SANDERSON GROUP PLC

Annual Report and Accounts

for the year ended 30 September 2012

IT solutions driving continual business improvement

2012

About Sanderson

IT solutions driving continual business improvement

Sanderson is a publicly owned, UK provider of software solutions and IT services. We supply innovative, market-focused solutions primarily to the **multi-channel retail** and **manufacturing** sectors.

Highly experienced in the markets we serve, we forge long-term relationships with our customers. This allows us to consistently deliver real business benefit and help our customers achieve rapid return on their investment in IT.

Established in 1983, Sanderson has a multi-million pound turnover and a track record of profitable trading. We strive to be the best in our chosen fields and achieve market leadership through the quality of our products, people and services.

SANDERSON GROUP PLC

Highlights

Operating Profit

up 12%

to £1.91m
(2011: £1.71m)

Earnings per share*

up 172%

to 3.0p
(2011: 1.1p)

Total dividend†

up 60%

to 1.20p
(2011: 0.75p)

Financial

(comparative figures restated to reflect Sanderson RBS disposal)

- Revenues from continuing operations of £13.37m (2011: £14.06m)
- 12% increase in operating profit from continuing operations, amounting to £1.91m (2011: £1.71m)
- Basic earnings per share of 5.5p (2011: 1.9p)
- Basic earnings per share from continuing operations of 3.0p (2011: 1.1p)
- Net cash at year end increased to £4.07m (2011: net debt of £6.72m)
- Proposed final dividend of 0.7p per share (2011: 0.45p)
- 60% increase in total dividend for year at 1.2p per share (2011: 0.75p)

Operational

- Sanderson now debt free following disposal of Sanderson RBS in January
- Good trading momentum and strong order book continued in second half
- 40% increase in order book in respect of continuing operations at year end to £1.89m (2011: £1.35m)
- Gross margins further improved to 83.6% (2011: 82.3%) reflecting delivery of more proprietary software and other ‘owned’ services
- Pre-contracted recurring revenues from continuing operations of £7.7m accounted for 57% of total revenues (2011: £7.7m, 55% of total revenues)
- 22% increase in multi-channel retail division operating profit to £1.1m (2011: £0.9m)
- Manufacturing division sustained operating profit performance at £0.8m (2011: £0.8m)

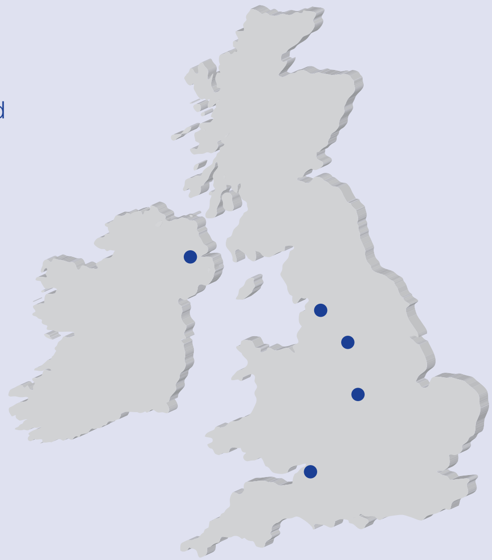
* Basic earnings per share for the period from continuing operations
† For the year ended 30 September 2012

At a glance

SANDERSON GROUP PLC

Sanderson Group plc is a well-established and profitable software and IT services business specialising in the multi-channel retail and manufacturing markets. Operating primarily in the UK and Ireland, the Group provides its customers with enterprise systems designed to help them run their businesses efficiently and profitably.

- A robust & resilient business
- 400+ customers and 150 employees
- IT solutions provider with extensive software IPR & expert knowledge of target markets
- Strong market position driven by innovation
- Substantial recurring revenues
- Long-term customer relationships built on high quality service & support



Manufacturing

Proven solutions for manufacturing and food & drink processing

Sanderson has been helping UK manufacturers succeed with IT for almost 30 years, delivering proven software and long-term value. Our latest business systems, Enterprise Resource Planning (ERP) software and cloud-based solutions, support many sectors and types of manufacturing and are specifically designed for the markets they address — discrete manufacturing, food processing, print and distribution. Our range of Green IT and Factory and Warehouse Automation solutions improve efficiency in manufacturing and bring many cost saving benefits to customers.

Customers include:

Case Study:

Newly Weds Foods

Newly Weds Foods Limited is a major European ingredients company headquartered in the UK. It is part of the worldwide Newly Weds Foods Inc. based in Chicago, USA. The company is a market leader and manufacturer of coatings, seasonings and flavourings for the food industry. Newly Weds Foods (Banbury) has been a Sanderson customer for many years and uses Sanderson food software, including Factory Automation and MRP (Manufacturing Resource Planning). “We have exact times from the factory floor, we have precise quantities and we can report on all this within just a few minutes. As a business, we’ve been able to make decisions quickly and confidently because of the visibility we have from the Sanderson system.”

Multi-Channel Retail, Ecommerce and Wholesale Solutions

Helping multi-channel businesses excel

As a long-standing supplier of software and services to retail, mail order catalogue, fulfilment, wholesale and online businesses, Sanderson has a unique understanding of multi-channel sales. We offer a comprehensive range of IT solutions to meet the needs of organisations operating in this sector. Sanderson provides integrated ecommerce systems which underpin online operations, and is a major provider of IT solutions to the delivered wholesale and cash and carry industry. With systems that are flexible and capable of growing as business requirements change, we deliver proven solutions which help our customers achieve return on their investment.

Customers include:

Beaverbrooks · Joe Browns · Hotel Chocolat · Marshalls · Aspinal London · David Austin Roses · Thorntons · MandM Direct · Axminster Tool Centre · Today's Group · OKA · Get The Label · Healthspan · The Savile Row Company · RSPB · JoJo Maman Bébé · Scotts of Stow · Joseph Turner Yorkshire · Machine Mart · Space NK

Case Study:

Savage & Whitten Wholesale
Savage & Whitten is Ireland's fastest-growing independent wholesaler. A £46m company with big plans, the business has been enjoying revenue growth of 17-20% during each of the last three years and runs its entire business on the innovative IT solution for wholesalers from Sanderson. Using the Sanderson system, the company is outsmarting its rivals and securing new business with a new online ordering facility, sophisticated voice technology, and a mobile solution for field sales representatives. "Sanderson helped us to develop online ordering. From a standing start 18 months ago, the web now accounts for 16% of our revenue, around £7.5m."

Case Study:

David Austin Roses
David Austin Roses is a £15m, 240-employee organisation, originally established to sell bare root roses to the public. The business now sells 750 varieties all over the world and the core products have been joined by container roses, hand-tied bouquets, gift experiences, books and artwork, all of which are sold through multiple channels including mail order, retail and online. The company has reaped many benefits since implementing Elucid, the multi-channel retail solution from Sanderson, including the elimination of manual tasks, streamlined, more efficient processes and improved customer service. "Our call statistics have improved dramatically. We've increased the mail order business by 30% in the two years since Elucid was implemented and we've not had to recruit extra people."

Chairman's statement

Christopher Winn

"New products and services have further strengthened the Group's competitive market position and a focus on active and expanding market sectors, such as online sales and ecommerce, has provided improved growth and development prospects. The Group continues to generate cash and after the repayment of all bank debt and the settlement of interest rate hedging arrangements relating to the bank loan, the net cash balance at 30 September 2012 was £4.07 million, which compares with debt of £6.72 million at 30 September 2011, transforming the balance sheet."

Introduction

Whilst UK economic conditions have remained challenging, Sanderson (or the 'Group') has continued to make good progress in what has been a year of transition following the disposal of Sanderson RBS Limited ('Sanderson RBS') in January 2012. Following this disposal, the Board has adopted a strategy of investing in the further development of software products and services to enhance the Group's presence in its core markets of multi-channel retail and manufacturing. This organic growth is expected to be incremented by the acquisition of complementary businesses.

New products and services have strengthened the Group's competitive market position and a focus on active and expanding market sectors, such as online sales and ecommerce, has provided improved growth and development prospects.

Sanderson received a cash consideration of £11.75 million following the disposal of Sanderson RBS and the proceeds enabled the Group to repay all of its bank debt, so that at the half year, the Group's cash balances stood at £3.56 million and increased to over £4 million at year end.

Results

The income statement for the year ending 30 September 2012 ('the period') reports the trading results of the Group's continuing operations. The three and a half months' trading contribution from Sanderson RBS is combined with the profit arising on disposal and is reported separately in the income statement as 'profit on discontinued operations'. Comparative figures have been restated accordingly.

The trading results from continuing operations for the period show revenue of £13.37 million (2011: £14.06 million), an improved gross margin of 83.6% (2011: 82.3%) and operating profit rising to £1.91 million (2011: £1.71 million). The order book at 30 September 2012 was £1.89 million, which is 40% higher than at 30 September 2011 (2011: £1.35 million). This provides a solid platform for the current financial year. The Group's profits are usually evenly split between the first and second half year, but with the second half sometimes being slightly stronger. As anticipated, at the interim stage, the strong order book at 31 March and the good trading momentum which has continued through the second half year, have together contributed an additional £1.09 million of revenue and a further £306,000 of profit in the second half compared with the first half year. A more even split of trading between the first and second halves is, however, anticipated in future years.

The Group has continued to generate cash and after the repayment of all bank debt and the settlement of interest rate hedging arrangements relating to the bank loan, the net cash balance at 30 September 2012 was £4.07 million. This compares with debt of £6.72 million at 30 September 2011 prior to the disposal of Sanderson RBS.

Dividend

Subject to shareholders' approval at the Annual General Meeting, which is scheduled to be held on 28 February 2013, the Board is proposing a final dividend of 0.70 pence per ordinary share, making a total of 1.20 pence for the year, which represents a 60% increase compared with the total dividend of 0.75 pence paid in 2011. The final dividend will be paid on 29 March 2013 to shareholders on the register at the close of business on 8 March 2013. The Board intends to continue to pursue a progressive dividend policy based upon the trading and strong cash generation of the Sanderson business.

Business review

Sanderson provides a wide and comprehensive range of modern software solutions together with associated services to businesses in the multi-channel retail and manufacturing markets. The Group has developed a business model where solutions primarily comprise Sanderson proprietary owned software, integrated with other market leading products and importantly, delivered, supported and serviced by expert Sanderson staff. This model has enabled the Group to continue to deliver a reliable and consistent quality service and has ensured the development of long-term relationships with customers. Partially reflecting the increasing emphasis onto higher margin 'owned' software and services, gross margins improved to 83.6% (2011: 82.3%).

A cornerstone of the Sanderson business model is the provision of software licencing, support and services on a pre-contracted basis providing good visibility of earnings. In the period to 30 September 2012, these pre-contracted recurring revenues represented 57% (£7.66 million) of total revenues. The Group gained 15 new

The development and expansion of mobile commerce should provide impetus for additional growth

customers during the year (2011: 14 new customers) at an average initial contract value of £99,000 (2011: £95,000). Orders from new customers during the year totalled £1.49 million compared with £1.33 million in 2011.

