exposed to supply chain issues. Own and control more of the upstream supply chain through our manufacturing operation. Rationalise our collection management processes. Focus on waste reduction in raw material as well as energy. The Group has a utility hedging programme in place to protect against volatility in energy prices. Gas and electricity for various business units are negotiated on a collective basis. A strong commercial focus on procurement, pricing and cost improvement initiatives is maintained along with ongoing monitoring of pricing performance. The Group is monitoring raw material costs and expects to pass on product price increases for margin protection as necessary. 	<ul style="list-style-type: none"> Continue focus on supplier relationship management including the development of alternative raw materials and monitoring of geographical spread of suppliers. Maintain focus on waste reduction with investment and growth of digital printing techniques.
Recruitment & retention of key employees	The Group is reliant upon a number of key employees to design, manufacture and sell its products.	<p>→</p> <ul style="list-style-type: none"> The Group's employees are its key asset. The depth of their experience is a real benefit to the business and, accordingly, the Group focuses on attracting and retaining employees. The Remuneration Committee monitors the levels and structure of remuneration for Directors, senior management and colleagues generally, and seeks to ensure that they are designed to attract, retain and motivate the key personnel to run the Group successfully. In addition, the Group offers competitive remuneration packages including annual bonus incentives and long-term incentive schemes designed to retain key individuals. The Group made a commitment to the Real Living Wage and introduced an all-employee bonus scheme in 2020. The Group aims to be the employer of choice in the industry. Invest in internal training and talent development modules of a wide range of skill sets for the delivery of the Group's strategic ambition, support succession planning for the leadership team and motivate key employees in a challenging economy. 	<ul style="list-style-type: none"> Implement a talent and succession approach aligned to the strategic needs of the business. Develop and launch organisation behaviour framework which will underpin the design of new talent development programmes. Further develop the Group's careers strategy, maximising the use of apprenticeships to invest in the development of critical skills.

KEY



Principal Risks continued

Operational continued

Risk Category	Risk description	Change	Controls to Mitigate	Focus for FY2025
Reputation risk	<p>The Group prides itself on the high quality of its product range.</p> <p>An unfavourable incident relating to a senior executive, individuals or businesses associated with the Group, erroneous media coverage on products, failure to comply with ethical standards, failure to understand social and cultural issues in marketing contents or negative discussions on social networks could damage the Group's reputation.</p>	→	<ul style="list-style-type: none"> There is ongoing emphasis on high-quality control throughout the various stages, right from manufacturing through to delivery of the finished product and customer satisfaction. Monitoring of adherence by employees, contractors, suppliers and other associated individuals and businesses to the requirements in the Group's business principles. The Group has established corporate responsibility standards, which aim to ensure compliance with ethical, labour, human rights, health and safety and environmental standards across our operations and extended supply chain and put in place supplier audits. Uphold our approval processes and editorial controls to ensure all product and content is reviewed and signed off prior to external release. 	<ul style="list-style-type: none"> Continue emphasis on the high-quality products in our marketing features. Embed stricter ethical components into supply chain and supplier audit.
Environmental risk	<p>The Group fails to comply with environmental legislations and seeks to prevent excessive carbon emissions and effluent discharges resulting in fines and closures. Lack of development and availability of new technology will result in failure to deliver our environmental objectives.</p>	↑	<ul style="list-style-type: none"> The Group monitors its carbon emission targets by having relevant KPIs to measure carbon footprints certified by Planet Mark and embedding sustainability values across the organisation. To deliver on the Group's ZeroBy30 pledge, investment is planned with a medium to long-term plan to adopt new technologies that will reduce energy consumption and environmental impact, improve efficiency and increase capacity, keeping both factories at the forefront of printing in the UK. There are ongoing reviews of environmental legislation through the membership of professional and trade associations. Onsite incinerators (that process vapours and fumes) are installed to ensure that emissions are within the agreed limits and monitored frequently. Waste solvents are barreled and taken off site. Waste ink is filtered and the solid residue is taken off site. At our Anstey factory, Severn Trent monitors the water testing samples on a regular basis. Effluent discharge at the Standfast factory is monitored daily and there are preventative measures to avoid incidents and appropriate procedures to deal with potential environmental disasters. 	<ul style="list-style-type: none"> Maintain progress on ZeroBy30 through continued review with Planet Mark for the medium to longer term. Work with key suppliers to focus on reducing Scope 3 emissions. Work with suppliers to identify safer chemicals and processes.
Health and safety risk	<p>The Group fails to adhere to health and safety standards, risking injuries and lives of employees.</p>	→	<ul style="list-style-type: none"> The Group has immediate response capability via the Group Leadership Team when required. There are fire and health and safety marshals across all sites. The Group publishes, monitors and reports on health and safety incidents internally and in compliance with regulatory environments. There are established auditing and monitoring systems. 	<ul style="list-style-type: none"> Continue focus on ISO45001 and equivalent processes. Develop behavioural safety approach. Re-establish mental health first aid rooms.

KEY



Principal Risks continued

Operational continued

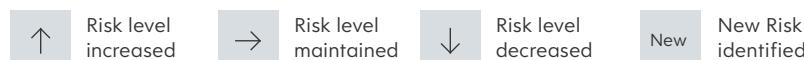
Risk Category	Risk description	Change	Controls to Mitigate	Focus for FY2025
Major incident or disaster	Fire and flood occur again in the manufacturing sites, causing damage to stocks and buildings, affecting sales and risking lives.	→	<ul style="list-style-type: none"> Business continuity and disaster recovery plans are regularly reviewed to ensure the uninterrupted operation of the Group's core business operations. The Group holds insurance cover to mitigate the financial consequences of a major incident. Extensive flood defence measures have been installed at the Standfast site and these measures are constantly monitored. For fire safety, the Group has emergency planning procedures in place and adequate sprinkler systems together with an alarm system linked to the fire brigade. The segregation of the Group's central warehousing facility with two warehouses has helped to mitigate risk to stock. Through our manufacturing operations, own and control more of the upstream supply chain. 	<ul style="list-style-type: none"> Continue with planned maintenance and inspection schedule.
IT	A significant failure of IT infrastructure or key IT systems, deliberate or accidental, could result in a loss of information, inability to operate effectively, financial or regulatory penalties, and negatively impact our reputation as a result of the impact on the availability of our products and consequently reduce sales.	→	<ul style="list-style-type: none"> The Group has appropriate controls in place to mitigate the risk of systems failure, including an IT disaster recovery plan, off-site and cloud back-up routines, virus protection and network security controls. Security controls and processes are assessed and updated on a regular basis with a continuous improvement plan. IT capability has been strengthened to improve defences, taking account of increased cyber risk to businesses of our size. The Group employs a framework of IT controls to protect against unauthorised access to our systems and data, which includes the maintenance of firewalls, intruder detection and encryption of data. With a security-first approach, the Group ensures the integration of data protection into every aspect of business operations with comprehensive data policies, awareness programmes and a culture of security among all employees. The implementation of the new ERP system at Standfast is progressing under the supervision of a dedicated project manager. The Group has formed a security task force, comprising internal experts from key departments and external cyber-security specialists, who meet regularly to oversee our data protection and cybersecurity strategies. The IT team reports on data and cybersecurity risks to our Board regularly. 	<ul style="list-style-type: none"> Intensify focus on cybersecurity and data protection by allocating additional resources to strengthen these critical IT areas.

The Strategic Report was approved by the Board on 23 April 2024.



Lisa Montague
Chief Executive Officer
23 April 2024

KEY



Governance Report

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Board of Directors

Non-Executive Directors



Dame Dianne Thompson

Non-executive Chairman



Dianne joined the Board in February 2019, initially as a Non-executive Director. In April 2019, following the appointment of the new Chief Executive Officer, Dianne became the Non-executive Chairman. She is a highly experienced sales and marketing executive and is currently a Non-executive Director of NEXT plc. From 2000 until 2014, Dianne was Chief Executive of Camelot Group plc, the UK National Lottery provider. Prior to that role, she held marketing and general management positions in a number of consumer and building materials businesses including Signet Group plc, Sandvik Saws & Tools Ltd and ICI Paints.



Christopher Rogers

Non-executive Director



Christopher joined the Board in April 2018 as a Non-executive Director and Chair of the Company's Audit Committee. In October 2018, on the departure of the CEO, Christopher became Interim Executive Chairman and held this role until April 2019 before returning to being a Non-executive Director and Chair of the Remuneration Committee. Other non-executive positions held include Chairman of Wickes plc and Non-executive Director at Kerry plc. Christopher was an Executive Director of Whitbread plc for 11 years from 2005, first as Group Finance Director for seven years and then as Global MD of Costa Coffee. Christopher is the Senior Independent Director.



Juliette Stacey

Non-executive Director



Juliette joined the Board in November 2021 as a Non-executive Director and is Chair of the Audit Committee. Other non-executive positions she holds include Senior Independent Director and Chair of the Audit Committee at Fuller, Smith & Turner PLC, the hospitality group, and Non-executive Director and Chair of the Audit Committee of Renishaw plc and Willmott Dixon. Prior to her non-executive career, Juliette held executive leadership roles as Group CEO of the engineering services group Mabey Holdings Ltd and COO UK and Europe of property group Savills Plc, having gained experience of advisory work at EY, where she qualified as a Chartered Accountant.



Patrick Lewis

Non-executive Director



Patrick joined the Board as a Non-executive Director in November 2021. Prior to joining the Group, Patrick gained extensive consumer and retail experience with the John Lewis Partnership, whom he joined in 1994, holding management roles across the business before becoming CFO in 2015. Patrick's early career was at the management consultants Bain & Company followed by a move into industry at Proctor & Gamble.

Executive Directors



Lisa Montague

Chief Executive Officer



Lisa joined the Group in March 2019 as an Executive Director and became Chief Executive Officer on 10 April 2019. Lisa is a highly experienced luxury goods executive, with previous roles at Madrid-based international fashion brand Loewe SA, a Spanish luxury fashion house owned by the LVMH Group, Aspinal of London Group Ltd and Mulberry Group plc. She has significant experience of leading and developing UK and international brand-based businesses with manufacturing and multi-channel distribution. Lisa is also a Non-executive Director at The Royal Mint.



Mike Woodcock

Chief Financial Officer



Mike joined the Group in October 2021 and became Chief Financial Officer in November 2021. Mike qualified as an accountant with KPMG and has significant experience of international luxury and consumer brands in the quoted and private sectors. Prior to joining the Group, Mike was at Richemont Group, where his increasingly senior roles included CFO at Alfred Dunhill and CFO at Montblanc. Since leaving Richemont Group, Mike has served as CFO in a number of private equity backed businesses.

Group Leadership Team



Ben Naylor
Group Operations
Director

Ben joined the Group in January 2020. Ben brought with him extensive experience in manufacturing and supply chain operations, with over 25 years of experience in industries as diverse as flooring, automotive and fast-moving consumer goods. All this is underpinned with a strong knowledge base, including being awarded a PhD from Cardiff University for research into Lean and Agile techniques within supply chain management.



Mark Kennedy
International Sales
Director
Clarke & Clarke

Mark joined Clarke & Clarke in 2010 and was an integral part of the success that the brand continues to enjoy today. He brings over 17 years of industry experience with a strong sales and commercial background in both the UK as well as international markets.



Beth Holman
President, Sanderson
Design Group, Inc.

Beth joined the Group in October 2019 with more than 20 years of experience working for subsidiaries of European luxury fashion houses in the United States. Prior to joining the Group, her most recent position was with Celine, the LVMH luxury fashion house, where she was Vice President of Wholesale. In the role of President of SDG Inc, Beth manages the sales, distribution, marketing and operations for the USA and Canada.



Mauricio Solodujin
Group Commercial
Director

Mauricio joined the Group in September 2019 from LVMH, where he had worked for almost 10 years in roles including Senior Vice President of LVMH Fashion Group Americas, based in the US, and Retail & Commercial Director of Loewe, based in Spain. Mauricio's previous experience includes more than 10 years at Liberty of London, where he was Director of Operations. In the role of Group Commercial Director, Mauricio works across all brands, markets and channels to drive sales growth.



Jo Walmsley
Group People
Director

Jo joined the Group in November 2023 and brings with her over 20 years' experience in People and Leadership roles. She is an executive coach and NLP master practitioner, as well as being CIPD qualified. She has worked in senior roles across a variety of sectors including Retail, Aerospace and Consumer and is passionate about building successful businesses where talent prospers, creativity flourishes, and individuals grow.



Claire Vallis
Design
Director

Claire has been with the Group for 25 years. She brings a wealth of experience and knowledge across manufacturing and design, making her an unrivalled industry expert. She personifies the integrity and history of the brands and uses this to inspire a creative vision for the future.



Charlotte Archer
Group Marketing
Director

Charlotte Archer joined Sanderson Design Group over 14 years ago and has worked across multiple disciplines within marketing including content production and brand management. This broad foundation of experience cemented her skills as a proactive and creative marketer. A consummate professional, Charlotte brings her extensive industry knowledge, vision for creative content and passion for brands to her role as Group Marketing Director.



“

A healthy corporate culture is promoted within the business in various ways, including linking employees' appraisal objectives and reward and recognition schemes to our vision and values.

Introduction from the Chairman

As Chairman of the Board, I am responsible for ensuring that the Company has corporate governance arrangements in place which are appropriate for the size and complexity of the Company and that these arrangements are followed in practice.

The Board is committed to ensuring high standards of governance for the Company and considers that the Quoted Company Alliance Corporate Governance Code 2018 (the 'QCA Code') provides the most appropriate framework of governance arrangements for a public company of our size and complexity.

The QCA Code includes 10 principles that focus on the pursuit of medium to long-term value for shareholders. How the Company has applied these principles is detailed in the Corporate Governance section of the Company's website <https://sandersondesign.group>. We have complied with all principles of the QCA Code throughout the year.

All members of the Board recognise the importance of good governance in reducing risk and adding value to our business. Delivering growth and long-term shareholder value with effective and efficient decision-making is of high importance to the Board.

The Board is committed to ensuring the highest legal and ethical standards are upheld, and aims to ensure that the Company and its employees conduct themselves respectfully and honestly. A healthy corporate culture is promoted within the business in various ways, including linking employees' appraisal objectives and reward and recognition schemes to our vision and values.

The Board assesses the culture of the Group through engagement with employees and other stakeholders, further details of which can be found in the Section 172 Statement.

This report, together with the information contained in the Audit Committee Report, the Nomination Committee Report, the Directors' Remuneration Report and the Directors' Report, explains the corporate governance framework within which the Group operates.

Dame Dianne Thompson
Non-executive Chairman

Corporate Governance continued

The Board

The Company is supervised by the Board of Directors. The Board comprises Executive and Non-executive Directors.

Company Secretary

The Board is supported by David Gracie from Indigo Independent Governance, who provide company secretarial and governance services to the Company. Indigo Corporate Secretary Ltd was appointed as Company Secretary in June 2023.

Board composition

The Board of Directors which served during the year ended 31 January 2024 and their attendance at meetings is shown in the adjacent table. Biographical details of the current Board are given on page 49. The Directors bring strong judgement and expertise to the Board's deliberations and with diversity achieves a balance of skills and experience appropriate for the requirements of the business.

Directors are subject to reappointment at the Company's AGM following the year in which they are appointed. The Company's Articles of Association stipulate that one third of the Directors, or the nearest whole number below one third, shall retire each year and that all Directors retire for re-election at least every third year. In line with best practice, the Board has decided to adopt voluntarily the practice that all continuing Directors submit themselves for re-election annually.

Board programme

The Board meets at least 10 times each year in accordance with its scheduled meeting calendar and the attendance by each Board member at scheduled meetings is shown in the adjacent table.

The role of the Board

The Board is responsible to the shareholders and sets the Group's strategy for achieving long-term success. As explained fully within our Strategic Report, our strategy is focused around five key areas, and the Board is responsible for the management, governance, controls, risk management, direction and performance of the Group to ensure it promotes long-term value for shareholders, whilst being mindful of its impact on others and the threats and opportunities faced.

There is a formal schedule of matters reserved to the Board which includes approval of major capital expenditure projects; approval of the annual and interim results; setting annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets, their performance in relation to those budgets and their capital expenditure. The schedule of matters reserved to the Board is available on the Company's website.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its performance against its agreed budget, and the Board reviews the monthly update on performance, and any significant variances are reviewed at each meeting.

Senior executives below Board level attend Board meetings, where appropriate, to present business updates.

The Company's various sites are visited through the year, with Board meetings taking place at the sites giving, in particular, the Non-executive Directors access to the Group's operations to gain a greater understanding of the Group's activities and to show the Board's support of our colleagues throughout the Group.

Directors are expected to attend all meetings of the Board, and of the Committees on which they sit, and to devote sufficient time to the Group's affairs to enable them to fulfil their duties as Directors.

Attendance at meetings of the Board and its committees

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Total Number of Meetings	11	3	5	1
<i>Meetings attended</i>				
D Thompson	11/11	3/3	5/5	1/1
C Rogers	11/11	3/3	5/5	1/1
J Stacey	11/11	3/3	5/5	1/1
P Lewis	11/11	3/3	5/5	1/1
L Montague	11/11			
M Woodcock	11/11			

The Board scheduled 11 meetings during the year and additional meetings were convened to deal with specific matters and approval of the financial results.

Board committees

The Board has Remuneration, Audit and Nomination Committees, each of which has written terms of reference which are available on the Company's website. The committees are composed of the Non-executive Directors. Details of the composition of each of the committees are included on page 62 of the Report of the Directors. The Company Secretary acts as secretary to the committees. The Board is satisfied that the committees discharged their responsibilities appropriately.

Independent advice

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. The Board reviews its AIM obligations with its Nominated Adviser ('NOMAD') annually. In addition, the Directors have direct access to the advice and services of the Company Secretary.

Independent Directors

The Board considers that each of the Non-executive Directors bring an independent judgement to bear. Non-executive Directors are expected to dedicate a minimum of 25 days per year, plus committee duties. The Non-executive Directors' other time commitments are reviewed regularly.

All Non-executive Directors have contracts that contain six-month notice clauses. These are available for inspection at the Company's registered office and at the Annual General Meeting ('AGM'). Further details of each of the independent Directors are set out on page 49.