Sanderson products are designed and developed to offer new and existing customers the opportunity to achieve cost savings and to make business efficiencies utilising the latest technologies. The Group's solutions offer customers a 'value for money' proposition based on a strong 'return on investment' case. Over the last two years, the Group has accelerated the introduction of new products and services, which now include Factory and Warehouse Automation, Green IT solutions, as well as, SaaS ('Software as a Service') and Cloud delivery models. The Factory and Warehouse Automation solutions have been very successful, delivering almost £3 million of new sales since their launch in 2010.

The annual growth rate being achieved by the online, ecommerce and catalogue retail sector is in excess of 10% and this growth is expected to continue into the mid-term. The development and expansion of mobile commerce (ecommerce via mobile devices) should provide impetus for additional growth in this rapidly emerging market sector. The optimisation of ecommerce sites is expected to provide the Group with a further development opportunity in this expanding market and it is planned to establish dedicated Mobile Development Centres within the multi-channel and manufacturing businesses.

"The Sanderson Board continues to adopt a cautious approach in the face of continuing uncertain general economic conditions, but the Board does have a good level of confidence that the Group will make further progress in the coming year ending 30 September 2013. The strong balance sheet and improved market position of the Group, together with a good order book should enable Sanderson to achieve its full year targets."

Christopher Winn

Review of multi-channel retail

Sanderson provides comprehensive IT solutions to businesses operating in the areas of online sales, ecommerce, catalogue sales, wholesale distribution, cash and carry and retail stores.

Revenue was £7.17 million (2011: £7.91 million) and partly reflecting the Group's continued focus on a transition to higher margin 'owned' products and services, the operating profit increased by 23% to £1.11 million compared with the previous year (2011: £0.90 million). Revenue from customers operating in the online sales, ecommerce and catalogue markets grew by 15% to £2.40 million during the year (2011: £2.09 million) and these revenues now account for 33% of the multi-channel retail division (2011: 26%). Nine new customers were gained in the period with an initial order value totalling £1.17 million compared with ten new customers and an order value totalling £1.02 million in the period ending 30 September 2011. New customers included HT & Co (Drinks) Limited, SOS Wholesale, Barrington Sports and the Mascolo Group (Toni & Guy). The multi-channel order book at 30 September 2012 was strong at £1.02 million compared with £0.56 million at 30 September 2011.

Review of manufacturing

The manufacturing business had a strong second half year and achieved full year revenue of £6.20 million (2011: £6.14 million) and operating profit of £800k (2011: £807k) of which £507k was made in the second half. Recurring revenues continue to be strong and account for 59% of divisional revenue (2011: 58%). The gross margin from the recurring revenue stream covers 76% of divisional overheads (2011: 78%).

Businesses in the food and drink, engineering, plastics, aerospace, electronics and print manufacturing sectors represent the main areas of specialisation for Sanderson in manufacturing markets. In a very competitive marketplace, overall order intake during the period was 5% ahead of the previous period ending 30 September 2011 and included a 17% increase in orders from the very active food and drink sector.

Six new customers were gained in the period (2011: four new customers) including Tyzack Machine Knives, Bromford Technologies and Bayview Seafoods. The order book of £870k (2011: £791k) is good and positions the business to produce an improved set of results in the year to 30 September 2013.

Strategy

The Group strategy is to build upon and to further develop the strengthened position within the multi-channel retail and manufacturing markets as a provider of modern and practical software solutions which continue to provide customers with opportunities to gain competitive advantage and to effect cost efficiencies. This should enable Sanderson to achieve growth, build value and to improve shareholder returns. Whilst Sanderson will continue to invest across all of its businesses, particular emphasis and focus will be made on further developing the range and scope of solutions for online sales and ecommerce businesses as well as the development of mobile commerce solutions across all of the Group's target markets. Selective acquisition opportunities are also to be considered to augment organic growth.

Order intake from the very active food and drink sector registered a 17% increase

Management and staff
The Group employs approximately 150 staff, most of whom have a high level of experience and expertise in the specialist markets which the Group addresses. On behalf of the Board, I would like to thank everyone for their hard work, support, dedication and contribution to the development of the business over the period of recovery and business transition since 2009.

Outlook
The Sanderson Board continues to adopt a cautious approach in the face of continuing uncertain general economic conditions, but the Board does have a good level of confidence that the Group will make further progress in the coming year ending 30 September 2013. The strong balance sheet and improved market position of the Group, together with a good order book should enable Sanderson to achieve its full year targets.

Christopher Winn
Chairman
26 November 2012

Financial review

Adrian Frost

"Sanderson has delivered a strong trading result for 2012 in a year of transition following the sale of our high street retail division. The Group's cash generative business model should enable further development of our software solutions as well as the potential to supplement organic growth with complementary acquisitions."

Trading results

A review of the trading performance of the Group during the year is set out in the Chairman's statement.

Discontinued operation

The Group disposed of its subsidiary undertaking Sanderson RBS Limited ('Sanderson RBS') on 20 January 2012, giving rise to a profit on disposal of £1.78m. Note 5 to the financial statements provides further details. The income statement for the year reports the trading results of the Group's continuing operations, with the trading result of Sanderson RBS up to the date of disposal combined with the profit on disposal and reported in the income statement as 'profit on discontinued operation'. Comparative figures have been restated accordingly.

Cash flow

The disposal of Sanderson RBS enabled the Group to repay term debt advanced by the Group's banker, HSBC. At the year end Sanderson reported a cash balance of £4.07m (2011: net debt of £6.72m). A number of non-operating cash payments arose as a result of the disposal, most notably the payment of £0.46m to terminate the interest rate hedging arrangement previously in place, as well as transaction costs relating to the disposal. Cash generated from operations remained strong, with over 100% of operating profit converted to cash for the third consecutive year.

Sanderson continues to invest in product development, infrastructure improvements and the acquisition of intellectual property to complement existing solutions. Further expenditure in 2012 included development of our first mobile applications and a major investment to upgrade our internal communications infrastructure, adopting new technology as part of our own 'Green IT' initiative.

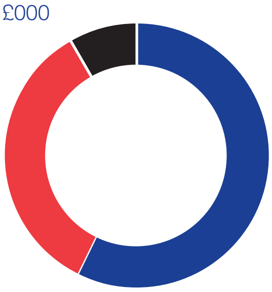
Statement of financial position

The repayment of bank debt has transformed the balance sheet. The largest credit balance is now deferred income, representing the unexpired period of annual licence, support and maintenance contracts. This is an accounting creditor as the terms of these contracts are such that the Group is under no obligation to repay the deferred income balance, although there is a requirement to continue to deliver support and maintenance services. Cash and amounts collectable from customers therefore significantly exceed amounts payable in respect of outstanding supplier and tax obligations.

The Group's obligation to fund the legacy defined benefit pension scheme has increased when measured in accordance with the relevant accounting standard (International Accounting Standard No.19). The main factor affecting the reported deficit in both 2012 and 2011 has been the fall in the discount rate which has come about as a result of the unprecedented levels of quantitative easing currently considered necessary to stabilise the worldwide economic situation. The latest triennial actuarial valuation was undertaken during the year and showed a more modest increase in the overall deficit of some 7% since the previous 2008 valuation. The Group has agreed a schedule of contributions to fund the actuarial deficit of approximately £3m over a seven year period.

Revenue Analysis

£000



Recurring Revenue	7,660
Incremental Revenue	4,628
New Customer Revenue	1,086

Over 100% of operating profit converted to cash for the third consecutive year

Treasury

The Group manages its treasury function as part of the central finance department. Substantially all of the Group's operations are UK based, and as such there is no significant exposure to foreign currencies and associated exchange rate fluctuations. Having repaid bank debt and associated interest hedging arrangements Sanderson has approximately £4m cash on deposit. The Board reviewed the Group's medium term strategy following the disposal of Sanderson RBS and concluded that key strategic developments were achievable whilst retaining a positive cash balance.

Key performance indicators ('KPIs')

The following KPIs are some of the tools used by management to monitor the performance of the operating businesses within the Group, in addition to the more traditional income statement, statement of financial position and cash flow analysis reviewed at regular Board meetings. Following the disposal of Sanderson RBS referred to above, KPIs have been restated to reflect continuing operations:

Indicator	2012	2011 Restated	2010 Restated
Revenue per employee	**£91,000**	89,500	£83,000
Operating profit as a percentage of revenue	**14.3%**	12.2%	8.6%
Order intake	**£6.85m**	£5.98m	£6.05m
Debtors over 60 days as percentage of total debtors	**11.3%**	8.3%	12.8%
Dividend cover	**4.2**	5.2	6.1

Sanderson continues to invest in product development. Expenditure in 2012 included development of our first mobile applications and major investment in new technology for our IT infrastructure as part of our own 'Green IT' initiative.

Revenue per employee is used as a broad measure of efficiency. The Group has set a target of £100,000 for revenue per employee. A modest improvement has been achieved in this year of transition. It is envisaged the current workforce, with strategic investment in sales, development and delivery resource in the coming year, is capable of achieving the target in future periods.

Operating profit as a percentage of revenue is affected by a number of factors including the relative proportion of licence revenue recorded in the period and the amount of amortisation charged against operating profit. The ratio has improved with the increased focus on the sale of proprietary software.

The regular monitoring of order intake is an important indicator of likely trading performance in the short-term as well as providing an indication as to confidence levels within the customer community. Whilst the figures presented above show annual order intake, management monitors this measure on a monthly basis.

Order intake
up 15%
to £6.85m
(2011: £5.98m)

Gross margin
up to 83.6%
(2011: 82.3%)

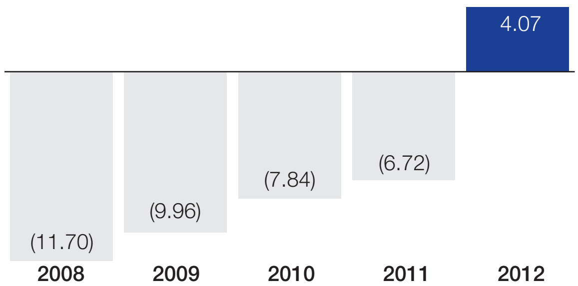
"The repayment of bank debt following the disposal of Sanderson RBS has significantly strengthened the Group's balance sheet. At the year end Sanderson held a cash balance of £4.07m."

The percentage of debtors over 60 days old has increased slightly. The current challenging economic conditions have resulted in an increase in the number of customers settling amounts due beyond contracted payment terms. The Group acquired the trade and assets of a previously independent business during the year (note 16) and debtor balances acquired have proved more difficult to collect than had originally been envisaged, though progress in this area has been made since the year end.

Dividend cover compares cash generated from operations less cash flow from financing activities but before payment of dividend with the level of dividend payments made. The Board intends to pursue a progressive dividend policy as trading results continue to improve. The dividend cover measure provides an indication as to the level of surplus cash generated by the business to fund dividends and capital expenditure. The 2012 ratio excludes the bank debt repayment and bank interest payments from the calculation to provide a more accurate reflection of the ratio in the context of the Group's debt-free position.

Adrian Frost
Finance Director
26 November 2012

Cash surplus/(net debt)
£m



Our Business

Our Governance

Our Financials

Board of directors

Christopher Winn
Chairman

Aged 62. Educated at Grammar School and Nottingham University, Christopher worked for British Olivetti until 1974 when he joined the ACT Group – ACT Group became the second UK IT company to be listed on the London Stock Exchange in 1979. He served on the Group plc Board between 1983 and 1994, undertaking a number of senior roles and in 1995, he joined the former Sanderson Group, becoming Group Chief Executive later in that year. In 1999, he led a management buyout or 'take private' of the former Sanderson Group with the support and backing of the Alchemy Plan. Following restructuring and the demerger of the original Group, the business, which was focused primarily on UK commercial markets and which retained the Sanderson Group name, gained admission to the London Stock Exchange AIM market in December 2004.