Corporate Governance continued

Nomination Committee

The Nomination Committee is responsible for reviewing the size, structure and composition of the Board, including consideration of the skills, knowledge and experience of the Board members. The Committee also considers the re-election of Directors retiring by rotation, manages succession planning and selects potential new Board candidates. The Group People Director is invited to attend meetings, when appropriate. Where necessary, external search consultants are used to ensure that a wide range of candidates is considered. Where new Board appointments are considered, the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender. Further details of the work of the Committee are contained in the Nomination Committee Report on page 54.

Remuneration Committee

The Remuneration Committee is responsible for determining the remuneration policy and the application of the policy in relation to the Executive Directors' remuneration. In framing its policy, the Remuneration Committee may seek advice from external remuneration consultants and does take into account any factors which it deems necessary, including industry standard executive remuneration, differentials between executive and employee remuneration and differentials between executives. The remuneration of the Non-executive Directors is determined by the Board, but no Director is involved in any decisions relating to their own remuneration. Further details of the work of the Committee are contained in the Directors' Remuneration Report on page 55.

Audit Committee

The Audit Committee is responsible for monitoring and reviewing the integrity of the financial reporting process, including the appropriateness of key judgements and estimates taken in preparing the financial statements, internal and external audit functions, and internal financial control. Further details of the work of the Committee are contained in the Audit Committee Report on page 59.

Internal control

The Board acknowledges that it is responsible for the Group's system of internal control and for reviewing its effectiveness.

The Board keeps its risk control procedures under constant review particularly with regard to the need to embed internal control and risk management procedures further into the operations of business, both in the UK and overseas, and to deal with areas of improvement which come to management's and the Board's attention.

As might be expected in a group of this size, a key control procedure is the day-to-day supervision of the business by the Executive Directors, supported by the senior managers with responsibility for key operations.

The Executive Directors are involved in the budget-setting process, regularly monitor key performance indicators and review management accounts on a monthly basis, noting and investigating any major variances. All significant capital expenditure decisions are approved by the Board as a whole.

Risk management process

The Group's significant risks, together with the relevant control and monitoring procedures, are subject to regular review to enable the Board to assess the effectiveness of the system of internal control.

During the course of its reviews the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant other than disclosed in the Strategic Report and the Directors' Report.

The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Group's systems are designed to provide reasonable assurance as to the reliability of financial information, ensuring proper control over income and expenditure, assets and liabilities.

The Board has considered the need for an internal audit function, but because of the size and nature of its operations does not consider it necessary at the current time.

Board performance review

The Board continually reflects on its performance and during the year completed an internally facilitated review overseen by the Company Secretary. This review was carried via a survey of all Board members and built on the findings of the external review carried out by Fidelio Partners LLP in FY2023.

The findings were presented to the Board at its meeting in March 2024. Overall, it was concluded that the Board and its Committees were considered to be working effectively. The Board was considered to comprise relevant skills and experience. The working relationship between Executive and Non-executive Directors is strong and all are committed to the success of the Company.

The Board agreed to focus on several actions over the course of FY2024 to enhance current practice. Firstly, and with support from the new Group People Director, the Board will continue to focus on culture, through both site visits and engagement with employees. Secondly, tools to support succession planning at both Board and senior management level will be developed and assessed through the course of the year. Finally, a programme of Board learning will be put in place to ensure a broad overview of market views are obtained.

Relations with shareholders

The Group encourages two-way communications with both its institutional and private investors and responds in a timely fashion to all queries received.

There is regular dialogue with individual institutional investors, in order to develop an understanding of their views. Presentations are made to analysts, investors and prospective investors covering the annual and interim results.

The Company website (<https://www.sandersondesign.group/>) has an Investors section giving private investors direct access to business information and Company reports. There is also an enquiries mailbox facility.

All shareholders receive notice of the AGM, at which all Committee Chairs will be available for questions.

Nomination Committee Report



Membership

The Committee is comprised solely of independent Directors, being myself as Chairman and the other Non-executive Directors, Christopher Rogers, Juliette Stacey and Patrick Lewis. The Board is satisfied that I have significant and relevant experience to chair the Nomination Committee in line with the Code.

The Company's Articles of Association stipulate that one third of the Directors or the nearest whole number below one third shall retire each year. The Company requires all Directors to submit themselves for re-election at least every three years. In line with best practice, the Board has decided to adopt voluntarily the practice that all continuing Directors submit themselves for re-election annually.

Roles and responsibilities

The role of the Committee is to support the Board in evaluating the characteristics and performance of Board members and is responsible for recommending to the Board on all matters relating to the selection, number, appointment and removal of Executive and Non-executive Directors. The Nomination Committee ensures that the Company has adequate policies and procedures to maintain equality of opportunity for all. In this context, the Nomination Committee's responsibilities are to:

- Review regularly the structure, size and composition, including the skills, knowledge, experience and diversity, of the Board and make recommendations to the Board.

- Monitor executive recruitment closely in order to be aware of succession risks and opportunities.
- Carry out an annual examination of the Board's performance and competence in achieving the Company's objectives and alignment with the overall strategies, which allows them to make decisions on the future of the Company.
- Develop clarity over the Company's long-term strategies and make Board recruitment decisions based on the needs of the Company over different time horizons.
- Inform the new Directors about the Company's strategies, goals, culture and management and plan the training and development of the new Directors.

The full terms of reference for the Committee can be found on the Company's website.

Meetings

The Committee generally meets at least once a year and otherwise as required. During FY2024, the Committee met once.

Meetings are attended by the Committee's members, with the CEO and Group People Director invited to attend, where required. A record of the meeting attendance at formal meetings by Committee members is set out in the Corporate Governance Report on page 52.

Dame Dianne Thompson

Chair of the Nomination Committee
23 April 2024

Directors' Remuneration Report



As a company listed on the Alternative Investment Market ('AIM'), the Company is not required to comply with the Directors' remuneration report requirements, set out in Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the 'Regulations'). However, transparency with our shareholders is important to us. Whilst the Company is not required to comply with the Regulations, the Company has used them as guidance and voluntarily presents selected disclosures in this report, where relevant and appropriate.

Introduction from the Chair of the Remuneration Committee

This report aims to provide shareholders with the information to understand the Remuneration Policy and its linkage to the Group's financial performance and delivery of its long-term strategy. The Remuneration Committee seeks to achieve a fair reward outcome linked to both the Group's results and the progress achieved in delivering the strategy.

Operation of the Remuneration Committee

The Committee operates under the Group's agreed terms of reference. It is responsible for setting the framework and policy for the remuneration of the Executive Directors and designated senior managers. It determines specific elements of their remuneration, their contractual terms and, where necessary, compensation arrangements. In making remuneration decisions, the Committee considers the Group's overall performance against its long-term goals.

The Committee is comprised solely of independent Directors, being myself as the Chair and the other Non-executive Directors, Dame Dianne Thompson, Juliette Stacey and Patrick Lewis.

The number of meetings held during the year and the attendance at each meeting is shown in the table on page 52 of the Corporate Governance Report.

The Chief Executive Officer and the Group People Director are invited to attend meetings of the Committee, where relevant, however, no Director is involved in any decisions relating to their own remuneration. None of the Committee has any personal financial interest (other than as

shareholders), conflicts of interests arising from cross-directorships, or day-to-day involvement in running the business.

The Committee keeps itself informed of relevant developments and best practice in the field of remuneration. It seeks advice from the Group People Director and external advisers when it considers it is appropriate. Deloitte LLP was retained during the financial year to provide independent advice to the Committee.

During the year ending 31 January 2024, the Committee agreed for the following to be effective from 1 February 2024:

- in keeping with the Real Living Wage policy introduced in 2021, the Committee has agreed an uplift for all Real Living Wage colleagues in line with the rates announced by the Living Wage Commission, equating to an increase of 10%;
- an annual salary increase for all other employees, including the Executive Directors, based on a sliding scale dependent on hourly rates, ranging from 4% for higher earners, to 6% for lower earners; and
- a continuation of the all-employee bonus scheme enabling colleagues to share in the Company's success with an element of variable pay.

Increase to CFO incentive opportunities

During the year the Committee undertook a review of remuneration arrangements for the Executive Directors to ensure remuneration arrangements are appropriate for the size and complexity of the roles. The Committee concluded that the remuneration arrangements for the CEO remained appropriate and no changes are proposed. However, the Committee concluded that the incentive opportunities for the CFO should be increased to better reflect his growing experience and contribution to the business. For FY2025 the Committee has therefore increased the CFO's annual bonus opportunity from 75% to 100% of base salary and increased his RSP opportunity from 50% to 65% of base salary. The Committee considers that this revised package is appropriate for the size and complexity of the role and the Company.

Directors' Remuneration Report continued

Remuneration policy

The Group's remuneration policy is designed to ensure that the main elements of the remuneration package are linked to the Group's annual performance, delivery of its long-term strategy, as well as being appropriate in quantum and capable of attracting, motivating and retaining Executive Directors and senior managers. The policy aims to reward Executive Directors and senior managers by offering them competitive remuneration packages which are prudently constructed, sufficiently stretching and linked to long-term value creation for all stakeholders.

In particular, the Committee strives to ensure that remuneration packages are:

- aligned with the Group's strategic plan;
- aligned with shareholder interests and the performance of the Group;
- competitive and sufficiently flexible to support the recruitment and needs of the business; and
- paid in a combination of cash and shares.

The performance measurements of the Executive Directors and the determination of their annual remuneration package, including performance targets and underpins, are undertaken by the Remuneration Committee.

Summary of components of Executive Directors' remuneration

There are four main elements of the remuneration package for Executive Directors and other senior management:

- basic annual salary and benefits;
- annual bonus payments;
- long-term incentives; and
- pension arrangements.

Basic salary and benefits in kind

Salary is normally reviewed annually in February or when responsibilities change. In deciding the appropriate levels, the Committee takes into account factors which it considers necessary, including Group and individual performance, market level trends in executive remuneration and relative pay levels within the Group.

For the forthcoming year ending 31 January 2025, the Executive Directors were given an increase of 4% in line with the increase for other senior employees, which is below the average increase for the rest of the Group's UK workforce. Effective from 1 February 2024, the base salary for the Chief Executive Officer has been set at £382,564 (FY2023: £367,850) per annum. The base salary for the Chief Financial Officer has been set at £220,809 (FY2023: £214,240).

In addition to basic salary, each Executive Director is provided with healthcare benefits and a car allowance, where applicable.

Annual performance-related bonus

The Executive Directors' remuneration package includes a performance-related bonus with maximum bonus potential of up to 100% of basic salary for the Chief Executive Officer and from FY2025, the same for the Chief Financial Officer (FY2024: 75%). Bonus achievement is linked to performance against underlying profit targets. The portion of bonus paid is then determined based on performance against business strategy objectives. In the case of the Executive Directors, there are normally three individual objectives, one of which relates to cash flow generation.

Long-term incentive arrangements

As previously reported, in 2020 the Committee undertook an extensive review of our long-term incentive arrangements to ensure that they continued to support the sustainable execution of our long-term business strategy and the creation of value for shareholders. The Committee decided to replace the existing long-term incentive plan for Executive Directors with a restricted share plan ('RSP'). It was felt that the characteristics of restricted shares better support the business in its execution of strategy and fully aligns executives with the shareholder experience.

For the year ending 31 January 2024, the CEO was awarded a maximum opportunity of 75% of salary, and the CFO awarded a maximum opportunity of 50% of salary. The award will vest following the end of year three, with 40% released on vesting, 40% released in year four and 20% released in

year five, subject to the Committee being satisfied with the achievement of robust underpins at the date of vesting. These underpins are detailed on page 58 of this report.

The Committee intends to continue to issue awards under this RSP plan, with an award to be made to both Executive Directors later this year in respect of the year ending 31 January 2025. The maximum award will be 75% of salary for the CEO and 65% of salary for the CFO. Subject to the Committee being satisfied with the achievement of robust underpins, the award will vest following the end of year three, with 40% released on vesting, 40% released in year four and 20% released in year five. In line with best practice, malus and clawback will apply.

Dilution

All equity-based awards are subject to an overall limit on the number of new shares issued of 10% within any 10-year period. The current dilution against this limit is 6.22%.

Pensions

Mike Woodcock is a member of a Group Flexible Retirement Plan ('the Plan') sponsored by the Group. Lisa Montague has elected to opt out of the Plan and take an equivalent cash allowance in place of employer contributions. For the purposes of determining employer contributions to that scheme, annual performance-related bonuses are not included in the pensionable pay of the Executive Directors.

Directors' contracts

It is the Group's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of one year's notice for the Chief Executive Officer and the Chief Financial Officer.

In the event of early termination, the Executive Directors' contracts provide for compensation of an amount equal to the gross salary and benefits that they would have received during the balance of the notice period, plus any bonus, once declared, to which they would have become entitled had contractual notice been given.

Director shareholding

To align with best practice, a shareholding guidance of 1x salary for Executive Directors is in place, with the shareholding to be built over time from retaining 50% (net of tax) of any LTIP/RSP awards in shares.

As at 31 January 2024 Lisa Montague's shareholding of 417,363 shares equates to 134% of salary based on the average share price during the three-month period to 31 January 2024 of 117.9p. Mike Woodcock joined the Company in October 2021 and all share awards granted to him have yet to reach maturity, therefore his current shareholding is nil.

Directors' share interests

The interests of the Directors and their families in the shares of the Company at the beginning and end of the financial year were as follows:

	1p ordinary shares 31 January 2024 Number	1p ordinary shares 31 January 2023 Number
D Thompson	15,000	15,000
C Rogers	110,000	110,000
L Montague	417,363	371,376

There have been no changes in the interests set out above between 31 January 2024 and 23 April 2024. Directors not listed in the above table do not currently hold shares in the Company.

Non-executive Directors

The remuneration of the Non-executive Directors comprises only Directors' fees and is determined by the Board.

All Non-executive Directors have service contracts with a three-year initial term subject to a six-month notice provision. Their remuneration is determined by the Board taking into account their duties and the level of fees paid to Non-executive Directors of similar companies. The Non-executive Directors do not participate in the Company's bonus or long-term incentive schemes and no pension contributions are made in respect of them.

Directors' Remuneration Report continued

For the forthcoming year ending 31 January 2025, the Non-executive Directors were given an increase of 4% in line with the increase for senior executives which is below the average increase for the rest of the Group's UK workforce, effective from 1 February 2024.

Title	FY2024 Fee	FY2025 Fee	Committee Chair Fee
	£119,010	£123,770	£5,000
Chairman			
Non-executive Director	£48,685	£50,633	£5,000

Directors' remuneration

The following table summarises the total gross remuneration for the reporting period of the Directors who served during the period to 31 January 2024.

Using the single figure methodology, awards are recognised and disclosed in the year when the performance measures or targets set have been achieved, or substantially achieved, during the year being reported on.

Year to 31 January 2024	Salary £000	Bonus £000	RSP* £000	Benefits £000	Pension or cash equivalent £000	Total £000
					£000	
Executive Directors:						
Lisa Montague	383	78	103	2	23	589
Mike Woodcock	214	34	-	2	9	259
Non-executive Directors:						
Dianne Thompson	119	-	-	-	-	119
Christopher Rogers	54	-	-	-	-	54
Juliette Stacey	54	-	-	-	-	54
Patrick Lewis	49	-	-	-	-	49
	873	112	103	4	32	1,124

* The RSP column provides the value of the 2021 RSP award based on the average share price during the three-month period to 31 January 2024 of 117.9p and a vesting outcome of 66% of maximum. The awards will vest following the end of three years from the date of grant and be released 40% on 14 June 2024, 40% on 14 June 2025 and 20% on 14 June 2026.

Year to 31 January 2023	Salary £000	Bonus £000	RSP* £000	Benefits £000	Pension or cash equivalent £000	Total £000
Executive Directors:						
Lisa Montague	369	-	251	2	22	644
Mike Woodcock	205	-	-	2	9	216
Non-executive Directors:						
Dianne Thompson	114	-	-	-	-	114
Christopher Rogers	52	-	-	-	-	52
Juliette Stacey	52	-	-	-	-	52
Patrick Lewis	47	-	-	-	-	47
	839	-	251	4	31	1,125

* The RSP column provides the value of the 2020 RSP award based on the share price at the time of vesting of 114.5p and a vesting outcome of 75% of maximum. The award vested following the end of three years from the date of grant, with 40% released on 11 November 2023. A further 30% will be released on 11 November 2024 and 30% on 11 November 2025.

Annual bonus for the year ended 31 January 2024

The Chief Executive Officer's maximum bonus potential for the year ended 31 January 2024 was 100% of base salary and the Chief Financial Officer's maximum bonus potential was 75% of base salary. Bonus achievement was linked to performance against underlying profit targets with the portion of bonus paid then determined based on performance against individual objectives. The Group achieved an adjusted underlying PBT above the threshold performance level required, with the weighted potential pay-out equating to 42.3% of maximum. On individual objectives, both the CEO and CFO were deemed to have achieved 50% of their objectives, and will therefore receive a payout equating to 21% and 16% of their respective base salaries.

RSP awards

As noted above, from 2020 onwards, awards have been made under the restricted share plan.

2020 RSP award

The RSP award granted in 2020 vested on 11 November 2023. The performance underpins were based on the adjusted underlying profit before tax*, free cash flow achieved for the relevant measurement period and continuous improvement in sustainability based on a reduction in carbon footprint and contribution to the UN Sustainable Development Goals plus there being no environmental, social or governance issues which have resulted in material reputational damage to the Company.

Directors' Remuneration Report continued

As disclosed in last year's Annual Report, the underpin performance criteria were not met in full, with two of the underpins not being achieved. The Committee recognised the challenges of these underpins being met during a time of economic and political upheaval, and recognising that there was strong performance in Total Shareholder Return, determined that a scale-back of 25% of maximum would be appropriate, resulting in final award size of 75% of maximum for the Executive Directors. The share price at the time of vesting was 114.5p.

2021 RSP award

The performance underpins for the 2021 award were based on the adjusted underlying profit before tax*, free cash flow achieved for the relevant measurement period and continuous improvement in sustainability based on a reduction in carbon footprint, the retention of Planet Mark certification plus there being no environmental, social or governance issues which have resulted in material reputational damage to the Company.