Adrian Frost BA, ACA
Finance Director

Aged 45. A graduate of Sheffield University, Adrian qualified as a Chartered Accountant whilst working for RSM Robson Rhodes. In 1996, he joined Hadley Industries plc as Group Financial Controller. Adrian joined Sanderson in 2000, shortly after the management buyout, and worked closely with the Board in restructuring the former Group into three separate businesses – Sanderson, Civica and Talgentra. Adrian was appointed Finance Director of Talgentra following the formal demerger of the Group, and rejoined Sanderson Group plc in May 2005.

David Gutteridge
Non-Executive Director

Aged 61. David Gutteridge is the senior independent Non-Executive Director of Sanderson Group plc. He is the Chairman of Tinglobal Limited, an IT infrastructure and support solutions provider. David has also acted as an independent consultant involved in strategic business development and corporate transactions. He is a member of the Chartered Institute of Management Accountants. He was co-founder of Financial Objects plc in 1995 and, as Finance Director and then Chief Operating Officer, led several acquisitions and the full listing on the London Stock Exchange in 1998. Prior to this, he held a number of senior financial and commercial roles at ACT Group plc, Seiko Epson Limited and Logica plc.

SANDERSON GROUP PLC

Philip Kelly
Non-Executive Director

Aged 60. Philip Kelly is a Non-Executive Director of several companies in the software and related services sector. He has over 20 years' experience as the Chief Executive of private and publicly quoted software companies supplying the commercial and public sectors in the UK, Europe and the USA. Philip had previously worked for Digital Equipment and 3i Consultants.

John Paterson
Non-Executive Director

Aged 66. John Paterson has extensive City experience as an investment analyst. He was Managing Director of Albert E Sharp Securities stockbrokers from 1993 until the acquisition of Albert E Sharp by Old Mutual in 1998, and he was instrumental in setting up Arden Partners in 2002 where he was a director until November 2004.

Group information

Company Secretary
Adrian Frost

Registered company number
4968444

Registered and head office
Sanderson House
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Coventry
CV1 2GF

Nominated advisor and broker
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EC2A 4AR

Registrar
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Solicitors to the Company
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76 Wellington Street
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Auditors to the Company
Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

Financial PR
Winningtons
WestPoint
78 Queens Road
Clifton
Bristol
BS8 1QX

Senior management team

Day-to-day management of the Group's activities is undertaken by a senior management team comprising four senior directors together with the executive directors of Sanderson Group plc. The senior management team focuses on both business development and maximising opportunities within the existing customer base.

Executive directors (biographies on page 12)

Christopher Winn
Chairman

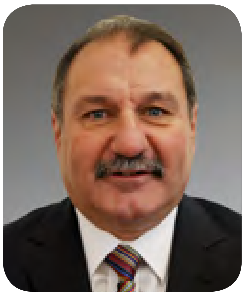
Adrian Frost
Finance Director

Senior directors

Ian Newcombe
Managing Director Multi-Channel Solutions
Ian has over 30 years' experience in software and IT services. Beginning his career in electronics, he moved into the computer industry in 1979 when he joined ACT Group plc, where as a local board member, he helped establish an international IT support and software services business. In 1996, Ian joined Mitsubishi Electric of Japan at UK board level. As International Project Director, he was instrumental in the formation of an ISP (Internet Service Provider) and online financial services business, successfully launching a range of innovative products in the UK and Europe. In 1999, he was appointed Consulting Director of Talgentra Ltd, where he developed a new consulting services business which rapidly expanded overseas. In 2005, Ian became Managing Director of what is now the enlarged multi-channel sales division of Sanderson.

Paul Bywater
Managing Director Production & Print
Paul has wide-ranging experience of manufacturing. He began his career as an engineering apprentice, then draughtsman and production engineer, before studying for a degree in production engineering and business studies. Graduating with a first from Sheffield, he embarked upon a career in IT. He started working with manufacturing ERP systems and successfully managed an ERP implementation before he joined Sanderson in 1986. Paul has held a number of positions at Sanderson including Analyst Programmer, Support Manager, Manufacturing Consultant, Systems Director, Development Director, and Product Strategy Director. Paul was promoted to Managing Director of the Production & Print business in 2009.

Roger Stares
Managing Director Food & Drink
Roger qualified in electrical engineering with Newman Industries, an electric motor manufacturer, and then joined its IT department as an Analyst Programmer. In addition to servicing the group, the IT department became a computer bureau and IT solutions provider, working with a wide range of businesses before being acquired by Sanderson in 1987. Roger has been instrumental in the design and development of the Sanderson food & drink solution. He has over 25 years' experience in supplying IT business solutions to the food & drink marketplace, with initial installations at Lucas Ingredients (now Kerry Ingredients) and Elizabeth Shaw. Whilst at Sanderson, Roger has held the positions of Technical Director and Director & General Manager. In 2007, he was promoted to Managing Director of the Sanderson Food & Drink business.



Paul Davis
Managing Director Mail Order
Paul's involvement in the IT industry spans nearly 30 years. He started his career at British Olivetti and then moved to systems house Marchant Computers, where he managed the development of a suite of wholesale distribution software and over 100 customer installations. He progressed from salesman to shareholder and Managing Director, and grew the business from £300,000 to over £2 million turnover before it was acquired by Sanderson in 1995. Paul has held a number of roles within Sanderson. His expertise lies in the day-to-day integration and management of acquisitions, business development and account management. Paul has managed large sales accounts with major customers such as Glynwed Group, National Packaging, Thorntons and MandMDirect, one of the UK's largest and most successful online clothing retailers.

2012 colleague career achievement awards

The Sanderson career achievement awards recognise the hard work, dedication and professionalism shown by our colleagues. An annual event, the awards celebrate just some of the many staff who have made a particularly positive contribution to Sanderson during their careers.

Lee Ashworth

Direct Marketing Executive

Lee graduated with a BA honours degree in Business Studies and joined Sanderson as a Direct Marketing Executive in 2006. In this role, Lee is responsible for the execution and management of direct marketing campaigns, telemarketing and new business sales support. During his time with the company, Lee has also been involved in wider marketing projects including advertising, PR, internal communications and exhibitions, giving him additional marketing skills and experience. A highly valued member of the team, Lee excels in his detailed knowledge of our target market.

Barry Johnson

Project Leader

Barry studied at Nottingham Trent University before joining Sanderson in 1999. Having progressed through the development and application support teams, he became part of the project team in April this year. His enthusiasm, positive attitude and commitment to customer service meant that he was an instant ‘hit’ with our customers. As a result he has achieved a high level of service days delivering customer projects, which is good news for our customers and for our business.

Keith Watkins

Software Manager (Financials & HR)

Keith studied at the University of Sheffield where he graduated with a combined honours degree in Computing Science, Probability & Statistics. After graduation, he worked in a programming capacity for Marconi and then Fraser Williams before joining Sanderson in 1983 as a Systems Programmer. Keith is one of the Group’s longest standing employees, with his role having primarily been in software development. As a Software Manager Keith looks after Sanderson Financials and HR systems. Known as “Mr Payroll” Keith is kept on his toes by HMRC and the various legislative changes. This year has been no exception with significant work required for the provision of RTI (Real Time Information) and pension reform changes. A keen fundraiser, Keith is a regular participant in the Louise Smalley Challenge Walk, a 40 mile walk around the Derbyshire peaks.

Kathy Astell

Secretary to the Group Finance Director

Kathy joined Sanderson from school, as an office junior and in recognition of her efficiency and enthusiasm, within 3 years she was promoted to secretary to the Group Finance Director. After a short career break to start a family, Kathy returned to Sanderson in 2002 and has been a constant source of support to the senior management team. During this period Kathy has taken on the key tasks involved in administering staff records, alongside her secretarial duties. Her enthusiastic, positive and supportive approach make Kathy a valued member of the Sanderson team.

Sue Rose

Customer Services Manager

Sue joined the Sanderson mail order business in 1987 when she was just 19, which gives her almost 25 years’ continuous service. A real all-rounder, Sue has performed most roles in the mail order team. She is always reliable and carries out her tasks in an enthusiastic manner. Over the past 12 months, she has really “stepped up to the plate”, as a replacement for senior colleagues who have retired. Always supportive to customers, staff and management, Sue is a worthy winner of a career achievement award this year.

Neil Shaw

Technical Consultant

Neil has worked for Sanderson since 1996 and since joining the wholesale development team he has repeatedly demonstrated a willingness to research and explore innovative and clever solutions to technical problems. He works hard to keep himself up-to-date with current and emerging technologies and has the ability to understand where they can best impact our suite of products for the wholesale market. Neil has been the kingpin of some key product developments including web services and mobile solutions, and takes personal pride in supporting those systems with great dedication – without seeking either compliments or recognition. In addition to his valuable technical contribution, Neil’s fantastic sense of humour provides a very positive and motivating influence on his colleagues.

Governance statement

As the Company's shares are traded on AIM, the Company is not required to report on compliance with the UK Corporate Governance Code ('the Code'). However, the Company is committed to high standards of corporate governance and has adopted the following recommendations of the Code.

Board of directors

The Board is broadly balanced with two executive and three non-executive directors. All executive directors are subject to election by shareholders at the first opportunity after their appointment and to re-election at regular intervals thereafter.

The Board meets on a monthly basis and retains full and effective control of the Group. Additional meetings are arranged as appropriate to consider Group strategy, acquisition and disposal strategies, internal controls and risk analysis, and the annual budget. Day-to-day management of the Group is delegated to the executive directors and senior management team.

Board committees

The Board has established three committees each consisting of, as a minimum, the three non-executive directors. Each committee has defined terms of reference.

The Audit Committee is chaired by David Gutteridge, and meets at least twice a year with the executive directors and representatives of the external auditors in attendance. The Committee's duties include the review of interim and preliminary announcements, compliance with accounting standards, consideration of the Annual Report and Accounts prior to submission to the Board for approval, the appointment and remuneration of the external auditors together with their scope of work and consideration of their findings, and the review of internal controls.

The Remuneration Committee is chaired by John Paterson, and is referred to below.

The Nominations Committee comprises the non-executive directors and Christopher Winn, and is responsible for making recommendations on the appointment of additional directors and for reviewing the composition of the Board and the Board committees. It is chaired by Christopher Winn.

Shareholder communication

The directors seek to visit institutional shareholders at least twice a year. In addition all shareholders are welcome to attend the Annual General Meeting, where there is an opportunity to question the directors as part of the agenda, or more informally after the meeting. Communication with shareholders is seen as an important part of the Board's responsibilities and care is taken to ensure that all price sensitive information is made available to all shareholders at the same time.

Funding

At the financial year end the Group reported cash balances of £4.07m. As referred to in the Financial review, the Board reviewed the Group's medium term strategy following the disposal of Sanderson RBS and concluded that key strategic developments were achievable whilst retaining a positive cash balance. The Group remains profitable and cash generative. Accordingly the directors have prepared the accounts on a going concern basis.