For the 2021 award, the Remuneration Committee assessed performance against the underpin conditions up to 31 January 2024. Despite a robust performance over the period, particularly the relative Total Shareholder Return as shown in the adjacent column, the underpin performance criteria were not met in full. Whilst the sustainability underpin was met with continued reduction in carbon emissions, retention of Planet Mark certification and no environmental, social or governance issues occurring to potentially incur reputational damage, the free cash flow and profit underpins fell short of their criteria. Despite there being free cash generation of £6.9m over three years, the outcome fell short of the underpin target, and adjusted underlying profit before tax at £12.2m in FY2024 fell short of the underpin of £21.2m. Both financial underpins were set before the significant economic headwinds which impacted the last two years of the measurement period. The Committee reflected on the outcomes, taking into account the stretching nature of the underpins and the significant progress which the Company has achieved over the last three years, including the strong performance in Total Shareholder Return, and determined that a scale-back of 34% of maximum would be appropriate, resulting in final award size of 66% of maximum for the Executive Directors.

The award will vest following the end of three years from the date of grant, with 40% released on 14 June 2024. A further 40% will be released on 14 June 2025 and 20% on 14 June 2026.

* Underlying earnings adjusted for accounting charges relating to share-based incentives, defined benefit pension charge and non-underlying items.

Directors' LTIP awards

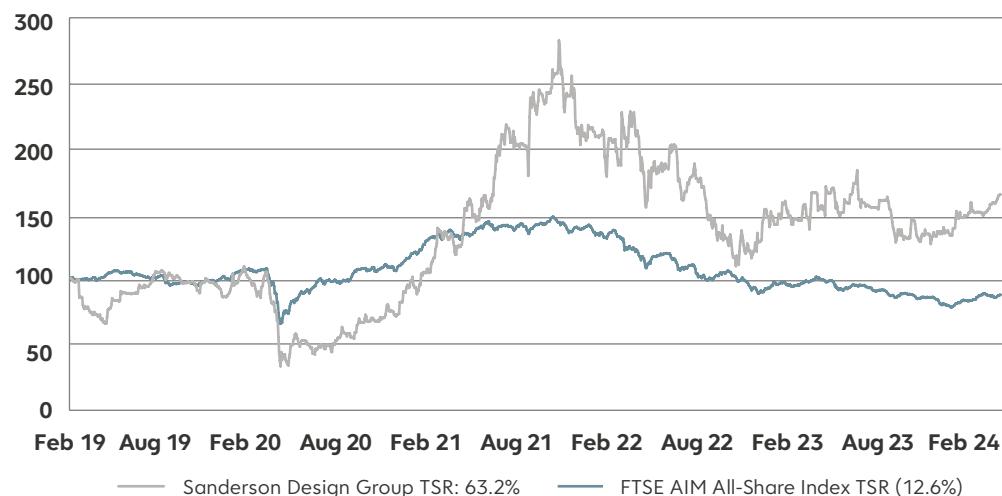
	Date of grant*	Share price at grant	Exercise price	Maximum awards at 1 February 2023			Granted in year	Exercised in year	Lapsed in year	Maximum awards at 31 January 2024
				Granted in year	Exercised in year	Lapsed in year				
L Montague	11/11/2020	68.0p	nil	292,500	87,750	73,125	131,625			
L Montague	14/06/2021	175.0p	nil	132,454			132,454			
L Montague	30/05/2022	140.8p	nil	188,366			188,366			
L Montague	02/06/2023	123.5p	nil	0	223,391		223,391			
M Woodcock	30/05/2022	140.8p	nil	73,138			73,138			
M Woodcock	02/06/2023	123.5p	nil	0	86,737		86,737			

* As noted above, the 2020, 2021, 2022 and 2023 awards were made under the Restricted Share Plan.

The performance underpins for the 2021 and 2022 awards are based on underlying profit before tax* and free cash flow achieved for the relevant measurement periods and continuous improvement in sustainability based on a reduction in carbon footprint and contribution to the UN Sustainable development Goals plus there being no environmental, social or governance issues which have resulted in material reputational damage to the Company. The performance underpins for the 2023 award are based on cash generated from operations, revenue growth in the USA, and environmental targets.

Subject to the achievement of underpins, the 2021 awards will vest following the end of year three, and will be released 40% on 14 June 2024, 40% on 14 June 2025 and 20% on 14 June 2026; the 2022 awards will be released 40% on 30 May 2025, 40% on 30 May 2026 and 20% on 30 May 2027; and for the 2023 awards 40% on 2 June 2026, 40% on 2 June 2027 and 20% on 2 June 2028.

Total Shareholder Return index for the five financial years ending 31 January 2024



Christopher Rogers

Chair of the Remuneration Committee
23 April 2024

Audit Committee Report



On behalf of the Board, I am pleased to present the Audit Committee Report for the year ended 31 January 2024.

Membership

The Committee is comprised solely of independent Directors, being myself as Chair and the other Non-executive Directors, Dianne Thompson, Christopher Rogers and Patrick Lewis. The Board is satisfied that I have significant and relevant experience to chair the Audit Committee in line with the QCA Code.

Roles and responsibilities

The role of the Committee is to support the Board in carrying out its responsibilities for oversight and governance of the Group's financial reporting, its key internal controls/risk management systems and the relationship with the external auditors. In this context, the Audit Committee's responsibilities are to:

- Monitor the integrity of the financial statements of the Company, reviewing any significant reporting issues and key judgements they contain.
- Review the clarity of disclosure and information contained in the Annual Report and Accounts.
- Challenge management on the effectiveness of the Group's internal control and risk management systems.
- Oversee the relationship with the external auditors, reviewing performance and advising the Board on their appointment, independence and remuneration.
- Monitor the statutory audit of the Annual Report and financial statements.
- Ensure appropriate arrangements are in place for individuals to raise concerns regarding breach of conduct and legal and regulatory compliance. A copy of the policy is available on the corporate intranet.

The full terms of reference for the Committee can be found on the Company's website and were last reviewed and updated in October 2023.

Meetings

The Committee meets at least three times a year to review the external auditors' audit plan for the annual audit; the draft Annual Report and Accounts; and the Interim Report. At meetings, the findings of the external auditors are discussed and key risks are reviewed with management and the auditors, including how management are mitigating key risks. There were three meetings in the period to January 2024.

Each meeting is attended by the Committee's members and the Company Secretary as well as, by invitation, the Executive Directors and the external auditors, or other advisers, where appropriate. A record of the meeting attendance at formal meetings by Committee members is set out in the Corporate Governance Report on page 52.

At each formal meeting, the Committee held a private meeting with the external auditors, without management being present, to receive feedback from them. The Audit Committee Chair also meets separately with the Chief Financial Officer and auditors outside of the formal meeting programme which helps to identify key areas of focus and emerging issues that may need to be added to the Audit Committee's agenda.

The Committee is kept up to date with changes to accounting standards and developments in financial reporting, company law and other regulatory matters through updates from the external auditors, other advisers and the Company Secretary.

The effectiveness of the Audit Committee formed part of the Board evaluation process described in the Corporate Governance Report on page 53.

Audit Committee Report continued

The Committee undertook the following activities during the year:

Financial reporting

The Committee reviewed the Annual and Interim Reports, including the significant financial reporting issues and key judgements contained therein. The Committee confirms that appropriate accounting standards have been applied and that the financial statements give a true and fair view and the disclosures made are balanced. In reaching this conclusion, the Committee gave due regard to a report prepared by the external auditors which included significant reporting and key accounting matters, summarised below.

Tax

The Committee received tax updates from the finance team at regular intervals throughout the year, which included commentary on the areas supported by our tax advisers, KPMG, relating to tax compliance, risks, governance and advisory services.

Key accounting estimates and judgements

The Committee reviewed the appropriateness of management's accounting in relation to each of these significant risks and BDO reported to the Committee on the work performed in assessing each during their audit. Details of this work are provided in BDO's Auditors' Report on pages 65 to 69.

a. Inventory

Due to the levels of stock held, there is an ongoing focus by management on inventory levels. Inventory is discussed at both Board and Committee level. Management applies a consistent provisioning methodology with regard to the ageing of inventory. There is also an additional management judgement overlay based on specific factors. The continuing appropriateness of the provisioning methodology is tested by both management and the auditors.

b. Defined benefit pension schemes

Details of the Group's defined benefit pension plans are set out at note 20. An independent firm of pension advisers continues to work with the

Group and the Trustees of the pension schemes to help manage the Group's costs going forward, while ensuring that the Group's obligations to scheme members are appropriately met.

Management also engaged a third-party actuary to assist them in the preparation of the pension accounting and financial statements disclosures. As at 31 January 2024, there was a deficit of assets over liabilities of £0.9m (FY2023: deficit of £2.5m). BDO consider the accounting for the retirement benefit obligation and related disclosures are consistent with accounting rules.

c. Going concern

The Audit Committee, and subsequently the Board, have reviewed the going concern assessment and the Board concluded that the Group and the Company continue to adopt the going concern basis in preparing the financial statements. In addition, the Committee has discussed with management and BDO the disclosures relating to going concern included in the Financial Statements.

d. Intangibles and goodwill impairment

The capitalisation of collection design costs and the valuation of intangible assets require significant judgement and BDO reported to the Committee on the work performed in assessing each during their audit and the review and appropriateness of management's impairment model in the valuation of intangible assets.

Internal controls and risk management

Management has an ongoing process to identify, evaluate and manage the risks faced by the Group. Each business unit reports monthly on key risks identified and measures that are being taken to mitigate the risk. As part of the year-end preparation, management carried out a full refresh of the risk register. This included a bottom-up review of risks across all sites and areas of operation, revising or reconfirming ownership and updating mitigating actions and controls. The Strategic Report includes further detail as to the business risks identified and actions being taken (see pages 43 to 47).

The Group has an established internal control framework, the key factors of which include clearly defined levels of responsibility and delegation of authority, a comprehensive monthly reporting process, monthly business performance review of actual results against budget, together with commentary on significant variances and updates of both profit and cash flow, and a comprehensive budgeting process. All significant capital expenditure is approved by the Board.

Throughout the period, the Executive Directors provided relevant and timely financial commentary to the Board to supplement the financial reporting, ensuring the Board and Audit Committee were informed of the financial position and result of the Group.

Internal audit

The Group does not have a formal internal audit function and the Committee considers that management is able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without one.

External audit

BDO were first appointed in 2021, following a tender process, to conduct the audit of the Group's financial statements for the financial year ending 31 January 2022, and this is their third year auditing the Group's Annual Report. In accordance with best practice and professional standards, the external auditor is required to adhere to a rotation policy whereby the audit engagement partner is rotated at least every five years. The FY2024 audit is the third year of Gareth Singleton's tenure as lead audit engagement partner.

At its meetings, the Committee had discussions with the external auditors on audit planning, fees, accounting policies, audit findings and internal controls. This included a review with the auditors and management of how management are addressing control recommendations made by the auditors. The effectiveness of the audit was assessed through the review of audit plans, reports and conclusions and discussions with management and the external auditors.

The Audit Committee reviewed the effectiveness of BDO's performance of the external audit process taking into account the quality and scope of the audit plan, and evaluation of delivery and performance against the plan; qualifications, efficiency and performance of the audit team; the communication between the Company and BDO; and BDO's understanding of the Group's business and industry sector. After considering these matters, the Audit Committee was satisfied with the effectiveness of the year end audit process and recommended that BDO be reappointed at the Company's AGM.

Auditor independence

To ensure auditor objectivity and independence, the Committee has adopted a policy on the engagement of external auditors for the provision of non-audit services, which the Audit Committee must pre-approve. The policy is available on the website.

Any work by BDO must be pre-approved by the Committee before the work commences. There has been no engagement of BDO for provision of non-audit services during the reporting period. Details of fees paid to BDO during the year are disclosed in note 6 of the financial statements.

The Committee has confirmed it is satisfied with the independence, objectivity and effectiveness of BDO.

Juliette Stacey

Chair of the Audit Committee
23 April 2024

Report of the Directors

The Directors submit their Annual Report together with the audited financial statements of the Company and its subsidiary undertakings ('the Group') for the year ended 31 January 2024. The Strategic Report on pages 2 to 47 is incorporated by reference and deemed to form part of this report.

Group result

Reported profit before taxation amounted to £10.4m (2023: £10.9m), and profit after tax £8.2m (2022: £8.8m).

Dividend

The Directors recommend payment of a final ordinary dividend of 2.75p per share (excluding dividends on shares held by the employee benefit trust) which will be recognised in the financial statements for the following year (2023: 2.75p per share). Subject to shareholders' approval at the Annual General Meeting ('AGM') the final dividend is expected to be paid on 11 August 2024 to shareholders on the register at 12 July 2024, with an ex-dividend date of 11 July 2024.

An interim dividend of 0.75p per share was paid during the year.

Going concern

The Directors reviewed a Management Base Case model and considered the uncertainties regarding the impact of economic difficulties (including inflationary pressures and interest rate rises) and the war in Ukraine (including impact of sanctions, duration of war and inflationary pressures) for the assessment of going concern. The Directors consider that, having reviewed forecasts prepared by the management team which have been stress tested, the Group has adequate resources to continue trading for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details of the review are disclosed in note 1 to the financial statements.

Post balance sheet events

The Board considers that no material post balance sheet events occurred between the end of the period and the date of publication of this report.

Business review and future developments

A review of the principal activities during the year and likely developments of the business is contained in the Strategic Report, together with key performance indicators. A description of the Group's exposure and management of risks is provided in the Strategic Report.

Section 172(1) statement

A Section 172(1) statement which sets out how the Directors have had regard to the matters under s172 of the Companies Act 2006 is also included in the Strategic Report on page 27.

Financial risk management

Details of the Group's financial risk management objectives and policies are contained in the Strategic Report on page 44 and in note 2 to the financial statements.

Research and development

The Group continues to invest in its products to retain and enhance its market position. Details of the Group's expenditure on collection design development costs are set out in note 13 of the financial statements.

Employees

The Group is a responsible employer, compliant with all relevant human resources and health and safety regulations. Further information regarding employment policies, engagement and reward are contained within the Directors' Remuneration Report and the Live Beautiful section and s172 Statement within the Strategic Report.



Report of the Directors continued

Directors

The Board of Directors who served during the year ended 31 January 2024 and up to the date of reporting was as follows:

Name	Position	Date	Committees*
Dianne Thompson	Non-executive Director and Chairman	From 01.02.2023	N, A, R
Christopher Rogers	Non-executive Director	From 01.02.2023	R, A, N
Juliette Stacey	Non-executive Director	From 01.02.2023	A, R, N
Patrick Lewis	Non-executive Director	From 01.02.2023	A, R, N
Lisa Montague	Executive Director, CEO	From 01.02.2023	
Mike Woodcock	Executive Director, CFO	From 01.02.2023	

* Bold type denotes Committee Chair.

Details of the Directors' service contracts are set out in the Directors' Remuneration Report on pages 56 and 57. No Director has any beneficial interest in the share capital of any subsidiary or associate undertaking. Biographical details of the Directors are set out on page 49.

Appointment and retirement of Directors

Subject to applicable law, from time to time the Board may appoint any person to be a Director. Under the Articles, any such Director shall hold office until the next AGM and shall then be eligible for election. The Articles require that at each AGM one-third of the Board should retire as Directors by rotation and that each Director stand for re-election at least every third year.

In our commitment to good corporate governance practice that is relevant to our business, the Board has voluntarily adopted the policy that all continuing Directors stand for re-election on an annual basis, in line with the recommendations of the UK Corporate Governance Code 2018. At the 2024 AGM, all of the Directors will retire and offer themselves for re-election.

Directors' interests in material contracts

None of the Directors had any material interest in any contract during the year which was significant to the business of the Group.

Directors' share interests

The interests of the Directors and their families in the shares of the Company at the beginning and end of the financial year were as follows:

	1p ordinary shares	1p ordinary shares
	31 January 2024 Number	31 January 2023 Number
D Thompson	15,000	15,000
C Rogers	110,000	110,000
L Montague	417,363	371,376

There have been no changes in the interests set out above between 31 January 2024 and 23 April 2024.

Directors' and officers' liability insurance

The Group maintains liability insurance for its Directors and officers, including a qualifying third-party indemnity provision, that has been in place during the financial year and to the date of approval of this report.

Pensions

The Group operates defined benefit and defined contribution schemes in the UK and overseas for all qualifying employees. Further information on the schemes and details of the valuations are given in note 20 to the consolidated financial statements.

Political donations

The Group has not made any political donations (2023: £nil).

Emissions and energy consumption

Details of the Group's energy usage and disclosures under the SECR framework are contained in the Strategic Report on page 34.

Annual General Meeting

The AGM will be held on 28 June 2024. The notice convening the meeting will be sent to shareholders by way of a separate circular. Explanatory notes on each resolution to be proposed at the meeting will accompany the circular.

Share capital

The Company's issued capital consists of 71,706,225 ordinary shares with a nominal value of 1p each, with each share carrying the right to one vote and the right to distributions from dividends or on winding up of the Company. There are no restrictions on the transfer of securities. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Directors' authority to issue and purchase shares

At the AGM in 2023, the Directors were authorised to allot ordinary shares up to a nominal value of £235,845 and were further authorised to make market purchases of up to 7,146,821 of the Company's ordinary shares. No purchases of Company shares were made during the year. Details of shares allotted during the year are shown in note 22 to the consolidated financial statements.

Substantial shareholdings

As at 6 March 2024, being the last practicable date before publication of this report, the Company was aware of the following substantial shareholdings in its ordinary share capital. The percentages are calculated from the 71,706,225 ordinary 1p shares allotted, called and fully paid up.

	6 March 2024
Octopus Investments	11.36%
Close Asset Management	9.97%
Ennismore Fund Management	7.08%
FIL Investment International	6.98%
BGF Investments	5.93%
Interactive Investor	5.08%
Hargreaves Lansdown	5.03%
Schroder Investment Management	4.38%
Charles Stanley	4.08%
Killik Asset Management	3.01%

Independent auditors

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

Statement of Directors' Responsibilities



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

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

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and 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 UK adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, 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 Group and Company will continue in business.

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

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

The Directors are responsible for ensuring the Annual Report and financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions.

The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' confirmations

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

- so far as the Director is aware, there is no relevant audit information of which the Group and 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 Group and Company's auditors are aware of that information.

By order of the Board

David Gracie

on behalf of Indigo Corporate Secretary
Company Secretary
23 April 2024

Registered Office
Chalfont House
Oxford Road
Registered number 00061880

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Independent auditors' report to the members of Sanderson Design Group Plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 January 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Sanderson Design Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 January 2024 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Company Balance Sheet and the Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of how the Directors undertook the going concern assessment process to determine if we considered it to be appropriate for the circumstances by way of enquiry with the Directors in regards to who prepared the assessment and the information and individuals consulted in the process;
- Obtaining the Directors' trading forecasts underlying the going concern assessment and challenging the Directors on the key estimates and assumptions within the forecasts being the forecast levels of revenue, gross profit and working capital cycles, through analysis and comparison of forecasts with prior year actuals. This assessment included a consideration of the impact of current macroeconomic factors and impacts in respect of cost inflation and market demand;
- Performing data verification and logic checks to confirm the mathematical accuracy of the forecast model;

- Reviewing the Directors' 'stress tested' sensitivity analysis to assess the quantum of adverse variance against forecast that could be sustained without breaching its bank covenants or indicating other material uncertainties over the going concern assumption;
- Analysing post year end trading results compared to forecast and current year to evaluate the accuracy and achievability of forecasts; and
- Evaluating the adequacy of disclosures in relation to going concern and whether they accurately capture the basis on which the Directors have reached their conclusions and key judgements taken.

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 Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Overview

Coverage	98% (2023: 94%) of Group profit before tax 100% (2023: 99%) of Group revenue 100% (2023: 99%) of Group total assets	2024	2023
Key audit matters	Inventory valuation and adequacy of inventory provision Accounting for retirement benefit obligations	✓	✓
	Accounting for retirement benefit obligations is no longer considered to be a key audit matter because principal accounting judgements in respect of defined benefit pension accounting were subject to detailed testing in prior periods and have been applied consistently in the current year and we did not experience any enhanced difficulty in completing our audit procedures and obtaining sufficient appropriate audit evidence.		✓
Materiality	Group financial statements as a whole £517,000 (2023: £542,000) based on 5% (2023: 5%) of Profit before tax.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We determined that the Group had 4 significant components, being the UK Brands, US Brands, Anstey manufacturing and Standfast manufacturing trading divisions. A full scope audit was performed by the Group engagement team in respect of each of the significant components and the Sanderson Design Group Plc parent company.

Independent auditors' report to the members of Sanderson Design Group Plc continued

We determined that the remaining components of the group were not individually financially significant enough to require a full scope audit for Group purposes, however we performed specific risk-focused audit procedures in respect of cash verification, along with analytical procedures in order to obtain sufficient appropriate audit evidence to support our opinion on the Group financial statements as a whole.

All audit work was performed by the Group engagement team and we did not utilise component auditors.

Climate change

Our work on the assessment of potential impacts of climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
- Review of the minutes of Board meetings and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in the Directors' going concern assessment and in management's judgements and estimates in relation to the carrying values of non-current assets.

We also assessed the consistency of management's disclosures included as 'Other Information' on pages 35 to 42 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
Inventory valuation and adequacy of inventory provision <i>(see accounting policies, critical accounting estimates and judgements in Note 3 (b) and Note 16 Inventories)</i>	<p>The Group has inventory balances of £26.7m which is stated net of material inventory provisions. The provision is calculated based on a formula driven factor table including inputs relating to whether the inventory lines are classed as discontinued, the age of the inventory and sales history. There is management judgement in relation to the inventory provisioning methodology.</p> <p>There is a significant amount of judgement involved in determining an appropriate basis of inventory value and provision. There is also a risk of fraud through manipulation of the inventory provision. We therefore determined the valuation of inventory as a key audit matter.</p> <p>We challenged management on their inventory costing methodology by testing overheads absorbed into the cost of inventory and assessing whether they were directly attributable product costs. On a sample basis, we substantiated the costs absorbed into inventory and considered the eligibility of costs included as production overheads. Our assessment was based on both the nature of the costs, corroborated by supporting evidence, and also a physical inspection of the manufacturing sites. We also benchmarked profit margins used to eliminate unrealised profit arising from intergroup sales from inventory against historic levels.</p> <p>We reviewed the provisioning model and tested the mathematical accuracy of the calculations and verified that the provision was being appropriately calculated in line with the factor tables. We performed data integrity tests on the model to verify that the key inputs to the calculation were appropriately derived from underlying system data.</p> <p>We considered the appropriateness of the provisioning methodology applied in the factor tables by quantifying exposures to inventory lines without sales in the last 12 months and inventory lines designated by management as 'obsolete'. We specifically tested that the provisioning methodology had been applied on a consistent basis year on year to mitigate the risk of manipulation of earnings.</p> <p>We assessed the reasonableness of the provisions by performing a 'look-back' assessment, which involved comparing inventory written off in the year against the prior year provision as well as inventory provisions that were written back in the current year.</p> <p>We considered the results of the procedures above and concluded whether the accounting treatment was consistent with the requirements of IAS 2 Inventories.</p> <p>Key observations: We consider the assumptions and methodology underpinning the inventory valuation and provision to be reasonable, and in line with the requirements of the accounting standards.</p>

Independent auditors' report to the members of Sanderson Design Group Plc continued

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2024 £000	2023 £000	2024 £000	2023 £000
Materiality	517	542	258	270
Basis for determining materiality	5% profit before tax	5% profit before tax	50% of group materiality	50% of group materiality
Rationale for the benchmark applied	Profit before tax is considered to be the key driver of the Group's value and is considered to be the measure of most importance to the shareholders.		The materiality of the Parent company was capped at a percentage of Group materiality to respond to aggregation risk.	
Performance materiality	387	406	193	202
Basis for determining performance materiality	Set at 75% of materiality.	Set at 75% of materiality.	Set at 75% of materiality.	Set at 75% of materiality.
Rationale for the percentage applied for performance materiality	The threshold was maintained at the same level as prior year to address the aggregation risk of unadjusted misstatements.	A higher threshold was applied than prior year. Our rationale for this increase is that it is the second year of our appointment as auditor and the experience gained in the previous year on the level and nature of unadjusted differences.	The threshold was maintained at the same level as prior year to address the aggregation risk of unadjusted misstatements.	A higher threshold was applied than prior year. Our rationale for this increase is that it is the second year of our appointment as auditor and the experience gained in the previous year on the level and nature of unadjusted differences.

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 34% and 87% (2023: 37% and 88%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £175,000 to £450,000 (2023: £200,000 to £475,000). In the audit of each component, we further applied performance materiality levels of 75% (2023: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £10,000 (2023: £10,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditors' report to the members of Sanderson Design Group Plc continued

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Non-compliance with laws and regulations

Based on:

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

we considered the significant laws and regulations to be the applicable accounting framework, UK tax legislation, the Companies Act 2006, the AIM listing rules and the principles of the Quoted Companies Alliance Corporate Governance Code.

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

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;
- Review of legal expenditure accounts to understand the nature of expenditure incurred;
- Enquiries of management and those charged with governance of known or suspected non-compliance with laws and regulations or fraud in the period and other unusual transactions. We corroborated our enquires through a review of minutes of Board meetings throughout the year; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Independent auditors' report to the members of Sanderson Design Group Plc continued

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud.

Our risk assessment procedures included:

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

Based on our risk assessment, we considered the areas most susceptible to fraud to be the key audit matter relating to inventory valuation, a fraud risk in relation to revenue recognition particularly in the period just before year end and the accelerated revenue recognised on licence income, and the risk of management override of controls.

Our procedures in respect of the above included:

- challenge of key estimates and judgements, including those applied to key audit matters by management in the financial statements to test that they are free from management bias;
- identifying and testing of supporting documentation, a sample of journal entries for the following journal types:
 - any journals outside of the normal course of business or indicative of manipulation of the financial statements;
 - all journals posted to revenue to ascertain if any unusual transactions exist which are outside the normal course of business; and
 - any journals posted at a consolidated level
- performing, amongst others, the following revenue tests:
 - review of the revenue nominal accounts for any unusual transactions;
 - testing a sample of transactions posted to the nominal ledger in January 2024 to check that revenue had been recorded in the correct period;
 - review of the elimination of intra-group revenue and associated unrealised profit within inventories at consolidation level;
 - reperforming the calculation of accelerated income on all contracts such that an immaterial amount remained untested; and
 - verifying rebate arrangements and substantiating calculations of accrued rebates at the year end and reviewing historic rebate / credit notes to check for completeness of rebate accruals;
- verification, on a sample basis, of costs capitalised as collection design costs to check that the relevant recognition criteria had been met and costs were not being capitalised to manipulate reported earnings;
- consideration of management's assessment of related parties and any unusual transactions and evaluating the process for identifying and monitoring any such transactions, and
- consideration of the total unadjusted audit differences for indications of bias or deliberate misstatement.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

Use of our report

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

Gareth Singleton

Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK

Date: 23 April 2024

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

Consolidated Income Statement

Year ended 31 January 2024

	Note	2024 £000	2023 £000
Revenue	4	108,636	111,978
Cost of sales		(34,954)	(37,761)
Gross profit		73,682	74,217
Net operating (expenses)/income:			
Distribution and selling expenses		(25,320)	(25,043)
Administration expenses		(43,559)	(42,997)
Other operating income	5	4,932	4,470
Profit from operations	4–6	9,735	10,647
Finance income		847	445
Finance costs		(228)	(152)
Net finance income	7	619	293
Profit before tax		10,354	10,940
Tax expense	10	(2,157)	(2,115)
Profit for the year attributable to owners of the parent		8,197	8,825
Earnings per share – Basic	12	11.46p	12.42p
Earnings per share – Diluted	12	11.34p	12.31p
Adjusted earnings per share – Basic*	12	13.74p	14.18p
Adjusted earnings per share – Diluted*	12	13.59p	14.08p

* These are alternative performance measures as defined in the Glossary on page 106.

All of the activities of the Group are continuing operations.

The notes on pages 74 to 97 form an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 January 2024

	Note	2024 £000	2023 £000
Profit for the year		8,197	8,825
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension schemes	20	(116)	(6,981)
Deferred tax (charge)/credit relating to pension scheme liabilities	11	(404)	1,745
Corporation tax credit relating to pension scheme contributions		399	–
Investment-related defined benefit pension costs	20	(218)	–
Cash flow hedge	21	(86)	112
Total items that will not be reclassified to profit or loss		(425)	(5,124)
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		(402)	429
Other comprehensive expense for the year, net of tax		(827)	(4,695)
Total comprehensive income for the year attributable to the owners of the parent		7,370	4,130

The notes on pages 74 to 97 form an integral part of the consolidated financial statements.

Consolidated Balance Sheet

As at 31 January 2024

	Note	31 January 2024 £000	31 January 2023 £000
Non-current assets			
Intangible assets	13	26,695	26,448
Property, plant and equipment	14	12,444	12,619
Right-of-use assets	15	4,986	4,577
Minimum guaranteed licensing receivables		7,304	2,637
		51,429	46,281
Current assets			
Inventories	16	26,706	27,774
Trade and other receivables	17	13,996	16,327
Minimum guaranteed licensing receivables		2,144	1,433
Financial derivative instruments	21	26	112
Cash and cash equivalents		16,342	15,401
		59,214	61,047
Total assets		110,643	107,328
Current liabilities			
Trade and other payables	18	(14,077)	(16,280)
Corporation tax payable		(806)	(6)
Lease liabilities	15	(1,450)	(1,701)
Provision for liabilities and charges	19	(1,437)	–
		(17,770)	(17,987)
Net current assets		41,444	43,060
Non-current liabilities			
Lease liabilities	15	(3,696)	(3,421)
Deferred income tax liabilities	11	(1,747)	(1,121)
Retirement benefit obligations	20	(897)	(2,446)
Provision for liabilities and charges	19	–	(1,037)
		(6,340)	(8,025)
Total liabilities		(24,110)	(26,012)
Net assets		86,533	81,316

	Note	31 January 2024 £000	31 January 2023 £000
Equity			
Share capital	22	717	715
Share premium account		18,682	18,682
Retained earnings		27,396	21,779
Other reserves	23	39,738	40,140
Total equity		86,533	81,316

The financial statements on pages 70 to 97 were approved by the Board of Directors on 23 April 2024 and signed on its behalf by



Lisa Montague
Director



Mike Woodcock
Director

Registered number: 61880

Consolidated Cash Flow Statement

Year ended 31 January 2024

	Note	2024 £000	2023 £000
Cash flows from operating activities			
Profit from operations		9,735	10,647
Intangible asset amortisation	13	817	1,493
Property, plant and equipment depreciation and impairment	14	2,333	2,429
Right-of-use asset depreciation	15	2,381	2,407
Loss on disposal of fixed assets		–	86
Share-based payment charge	22	480	493
Defined benefit pension charge	20	360	500
Employer contributions to pension schemes	20	(2,314)	(2,382)
Decrease/(increase) in inventories		1,068	(4,911)
Decrease in trade and other receivables		2,000	28
Increase in minimum guaranteed licensing receivables		(4,747)	(1,231)
Decrease in trade and other payables		(2,611)	(2,111)
Increase/(decrease) in provision for liabilities and charges	19	400	(822)
Tax paid		(810)	(1,009)
Net cash from operating activities		9,092	5,617
Cash flows from investing activities			
Finance income received	7	216	28
Purchase of intangible assets	13	(1,064)	(686)
Purchase of property, plant and equipment	14	(2,195)	(4,103)
Net cash used in investing activities		(3,043)	(4,761)
Cash flows from financing activities			
Repayment of lease liabilities	15	(2,434)	(1,984)
Interest paid	7	(17)	–
Repurchase of shares vesting from share-based payment		–	(430)
Dividends paid	24	(2,501)	(2,484)
Net cash used in financing activities		(4,952)	(4,898)
Net increase/(decrease) in cash and cash equivalents		1,097	(4,042)
Net foreign exchange movement		(156)	393
Cash and cash equivalents at beginning of year		15,401	19,050
Cash and cash equivalents at end of year		16,342	15,401

The notes on pages 74 to 97 form an integral part of the consolidated financial statements.

Consolidated Statement Of Changes in Equity

Year ended 31 January 2024

Attributable to owners of the parent						Attributable to owners of the parent							
	Note	Share capital (note 22) £000	Share premium account £000	Retained earnings £000	Other reserves (note 23) £000	Total equity £000		Note	Share capital (note 22) £000	Share premium account £000	Retained earnings £000	Other reserves (note 23) £000	Total equity £000
Balance at 1 February 2022	710	18,682		20,610	39,711	79,713	Balance at 1 February 2023	715	18,682		21,779	40,140	81,316
Profit for the year	–	–		8,825	–	8,825	Profit for the year	–	–		8,197	–	8,197
Other comprehensive income/(expense):							Other comprehensive income/(expense):						
Remeasurements of defined benefit pension schemes	20	–	–	(6,981)	–	(6,981)	Remeasurements of defined benefit pension schemes	20	–	–	(116)	–	(116)
Deferred tax credit relating to pension scheme assets	11	–	–	1,745	–	1,745	Deferred tax charge relating to pension scheme liabilities	11	–	–	(404)	–	(404)
Cash flow hedge	21	–	–	112	–	112	Corporation tax credit relating to pension scheme contributions	–	–	–	399	–	399
Currency translation differences	–	–	–	–	429	429	Investment-related defined benefit pension costs	20	–	–	(218)	–	(218)
Total comprehensive income	–	–		3,701	429	4,130	Cash flow hedge	21	–	–	(86)	–	(86)
Transactions with owners, recognised directly in equity:							Currency translation differences	–	–	–	(402)	(402)	
Dividends	24	–	–	(2,484)	–	(2,484)	Total comprehensive income/(expense)	–	–	7,772	(402)	7,370	
Issuance of share capital for share-based payment vesting	22	5	–	(5)	–	–	Transactions with owners, recognised directly in equity:						
Share-based payment equity charge	22	–	–	493	–	493	Dividends	24	–	–	(2,501)	–	(2,501)
Related tax movements on share-based payment	11	–	–	(106)	–	(106)	Issuance of share capital for share-based payment vesting	22	2	–	(2)	–	–
Share-based payment vesting	22	–	–	(430)	–	(430)	Share-based payment equity charge	22	–	–	422	–	422
Balance at 31 January 2023	715	18,682		21,779	40,140	81,316	Related tax movements on share-based payment	11	–	–	(74)	–	(74)
The notes on pages 74 to 97 form an integral part of the consolidated financial statements.													
Balance at 31 January 2024	717	18,682		27,396	39,738	86,533							

Notes to the Consolidated Financial Statements

1. Accounting policies and general information

General information

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

Basis of preparation

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

Going concern

In the context of the continuing economic and political uncertainties, the Board of Sanderson Design Group PLC has undertaken an assessment of the ability of the Group and Company to continue in operation and meet its liabilities as they fall due over the period of its assessment. In doing so, the Board considered events throughout the period of their assessment from the date of signing of the report to 31 January 2026, including the availability and maturity profile of the Group's financing facilities and covenant compliance. These financial statements have been prepared on the going concern basis which the Directors consider appropriate for the reasons set out below.

The Group funds its operations through cash generated by the Group and has access to a £10.0m (2023: £12.5m) Revolving Credit Facility ('RCF') which is linked to two covenants and was renewed on 1 February 2024. These covenants are tested quarterly at 30 April, 31 July, 31 October and 31 January each year until the facility matures on 31 January 2029. Throughout the financial year and up to the date of this report, the Company has met all required covenant tests and maintained headroom of over £5m. Assuming the new facility applied on 31 January 2024, the total headroom of the Group at 31 January 2024 was £26.3m (2023: £27.9m), including cash and cash equivalents of £16.3m (2023: £15.4m) and the committed facility of £10.0m (2023: £12.5m). The Group has access to an uncommitted accordion facility of £7.5m (2023: £5.0m).

A Management Base Case ('MBC') model has been prepared, together with alternative stress tested scenarios, given the uncertainties regarding the impact of economic difficulties (including continuing inflationary pressures and high interest rates) and a lack of consumer confidence (with pending general elections in several core markets especially the UK and the USA). These scenarios indicate that the Group retains adequate headroom against its borrowing facilities and bank covenants for the foreseeable future.