Directors' remuneration

The Company adheres to the principles of good governance when deciding remuneration strategy and has delegated responsibility for remuneration policy to the Remuneration Committee.

The Remuneration Committee meets at least once a year, and its broad responsibility is to ensure the remuneration packages of the executive directors and senior management are competitive and designed to attract, retain and motivate individuals of high quality. The Remuneration Committee is made up of the three non-executive directors, and is chaired by John Paterson.

The policy of the Group on directors' remuneration is to provide competitive packages that reward Group and individual performance. Remuneration packages comprise a basic salary, an annual performance-related bonus, pension contributions and other benefits. Where appropriate, participation in share incentive plans is also offered.

Details of directors' remuneration are provided in note 8 to the accounts. Details of options to purchase ordinary shares in the Company that have been granted to directors of the Company are set out below:

	In issue at year end	Financial year issued	Exercise price	Performance conditions	Earliest exercise date	Expiry date
Christopher Winn	199,980	2005	54.25p	Yes	01.10.2007	30.09.2014
Christopher Winn	910,972	2005	50p	Yes	01.10.2007	15.12.2014
Christopher Winn	910,972	2005	£1*	Yes	01.10.2007	15.12.2014
Adrian Frost	175,421	2005	57p	Yes	01.10.2007	30.09.2014
Adrian Frost	215,579	2005	56p	Yes	01.10.2007	15.12.2014
Adrian Frost	215,579	2005	£1*	Yes	01.10.2007	15.12.2014
Adrian Frost	100,000	2009	9.5p	Yes	03.08.2012	03.08.2017

The options in respect of Mr Winn were awarded on admission to AIM on 16 December 2004. With the exception of the 2009 options, the options in respect of Mr Frost were awarded on 27 May 2005 following his appointment to the Board. Options with an exercise price of £1 per each occasion of exercise (identified by '*' in the table above) were granted under a Long Term Incentive Plan ('LTIP').

Internal control

The Board is responsible for establishing and maintaining the Group's system of internal controls. Control systems are designed to meet the particular needs of the Group and to address the risks to which the Group is exposed. By their nature, internal control systems are designed to manage rather than eliminate risk, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board has adopted a policy of continuous improvement by regular review for assessing the adequacy of internal controls.

Principal risks

Risk management is an important part of the management process throughout the Group. Regular reviews are undertaken to assess the nature of risks faced, the magnitude of the risk presented to business performance and the manner in which the risk may be mitigated. Where controls are in place, their adequacy is regularly monitored.

The risks considered to be particularly important at the current time are set out below:

Economic

Potential impact: As a supplier to the multi-channel retail and manufacturing markets a further worsening of the economic climate affecting these sectors may lead to a reduced spend on IT systems and services by customers and prospective customers.

Mitigation: The Group strives to offer solutions that provide a demonstrable return on investment for both existing, as well as new customers, as a strategy to capture more of our customers' budgeted IT spend. Forward looking indicators such as order intake are regularly reviewed to identify potential deterioration in market conditions.

Product development

Potential impact: The Group operates in dynamic markets and must ensure the solutions it offers remain competitive. Failure to do so may lead to a loss of business with customers and prospective customers obtaining more relevant solutions from elsewhere.

Mitigation: Sanderson regularly discusses business requirements with customers and prospective customers. Approximately 75% of product development is in response to specific requirements, ensuring new product offerings accurately reflect the needs of the markets served. Factory Automation, Business Assurance and Mobile applications are examples of development undertaken to remain competitive.

People

Potential impact: An experienced and knowledgeable workforce is required to develop technically complex products and to deliver the services required to enable customers to deploy Sanderson solutions in their businesses. The market for skilled staff remains competitive and a failure to recruit and retain experienced staff could impact on the Group's ability to develop and deliver solutions.

Mitigation: Providing existing staff with relevant training and career progression opportunities is a key priority for the business. Recruiting and developing new employees, when required, is undertaken by experienced staff to ensure the correct calibre of individual is identified.

Principal risks continued

Reputational

Potential impact: The quality of references obtained from existing users of Sanderson software is an important part of the decision making process for a potential customer seeking to appoint Sanderson as a new supplier. Similarly, existing customers are more likely to extend the use of current solutions and purchase new products when they are confident solutions will be delivered on time and to budget.
Poor performance or the provision of substandard products may therefore result in customer disputes as well as a negative impact on solution sales.

Mitigation: Sanderson strives to maintain its reputation as a supplier of highly functional, value for money solutions. Quality control is an important part of the product development process and senior staff are involved in managing project delivery to ensure, wherever possible, solutions are delivered on time and to budget.

Financial

Potential impact: Inaccurate financial information may result in sub-optimal decisions being taken by management and staff. Inadequate internal controls may fail to prevent the Group suffering a financial loss.

Mitigation: The systems of internal controls deployed within the Group are designed to prevent financial loss. Controls are strongest in areas where management consider the potential exposure to the Group of material loss to be at its greatest, such as contract management and credit control. The adequacy and effectiveness of internal controls are reviewed regularly.

Acquisition risk

Potential impact: The Group will consider acquisitions as part of its overall growth strategy. Acquisitions may not always realise the benefits expected at the time of completion.

Mitigation: Due diligence appropriate to the size and nature of the acquisition will be undertaken and warranties and indemnities will be sought from vendors wherever possible. An integration plan will be formulated as part of the due diligence process and executed as rapidly as is appropriate to the nature of the business acquired.

Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 2012.

Principal activities

The Company acts as a holding company. The Group's principal activity is the supply of IT software and services.

Business review

A comprehensive analysis of the Group's development and performance is contained in the Chairman's statement and Financial review. This analysis includes comments on the position of the Group at the end of the financial period and the key performance indicators which are monitored in relation to the achievement of the strategy of the business. The Governance statement contains consideration of the principal risks and uncertainties faced by the business.

Information on the financial risk management strategy of the Group and of the exposure of the Group to currency risk, interest rate risk, credit risk and liquidity risk is set out in note 24 to the accounts.

Dividend

A final dividend of 0.45 pence per share was paid on 30 March 2012 (2011: 0.35 pence) relating to the financial year ended 30 September 2011. An interim dividend of 0.50 pence per ordinary share was paid on 17 August 2012 (2011: 0.30 pence per share) in respect of the financial year ended 30 September 2012. The directors propose the payment of a final dividend in respect of the year ended 30 September 2012 of 0.70 pence per ordinary share. The final dividend is subject to shareholder approval at the Annual General Meeting on 28 February 2013 and, if approved, will be paid on 29 March 2013 to shareholders on the register at the close of business on 8 March 2013.

Employees

The Group's policy of providing employees with information about the Group has continued and regular meetings are held between management and employees to allow exchanges of information and ideas. The Group continues to consider ways to encourage the involvement of employees in the Group's performance.

The Group gives every consideration to applications for employment by disabled persons where the requirements of the job may be adequately filled by a disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under similar terms and conditions and to provide training, career development and promotion wherever appropriate.

Directors and directors' interests

The directors who held office at the end of the financial year are set out below, together with their interests in the ordinary shares of the Company according to the register of directors' interests:

	Interest at end of year	Interest at start of year
	Ordinary shares of 10 pence	Ordinary shares of 10 pence
Christopher Winn	12,745,000	13,000,000
Adrian Frost	61,000	61,000
Philip Kelly *	50,000	20,000
David Gutteridge *	500,000	325,000
John Paterson *	90,000	90,000

* Denotes non-executive directors.

Details of options to purchase ordinary shares in the Company granted to the executive directors are set out in the Governance statement.

None of the directors who held office at the end of the financial year had any other disclosable interest in the shares of Sanderson Group plc or any other Group companies.

Substantial shareholdings
The Company has been advised of the following notifiable interests in more than 3% of its ordinary share capital as at the date of this report.

	Number of shares	%
Christopher Winn	12,745,000	29.18
Hargreave Hale & Co	4,195,637	9.61
AXA Framlington Investment Management	3,231,303	7.40
ISIS Ep LLP	3,000,075	6.87
Chelverton Asset Management	2,350,000	5.38
Unicorn Asset Management	1,540,200	3.53

Policy and practice on payment of creditors
Whilst the Company does not follow any specified code or standard of payment practice it does endeavour to ensure all payments are made within mutually agreed credit terms. At the year end, the Company had no trade creditors (2011: nil).

Research and development
The Group undertakes a continuous programme of development expenditure, both as part of a long-term development programme and in response to specific customer or market requirements. Development expenditure is capitalised only when the end product is technically and commercially feasible and when sufficient resource is available to complete the development. All other development expenditure, including projects on which revenue of an amount equal to or greater than the cost of development has been generated in the same period as that in which the cost is incurred, is recognised in the income statement as an expense.

Statement of directors' responsibilities in respect of the Directors' report and the financial statements
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 elected to prepare Group and parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for the period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- So far as each director is aware, there is no relevant audit information of which the Company's auditor is not aware; and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

Grant Thornton UK LLP are willing to continue in office. In accordance with s489(4) of the Companies Act 2006 a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

The Grant Thornton UK LLP audit partner signing the audit report on the financial statements for the year ended 30 September 2012 has served in that capacity for six years. The Audit Committee determined it was in the best interests of audit quality for the partner to remain in place during a year of transition for the Group. A new audit partner will undertake the audit of the Group's financial statements for the year ending 30 September 2013.

By order of the Board

Adrian Frost
Secretary
Sanderson Group plc
Sanderson House
Manor Road
Coventry
CV1 2GF
26 November 2012

Independent auditor's report to the members of Sanderson Group plc

We have audited the Group financial statements of Sanderson Group plc for the year ended 30 September 2012 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 20, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 September 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

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

- 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.

Other matter

We have reported separately on the parent company financial statements of Sanderson Group plc for the year ended 30 September 2012.

David Munton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
26 November 2012

Consolidated income statement

for the year ended 30 September 2012

	Note	Total 2012 £000	Total 2011 £000 Restated
Revenue	4	**13,374**	14,059
Cost of sales		**(2,188)**	(2,493)
Gross profit	4	**11,186**	11,566
Technical and development costs		**(4,989)**	(4,952)
Administrative and establishment expenses		**(2,912)**	(3,635)
Sales and marketing costs		**(1,379)**	(1,268)
Results from operating activities	4	**1,906**	1,711
Finance income	9	**465**	437
Finance expenses	10	**(679)**	(1,451)
Exceptional finance expense	10	**(227)**	(379)
Movement in fair value of derivative financial instrument		**16**	55
Profit before taxation		**1,481**	373
Taxation	11	**(185)**	115
Profit for the year from continuing operations		**1,296**	488
Profit on discontinued operation, net of tax	5	**1,110**	316
Profit for the year attributable to equity holders of the parent		**2,406**	804
Earnings per share			
From profit attributable to the owners of the parent undertaking during the period			
Basic earnings per share	13	**5.5p**	1.9p
Diluted earnings per share	13	**5.2p**	1.7p
From continuing operations			
Basic earnings per share	13	**3.0p**	1.1p
Diluted earnings per share	13	**2.8p**	1.0p
From discontinued operations			
Basic earnings per share	13	**2.5p**	0.8p
Diluted earnings per share	13	**2.4p**	0.7p

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated statement of comprehensive income

for the year ended 30 September 2012

	Note	2012 £000	2011 £000
Profit for the year		**2,406**	804
Other comprehensive income			
Defined benefit pension plan actuarial losses	27	**(740)**	(429)
Deferred taxation effect of defined benefit pension plan items	17	**185**	116
Other comprehensive income for the year, net of taxation		**(555)**	(313)
Total comprehensive income attributable to equity holders of the parent		**1,851**	491

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated statement of financial position

at 30 September 2012

	Note	2012 £000	2011 £000
Non-current assets			
Property, plant and equipment	14	**372**	746
Intangible assets	15	**22,404**	32,066
Deferred tax assets	17	**1,567**	1,614
		24,343	34,426
Current assets			
Inventories		**9**	162
Trade and other receivables	18	**3,594**	7,124
Other short-term financial assets	19	**131**	—
Cash and cash equivalents		**4,066**	619
		7,800	7,905
Current liabilities			
Bank loans and borrowings	20	**—**	(975)
Trade and other payables	21	**(2,872)**	(4,922)
Derivative financial instrument	24	**—**	(430)
Income tax payable		**(9)**	(53)
Deferred income		**(4,599)**	(6,683)
		(7,480)	(13,063)
Net current assets/(liabilities)		**320**	(5,158)
Total assets less current liabilities		**24,663**	29,268
Non-current liabilities			
Bank loans and borrowings	20	**—**	(6,360)
Pension obligations	27	**(4,512)**	(3,994)
Deferred tax liabilities	17	**(121)**	(439)
		(4,633)	(10,793)
Net assets		**20,030**	18,475
Equity attributable to equity holders of the Company			
Share capital	22	**4,352**	4,338
Share premium		**4,205**	4,178
Retained earnings		**11,473**	9,959
Total equity		**20,030**	18,475

These financial statements were approved by the Board of directors on 26 November 2012 and were signed on its behalf by:

Christopher Winn
Director

Company Registration Number
4968444

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 30 September 2012

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 October 2011	4,338	4,178	9,959	18,475
Shares issued	14	27	(41)	—
Dividend paid	—	—	(413)	(413)
Share-based payment charge – continuing operations	—	—	65	65
Share-based payment charge – discontinued operations	—	—	52	52
Transactions with owners	14	27	(337)	(296)
Profit for the year	—	—	2,406	2,406
Other comprehensive income:				
Actuarial result on employee benefits	—	—	(740)	(740)
Deferred tax on above	—	—	185	185
Total comprehensive income	—	—	1,851	1,851
At 30 September 2012	**4,352**	**4,205**	**11,473**	**20,030**

for the year ended 30 September 2011	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 October 2010	4,338	4,178	9,703	18,219
Dividend paid	—	—	(282)	(282)
Share-based payment charge – continuing operations	—	—	23	23
Share-based payment charge – discontinued operation	—	—	24	24
Transactions with owners	—	—	(235)	(235)
Profit for the year	—	—	804	804
Other comprehensive income:				
Actuarial result on employee benefits	—	—	(429)	(429)
Deferred tax on above	—	—	116	116
Total comprehensive income	—	—	491	491
At 30 September 2011	4,338	4,178	9,959	18,475

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 30 September 2012

	Note	2012 £000	2011 £000 Restated
Cash flows from operating activities			
Profit for the year after taxation including discontinued operations		**2,406**	804
Adjustments for:			
Amortisation of intangible assets; continuing operations		**176**	226
Depreciation; continuing operations		**75**	54
Share-based payment expense; continuing operations		**65**	23
Post tax profit on discontinued operations		**(1,110)**	(316)
Net finance expense		**441**	1,393
Movement in fair value of derivative financial instrument		**(16)**	(55)
Income tax charge/(credit)		**185**	(115)
Operating cash flow before changes in working capital		**2,222**	2,014
Movement in trade and other receivables		**(666)**	(67)
Movement in inventories		**26**	2
Movement in trade and other payables		**434**	295
Cash generated from continuing operations		**2,016**	2,244
Discontinued operation – operating cash flow		**(356)**	1,116
Payments to defined benefit pension scheme		**(315)**	(305)
Interest paid		**(703)**	(591)
Income tax received		**377**	466
Net cash flow from operating activities		**1,019**	2,930
Cash flow from investing activities			
Purchase of property, plant and equipment		**(194)**	(93)
Purchase of investment held for resale	19	**(131)**	–
Acquisition of trade and assets	16	**(173)**	–
Dividend received		**2**	–
Disposal of discontinued operation, net of cash disposed	5	**11,064**	–
Discontinued operation – investing cash flows		**(140)**	(424)
Development expenditure capitalised		**(187)**	(299)
Net cash flow from investing activities		**10,241**	(816)
Cash flow from financing activities			
Repayment of bank borrowing		**(7,400)**	(8,577)
Inception of new bank borrowing		**–**	7,400
Fees paid in respect of change of banker		**–**	(275)
Repayment of finance lease principal		**–**	(9)
Equity dividends paid		**(413)**	(282)
Net cash flow from financing activities		**(7,813)**	(1,743)
Net increase in cash and cash equivalents		**3,447**	371
Cash and cash equivalents at beginning of year		**619**	248
Cash and cash equivalents at the end of the year		**4,066**	619

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the consolidated financial statements

forming part of the financial statements

1. Reporting entity

Sanderson Group plc is a company domiciled in the United Kingdom. The address of the Company's registered office is Sanderson House, Manor Road, Coventry, CV1 2GF. The consolidated financial statements for the year ended 30 September 2012 comprise the results of the Company and its subsidiary undertakings (together referred to as the Group). The Group is primarily involved in the development and supply of IT software and services. The Company's shares are traded on the Alternative Investment Market of the London Stock Exchange.

2. Basis of preparation

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, the Companies Act 2006 that applies to companies reporting under IFRS and IFRIC interpretations.

The Company has elected to prepare its parent company financial statements in accordance with IFRS as adopted by the European Union. These parent company financial statements appear after the notes to the consolidated financial statements.

The Group financial statements have been prepared on a going concern basis. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance that may arise as a result of current economic conditions and other risks faced by the Group, show that the Group should remain profitable and cash generative. At the financial year end the Group reported cash balances in excess of £4m. The directors consider key strategic developments should be achievable whilst retaining a positive cash balance.

Basis of measurement

The financial statements have been prepared under the historical cost convention with the exception of certain items which are measured at fair value as disclosed in the accounting policies below.

Functional and presentation currency

The consolidated financial statements are presented in sterling, which is the functional currency of the Company.

Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. Information about significant areas of estimation and critical judgements that have the most significant impact on the financial statements are described in the following notes:

Estimates

Note 15: Measurement of intangible assets: In testing for impairment of intangible assets, management have made certain assumptions concerning the future development of the business that are consistent with the annual budget and business plan. Should these assumptions regarding the growth in profitability be unfounded then it is possible that intangible assets included in the statement of financial position could be impaired. Management are confident that this will not be the case. The Group has a history of retaining customers, with the average length of customer relationships in excess of ten years. The time and resources required by organisations to change enterprise systems is significant and therefore discourages change. The Group therefore believes the existing business will continue to generate revenues, profits and positive cash flows for many years. Accordingly, when assessing the recoverable value attributable to goodwill and other intangible assets, management have estimated cash flows attributable to existing businesses and extrapolated forward budgets for the financial year ending 30 September 2013 in line with the average length of customer relationships. The results of this review are disclosed in note 15.

Note 27: Measurement of defined benefit pension obligations: The Group's interests in a defined benefit pension scheme have been accounted for in accordance with IAS 19 'Employee Benefits'. The main area of judgement is the valuation of pension scheme liabilities, which represent the net present value of future pension obligations. These calculations are performed by the scheme actuary, with whom the directors have agreed the underlying assumptions to be applied. The key assumptions are rates of increases in pension benefits, mortality rates, inflation and the discount rate applied to produce the net present value. The discount rate is derived from market rates on AA corporate bonds at the year end date. A defined benefit pension scheme asset is recognised where the scheme rules give the Group an unconditional right to realise the benefit of the asset at some point in the future, or on settlement of the scheme.

Note 18: Measurement of trade receivables: Management assess the likely recoverability of amounts invoiced to customers on the basis of the credit worthiness of customers and the age of debts at the period end. The directors consider the carrying amount of trade receivables approximates to their fair value.

Judgements

Note 15: Intangible assets: Development expenditure is recognised on the statement of financial position when certain criteria are met, as described more fully in the accounting policy on the treatment of research and development expenditure. Management use their judgement in assessing development projects against the criteria.

Note 17: Deferred tax: The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties.

3. Accounting policies

Adopted IFRS not yet applied

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been applied early by the Group. Management anticipate that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement, once adopted by the EU:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 11 Joint Arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2012)
- Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective 1 July 2012)
- Disclosures - Offsetting Financial Assets and Liabilities - Amendments to IFRS 7 (effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)
- Mandatory Effective Date & Transition Disclosures - Amendments to IFRS 9 & IFRS 7 (effective 1 January 2015)
- Government Loans - Amendments to IFRS 1 (effective 1 January 2013)
- Annual Improvements 2009-2011 Cycle (effective 1 January 2013)

Improvements to certain IFRS were also available for early adoption but have not been applied:

- IFRIC 14 & IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

Basis of consolidation

The consolidated financial information comprises a consolidation of the accounts of the Company and its subsidiary undertakings at the statement of financial position date. The results of subsidiary undertakings acquired during the financial year are included from the date of acquisition. The results of subsidiary undertakings disposed of during the year are included up to the date of disposal, with the trading result and profit or loss on disposal combined and reported in the income statement under the heading 'Profit on Discontinued Operations'. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

All intra-group balances and transactions including unrealised profits arising from intra-group transactions, are eliminated fully on consolidation.

3. Accounting policies continued

Property, plant and equipment

Property, plant and equipment are held at cost less accumulated depreciation and impairment charges.

Depreciation is calculated to write-off the cost of property, plant and equipment less the estimated residual value on a straight-line basis over the expected useful economic life of the assets concerned. Estimated residual values are revised annually.

The annual rates used are:

- leasehold improvements — over life of the lease
- plant and equipment — 15%-33⅓%

Leases

Assets financed by leasing arrangements, which give rights approximating to ownership, are treated as if they had been purchased outright and are capitalised and depreciated over the shorter of the estimated useful life of the assets and the period of the leases. The capital element of future rentals is treated as a liability and the interest element is charged against profits in proportion to the balances outstanding. The rental costs of all other leased assets are charged against profits on a straight-line basis over the lease-term.

Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- goods for resale — purchase cost on a 'first-in/first-out' basis;
- work in progress — cost of direct materials and labour and a proportion of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

Accounting for financial assets

The Group has financial assets in the following categories:

- loans and receivables
- financial assets at fair value through profit or loss
- available for sale financial assets

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expense is recognised in the Income statement or Statement of other comprehensive income. All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through the Income statement.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss. Sanderson Group plc's trade and most other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment on a case-by-case basis when they are past due at the year end date or when objective evidence is received that a specific counterparty will default. All other receivables are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics, if any. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Available for sale (AFS) financial assets

AFS financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets comprise listed securities and are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except dividend income is recognised in profit or loss.

Accounting for financial liabilities

The Group's financial liabilities include trade and other payables which are measured at amortised cost using the effective interest rate method.