The actual results which will be reported will be undoubtedly different from the MBC and other scenarios modelled by the Group. If there are significant negative variations from the MBC, management would act decisively, as they have done in recent years, to protect the business, particularly its cash position.

Having considered all the comments above, the Directors consider that the Group and the Company have adequate resources to continue trading for the foreseeable future and will be able to continue operating as a going concern for a period of at least 21 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

New standards, interpretations and amendments effective from 1 January 2023

During the year, the Group has adopted the following new and revised standards and interpretations. Their adoption has not had any significant impact on the accounts or disclosures in these financial statements:

- Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendment to IAS 8);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12); and
- International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes).

New standards, interpretations and amendments not yet effective

The Group has not early adopted the following new standards, amendments or interpretations that have been issued but are not yet effective:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements);
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures); and
- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates).

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and all its subsidiaries made up to the year-end date. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

Subsidiary undertakings are all entities over which the Company has control. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

The Employee Benefit Trust ('EBT') controlled by the Group is also included by consolidation. Until shares held by the EBT vest unconditionally and are transferred to employees, the consideration paid for those shares is deducted from equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of shares, including transfers to and from treasury shares. Dividends receivable on shares held by the EBT are excluded from the Income Statement and are excluded from amounts recognised as dividends payable by the Group.

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

Notes to the Consolidated Financial Statements continued

1. Accounting policies and general information continued

Basis of consolidation continued

The financial statements of the Company as an entity are prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006 and are presented separately from the consolidated financial statements (pages 98 to 105).

Revenue

The Group derives its revenue principally from the following:

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

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

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

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

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

Other operating income

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

Foreign currencies

For the purpose of the consolidated financial statements, the results and financial position are expressed in sterling, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

Transactions in foreign currencies, which are those other than the functional currency of the Group, are recorded at the rate ruling at the date of the transaction. All unhedged exchange differences are recognised in the Income Statement for the period within administration expenses.

The assets and liabilities of the Group's overseas subsidiaries on consolidation are translated at the rates of exchange ruling at the Balance Sheet date. The income and expenses are translated at the weighted average rate during the period. Differences on translation are recognised in a separate foreign currency translation reserve within equity.

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 Group'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. 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.

Intangible assets – Arthur Sanderson and William Morris Archive

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

Intangible assets – software

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

Notes to the Consolidated Financial Statements continued

1. Accounting policies and general information continued

Intangible assets – collection design

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects relating to the design of new collections are recognised as intangible assets when the following criteria are fulfilled:

- It is technically feasible to complete the new collection so that it will be available for use or sale.
- Management intends to complete the new collection and use it or sell it.
- There is an ability to use or sell the new collection.
- It can be demonstrated how the new collection will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the new collection are available.
- The expenditure attributable to the new collection during its development can be reliably measured.

Any costs relating to design of new collections that do not meet these criteria are recognised as an expense as incurred. Any such costs recognised as an expense in previous periods are not recognised as an asset in a subsequent period. Capitalised collection design costs are recognised as intangible assets and are amortised 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.

Intangible assets – Brands

Brands acquired, separately or as part of a business combination, are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied. Strategic brands are well-known international and local brands with a strong market position and an established brand name. Strategic brands have a finite useful economic life and are carried at cost less accumulated amortisation. Brands are amortised on an individual straight-line basis over the estimated useful life of the brands, being 20 years. The carrying value of Brands 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 Brands, an additional impairment review will be carried out. No such events have occurred in the current or previous financial year.

Intangible assets – customer-related intangibles

Customer-related intangibles are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied. If the amounts are not material, these are included in the brand valuation. The relationship between brands and customer-related intangibles is carefully considered so that they are not both recognised based on the same cash flows.

Customer-related intangibles acquired as part of a business combination are valued at fair value. Customer-related intangibles acquired separately are measured at cost. Customer-related intangibles are amortised on a straight-line basis over the remaining useful life of the customer relationships, currently being six years.

Property, plant and equipment

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

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

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

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

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.

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.

Inventories

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

Financial assets and liabilities – measurement basis

Financial assets and liabilities are recognised on the date on which the Group 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 Group's rights to cash inflows from the asset expire; financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expired.

Notes to the Consolidated Financial Statements continued

1. Accounting policies and general information continued

Financial assets and liabilities – measurement basis continued

Non-derivative financial assets include:

- ‘Trade and other receivables’ and ‘minimum guarantee licensing receivables’ – these are non-derivative financial assets with fixed or determinable receipts that are not quoted in an active market. They arise when the Group provides goods directly to a customer, or advances money, with no intention of trading the loan or receivable. Trade receivables are recognised initially at the amount of consideration that is unconditional. Subsequent to initial recognition, loans and receivables are included in the Balance Sheet at amortised cost using the effective interest method less any amounts written off to reflect impairment, with changes in the carrying amount recognised in the Income Statement within distribution and selling or administration expenses. The Group 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 the previous 12 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. We use historical credit loss experience for trade receivables to estimate the lifetime expected credit losses. We apply specific fixed provision rates depending on the number of days that a receivable is past due. We group historical credit loss experience for different customer segments, being customer rating and type of customer. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the Income Statement within distribution and selling expenses. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against distribution and selling expenses in the Income Statement;
- ‘Cash and cash equivalents’ – these comprise deposits with an original maturity of 90 days or less with banks and financial institutions, bank balances, bank overdrafts with the right of offset, and cash in hand.

The Group’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 Group receives goods or services directly from a supplier, or borrows money, with no intention of trading the liability. This category includes:

- ‘Trade and other payables’ – these are typically non-interest bearing and, following initial recognition, are included in the Balance Sheet at amortised cost using the effective interest method;
- ‘Bank loans and overdrafts’ – these are initially recorded at fair value based on proceeds received net of issue costs and subsequently held at amortised cost using the effective interest method;
- ‘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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Derivative financial instruments

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place).

Cash and cash equivalents

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

Leases

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 non-cancellable period of the lease plus any periods for which the Group is ‘reasonably certain’ to exercise any extension options. If right-of-use assets are impaired, the carrying value is reduced accordingly.

After initial recognition, the lease liability is recorded at amortised cost using the effective interest method. Payments in respect of short-term and/or low-value leases continue to be charged to the income statement on a straight-line basis over the lease term.

Employee benefits – retirement benefit obligations

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

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

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

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

Notes to the Consolidated Financial Statements continued

1. Accounting policies and general information continued

Employee benefits – retirement benefit obligations continued

Scheme administrative costs, interest income on scheme assets and interest cost are classified within 'Defined benefit pension charge' within the Income Statement as the schemes are now closed to future accruals. Investment-related defined benefit pension costs are presented in the Statement of Comprehensive Income.

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

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

Employee benefits – share-based payments under Long-Term Incentive Plans ('LTIP') and Restricted Share Plans ('RSP')

The Group issues equity-settled share-based payments to certain employees which must be measured at fair value and 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 Group's estimate of the number of awards which will lapse, either due to employees leaving the Group 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 expected number of awards that would vest at fair value and does not represent the market value of the shares at vesting date. National Insurance contributions related to the awards are recognised as an expense in the Income Statement with a corresponding liability on the Balance Sheet.

Employee benefits – short-term bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Provisions for liabilities and charges

Provisions are required when the Group 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.

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

Share capital

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

Share premium

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

Treasury shares

Consideration paid, including any directly attributable incremental costs (net of income taxes) on the purchase of the Company's equity share capital (treasury shares), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity shareholders. The EBT is treated as an agent of the Group and, as such, EBT transactions are treated as being those of the Group.

Taxation including deferred income tax

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

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

A deferred tax asset is recognised relating to share-based payments equal to the intrinsic value (market price at the year-end less the exercise price). Deferred tax is recognised in profit and loss based on the temporary difference between the tax base of the fair value of the employee's services received in the year. The amount recognised in equity is the excess deduction based on the difference between the intrinsic value and the cumulative fair value of share-based payments recognised in profit and loss.

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

Segmental reporting

The Group is a designer, manufacturer and distributor of furnishings, fabrics and wallpaper and manages its operations as three reportable segments, which are Brands, Licensing and Manufacturing. Reportable segments consist of one or more operating segments. Aggregation of operating segments into reportable segments occurs when aggregation criteria, as laid down in IFRS 8 'Operating Segments' are satisfied, including similar economic characteristics or when operating segments are less than the quantitative limits as laid down in IFRS 8. The Group considers its Chief Operating Decision Maker ('CODM') to be the Board of Directors, which is responsible for the allocation of resources and assessing performance of the operating segments.

Interest received

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

Notes to the Consolidated Financial Statements continued

2. Financial risk management

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

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

a) Foreign exchange risk

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

The Group's policy is, where possible, to allow the Group's entities to settle liabilities in their functional currency through natural hedges 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. Hedging instruments are put in place to mitigate foreign currency risk.

For the year ended 31 January 2024, the average sterling to US dollar translation rate applied by the Group including the impact of hedging contracts for GBP to USD was 1=1.24. If the GBP to USD rate had been 1=1.14 with all other variables being held constant, profit before tax would have been higher by £731,000. If the GBP to USD rate had been 1=1.34 with all other variables being held constant, profit before tax would have been lower by £622,000.

For the year ended 31 January 2024, the average sterling to euro translation rate applied by the Group including the impact of hedging contracts for GBP to EUR was 1=1.15. If the GBP to EUR rate had been 1=1.05 with all other variables being held constant, profit before tax would have been higher by £269,000. If the GBP to EUR rate had been 1=1.25 with all other variables being held constant, profit before tax would have been lower by £226,000.

The sensitivities tested above reflect movements in the foreign currency exchange rates over the financial year. The sensitivity of movements in other currencies is not considered material to the performance of the Group.

b) Interest rate risk

As the Group has no significant interest-bearing assets, its revenue and cash generated from operations are substantially independent of changes in market interest rates. The Group's interest rate risk would arise from any borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's borrowings at variable rate are denominated in either sterling or euros. The Group regularly analyses its interest rate exposure, calculating the impact on profit and loss of a defined interest rate shift. Based on the calculations the Board considers refinancing, renewal of existing positions, alternative financing and hedging. The Group has not felt there has been a requirement during the current or previous financial year to enter any of these options.

On 1 February 2024, the Group renewed its multi-currency revolving credit facility with Barclays Bank Plc for a further five-year period. Variable interest rates were negotiated on all the loans. The Board continues to monitor the interest rates monthly.

For the year ended 31 January 2024, had the benchmark interest rate levels been 0.5% higher or lower than the actual experience, with all other variables held constant, the impact on profit before tax of the Group would have been negligible as the Group has no borrowings. The 0.5% sensitivity is deemed a reasonable sensitivity analysis based on expected movements in the base rate for the next financial year.

c) Credit risk

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

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

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

d) Liquidity risk

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

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

Notes to the Consolidated Financial Statements continued

2. Financial risk management continued

e) Capital risk management

The Group's objectives when managing capital are:

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

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, buy back issued shares, or sell assets to reduce debt.

f) Fair value estimation

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

g) Impairment of financial assets

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

3. Critical accounting estimates and judgements

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

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

a) Retirement benefit obligations

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

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

will be paid, and that have terms to maturity approximating the terms of the related pension liability. Details of the estimates and assumptions applied, and carrying amounts of retirement benefit obligations and pension assets, are set out in the note to the consolidated financial statements.

b) Impairment of non-financial assets

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

In assessing whether an impairment of goodwill is required, the carrying value of the cash-generating unit ('CGU') or group of CGUs is compared with its recoverable amount. The recoverable amounts for each CGU, being a division of the business operated at a separate site, and collectively for groups of CGUs that make up the segments of the Group's business, have been based on the VIU. The Group estimates the VIU using a discounted cash flow model ('DCF'), where the projected cash flows for separate or collective groups of CGUs are discounted using a post-tax rate of 11.18% (2023: 10.00%). The discount rate used is the same across all segments.

The Group has used formally approved budgets for the first two years (2023: two years) of its VIU calculation, with extrapolation beyond the last explicit year using an assumption of growth for future years at 2% (2023: 2%) depending upon the CGU being tested.

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

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

c) Absorption of overhead into inventory

The Group determines the basis of allocation of fixed production overhead based on the actual performance of the manufacturing components of the Group and arms-length sales prices when actual performance is considered to approximate normal capacity. Where actual performance in the year is not considered to represent normal levels, the Group uses the next year's budgeted results to ensure operating inefficiencies are not included in the carrying value of inventory.

Notes to the Consolidated Financial Statements continued

4. Segmental analysis

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

- Brands – comprising the design, marketing, sales and distribution of Morris & Co., Sanderson, Zoffany, Clarke & Clarke, Harlequin and Scion brands.
- Licensing – comprising the licensing activities of Morris & Co., Sanderson, Zoffany, Clarke & Clarke, Harlequin and Scion brands. Licensing business formed part of the Brands business previously, but is now segmented with its own revenue and profit stream to highlight its significance to the Group's strategy.
- Manufacturing – comprising the wallcovering and printed fabric manufacturing businesses operated by Anstey and Standfast & Barracks respectively.

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

The Group has revised its segmental methodology during the year by reviewing the allocation of shared costs, operating profits and net finance income among the business segments, including the new Licensing segment, and restated the prior year's comparatives to improve the usefulness of the segmentation. The amounts reclassified for the year ended 31 January 2023 are:

- Brands to Licensing of £6.4m in revenue and operating profits relating to segmentation of the Licensing business as its own revenue and profit stream.
- Unallocated to Manufacturing of £1.3m relating to allocation of costs such as rental, audit fee, insurance, human resource and IT.
- Unallocated to Brands of net £0.9m relating to allocation of costs such as rental, audit fee, insurance, human resource and IT, offset by the profit allocation of Brands to Unallocated.

Operating profits are allocated from Brands to Unallocated as the senior management at the Brands and Unallocated units spend significant amount of time jointly performing key value-driving functions and taking important decisions that influence the way the Group functions strategically as well as on a day-to-day basis.

- Unallocated to Brands of £0.1m finance costs and Unallocated to Licensing of £0.3m finance income relating to allocation of interest incurred by Brands and unwinding of discounts on minimum guaranteed licensing income for Licensing.

The segmental Income Statement disclosures are measured in accordance with the Group's accounting policies as set out in the accounting policies. Inter-segment revenue earned by Manufacturing from sales to Brands is determined on normal commercial trading terms as if Brands were any other third-party customer. Tax charges have not been allocated to a segment.

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

Year ended 31 January 2024	Brands £000	Licensing £000	Manufacturing £000	Unallocated £000	Total £000
UK revenue	37,902	6,424	11,900	–	56,226
International revenue	40,870	4,496	7,044	–	52,410
Revenue – external	78,772	10,920	18,944	–	108,636
Revenue – internal	–	–	16,065	(16,065)	–
Total revenue	78,772	10,920	35,009	(16,065)	108,636
Profit/(loss) from operations	642	10,920	(1,002)	(825)	9,735
Net finance income/(expense)	(98)	631	(10)	96	619
Profit/(loss) before tax	544	11,551	(1,012)	(729)	10,354
Tax expense	–	–	–	(2,157)	(2,157)
Profit/(loss) for the year	544	11,551	(1,012)	(2,886)	8,197
Year ended 31 January 2023	Brands £000	Licensing £000	Manufacturing £000	Unallocated £000	Total £000
UK revenue	42,612	4,147	15,024	–	61,783
International revenue	40,800	2,302	7,093	–	50,195
Revenue – external	83,412	6,449	22,117	–	111,978
Revenue – internal	–	–	16,953	(16,953)	–
Total revenue	83,412	6,449	39,070	(16,953)	111,978
Profit/(loss) from operations (restated)	2,336	6,449	2,367	(505)	10,647
Net finance income (restated)	(81)	341	–	33	293
Profit/(loss) before tax	2,255	6,790	2,367	(472)	10,940
Tax expense	–	–	–	(2,115)	(2,115)
Profit/(loss) for the year	2,255	6,790	2,367	(2,587)	8,825

Notes to the Consolidated Financial Statements continued

4. Segmental analysis continued

b) Additional segmental revenue information

Brands revenue by geography	2024 £000	2023 £000
United Kingdom	37,902	42,612
North America	21,380	19,762
Northern Europe	9,857	10,809
Rest of the World	9,633	10,229
	78,772	83,412

Brands revenue by brand	2024 £000	2023 £000
Clarke & Clarke	22,420	23,577
Morris & Co.	19,073	19,025
Harlequin	13,989	15,757
Sanderson	13,590	14,039
Zoffany	8,174	8,821
Scion	1,288	1,824
Other brands	238	369
	78,772	83,412

Manufacturing revenue by division (including internal revenue)	2024 £000	2023 £000
Standfast & Barracks	19,103	20,732
Anstey	15,906	18,338
	35,009	39,070

c) Other Income Statement segmental information

The following additional items are included in the measures of profit and loss reported to the CODM and are included within (a) above for all segments except for Licensing:

Year ended 31 January 2024	Brands £000	Manufacturing £000	Unallocated £000	Total £000
Depreciation and impairment	3,080	1,310	324	4,714
Amortisation	476	60	281	817
Net impairment charge – trade receivables	32	16	–	48
Net impairment charge – inventory	1,151	40	–	1,191
Share-based payment charge	–	–	480	480

Year ended 31 January 2023	Brands £000	Manufacturing £000	Unallocated £000	Total £000
Depreciation	3,680	1,156	–	4,836
Amortisation	712	9	772	1,493
Net impairment charge/(reversal) – trade receivables	577	(51)	–	526
Net impairment charge – inventory	1,070	3	–	1,073
Share-based payment charge	–	–	508	508

d) Principal measures of assets and liabilities – Balance Sheet segmental information

Unallocated assets and liabilities consist primarily of cash, deferred tax assets, borrowings, derivative financial instruments, and retirement benefit obligations and elimination of inter-segment balances. Segment assets and liabilities and unallocated assets and liabilities are measured in accordance with the Group's accounting policies as set out in the accounting policies.

Year ended 31 January 2024	Brands £000	Licensing £000	Manufacturing £000	Unallocated £000	Total £000
Assets	57,324	9,448	21,121	22,750	110,643
Liabilities	(14,135)	–	(4,609)	(5,366)	(24,110)
Total net assets	43,189	9,448	16,512	17,384	86,533
Capital expenditure – intangible assets	502	–	562	–	1,064
Capital expenditure – property, plant and equipment	955	–	1,240	–	2,195

Notes to the Consolidated Financial Statements continued

4. Segmental analysis continued

d) Principal measures of assets and liabilities – Balance Sheet segmental information continued

Year ended 31 January 2023	Brands £000	Licensing £000	Manufacturing £000	Unallocated £000	Total £000
Assets	58,654	4,070	21,164	23,440	107,328
Liabilities	(16,424)	–	(5,234)	(4,354)	(26,012)
Total net assets	42,230	4,070	15,930	19,086	81,316
Capital expenditure – intangible assets	480	–	206	–	686
Capital expenditure – property, plant and equipment	1,682	–	2,233	188	4,103

e) Additional entity-wide disclosures

Total Group revenue by geography	2024 £000	2023 £000
United Kingdom	56,226	62,304
North America	23,458	21,950
Northern Europe	17,219	15,808
Rest of the World	11,733	11,916
	108,636	111,978

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

Total Group non-current assets by geography	2024 £000	2023 £000
United Kingdom	48,845	43,119
North America	2,584	3,162
	51,429	46,281

Non-current assets included above comprise intangible assets, property, plant and equipment, right-of-use assets, retirement benefit surplus and minimum guaranteed licensing receivables.

5. Other operating income

Other operating income of £4,932,000 (2023: £4,470,000) comprises consideration received from the sale of marketing materials to support the Group's core products.

6. Profit from operations

	2024 £000	2023 £000
Group profit from operations is stated after charging/(crediting):		
Depreciation and impairment of property, plant and equipment	2,333	2,429
Depreciation of right-of-use assets	2,381	2,407
Amortisation of intangibles	536	721
Amortisation of acquired intangibles	281	772
Cost of inventories recognised as expense in cost of sales	24,259	27,993
Net impairment charge – inventory	1,191	1,073
Net impairment charge – trade receivables	48	526
Transportation expenses	7,024	8,047
Marketing and advertising costs	3,588	3,979
Other selling costs	12,509	11,570
Establishment costs	4,917	4,005
Net foreign exchange (gains)/losses	(78)	174
Loss on disposal of fixed assets	–	86
Short-term rental expense:		
– Hire of motor vehicles and plant and machinery	96	32
– Land and buildings	–	5

	2024 £000	2023 £000
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	88	65
Fees payable to the Company's auditors for other services:		
Audit of the Company's subsidiaries pursuant to legislation	224	224
	312	289

Notes to the Consolidated Financial Statements continued

7. Net finance income

	Note	2024 £000	2023 £000
Interest income:			
Interest received on bank deposits		216	28
Unwind of discount on minimum guaranteed licensing income		631	341
Total interest received		847	369
Net pension interest income	20	–	76
Total finance income		847	445
Interest expense:			
Bank facility fee		(34)	(22)
Interest paid		(17)	–
Lease interest		(106)	(130)
Total interest paid		(157)	(152)
Net pension interest costs	20	(71)	–
Total finance costs		(228)	(152)
Net finance income		619	293

8. Emoluments of Directors and key management personnel

Information on the remuneration of the Directors, including the highest paid Director, is included in the Directors' Remuneration Report.

The emoluments of the Directors are detailed below:

	2024			2023		
	Emoluments for qualifying services £000	Gains on exercise of share options £000	Contributions to pension schemes £000	Emoluments for qualifying services £000	Gains on exercise of share options £000	Contributions to pension schemes £000
Lisa Montague	463	100	23	371	561	22
Mike Woodcock	250	–	9	207	–	9
Dianne Thompson	119	–	–	114	–	–
Christopher Rogers	54	–	–	52	–	–
Juliette Stacey	54	–	–	52	–	–
Patrick Lewis	49	–	–	47	–	–
	989	100	32	843	561	31

The emoluments of the key management personnel are detailed below:

	2024 £000	2023 £000
Wages and salaries	2,578	2,078
Pension contributions	92	94
Share-based payment charge	382	402
	3,052	2,574

Key management personnel include only the Board of Directors and members of the Group Leadership Team.

9. Employee information

	2024 £000	2023 £000
Wages and salaries	24,086	25,086
Social security costs	2,414	2,737
Pension contributions (see note 20)	1,112	912
Share-based payment charge	480	493
Employee benefit expense	28,092	29,228

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

	2024 £000	2023 £000
Brands, including warehousing	293	294
Manufacturing	273	282
Overseas	43	35
Corporate and administration	22	22
	631	633

Notes to the Consolidated Financial Statements continued

10. Tax expense

	2024 £000	2023 £000
Corporation tax:		
- UK current tax	2,168	1,433
- UK adjustments in respect of prior years	(186)	(278)
- Overseas, current tax	27	198
Corporation tax	2,009	1,353
Deferred tax:		
- Current year	356	697
- Adjustments in respect of prior years	(208)	65
Deferred tax	148	762
Total tax charge for the year	2,157	2,115

Reconciliation of total tax charge for the year:	2024 £000	2023 £000
Profit on ordinary activities before tax	10,354	10,940
Tax on profit on ordinary activities at 24.03%, pro-rated (2022: 19.00%)	2,488	2,079
Fixed asset differences	1	173
Non-deductible expenditure	6	129
Share-based payment	(30)	-
Adjustments in respect of prior years – corporation tax	(186)	(278)
Adjustments in respect of prior years – deferred tax	(208)	65
Movement in deferred tax not recognised	41	(246)
Effect of changes in corporation tax rates, including overseas	45	193
Total tax charge for the year	2,157	2,115

11. Deferred income tax

Deferred tax (liabilities)/assets:	2024 £000	2023 £000
Taxable temporary differences on property, plant and equipment	(2,113)	(1,173)
Taxable temporary differences on intangible assets	(881)	(947)
Taxable temporary differences on right-of-use assets	(510)	(623)
Deductible temporary differences on lease liabilities	510	623
Taxable temporary differences on unutilised tax losses	677	198
Taxable temporary differences on short-term differences	119	-
Taxable temporary differences on share-based payments	227	218
Retirement benefit obligations	(1,971)	(1,704)
	224	583
	(1,747)	(1,121)

A deferred tax charge of £404,000 (2023: tax credit £1,745,000) arising on retirement benefit obligations has been recognised within the Statement of Other Comprehensive Income.

At 31 January 2024, the Group had gross unused UK tax losses of £2,417,919 (2023: £793,000) available for offset against future profits.

At 31 January 2024, the Group had unutilised capital tax losses of £4,881,000 (2023: £4,881,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised in the foreseeable future.

Deferred tax liability movement	2024 £000	2023 £000
At 1 February	(1,121)	(1,998)
Income Statement charge	(148)	(762)
Tax (charge)/credit relating to components of other comprehensive income	(404)	1,745
Tax charged directly to equity	(74)	(106)
At 31 January	(1,747)	(1,121)

Notes to the Consolidated Financial Statements continued

12. Earnings per share

12. (a) Earnings per share

Basic earnings per share ('EPS') is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the year, excluding those held in the Employee Benefit Trust ('EBT') and those held in treasury, which are treated as cancelled. The adjusted basic earnings per share is calculated by dividing the adjusted earnings by the weighted average number of shares.

	2024			2023		
	Weighted average number		Per share amount	Weighted average number of shares		Per share amount
	Earnings £000	of shares (000s)	Pence	Earnings £000	(000s)	Pence
Basic earnings per share	8,197	71,520	11.46	8,825	71,074	12.42
Effect of dilutive securities:						
Shares under share-based payment		788			606	
Diluted earnings per share	8,197	72,308	11.34	8,825	71,680	12.31
Adjusted underlying basic and diluted earnings per share:						
Add back share-based payment charge (including National Insurance)		480		508		
Add back defined benefit pension charge		431		424		
Add back non-underlying items (see below)		905		772		
Tax effect of non-underlying items and other add backs		(185)		(453)		
Adjusted underlying basic earnings per share	9,828	71,520	13.74	10,076	71,074	14.18
Adjusted underlying diluted earnings per share	9,828	72,308	13.59	10,076	71,680	14.08

12. (b) Adjusted underlying profit before tax

The Group uses an Alternative Performance Measure 'adjusted underlying profit before tax'. This is defined as statutory profit before tax adjusted for the exclusion of share-based incentives, defined benefit pension charge and non-underlying items. This is recognised by the investment community as an appropriate measure of performance for the Group and is used by the Board of Directors as a key performance measure. The table below reconciles statutory profit before tax to adjusted underlying profit before tax.

	2024 £000	2023 £000
Statutory profit before tax	10,354	10,940
Amortisation of acquired intangible assets	281	772
Restructuring and reorganisation costs*	624	–
Total non-underlying charge included in statutory profit before tax	905	772
Underlying profit before tax	11,259	11,712
Share-based payment charge	480	508
Defined benefit pension charge	431	424
Adjusted underlying profit before tax	12,170	12,644

* Restructuring and reorganisation costs of £624,000 (2023: £nil). These relate to the reorganisation of Anstey and the rationalisation of certain Brands' operational and support functions during the financial year.

Notes to the Consolidated Financial Statements continued

13. Intangible assets

	Goodwill £000 ¹	Arthur Sanderson and William Morris Archive £000 ²	Collection design £000	Brand £000	Customer- related intangibles £000	Software £000	Assets under construction £000	Total £000
Cost								
31 January 2022	17,091	4,300	4,184	5,566	4,427	3,308	–	38,876
Additions	–	–	443	–	–	37	206	686
Reclassification from property, plant and equipment (note 14)	–	–	–	–	–	–	276	276
Disposals	–	–	(2,335)	–	–	(551)	–	(2,886)
31 January 2023	17,091	4,300	2,292	5,566	4,427	2,794	482	36,952
Additions	–	–	499	–	–	64	501	1,064
Disposals	–	–	–	–	–	(262)	–	(262)
31 January 2024	17,091	4,300	2,791	5,566	4,427	2,596	983	37,754
Accumulated amortisation								
31 January 2022	841	–	2,689	1,484	3,938	2,945	–	11,897
Charge	–	–	469	283	489	252	–	1,493
Disposal	–	–	(2,335)	–	–	(551)	–	(2,886)
31 January 2023	841	–	823	1,767	4,427	2,646	–	10,504
Charge	–	–	432	281	–	104	–	817
Disposal	–	–	–	–	–	(262)	–	(262)
31 January 2024	841	–	1,255	2,048	4,427	2,488	–	11,059
Net book amount								
31 January 2024	16,250	4,300	1,536	3,518	–	108	983	26,695
31 January 2023	16,250	4,300	1,469	3,799	–	148	482	26,448
31 January 2022	16,250	4,300	1,495	4,082	489	363	–	26,979

¹ Goodwill £16,250,000 (2023: £16,250,000), brand £5,566,000 (2023: £5,566,000) and customer-related intangibles £4,427,000 (2023: £4,427,000) were recognised on the business combination of Clarke & Clarke during the year ended 31 January 2017.

² 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.

The total amortisation expense of £817,000 (2023: £1,493,000) in administration expenses is split £536,000 (2023: £721,000) in underlying items and £281,000 (2023: £772,000) in non-underlying items. The amount included in non-underlying items relates to the amortisation of acquired intangible assets.

Impairment tests for goodwill and Arthur Sanderson and William Morris Archive

The total carrying value of goodwill at year end of £16,250,000 (2023: £16,250,000) is attributable to the Brands segment.

The carrying value of the Arthur Sanderson and William Morris Archive at the year end of £4,300,000 (2023: £4,300,000) is attributable to the Brands segment.

The Group does not consider it reasonably possible that changes to the key assumptions will arise that would result in impairment of either goodwill or the Arthur Sanderson and William Morris Archive as at 31 January 2024. As explained in the critical accounting estimates and judgements section, the key assumptions in the impairment review are a post-tax discount rate of 11.18% (2023: 10.00%) and a long-term growth rate of 2% (2023: 2%). A 2.7% sensitivity increase in the discount rate would lead to a potential impairment. The financial impact of climate change and the 'Live Beautiful' strategy is not anticipated to be material within the time frame of the forecasts used for impairment reviews and as such is not included. This will be kept under review as the strategy progresses.

Notes to the Consolidated Financial Statements continued

14. Property, plant and equipment

	Freehold land and buildings £000	Leasehold improvements £000	Plant, equipment and vehicles £000	Computer hardware £000	Assets under construction £000	Total £000
Cost						
31 January 2022	6,247	697	34,932	2,321	–	44,197
Additions	352	–	2,696	205	850	4,103
Disposals	(89)	–	(6,229)	(256)	–	(6,574)
Reclassification to intangible assets (note 13)	–	–	(276)	–	–	(276)
Currency movements	–	–	148	10	–	158
31 January 2023	6,510	697	31,271	2,280	850	41,608
Additions	–	–	1,743	60	392	2,195
Disposals	(238)	28	(332)	(1,095)	–	(1,637)
Reclassifications	(157)	(210)	647	(90)	(190)	–
Currency movements	–	–	(59)	(33)	(33)	(125)
31 January 2024	6,115	515	33,270	1,122	1,019	42,041
Accumulated depreciation and impairment						
31 January 2022	2,429	427	27,903	2,180	–	32,939
Charge	125	–	2,210	94	–	2,429
Disposals	(89)	–	(6,155)	(256)	–	(6,500)
Currency movements	–	–	113	8	–	121
31 January 2023	2,465	427	24,071	2,026	–	28,989
Charge	119	21	1,981	96	–	2,217
Impairment	–	116	–	–	–	116
Disposals	(238)	28	(332)	(1,095)	–	(1,637)
Reclassifications	77	(77)	–	–	–	–
Currency movements	–	–	(54)	(34)	–	(88)
31 January 2024	2,423	515	25,666	993	–	29,597
Net book amount						
31 January 2024	3,692	–	7,604	129	1,019	12,444
31 January 2023	4,045	270	7,200	254	850	12,619
31 January 2022	3,818	270	7,029	141	–	11,258

The total depreciation expense of £2,217,000 (2023: £2,429,000) has been allocated to the following categories: administration expenses of £2,217,000 (2023: £2,378,000) and distribution and selling costs of Enil (2023: £51,000).

	2024 £000	2023 £000
Freehold land	450	450
Freehold buildings	3,242	3,595
Net book amount	3,692	4,045

Notes to the Consolidated Financial Statements continued

15. Right-of-use assets and lease liabilities

As a lessee

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

Right-of-use assets

	Leasehold properties £000	Vehicles £000	Plant and equipment £000	Total £000
Cost				
31 January 2022	9,716	776	1,034	11,526
Additions	2,470	409	131	3,010
Disposals	(128)	(271)	(91)	(490)
Currency movements	273	1	5	279
31 January 2023	12,331	915	1,079	14,325
Additions	2,686	203	17	2,906
Disposals	–	(208)	(158)	(366)
Currency movements	(248)	–	(5)	(253)
31 January 2024	14,769	910	933	16,612
Accumulated depreciation and impairment				
31 January 2022	6,407	549	647	7,603
Charge	1,996	228	183	2,407
Disposals	(128)	(267)	(83)	(478)
Currency movements	232	(21)	5	216
31 January 2023	8,507	489	752	9,748
Charge	1,903	311	167	2,381
Disposals	–	(208)	(158)	(366)
Currency movements	(133)	–	(4)	(137)
31 January 2024	10,277	592	757	11,626
Net book amount				
31 January 2024	4,492	318	176	4,986
31 January 2023	3,824	426	327	4,577
31 January 2022	3,309	227	387	3,923

Lease liabilities

	Leasehold properties £000	Vehicles £000	Plant and equipment £000	Total £000
Balance				
31 January 2022	3,285	201	417	3,903
Additions	2,470	409	131	3,010
Amounts paid	(1,545)	(222)	(216)	(1,983)
Effect of discounting	102	14	10	126
Currency movements	65	–	1	66
31 January 2023	4,377	402	343	5,122
Additions	2,298	203	17	2,518
Amounts paid	(1,921)	(342)	(171)	(2,434)
Effect of discounting	84	15	7	106
Currency movements	(166)	–	–	(166)
31 January 2024	4,672	278	196	5,146

Maturity analysis – contractual lease liabilities

	2024 £000	2023 £000
Current	1,450	1,701
Non-current	3,696	3,421
Total lease liabilities	5,146	5,122

16. Inventories

	2024 £000	2023 £000
Raw materials	4,314	5,038
Work in progress	1,984	1,478
Finished goods	19,371	20,431
Marketing materials	1,037	827
Total	26,706	27,774

There is no significant difference between the replacement cost of work in progress and finished goods and goods for resale and their carrying amounts. Inventories are stated after provisions for impairment of £5,571,404 (2023: £4,545,000). The cost of inventories recognised as an expense and included in cost of sales amounted to £24,259,000 (2023: £27,993,000).

Notes to the Consolidated Financial Statements continued

17. Trade and other receivables

	2024 £000	2023 £000
Current		
Trade receivables	11,413	12,928
Less: provision for impairment of trade receivables	(641)	(921)
Net trade receivables	10,772	12,007
Other taxes and social security	582	1,274
Other receivables	68	827
Prepayments	2,574	2,219
	13,996	16,327

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

The total loss allowance for trade receivables is determined as follows:

31 January 2024 £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	8,914	799	645	193	862	11,413
Loss allowance	(202)	(14)	(22)	(11)	(392)	(641)
31 January 2023 £000	Current	1-30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Trade receivables	10,497	554	708	318	851	12,928
Loss allowance	(216)	(15)	(46)	(56)	(588)	(921)

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

Credit quality of financial assets

(i) Current

Included in the Group's trade receivable balances are receivables with a carrying value of £8,914,000 (2023: £10,497,000) which are not past due. Under the expected credit loss model a provision is held for the lifetime credit loss on these balances of £202,000 (2023: £216,000). The nature of the Group'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 Group's trade receivable balances are receivables with a carrying value of £2,140,000 (2023: £2,141,000) which are past due at the reporting date for which the Group does not consider the need to create a specific impairment provision against individually identified receivables, but an expected credit loss provision has been made of £143,000 (2023: £415,000).