Derivative financial instruments

The Group has previously held derivative financial instruments to reduce its exposure to interest rate fluctuations. These are carried at fair value through profit or loss. The Group does not hedge account for these items but reports the fair value as a financial asset or financial liability as appropriate at the year end date.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists. The Group had interest rate swap contracts that fell into this category.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and bank overdrafts where they form an integral part of the Group's cash management. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. The only equity instrument applicable to the Group is its issued share capital.

Share premium includes any premium received on the issue of share capital. Transaction costs associated with the issuing of shares are deducted from share premium, net of any related tax benefits. Retained earnings includes all current and prior period retained profits and losses.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

Taxation

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Current income tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods that remain unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full. Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

3. Accounting policies continued

Revenue

Revenue comprises the fair value of sales of licences, support and maintenance contracts, training, consulting and implementation services and hardware. Revenue excludes both value added tax and transactions between Group companies.

Revenues are recognised on the basis of the performance of contractual obligations and to the extent that the right to consideration has been earned. In cases where a single contractual arrangement involves the sale of licences, support, maintenance and services the consideration received is allocated to the components of the arrangement on a relative fair value basis.

Initial licence fees are recognised upon the provision of software to the customer, providing that the payment terms are unconditional, full payment is contractually binding, collection is reasonably certain and there are no material contract conditions or warranties. If any conditionality exists, licence fees are recognised when the conditions have been met. Revenue from the provision of professional services including support, maintenance, training and consultancy services is recognised as the services are performed. Hardware sales are recognised on delivery. Annual licence, maintenance and support revenues are recognised evenly over the period to which they relate.

Goodwill

Goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset and represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Identifiable net assets are those which are capable of being sold separately or which arise from legal rights regardless of whether those legal rights are separable. The carrying value of goodwill relating to subsidiaries disposed of is deducted from sale proceeds in arriving at reported profit or loss on disposal.

Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved or paid.

Borrowing costs

Arrangement fees and other costs incurred directly as a result of borrowing arrangements are amortised over the committed period of the borrowing to which they relate. Where borrowings are repaid in advance of the committed period, unamortised arrangement fees are expensed in the income statement at the date of repayment.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development activity is recognised in the Consolidated statement of financial position if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- the Group intends to complete the development of the asset and has the ability to do so;
- the Group has the technical and financial resources to complete the asset and exploit the economic benefits arising from it;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be reliably measured.

Internally generated intangible assets are amortised over their useful economic life, typically between three and five years. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets

Intangible assets separately purchased, such as intellectual property rights, are capitalised at cost and amortised on a straight-line basis over their useful economic life. Intangible assets acquired through a business combination are measured at fair value and amortised over their useful economic lives.

The following periods are used when assessing useful economic lives for purposes of calculating amortisation charges:

Intellectual property rights	3-5 years
Customer relationships	3-5 years
Distributor agreements	the unexpired period of the agreement

Impairment
The carrying amount of the Group's assets, other than inventories, deferred tax assets and available for sale financial assets (see accounting policies above), are reviewed at each year end date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Consolidated income statement. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately. Impairment losses in respect of goodwill cannot be reversed.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets of the unit (group of units) on a pro-rata basis.

Pension benefits
The Group operates defined contribution pension schemes and a subsidiary company is the principal employer to a closed defined benefit scheme. The Group's net obligation in respect of the defined benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in prior periods; that benefit is discounted to determine its present value and the fair value of any scheme assets is deducted. The discount rate is based on the annualised yield on AA credit related corporate bonds. The calculation is performed by a qualified actuary. Actuarial gains and losses are recognised immediately through the Consolidated statement of comprehensive income.

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the Consolidated income statement as incurred.

Share-based payments
The equity settled share option programme allows Group employees to acquire shares of the ultimate parent company; these awards are granted by the ultimate parent. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured using the Black-Scholes model at grant date and spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the number of share options expected to vest. Deferred taxation is recognised over the vesting period.

Segmental reporting
IFRS 8 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker ('CODM'). The CODM has been determined to be the executive directors.

The Group has two main operating divisions: multi-channel retail and manufacturing. These two divisions represent the Group's reportable segments under IFRS 8. Each segment has a manager who is directly accountable to the CODM.

Each segment is managed separately as the characteristics of the markets served differ. All inter-segment transfers take place on an arms-length basis. Accounting policies used for reporting the results of segments are the same as those adopted in preparing the financial statements of the Group. The activities of, and products and services offered by the segments are described in the Chairman's statement.

The Group operates a number of bank accounts including certain accounts specific to shared operations. Whilst information contained in the income statement can be allocated between divisions certain items in the statement of financial position, such as cash balances cannot be so allocated. For this reason, the cash and cash equivalents figure shown in Note 4 to the financial statements does not correspond with the cash and cash equivalents figure of the Group disclosed in the Consolidated statement of financial position. Bank balances in respect of shared operations are included in unallocated assets and liabilities.

Discontinued operations
Any profit or loss arising from the sale of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations for both the current year and prior year, resulting in a restatement of prior year figures in the year of discontinuance.

Notes to the consolidated financial statements

continued

4. Segmental reporting

The Group is managed as two separate divisions, providing IT solutions and associated services to the manufacturing and multi-channel retail sectors. Substantially all revenue is generated within the UK. The information provided to the CODM is analysed between the divisions as follows:

	Manufacturing		Multi-Channel		Total	
	2012 £000	2011 £000 Restated	**2012 £000**	2011 £000 Restated	**2012 £000**	2011 £000 Restated
Revenue – external customers	**6,201**	6,145	**7,173**	7,914	**13,374**	14,059
Cost of sales	**(1,019)**	(1,120)	**(1,169)**	(1,373)	**(2,188)**	(2,493)
Gross profit	**5,182**	5,025	**6,004**	6,541	**11,186**	11,566
Operating profit	**800**	807	**1,106**	904	**1,906**	1,711
Net finance expense					**(425)**	(1,338)
Taxation					**(185)**	115
Result on discontinued activity net of tax					**1,110**	316
Profit attributable to equity holders					**2,406**	804

Revenue, operating profit and profit before tax shown above have been restated to show continuing operations only. The CODM uses both gross profit and operating profit measures in assessing the performance of the Group's divisions. The Group disposed of its subsidiary undertaking Sanderson RBS Limited on 20 January 2012 (see note 5). Allocation of centrally incurred costs has been restated to reflect the current basis of allocations to continuing operations. The discontinued operation contributed revenue in the period of £3.53m (2011: £12.36m). The operating result of the discontinued operation for the period, stated after amortisation of acquisition-related intangibles and shared-based payment charges, was a loss of £0.5m (2011: profit of £0.4m).

Analysis of items contained within the Statement of financial position

	Manufacturing		Multi-Channel		Total	
	2012 £000	2011 £000 Restated	**2012 £000**	2011 £000 Restated	**2011 £000**	2011 £000 Restated
Property, plant and equipment	**222**	70	**150**	676	**372**	746
Intangible assets	**11,693**	11,360	**10,711**	20,706	**22,404**	32,066
Deferred tax assets	**1,197**	1,161	**197**	28	**1,394**	1,189
Inventory	**3**	18	**6**	144	**9**	162
Cash and cash equivalents	**753**	207	**1,726**	934	**2,479**	1,141
Trade and other receivables	**1,478**	1,689	**2,116**	5,435	**3,594**	7,124
Total assets	**15,346**	14,505	**14,906**	27,923	**30,252**	42,428
Trade and other payables	**(1,055)**	(1,431)	**(1,817)**	(3,491)	**(2,872)**	(4,922)
Deferred income	**(2,188)**	(2,049)	**(2,411)**	(4,634)	**(4,599)**	(6,683)
Pension obligations	**(4,512)**	(3,994)	**—**	—	**(4,512)**	(3,994)
Total liabilities	**(7,755)**	(7,474)	**(4,228)**	(8,125)	**(11,983)**	(15,599)
Allocated net assets	**7,591**	7,031	**10,678**	19,798	**18,269**	26,829
Other unallocated assets and liabilities					**1,761**	(8,354)
Net assets					**20,030**	18,475

The Group's assets are held in the United Kingdom. No one customer accounts for more than 10% of the sales of either division. Included within other unallocated assets and liabilities are cash balances totalling £1.59m (2011: overdraft of £0.52m) and deferred tax balances in respect of certain shared operations. Amounts in respect of shared operations cannot be allocated between operating divisions.

5. Discontinued operation

The Group disposed of its subsidiary undertaking Sanderson RBS Limited on 20 January 2012.

	2012 £000	2011 £000
Consideration and net cash inflow		
Cash received	**11,750**	—
Cash balance of discontinued operation	**(452)**	—
Costs relating to disposal	**(234)**	—
Net cash inflow	**11,064**	—
Net assets disposed of (other than cash)		
Property, plant and equipment	**584**	—
Intangible assets	**9,734**	—
Inventories	**125**	—
Current and deferred tax	**165**	—
Trade and other receivables	**3,147**	—
Trade and other payables	**(4,472)**	—
	9,283	—
Pre-tax gain on disposal of discontinued operation	**1,781**	—
Related tax expense	**—**	—
Post-tax gain on disposal	**1,781**	—

The post-tax profit on discontinued operations was determined as follows:

	2012 £000	2011 £000
Revenue	**3,527**	12,364
Cost of sales	**(1,454)**	(4,977)
Gross profit	**2,073**	7,387
Technical and development costs	**(1,096)**	(3,492)
Sales and marketing costs	**(339)**	(1,098)
Administrative costs including amortisation	**(1,185)**	(2,421)
Results from operating activities	**(547)**	376
Exceptional costs arising on disposal	**(645)**	—
(Loss)/profit before taxation	**(1,192)**	376
Tax credit/(expense)	**521**	(60)
Gain on disposal of discontinued operation, after tax	**1,781**	—
Profit on discontinued operation, net of tax	**1,110**	316

6. Share-based payments

The Group operates an HMRC approved executive management incentive plan (EMI), an unapproved share option plan and a Long Term Incentive Plan ('LTIP'). Details of the total number of shares under option and conditions on qualification and exercise are set out below:

Grant date	Employees entitled	Number of options	Performance conditions	Exercise price (p)	Earliest exercise date	Expiry date
16/12/2004	Management	926,639	Earnings per share growth	50.00	01/10/2007	15/12/2014
16/12/2004	Management	310,013	Earnings per share growth	54.25	01/10/2007	30/09/2014
16/12/2004	Management	1,275,559	TSR† Target	00.00*	01/10/2007	15/12/2014
27/05/2005	Management	215,579	Earnings per share growth	56.00	01/10/2007	15/12/2014
27/05/2005	Management	175,421	Earnings per share growth	57.00	01/10/2007	30/09/2014
27/05/2005	Management	215,579	TSR† Target	00.00*	01/10/2007	15/12/2014
04/08/2009	Management	262,500	‡	09.50	03/08/2012	03/08/2016
04/08/2009	Management	250,000	‡#	09.50	03/08/2012	03/08/2013
21/05/2010	Management	450,000	‡	23.00	21/05/2013	21/05/2017
21/05/2010	Management	600,000	‡#	23.00	21/05/2013	21/05/2014
05/01/2011	Management	285,000		27.50	05/04/2014	05/01/2021
29/06/2011	Management	230,000		30.00	29/06/2014	29/06/2018
29/06/2011	Management	25,000	#	30.00	29/06/2014	29/06/2015
		5,221,290				

† Total shareholder return.