(iii) Past due – individually impaired

As at 31 January 2024, trade receivables of £359,000 (2023: £290,000) were individually determined to be impaired and provided for. The amount of the provision was £296,000 (2023: £290,000). The main factor used to assess the impairment of trade receivables is the circumstances of the individual customer. These receivables are analysed separately from IFRS 9's expected credit loss model.

Trade receivables by geography	2024 £000	2023 £000
United Kingdom	6,634	6,565
Northern Europe	1,841	2,371
North America	1,406	2,226
Rest of the World	891	845
	10,772	12,007
Trade and other receivables by currencies	2024 £000	2023 £000
Sterling	10,096	11,356
US dollars	1,761	2,565
Euros	1,630	1,834
Other	509	572
	13,996	16,327

The closing loss allowances for trade receivables as at 31 January 2024 reconcile to the opening loss allowances as follows:

	Lifetime ECL £000	Credit impaired £000	2024 £000	2023 £000
At 1 February		(631)	(290)	(921)
Net reversal/(charge) in allowance recognised in income statement		204	(252)	(48)
Allowance utilised in the year as uncollectible		82	246	328
At 31 January		(345)	(296)	(641)

Notes to the Consolidated Financial Statements continued

18. Trade and other payables

	2024 £000	2023 £000
Trade payables	9,289	10,399
Other taxes and social security	1,159	2,426
Other payables	263	743
Accruals	3,366	2,712
	14,077	16,280

19. Provision for liabilities and charges

	Property £000	Other £000	Total £000
31 January 2022	790	1,043	1,833
Charged	247	–	247
Utilised	–	(1,043)	(1,043)
31 January 2023	1,037	–	1,037
Charged	124	493	617
Released	(217)	–	(217)
31 January 2024	944	493	1,437

	2024 £000	2023 £000
Current	1,437	–
Non-current	–	1,037
Total	1,437	1,037

Property

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

Other provisions

Other provisions include restructuring provisions and employee termination payments and are recognised when a detailed, formal plan has been established and communicated to those parties directly affected by the plan.

20. Retirement benefit obligations

Defined contribution schemes

The Group 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 £1,112,000 (2023: £912,000). There are no outstanding or prepaid contributions at 31 January 2024 (2023: £nil). Active members of the schemes are also able to make personal contributions.

Defined benefit schemes

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

The Group's contributions to the schemes for the year beginning 1 February 2024 are expected to be £2,607,000.

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 2024, based on membership data at 5 April 2021, updated to take account of benefit outgoings since 5 April 2021, using actuarial assumptions at 31 January 2024. The major assumptions used by the actuary were (in nominal terms) as follows:

	2024	2023
Discount rate	4.90%	4.50%
Inflation assumption (RPI)	3.10%	3.00%
Inflation assumption (CPI)	2.70%	2.50%
Rate of increase in salaries	2.70%	2.50%
Rate of increase to pensions in payment, that increase in line with RPI subject to a maximum of 5% p.a.	2.95%	2.90%
Rate of increase to pensions (in excess of GMP) in deferment	2.70%	2.50%

Notes to the Consolidated Financial Statements continued

20. Retirement benefit obligations continued

Defined benefit schemes continued

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

	2024	2023
Non-pensioner male currently 45	22.1	22.9
Pensioner male currently 65	21.1	21.9
Non-pensioner female currently 45	24.7	25.5
Pensioner female currently 65	23.6	24.3
	2024 £000	2023 £000
Present value of funded obligations	(49,577)	(54,229)
Fair value of scheme assets	48,680	51,783
Deficit in funded scheme	(897)	(2,446)

Reconciliation of deficit in funded scheme

	2024 £000	2023 £000
1 February	(2,446)	2,577
Contributions by employers	2,314	2,382
Defined benefit pension charge	(431)	(424)
Investment-related defined benefit pension charge	(218)	–
Total remeasurements of the net defined benefit liability	(116)	(6,981)
31 January	(897)	(2,446)

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:

	2024 £000	2023 £000
Equities, absolute return and property	–	12,831
Diversified growth funds	19,461	–
Fixed interest bonds	–	8,744
Buy and maintain credit	8,441	–
Gilts	5,035	3,628
Liability-driven investments	8,701	24,260
Insured annuities	100	114
Liquidity funds	6,216	–
Cash and other	726	2,206
Fair value of scheme assets	48,680	51,783

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

The actual return on assets, excluding interest income, less interest income on scheme assets, over the year was a loss of £2,197,000 (2023: loss of £23,675,000).

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

	2024 £000	2023 £000
Fair value of plan assets at beginning of year	51,783	76,701
Interest income on scheme assets	2,310	1,673
Loss on return on assets, excluding interest income	(4,508)	(25,348)
Contributions by employers	2,314	2,382
Benefits paid	(2,641)	(3,125)
Investment-related defined benefit pension costs	(218)	–
Scheme administrative costs	(360)	(500)
Fair value of scheme assets at end of year	48,680	51,783

Notes to the Consolidated Financial Statements continued

20. Retirement benefit obligations continued

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

	2024 £000	2023 £000
Benefit obligation at beginning of year	54,229	74,124
Interest cost	2,381	1,597
Remeasurement gains – changes in financial assumptions	(2,087)	(21,601)
Remeasurement gains – changes in demographic assumptions	(2,780)	(10)
Remeasurement gains – experience	475	3,244
Benefits paid	(2,641)	(3,125)
Benefit obligation at end of year	49,577	54,229

Analysis of amounts charged against profits

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

	2024 £000	2023 £000
Interest income on scheme assets	2,310	1,673
Interest cost	(2,381)	(1,597)
Net pension interest (costs)/income	(71)	76
Scheme administrative costs	(360)	(500)
Defined benefit pension charge	(431)	(424)

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

	2024 £000	2023 £000
Net remeasurement – financial	(2,087)	(21,601)
Net remeasurement – demographic	(2,780)	(10)
Net remeasurement – experience	475	3,244
Return on assets, excluding interest income	4,508	25,348
Total remeasurements of the net defined benefit liability	116	6,981

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 2024 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 2024 (£m)		Impact on scheme liabilities 2023 (£m)	
		Increase	Decrease	Increase	Decrease
Discount rate	0.25% movement	(1.4)	1.4	(1.6)	1.7
Rate of inflation (RPI)*	0.25% movement	0.6	(0.5)	0.6	(0.7)
Rate of inflation (CPI)*	0.25% movement	0.3	(0.3)	0.4	(0.4)
Assumed life expectancy	1 year movement	2.4	(2.4)	2.3	(2.4)

* With corresponding changes to the CPI, salary and pension increase assumptions.

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

Risk exposure

Through its defined benefit pension plans, the Group 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 Group'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 plans against extreme inflation). The majority of the plans' 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.

Notes to the Consolidated Financial Statements continued

21. Financial instruments

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

31 January 2024	Amortised cost £000	Financial derivative instruments for hedging £000	Total £000
Assets as per Balance Sheet			
Net trade receivables and other receivables*	10,840	–	10,840
Minimum guaranteed licensing receivables	9,448	–	9,448
Financial derivative instrument	–	26	26
Cash and cash equivalents	16,342	–	16,342
Total	36,630	26	36,656

* includes other receivables but excludes taxes and prepayment.

31 January 2024	Other financial liabilities £000	Financial derivative instruments for hedging £000	Total £000
Liabilities as per Balance Sheet			
Lease liabilities	5,146	–	5,146
Trade and other payables*	12,918	–	12,918
Total	18,064	–	18,064

* includes other payables and accruals.

31 January 2023	Amortised cost £000	Financial derivative instruments for hedging £000	Total £000
Assets as per Balance Sheet			
Net trade receivables and other receivables*	12,834	–	12,834
Minimum guaranteed licensing receivables	4,070	–	4,070
Financial derivative instrument	–	112	112
Cash and cash equivalents	15,401	–	15,401
Total	32,305	112	32,417

* includes other receivables but excludes taxes and prepayment.

31 January 2023	Other financial liabilities £000	Financial derivative instruments for hedging £000	Total £000
Liabilities as per Balance Sheet			
Lease liabilities	5,122	–	5,122
Trade and other payables	13,854	–	13,854
Total	18,976	–	18,976

The financial instruments in place are to mitigate the risks associated with net future US dollar receipts. The Group uses fixed forward hedging instruments. The fixed forward contracts are fixed agreements to exchange currency at the hedged rate. To manage the foreign exchange risk arising on future transactions, it is the Group's policy to enter forward currency contracts to hedge the exposure. The details of the notional amount's hedged rate and spot rate at 31 January 2024 are outlined below.

	2024	2023
USD/GBP spot rate at 31 January	1.2659	1.2073
Fixed forward contracts		
Weighted average forward rate	1.2725	1.1139
Maturing in the next year (Notional amount in US dollars 000's)	2,350	1,800

The hedge ratio is 1:1.

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

31 January 2024	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Trade and other payables	12,918	–	–	–
Leases (undiscounted cash flows)	1,513	2,802	1,055	–
	14,431	2,802	1,055	–

31 January 2023	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Trade and other payables	13,854	–	–	–
Leases (undiscounted cash flows)	1,814	2,501	942	–
	15,668	2,501	942	–

Notes to the Consolidated Financial Statements continued

22. Share capital

	Number of shares	£
Ordinary shares of 1p each:		
Called up and fully paid:		
31 January 2024	71,706,224	717,062
31 January 2023	71,468,206	714,682
31 January 2022	70,983,505	709,835

Sanderson Design Group PLC's issued ordinary share capital with voting rights consists of 71,706,224 (2023: 71,468,206) ordinary shares of which nil (2023: nil) ordinary shares are held in treasury and 1 (2023: 1) ordinary share is held by the Walker Greenbank Plc EBT. Shares held in treasury or by the EBT are treated as cancelled when calculating EPS.

The market value of shares held by the EBT at 31 January 2024 was £1 (2023: £1). The total number of shares held in the EBT at the year end represented less than 0.1% (2023: 0.1%) of the issued shares.

Shares held by the EBT and the treasury shares are held for the purpose of satisfying awards under incentive plans to Executive Directors and senior management.

Long-Term Incentive Plans ('LTIPs') and Restricted Share Plans ('RSPs')

The Group operates LTIPs and RSPs. There have been 16 awards under this plan and its predecessor, in which Executive Directors and senior management of the Group participate. The LTIP and RSP scheme has previously been approved by the shareholders at an Annual General Meeting.

Awards under the scheme are granted in the form of nil-priced share options, and are to be satisfied either using market-purchased shares or by the issuing of new shares. The awards vest in full or in part dependent on the satisfaction of specified performance targets at the end of the vesting period applying to each award. The number of awards that vest is dependent upon the performance underpinned at the date of grant.

On 13 November 2023, 238,019 shares vested under the Company's LTIP Award Thirteen. To satisfy the vesting, shares of 1p each were allotted. The share price was 114.5p on the vesting date.

The vesting dates for Award Thirteen are split 40% on 11 November 2023, 36% on 11 November 2024, and 24% on 11 November 2025. The fair value at the date of grant for this award has been determined based on the share price at the date of grant discounted by the estimated dividends payable on the shares over the relevant vesting period. The relevant fair values are 61.3p for awards vesting on 11 November 2023, 59.2p for awards vesting on 11 November 2024, and 57.2p for those vesting on 11 November 2025.

The vesting dates for Award Fourteen are split 40% on 14 June 2024, 40% on 14 June 2025, and 20% on 14 June 2026. The fair value at the date of grant for this award has been determined based on the share price at the date of grant discounted by the estimated dividends payable on the shares over the relevant vesting period. The relevant fair values are 164.5p for awards vesting on 14 June 2024, 161.1p for awards vesting on 14 June 2025, and 157.8p for those vesting on 14 June 2026.

The vesting dates for Award Fifteen are split 40% on 30 May 2025, 40% on 30 May 2026, and 20% on 30 May 2027. The fair value at the date of grant for this award has been determined based on the share price at the date of grant discounted by the estimated dividends payable on the shares over the relevant vesting period. The relevant fair values are 132.2p for awards vesting on 30 May 2025, 129.4p for awards vesting on 30 May 2026, and 126.7p for those vesting on 30 May 2027.

The vesting dates for Award Sixteen are split 40% on 2 June 2026, 40% on 2 June 2027, and 20% on 2 June 2028. The fair value at the date of grant for this award has been determined based on the share price at the date of grant discounted by the estimated dividends payable on the shares over the relevant vesting period. The relevant fair values are 113.6p for awards vesting on 2 June 2026, 110.4p for awards vesting on 2 June 2027, and 107.4p for those vesting on 2 June 2028.

Further details of vesting conditions are set out in the Directors' Remuneration Report.

Further details of Awards Thirteen to Sixteen are set out below:

	Award Thirteen			Award Fourteen		
	Grant date of awards	11 Nov 2020	11 Nov 2020	11 Nov 2020	14 Jun 2021	14 Jun 2021
Grant date fair value of award (pence per award)	See above	See above	See above	See above	See above	See above
Vesting date of awards	See above	See above	See above	See above	See above	See above
Maximum number of awards	344,361	344,361	344,361	143,725	143,725	143,725
Vesting condition based on	Adjusted PBT	Free cash flow	Sustainability improvement	Adjusted PBT	Free cash flow	Sustainability improvement
Relevant date for determination of vesting conditions	Adjusted PBT for the year ending 31 Jan 2023	Free cash flow for the year ending 31 Jan 2023	Sustainability improvement for the year ending 31 Jan 2023	Adjusted PBT for the year ending 31 Jan 2024	Free cash flow for the year ending 31 Jan 2024	Sustainability improvement for the year ending 31 Jan 2024

Notes to the Consolidated Financial Statements continued

22. Share capital continued

Long-Term Incentive Plans ('LTIPs') and Restricted Share Plans ('RSPs') continued

	Award Fifteen			Award Sixteen		
Grant date of awards	30 May 2022	30 May 2022	30 May 2022	2 June 2023	2 June 2023	2 June 2023
Grant date fair value of award (pence per award)	See above	See above	See above	See above	See above	See above
Vesting date of awards	See above	See above	See above	See above	See above	See above
Maximum number of awards	184,686	184,686	184,686	195,689	195,689	195,689
Vesting condition based on	Adjusted PBT	Cash generated from operations	Sustainability improvement	Adjusted PBT	Cash generated from operations	Sustainability improvement
Relevant date for determination of vesting conditions	Adjusted PBT for the year ending 31 Jan 2025	Cash generated from operations for the year ending 31 Jan 2025	Sustainability improvement for the year ending 31 Jan 2025	US sales for the year ending 31 Jan 2026	Cash generated from operations for the year ending 31 Jan 2026	Sustainability improvement for the year ending 31 Jan 2026

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 Group's estimate of the number of awards which will lapse, either due to employees leaving the Group 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 expense recognised in the Income Statement for share awards granted to employees is disclosed in note 9.

Movements in the number of awards outstanding, assuming maximum achievement of vesting conditions, are as follows:

	2024 Number	2023 Number
At 1 February	1,692,458	2,388,944
Granted	587,067	554,058
Exercised	(238,019)	(484,701)
Shares not issued in exchange for cash award for payment of personal taxes	–	(376,090)
Forfeiture	(99,756)	(209,179)
Lapsed	(79,338)	(180,574)
At 31 January	1,862,412	1,692,458

The share-based payment charge in the Income Statement can be analysed as follows:

	2024 £000	2023 £000
Equity charge	422	493
Accrual of employer's National Insurance contribution	58	15
Share-based payment charge	480	508

23. Other reserves

Capital reserve represents:	£000
Share premium of companies acquired under merger accounting principles	1,276
Capital reserve arising on consolidation	293
Capital redemption reserve on capital restructurings	41,888
At 31 January 2023	43,457
At 31 January 2024	43,457

Other reserves represent:	2024 £000	2023 £000
Capital reserve	43,457	43,457
Merger reserve	(2,950)	(2,950)
Foreign currency translation reserve	(769)	(367)
At 31 January 2024	39,738	40,140

Notes to the Consolidated Financial Statements continued

24. Dividends

During the year to 31 January 2024, the Group paid a final dividend of 2.75p (£1,965,000) on 11 August 2023 and an interim dividend of 0.75p (£536,000) on 24 November 2023.

A final dividend of 2.75p is now proposed taking the full year dividend to 3.50p. This payment will be made on 9 August 2024 to the shareholders registered on the Company's register on 12 July 2024 if approved at the Company's forthcoming Annual General Meeting. The Board remains committed to a progressive dividend policy as part of the capital allocation priorities of the Group.

25. Analysis of net funds

	1 February 2023 £000	Cash flow £000	Other non-cash changes £000	31 January 2024 £000
Cash and cash equivalents	15,401	1,097	(156)	16,342
Finance lease liabilities	(5,123)	(2,434)	2,411	(5,146)
Net funds	10,278	(1,337)	2,255	11,196

26. Commitments

Capital commitments

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

	2024 £000	2023 £000
Property, plant and equipment	648	162

Contractual commitments

At the balance sheet date, the Group had entered into a lease contract for a new head office building. The lease is £654,000 per annum for a minimum of ten years and includes a rent-free period of two years and an option to extend. The Group will recognise a right-of-use asset and associated lease liability at the point the lease is signed and the right to use the asset commences.

Contingent liabilities

The Group has a duty deferment guarantee in place to His Majesty's Revenue & Customs ('HMRC') of £900,000 (2023: £900,000) with Barclays Bank Plc as part of a £1,000,000 (2023: £1,000,000) bonds, guarantees and standing letter of credit facility.

Company Balance Sheet

As at 31 January 2024

	Note	2024 £000	2023 £000
Non-current assets			
Right-of-use assets	6	180	466
Investments	7	59,941	80,441
Deferred income tax asset	9	834	756
		60,955	81,663
Current assets			
Other receivables	8	4,728	1,294
Cash and cash equivalents		60	473
		4,788	1,767
Total assets		65,743	83,430
Current liabilities			
Creditors: amounts falling due within one year	10	(1,392)	(16,678)
Lease liabilities	6	(131)	(356)
Provision for liabilities and charges	11	(650)	-
		(2,173)	(17,034)
Non-current liabilities			
Lease liabilities	6	(30)	-
Provision for liabilities and charges	11	-	(650)
		(30)	(650)
Total liabilities		(2,203)	(17,684)
Net assets		63,540	65,746
Capital reserves			
Called-up share capital	12	717	715
Share premium account		18,682	18,682
Retained earnings		2,253	4,461
Capital redemption reserves	13	41,888	41,888
Total shareholders' funds		63,540	65,746

The Company made a loss for the year of £53,000 (2023: profit after tax of £1,030,000). During the year, the Company received dividend income of £20,500,000 (2023: £nil) from and made an impairment charge of £20,500,000 (2023: £nil) in the value of the investment in its subsidiary company, Globaltex 2015 Limited.