* Options granted under the LTIP have a total exercise price of £1 on each occasion of exercise. Challenging targets were set in respect of total shareholder return compared to a group of comparator companies. During the year the expiry date of the options was extended to 15 December 2014. The incremental fair value arising on the extension has been estimated as 0.09 pence per share.

‡ Performance conditions relating to options issued after 2005 have included targets based on operating profit, growth in earnings per share and TSR.

Holders of the options identified were employed by Sanderson RBS Limited on the date of its disposal by the Group. In accordance with the rules of the option agreements, the latest expiry date has been shortened to the first anniversary date of the exercise date.

The number and weighted average exercise price of share options are as follows:

	2012 Weighted average exercise price	**2012 Number of options (number)**	2011 Weighted average exercise price	2011 Number of options (number)
Outstanding at start of year	**23.8p**	**6,355,790**	27.6p	6,505,226
Granted during the year	**—**	**—**	29.3p	960,000
Exercised during the year	**0.0p**	**(142,000)**	—	—
Forfeited during the year	**(20.9)p**	**(992,500)**	(52.0)p	(1,109,436)
Outstanding at end of the year	**24.9p**	**5,221,290**	23.8p	6,355,790
Exercisable at end of the year	**24.8p**	**3,531,290**	26.6p	3,320,790

Options exercised during the year were in respect of the LTIP scheme referred to above. A total exercise price of £1 was paid at the date of exercise, when the market price of a share was 28.75 pence.

Of the share options forfeited during the year, 60,000 arose on the retirement of the option holders, 420,000 on the sale of Sanderson RBS Limited (see note 5) and 512,500 as a result of performance criteria not being met.

Options outstanding at 30 September 2012 have exercise prices in the ranges 0.0p to 57.0p per share. The weighted average contractual life of the options is 2.9 years (2011: 3.8 years).

On 30 September 2012 the closing share price of Sanderson Group plc was 38.5p. During the year ending on that date the closing share price varied in the range 25p – 43p.

Fair value assumptions of share-based payments

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of fair value is measured using the Black-Scholes model. Details of the fair value of share options granted in the preceding period, together with the assumptions used in determining the fair value are summarised below. No options were granted in the current period.

	2012	2011
Weighted average share price at date of grant (pence)	–	29.0
Weighted average exercise price (pence)	–	29.0
Weighted average contractual life (years)	–	5
Weighted average expected volatility	–	30%
Weighted average expected dividend yield	–	2.15
Weighted average risk free interest rate	–	5.0
Weighted average fair value of options granted (pence)	–	8.0

The volatility assumption, measured at the standard deviation of expected share price movements, is based on a statistical analysis of historic movements over a two year period ending on the date of grant.

Charge to the income statement

The charge to the income statement comprises:

	2012 £000	2011 £000 Restated
Share-based payment charges	65	23

The share-based payment charged against profit arising on discontinued operations amounted to £52,000 (2011: £24,000).

7. Expenses and auditors' remuneration

Included in the income statement are the following items:

	2012 £000	2011 £000 Restated
Auditors' remuneration:		
Audit of these financial statements	10	10
Amounts received by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	33	30
Taxation advice	18	20
Depreciation and other amounts written off property, plant & equipment:		
Owned, in respect of continuing activities	75	54
Amortisation of acquisition-related intangible assets; continuing activities	67	198
Amortisation of development costs; continuing activities	109	28
Aggregate charge against income in respect of research and development	1,292	1,241
Cost of inventory recognised as an expense	2,188	2,493
Rentals payable under plant and machinery operating leases	24	22
Leasehold property rentals	419	434

The aggregate charge in respect of research and development represents the total cost incurred during the year, less amounts capitalised in accordance with IAS 38: Intangible Assets. Cost of inventory represents the cost of third party products provided to customers in conjunction with Sanderson's own proprietary software and services.

8. Personnel expenses

The average number of persons employed by the Group during the period was as follows:

	2012 number	2011 number Restated
Technical	**108**	115
Sales and marketing	**19**	20
Administrative	**19**	21
	146	156

The aggregate payroll costs of the persons employed, including directors, were as follows:

	2012 £000	2011 £000 Restated
Wages and salaries	**5,943**	6,454
Social security costs	**629**	732
Contributions to defined contribution pension plans	**364**	236
Share-based payment expense	**65**	23
	7,001	7,445

Salary costs in respect of the directors of the Company are set out below:

	Salary or fees £000	Bonus £000	Payments to defined contribution pension £000	Benefits in kind £000	**Total 2012 £000**	Total 2011 £000
Executive directors						
Christopher Winn	270	129	—	9	**408**	295
Adrian Frost	152	41	19	3	**215**	198
Non-executive directors						
David Gutteridge	31	—	—	—	**31**	30
Philip Kelly	31	—	—	—	**31**	30
John Paterson	31	—	—	—	**31**	30
	515	170	19	12	**716**	583

Salaries paid to the executive directors include car allowances to compensate for the use of personal vehicles on Company business. Mr Winn's salary also includes an amount paid in lieu of Company pension contributions.

The executive directors received a bonus for completing the sale of Sanderson RBS Limited, which was achieved with minimal external advisory costs being incurred, the executive directors having undertaken most of the work.

The executive directors are provided with life assurance, permanent health insurance and private medical insurance. The cost to the Group is reflected in the value of benefits in kind disclosed above. Contracts of employment for executive directors include mutual notice periods of 12 months.

The following table provides details of remuneration paid to key management personnel during the year. For purposes of this disclosure, key management personnel are defined as the executive directors, members of the senior management team and the non-executive directors (9 individuals). In 2011 key management personnel were defined as the operating board and non-executive directors (8 individuals). The operating board was disbanded following the disposal of Sanderson RBS Ltd.

	2012 £000	2011 £000 Restated
Salaries or fees, including bonuses and employer's national insurance	**1,220**	1,170
Benefits in kind	**33**	23
Pension contributions	**42**	46
Share-based payment charge	**54**	36
	1,349	1,275

The directors received dividends from the Company by virtue of their shareholdings in the Company, details of which are disclosed in the Directors' report.

No director had a material interest in any contract in relation to the business of the Company or its subsidiary undertakings.

9. Finance income

	2012 £000	2011 £000
Expected return on defined benefit pension scheme assets	**463**	437
Dividend received	**2**	—
	465	437

10. Finance expenses

	2012 £000	2011 £000
Interest on bank overdrafts and loans	**127**	804
Interest on defined benefit pension scheme obligations	**552**	524
Loan arrangement fees	**—**	123
	679	1,451

In addition to the amounts disclosed above, the Group incurred an exceptional finance expense in 2012 amounting to £227,000 (2011: £379,000). The expense represents costs incurred in the early repayment of bank borrowings together with the write-off of the unamortised portion of arrangement fees in respect of the facilities repaid.

11. Taxation

	2012 £000	2011 £000
Current tax expense		
UK corporation tax for the current year	**—**	(83)
Overseas corporation tax for the current year	**4**	18
Relating to prior periods	**(23)**	42
Total current tax	**(19)**	(23)
Deferred tax		
Deferred tax for the current year	**256**	(196)
Relating to prior periods	**(171)**	11
Relating to change in rate of tax	**119**	93
Total deferred tax	**204**	(92)
Taxation (credited)/charged to the income statement	**185**	(115)

11. Taxation continued

Reconciliation of effective tax rate

The current consolidated tax charge for the period is lower (2011: credit lower) than the average standard rate of corporation tax in the UK during the period of 25%. The differences are explained below.

	2012 £000	2011 £000 Restated
Profit before taxation — continuing operations	**1,481**	373
Tax using the average UK Corporation tax rate of 26% (2011: 27%)	**370**	101
Effects of:		
Expenses not deductible for tax purposes	**224**	88
Utilisation of losses not previously recognised	**(334)**	(450)
Under provision in previous years	**(194)**	53
Change in tax rate	**119**	93
Total tax in income statement	**185**	(115)

12. Dividends

	2012 £000	2011 £000
Interim dividend of 0.50p per share (2011: 0.30p)	**217**	130
Final dividend relating to previous financial year of 0.45p per share (2011: 0.35p)	**196**	152
Total dividend for the financial year	**413**	282

A final dividend of 0.70 pence per ordinary share in respect of the financial year ended 30 September 2012 will be proposed at the Annual General Meeting of the Company, expected to be held on 28 February 2013. If approved by shareholders, the total final dividend payment will amount to £305,732.

13. Earnings per share

Basic and diluted earnings per share are calculated by dividing the result after tax for the year by the weighted average number of ordinary shares at the end of the year and the diluted weighted average number of ordinary shares at the end of the year respectively. The calculation of the basic and diluted earnings per share is based on the following data:

Earnings	2012 £000	2011 £000 Restated
Result for the year from continuing operations	**1,296**	488
Profit on discontinued operation	**1,110**	316
Retained profit attributable to equity holders	**2,406**	804

Number of shares	2012 number	2011 number
In issue at the start of the year	**43,383,946**	43,383,946
Effect of shares issued in the year	**129,940**	—
Weighted average number of shares at year end	**43,513,886**	43,383,946
Effect of share options	**3,021,787**	3,536,276
Weighted average number of shares (diluted)	**46,535,673**	46,920,222

Earnings per share	2012 pence	2011 pence Restated
From continuing operations:		
Basic	**3.0**	1.1
Diluted	**2.8**	1.0
From discontinued operations:		
Basic	**2.5**	0.8
Diluted	**2.4**	0.7
Total attributable to equity holders of the parent undertaking:		
Basic	**5.5**	1.9
Diluted	**5.2**	1.7

14. Property, plant and equipment

	Leasehold improvements £000	Plant and equipment £000	Total £000
Cost			
Balance at 1 October 2010	133	582	715
Additions	325	192	517
Disposals	(18)	(39)	(57)
Balance at 30 September 2011	440	735	1,175
Reclassification	101	(101)	—
Additions	130	180	310
Additions as part of trade and asset acquisition	—	6	6
Disposed as part of discontinued activity	(482)	(394)	(876)
Balance at 30 September 2012	189	426	615
Depreciation			
Balance at 1 October 2010	5	280	285
Charge for the year	47	149	196
Disposals	(18)	(34)	(52)
Balance at 30 September 2011	34	395	429
Charge for the year	25	95	120
Disposed as part of discontinued activity	(82)	(224)	(306)
Reclassification	68	(68)	—
Balance at 30 September 2012	45	198	243
Net book value			
At 30 September 2011	406	340	746
At 30 September 2012	**144**	**228**	**372**

15. Intangible assets

	Goodwill £000	Intellectual property £000	Customer relationships £000	Distributor agreements £000	Development costs* £000	Total £000
Cost						
Balance at 1 October 2010	32,296	1,782	2,714	3,468	895	41,155
Internally developed	—	—	—	—	299	299
Balance at 30 September 2011	32,296	1,782	2,714	3,468	1,194	41,454
Acquired (note 16)	40	146	121	—	—	307
Disposal (note 5)	(9,124)	(932)	(2,581)	(3,468)	(381)	(16,486)
Internally developed	—	—	—	—	211	211
Balance at 30 September 2012	23,212	996	254	—	1,024	25,486
Amortisation and impairment						
Balance at 1 October 2010	2,388	1,330	1,728	2,129	583	8,158
Amortisation for the year	—	244	247	677	62	1,230
Balance at 30 September 2011	2,388	1,574	1,975	2,806	645	9,388
Disposal (note 5)	(889)	(773)	(1,885)	(3,027)	(178)	(6,752)
Amortisation for the year	—	62	54	221	109	446
Balance at 30 September 2012	1,499	863	144	—	576	3,082
Net carrying value						
Balance at 30 September 2011	29,908	208	739	662	549	32,066
Balance at 30 September 2012	**21,713**	**133**	**110**	**—**	**448**	**22,404**

* Development costs are internally generated.