The financial statements on pages 98 to 105 were approved by the Board of Directors on 23 April 2024 and signed on its behalf by



Lisa Montague
Director



Mike Woodcock
Director

Registered number: 61880

Company Statement of Changes in Equity

Year ended 31 January 2024

	Called-up share capital (note 12) £000	Share premium account £000	Retained earnings £000	Capital redemption reserve (note 13) £000	Total shareholders' funds £000
Balance at 31 January 2022	710	18,682	5,963	41,888	67,243
Profit for the year	–	–	1,030	–	1,030
Total comprehensive income	–	–	1,030	–	1,030
Transactions with owners, recognised directly in equity:					
Issuance of share capital for share-based payment vesting	5	–	(5)	–	–
Dividends	–	–	(2,484)	–	(2,484)
Share-based award equity charge	–	–	493	–	493
Related tax movements on share-based award	–	–	(106)	–	(106)
Share-based award payment on vesting	–	–	(430)	–	(430)
Balance at 31 January 2023	715	18,682	4,461	41,888	65,746
Loss for the year	–	–	(53)	–	(53)
Total comprehensive loss	–	–	(53)	–	(53)
Transactions with owners, recognised directly in equity:					
Issuance of share capital for share-based payment vesting	–	–	–	–	–
Dividends	2	–	(2)	–	–
Share-based award equity charge	–	–	422	–	422
Related tax movements on share-based award	–	–	(74)	–	(74)
Balance at 31 January 2024	717	18,682	2,253	41,888	63,540

The notes on pages 99 to 105 form an integral part of these financial statements.

Notes to the Company Financial Statements

1. Accounting policies and general information

Basis of consolidation

These financial statements present information relating to the entity Sanderson Design Group PLC ('the Company') and are not consolidated. The consolidated financial statements of Sanderson Design Group PLC and its subsidiaries ('the Group') of which the Company is the parent are separately presented within the Annual Report and Accounts and are prepared in accordance with UK adopted International Accounting Standards.

Basis of preparation

The financial statements have been prepared in accordance with the FRS 101. The financial statements have been prepared under the historical cost convention, and with the accounting policies set out below, which have been consistently applied to all periods presented unless otherwise indicated.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Company continues to adopt the going concern basis in preparing its financial statements as detailed in the Group's going concern analysis.

No Income Statement is presented for the Company as it has applied the exemption provided by Section 408 of the Companies Act 2006.

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'.
- Paragraphs 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).

Notes to the Company Financial Statements continued

1. Accounting policies and general information continued

Basis of preparation continued

- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- IFRS 7 financial instrument disclosure.
- 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 Group'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 the critical accounting estimates and judgements section of the Company.

Adoption of new and revised accounting standards and interpretations

No new standards and interpretations issued and effective for the year have had any significant impact.

Foreign currencies

For the purpose of the financial statements, the results and financial position are expressed in sterling, which is the functional and presentation currency of the Company.

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.

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. In accordance with IAS 39, the Company has adopted the cost-based approach for subsequent changes in the value of contingent consideration which represent a financial liability or asset. These are treated as part of the cost or a reduction in the cost of the investment.

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, loans and receivables are included in the Balance Sheet at amortised

cost using the effective interest method less any amounts written off to reflect impairment, with changes in the carrying amount recognised in the Income Statement within administration expenses; and

- 'Cash and cash equivalents' – these comprise deposits with an original maturity of 90 days or less with banks and financial institutions, bank balances, bank overdrafts with the right of offset and cash in hand.

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

- '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 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.

Cash and cash equivalents

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

Leases

Definition of a lease

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 non-cancellable 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. After initial recognition, the lease liability is recorded at amortised cost using the effective interest method.

Notes to the Company Financial Statements continued

1. Accounting policies and general information continued

Employee benefits – retirement benefit obligations

Sanderson Design Group operates both defined benefit and defined contribution pension schemes for the benefit of its employees.

Defined benefit pension schemes are accounted for within the separate financial statements of the Company's trading subsidiary, Sanderson Design Group Brands Limited (formerly Abaris Holdings Limited). The Company recognises contributions to defined contribution schemes in respect of its employees as expenses when incurred.

Employee share ownership plan ('ESOP')

Where the Company's issued share capital is acquired by an ESOP trust sponsored by the Company, the cost of acquisition is deducted from retained earnings.

Employee benefits – share-based payments under Long Term Incentive Plans ('LTIPs') and Restricted Share Plans ('RSPs')

The Company issues equity-settled share-based payments to certain employees which must be measured at fair value and 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, considering 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.

Employee benefits – short-term bonus plans

The Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Provisions for liabilities and charges

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

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

Share capital

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

Share premium

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

Treasury shares

Consideration paid including any directly attributable incremental costs (net of income taxes) on the purchase of the Company's equity share capital (treasury shares) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity shareholders. The EBT is treated as an agent of the Company and as such EBT transactions are treated as being those of the Company.

Taxation including deferred tax

Current tax is based on the taxable profit for the year. Taxable profit 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 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. A deferred tax asset is recognised relating to share-based payments equal to the intrinsic value (market price at the year-end less the exercise price). Deferred tax is recognised in the profit and loss based on the temporary difference between the tax base of the fair value of the employee's services received in the year. The amount recognised in equity is the excess deduction based on the difference between the intrinsic value and the cumulative fair value of the share-based payments recognised in profit and loss.

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.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Dividend distributions

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.

Notes to the Company Financial Statements continued

2. 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, becomes apparent.

In the current year, there are no estimates and judgements of the Company that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. Auditors' remuneration

	2024 £000	2023 £000
Audit fee – fees payable to the Company's auditor for the audit of the Parent Company and the consolidation of the Group financial statements	88	65

4. Employee information

	2024 £000	2023 £000
Wages and salaries	2,204	1,969
Social security costs	161	209
Other pension costs	91	108
Share-based payment awards, including NIC thereon	480	508
Employee benefit expense	2,936	2,794

	2024 £000	2023 £000
The average monthly number of employees (including Directors) during the year	22	22

5. Emoluments of Directors

Information on the remuneration of the Directors, including the highest paid Director, is provided in the emoluments of Directors and key management personnel section in the note to the consolidated financial statements.

6. Right-of-use assets and lease liabilities

As a lessee

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

Right-of-use assets

	Leasehold properties £000	Vehicles £000	Total £000
Cost			
31 January 2023	2,292	18	2,310
Additions	132	70	202
31 January 2024		2,424	88
		2,512	
Accumulated depreciation and impairment			
31 January 2023	1,827	17	1,844
Charge	465	23	488
31 January 2024		2,292	40
		2,332	
Net book amount			
31 January 2024		132	48
		180	
31 January 2023	465	1	466

Lease liabilities

	Leasehold properties £000	Vehicles £000	Total £000
Balance			
31 January 2023	356	–	356
Additions	132	70	202
Amounts paid	(374)	(23)	(397)
31 January 2024		114	47
		161	

Notes to the Company Financial Statements continued

6. Right-of-use assets and lease liabilities continued

Lease liabilities continued

	2024 £000	2023 £000
Lease liabilities		
Maturity analysis – contractual lease liabilities		
Current	131	356
Non-current	30	–
Total lease liabilities	161	356

7. Investments

	2024 £000	2023 £000
Shares in subsidiary undertakings:		
Cost	80,441	80,441
Provision for impairment	(20,500)	–
Net book amount at 31 January	59,941	80,441

Sanderson Design Group PLC is registered and domiciled in the United Kingdom. It is the Parent Company of the Sanderson Design Group. The Company's subsidiary undertakings at 31 January 2024, all of which are wholly owned, were as follows:

Shares in subsidiary undertakings:	Country of incorporation and place of business	Holding	Proportion of voting rights/shares held by the Company	Nature of business
Sanderson Design Group Brands Limited	UK	Ordinary shares	100%	Trading
Globaltex 2015 Limited	UK	Ordinary shares	100%	Inactive
Globaltex Limited*	UK	Ordinary shares	100%	Inactive
Sanderson Design Group Inc*	US	Ordinary shares	100%	Trading
Clarke & Clarke Inc*	US	Ordinary shares	100%	Dormant
Sanderson Design Group Brands SARL*	France	Ordinary shares	100%	Inactive
Sanderson Design Group Brands B.V.*	Netherlands	Ordinary shares	100%	Sales support
Sanderson Design Group Brands GmbH	Germany	Ordinary shares	100%	Sales support
Abaris Holdings Limited*	UK	Ordinary shares	100%	Dormant
Abaris (Overseas) Holdings Limited*	UK	Ordinary shares	100%	Dormant
Anstey Wallpaper Company Limited*	UK	Ordinary shares	100%	Dormant
Anthology Fabrics and Wallcoverings Limited*	UK	Ordinary shares	100%	Dormant
Arthur Sanderson & Sons Limited*	UK	Ordinary shares	100%	Dormant
Barracks Fabric Printing Limited*	UK	Ordinary shares	100%	Dormant
Harlequin Fabrics & Wallcoverings Limited*	UK	Ordinary shares	100%	Dormant
Morris & Co. (Artworkers) Limited*	UK	Ordinary shares	100%	Dormant

Shares in subsidiary undertakings:	Country of incorporation and place of business	Holding	Proportion of voting rights/shares held by the Company	Nature of business
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
Walker Greenbank Distribution Limited*	UK	Ordinary shares	100%	Dormant
Walker Greenbank Limited*	UK	Ordinary shares	100%	Dormant
William Morris Wallpapers Limited*	UK	Ordinary shares	100%	Dormant
Zoffany Limited*	UK	Ordinary shares	100%	Dormant
Sanderson Design Group Brands (Ireland) Limited*	Ireland	Ordinary shares	100%	Dormant

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

During the year, the Company struck off Cirka Limited, Design Edition Limited, Strides Textile Limited and Style Library Limited.

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

Name of subsidiary undertaking	Registered office
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*	Wiesenhüttenstrasse 11, 60329 Frankfurt am Main, Germany
Sanderson Design Group Brands (Ireland) Limited*	12 Merrion Square, Dublin 2, Dublin, D02 H79, Ireland
All undertakings other than the ones listed above	Chalfont House, Oxford Road, Denham, UB9 4DX, UK

8. Other receivables

	2024 £000	2023 £000
Current		
Other taxes and social security	582	1,274
Amount owing by subsidiary undertaking	3,696	–
Prepayments and other receivables	450	20
	4,728	1,294

Amount owed by the subsidiary undertaking is non-interest bearing and is unsecured. This loan is payable by the subsidiary on demand should payment be required but has no fixed date of repayment.

Notes to the Company Financial Statements continued

9. Deferred income tax

A deferred tax asset of £834,000 (2023: £756,000) is recognised in respect of unutilised tax losses, future deductions for share-based payments and other temporary differences.

At 31 January 2024, the Company had gross unused UK tax losses of £2,417,919 (2023: £2,138,000) available for offset against future profits.

	2024 £000	2023 £000
Taxable temporary differences on property, plant and equipment	3	3
Taxable temporary differences on deductible tax losses carried forward	535	535
Taxable temporary differences on short-term differences	69	–
Taxable temporary differences on share-based payments	227	218
	834	756

There are also unutilised capital tax losses at 31 January 2024 of £4,881,000 (2023: £4,881,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised.

10. Creditors: amounts falling due within one year

	2024 £000	2023 £000
Trade creditors	136	14
Corporation tax creditor	–	1
Amounts owed to subsidiary undertakings	–	15,385
Other creditors	–	517
Accruals	1,256	761
	1,392	16,678

11. Provision for other liabilities and charges

	Property £000	Other £000	Total £000
31 January 2022	650	1,043	1,693
Utilised	–	(1,043)	(1,043)
31 January 2023	650	–	650
31 January 2024	650	–	650

	2024 £000	2023 £000
Current	650	–
Non-current	–	650
Total	650	650

Property

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

12. Called up share capital

	Number of shares	£
Ordinary shares of 1p each:		
Called up and fully paid:		
31 January 2024	71,706,224	717,062
31 January 2023	71,468,206	714,682
31 January 2022	70,983,505	709,835

Sanderson Design Group PLC's issued ordinary share capital with voting rights consists of 71,706,224 (2023: 71,468,206) ordinary shares of which nil (2023: nil) ordinary shares are held in treasury and 1 (2023: 1) ordinary share is held by the Walker Greenbank Plc EBT. Shares held in treasury or by the EBT are treated as cancelled when calculating EPS.

The market value of shares held by the EBT at 31 January 2024 was £1 (2023: £1). The total number of shares held in the EBT at the year end represented less than 0.1% (2023: 0.1%) of the issued shares.

Shares held by the EBT and the treasury shares are held for the purpose of satisfying awards under incentive plans to Executive Directors and senior management.

Long-Term Incentive Plans ('LTIPs') and Restricted Share Plans ('RSPs')

The Group operates LTIPs and RSPs share-based award schemes. There have been 16 awards under this plan, in which Executive Directors and senior management of the Group participate. Further details are included in the note to the consolidated financial statements of the Group, which are separately included within the Annual Report and Accounts.

Notes to the Company Financial Statements continued

13. Capital redemption reserve

The capital redemption reserve represents:	£
Capital redemption reserve on capital restructurings	
At 31 January 2024	41,888
At 31 January 2023	41,888
At 31 January 2022	41,888

14. Dividends

During the year to 31 January 2024, the Company paid a final dividend of 2.75p (£1,965,000) on 11 August 2023 and an interim dividend of 0.75p (£536,000) on 24 November 2023.

A final dividend of 2.75p is now proposed taking the full year dividend to 3.50p. This payment will be made on 9 August 2024 to the shareholders registered on the Company's register on 12 July 2024 if approved at the Company's forthcoming Annual General Meeting. The Board remains committed to a progressive dividend policy as part of the capital allocation priorities of the Group.

15. Contingent liability

The Company is party to a cross-guarantee relating to the borrowings of its subsidiary undertakings in the UK under funding arrangements and a guarantee in place to His Majesty's Revenue & Customs ('HMRC') of £900,000 (2023: £900,000) with Barclays Bank Plc as part of a £1,000,000 (2023: £1,000,000) bonds, guarantees and standing letter of credit facility.

Glossary

The Group monitors several alternative performance measures ('APMs') in managing its business, which are not defined or specified under the requirements of IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS or are calculated using financial measures that are not calculated in accordance with IFRS.

The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. These APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these APMs are also used for the purpose of setting remuneration targets.

These APMs should be viewed as supplemental to, but not as a substitute for, measures presented in the consolidated financial information relating to the Group, which are prepared in accordance with IFRS. The Group believes that these APMs are useful indicators of its performance. The Group may have some APMs bearing the same names as reported by other companies but they may not be comparable due to differences in the way they are calculated.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Income Statement measures			
Revenue growth at constant currency	None	Not applicable	The Group reports some financial measures, primarily international sales and licensing income, on both a reported and constant currency basis. The constant currency basis retranslates the previous year revenues at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the year-on-year reported results.
Underlying profit from operations	Profit from operations	Adjusting items (see note 12)	Profit from operations before the impact of non-underlying adjusting items.
Adjusted underlying profit before tax	Profit before tax	Adjusting items (see note 12)	Profit before the impact of non-underlying adjusting items and tax. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board. This is a measure used within the Group's incentive plans – see the Remuneration Report.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Adjusted underlying basic earnings per share	Earnings per share	Adjusting items (see note 12)	Profit after tax attributable to owners of the parent and before the impact of non-underlying adjusting items, divided by the weighted average number of ordinary shares in issue during the financial year. This is a measure used within the Group's incentive plans – see the Remuneration Report.
Adjusted underlying diluted earnings per share	Diluted earnings per share	Adjusting items (see note 12)	Profit after tax attributable to owners of the parent and before the impact of non-underlying adjusting items, divided by the weighted average number of ordinary shares in issue during the financial year adjusted for the effects of any potentially dilutive options.
EBITDA*	Reported EBITDA*	Not applicable	Calculated as profit before the impact of adjusting items, net finance costs, tax, depreciation and amortisation as disclosed on the face of the consolidated Income Statement. This measure is used in calculating the return on capital employed for the Group.

* EBITDA is not defined within IFRS but is a widely accepted profit measure being earnings before interest, tax, depreciation and amortisation.

	2020	2021	2022	2023	2024
Revenue (£m)	111.5	93.8	112.2	112.0	108.6
Adjusted underlying profit before tax (£m)	7.5	7.0	12.5	12.6	12.2
Adjusted underlying profit before tax (%)	6.7%	7.5%	11.1%	11.3%	11.2%
Adjusted EPS (p)	9.35	7.89	13.75	14.18	13.74
Profit before tax (£m)	4.5	4.9	10.4	10.9	10.4
Profit before tax (%)	4.0%	5.2%	9.2%	9.7%	9.6%
Profit after tax (£m)	3.8	3.8	7.8	8.8	8.2
Basic EPS (p)	5.41	5.39	10.93	12.42	11.46
EBITDA (£m)	12.2	12.6	16.8	17.0	15.2
Free cash flow	3.1	14.0	4.5	(1.1)	3.6
Net cash (£m)	1.3	15.1	19.1	15.4	16.3
Inventory (£m)	27.8	19.6	22.7	27.8	26.7
Capital expenditure (£m)	2.4	1.0	2.1	4.8	3.3
Average number of employees	660	619	613	633	631
Dividends paid in year (£m)	2.2	–	0.5	2.5	2.5
Shareholders' funds (£m)	64.2	66.8	79.7	81.3	86.5
Dividend per share					
– Final (prior year end) – paid	2.55p	–	–	–	–
– Interim (current year end) – paid	0.52p	–	0.75p	0.75p	0.75p
– Final (current year end) – proposed	–	–	2.75p	2.75p	2.75p

Financial calendar		
Annual General Meeting		28 June 2024
Announcement of half-year results		October 2024

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