The amortisation charges are recognised in the following line items in the income statement:

	2012 £000	2011 £000
Administrative and establishment expenses	**176**	226
Profit on discontinued operation, net of tax	**270**	1,004
	446	1,230

Amortisation and impairment

Intangible assets other than goodwill are amortised over their useful economic lives. In the case of intellectual property, customer relationships and distributor agreements, the useful economic life is assessed by reference to the anticipated minimum period over which the asset is expected to remain separately identifiable and cash generative. This is typically between three and five years. Intellectual property and customer relationship assets have four years' unamortised economic life. In the case of development costs, amortisation is charged over the period during which the development is expected to generate revenue.

Goodwill, analysed by reference to cash-generating units, is set out below:

	2012 £000	2011 £000
Manufacturing	**11,091**	11,051
Multi-channel CGU 1; ecommerce, mail order & wholesale distribution	**10,622**	10,622
Multi-channel CGU 2; high street retail	**—**	8,235
Goodwill	**21,713**	29,908

The Group tests goodwill annually for impairment, or more frequently if an event occurs to warrant a review. The recoverable amounts attributed to each CGU are based on value in use calculations. The key assumptions made in undertaking the value in use calculations involve estimating operating profit growth rates and are set out below. Budgeted profit and cash flow forecasts for the financial year ending 30 September 2013 have been extrapolated for periods of between ten and thirteen years (based on the average length of customer relationship) and used as the basis of the calculations.

Manufacturing CGU; 2% operating profit growth based on management estimates of achievable growth through greater market share. The recent introduction of new products specifically developed by the Group for the manufacturing customer base are expected to enable the growth assumptions to be met.

Multi-Channel CGU 1; 5% operating profit growth from operating in a market exhibiting growth rates in excess of this figure. Based on independent estimates of industry specific growth rates where available and previous experience where not. Independent estimates suggest the ecommerce economy is likely to grow at 10% per annum in the short to medium term.

Multi-Channel CGU 2; The high street retail CGU was disposed of during the year, to a trade buyer (note 5). Consideration received exceeded the previously recorded carrying value of goodwill.

Discount rate assumptions are based on management estimates of the internal cost of capital likely to apply over the expected useful economic life of the goodwill and management's view of the risk associated with each CGU. A discount rate of 8% has been applied to both CGUs.

The directors have formulated profit and cash flow forecasts for the financial year ending 30 September 2013 on the basis of the growth rates set out above. In the event that economic conditions worsen and growth in revenue and gross margin is not achievable, the directors are of the view that judicious management of the Group's cost base will enable the profit growth targets to be achieved. The directors have sensitised the profit and cash flow forecast relating to all CGUs. The Manufacturing CGU profit forecast would need to fall by 20% to trigger an impairment charge. In the case of Multi-Channel, CGU 1 would require a profit reduction of 32%.

16. Acquisitions

On 8 May 2012 the Group acquired the trade and certain assets and liabilities of Total Systems for Management Pty Limited for cash consideration. The business develops and supplies IT software and related services. In the period from acquisition to 30 September 2012 the business contributed revenue of £88,000 and a £3,000 profit before taxation.

The acquisition had the following effect on the Group's assets and liabilities at the acquisition date:

	Pre-acquisition carrying amount £000	Fair value adjustment £000	Recognised value on acquisition £000
Property, plant and equipment	6	—	6
Intangible assets	146	121	267
Trade and other receivables	59	—	59
Trade and other payables	(56)	(76)	(132)
Deferred taxation	—	(67)	(67)
Net identifiable assets and liabilities	155	(22)	133
Goodwill on acquisition			40
			173
Total cash consideration paid at completion			173

The fair value adjustments relate to the recognition of intangible assets in accordance with IFRS 3: Business combinations and adjustments to deferred income to apply the Group's accounting policy to amounts billed prior to acquisition.

Pre-acquisition carrying amounts were determined based on applicable IFRS, immediately prior to the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values. In determining the fair value of intangible assets, the Group applied a discount rate of 12% to estimated cash flows.

The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the workforce of the acquired business and the expected synergies to be achieved from integrating the Company into the Group's existing operations in Australia.

17. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following and are disclosed as non-current assets and liabilities in the Consolidated statement of financial position:

	Assets		Liabilities		Net	
	2012 £000	2011 £000	**2012 £000**	2011 £000	**2012 £000**	2011 £000
Property, plant and equipment	**182**	318	**—**	—	**182**	318
Intangible assets	**—**	—	**(121)**	(439)	**(121)**	(439)
Share-based payment expense	**26**	40	**—**	—	**26**	40
Trade and other payables	**33**	60	**—**	—	**33**	60
Employee benefits	**1,038**	998	**—**	—	**1,038**	998
Tax losses	**288**	198	**—**	—	**288**	198
	1,567	1,614	**(121)**	(439)	**1,446**	1,175

Movement in deferred tax for the year ended 30 September 2012

	As at 1 October 2011 £000	Income statement £000	Disposal of subsidiary £000	Acquisition of trade and assets £000	Statement of comprehensive income £000	**As at 30 September 2012 £000**
Property, plant and equipment	318	(2)	(134)	—	—	**182**
Intangible assets	(439)	(9)	391	(64)	—	**(121)**
Share-based payment expense	40	13	(27)	—	—	**26**
Trade and other payables	60	(151)	126	(2)	—	**33**
Employee benefits	998	(145)	—	—	185	**1,038**
Tax losses	198	90	—	—	—	**288**
	1,175	(204)	356	(66)	185	**1,446**

Movement in deferred tax for the year ended 30 September 2011

	As at 1 October 2010 £000	Income statement £000	Statement of comprehensive income £000	As at 30 September 2011 £000
Property, plant and equipment	306	12	—	318
Intangible assets	(759)	320	—	(439)
Share-based payment expense	30	10	—	40
Trade and other payables	152	(92)	—	60
Employee benefits	1,020	(138)	116	998
Tax losses	213	(15)	—	198
	962	97	116	1,175

The discontinued operation accounted for £5,000 of the income statement movement reported in respect of 2011. A deferred tax asset has been recognised in respect of tax losses reasonably expected to be utilised in the financial year ending 30 September 2013. The amount of the asset recognised has been quantified by reference to forecasts of taxable profits expected to arise. Expenses not allowable in calculating taxable profit, such as amortisation are ignored in assessing the forecast level of taxable profit.

A deferred tax asset of £677,000 (2011: £1,155,000) in respect of tax losses has not been recognised, as its future economic benefit is uncertain. The gross value of losses in respect of which the unrecognised deferred tax asset relates is £2.88m (2011: £4.53m).

The rate of UK corporation tax is due to change during the financial year ending 30 September 2013. The rate at which deferred tax assets will be utilised has therefore been adjusted, resulting in a charge to the income statement of £119,000 (2011: £93,000).

18. Trade and other receivables

	2012 £000	2011 £000
Trade receivables	3,010	5,440
Prepayments and accrued income	584	1,684
	3,594	7,124

All trade and other receivables are short-term. The directors consider that the carrying amount of trade receivables approximates to their fair value. All trade and other receivables have been reviewed for indications of impairment.

The Group invoices all pre-contracted recurring revenues up to six weeks before the renewal date. Payment terms require the invoices to be paid by the renewal date. Such invoices are only shown as overdue when the invoice remains outstanding after the renewal date has passed. Unless specific agreement has been reached with individual customers, all other invoices are due 30 days after the date of the invoice. The Group's terms and conditions of sale permit the Group to charge interest, at 4% above bank base rates, on all invoices that remain unpaid 30 days after their due date.

Due to the nature of the Group's trade certain customers may delay payment until contractual milestones have been met. Payment terms are not contingent on milestones being met, but an assessment as to the remaining work required to be done and the potential loss of customer goodwill arising from enforcement of contractual payment terms may take place when considering actions to be taken to secure payment. The Group has a good record in respect of invoiced amounts proving difficult to recover and does not ordinarily write-off amounts due.

Of the total trade receivables shown above, £873,000 (2011: £1,255,000) are past due but not impaired. An analysis of these trade receivables is set out below:

	2012 £000	2011 £000
0-30 days overdue	536	769
30-60 days overdue	196	180
60-90 days overdue	34	183
90+ days overdue	107	123
Total	873	1,255
Movement in impairment provisions:		
Balance at the beginning of the year	34	8
Impairment losses recognised	7	42
Amounts written off as uncollectable	(9)	(16)
Amounts relating to discontinued activity	(25)	—
Balance at the end of the year	7	34

19. Other short-term financial assets

Available for sale financial assets

The Group has invested in the ordinary share capital of an unrelated company whose shares are traded on the London Stock Exchange. The shareholding represents less than 3% of the total issued share capital of the company and is recorded at market value.

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20. Bank loans and other borrowings

	2012 £000	2011 £000
Current liabilities:		
Secured bank loans	–	925
Accrued interest payable	–	50
	–	975
Non-current liabilities:		
Secured bank loans	–	6,360

The Group repaid all bank debt advanced by HSBC Bank plc, ahead of schedule following the disposal of Sanderson RBS Limited (see note 5).

HSBC Bank plc holds fixed and floating charges over the whole of the Group's undertakings, property and assets, as security against a Group offset arrangement that allows each trading subsidiary the benefit of an overdraft facility as long as the Group position remains in credit. No subsidiary accounts were overdrawn at 30 September 2012.

21. Trade and other payables

	2012 £000	2011 £000
Trade payables	717	2,286
Other taxation and social security	656	1,498
Accruals and customer deposits	1,499	1,138
	2,872	4,922

All trade and other payables are short-term. The directors consider that the carrying amount of trade and other payables approximates to their fair value.

22. Share capital

	2012 number '000	2012 number '000
Authorised		
Equity: 535,000,000 Ordinary shares of 10 pence each	53,500	53,500

	£000	£000
Allotted, called up and fully paid		
At 1 October 2011: Equity — 43,383,946 Ordinary shares of 10 pence each	4,338	4,338
Issued during the year	14	—
At 30 September 2012: Equity — 43,525,946 Ordinary shares of 10 pence each	4,352	4,338

142,000 ordinary shares of 10 pence each were issued on 27 October pursuant to the exercise of an option agreement for consideration of 28.75 pence per share, the market value of shares at close of trading on the day prior to issue.

Subsequent to the year end, a further 150,000 shares were issued pursuant to the exercise of an option agreement for consideration of 9.5 pence per share, the option exercise price. The market price of shares at close of trading on the day prior to issue was 44 pence.

23. Capital and reserves

Reconciliation of movements in capital and reserves

Movements in capital and reserves are set out in the Consolidated statement of changes in equity on page 26.

The accumulated amount of current and deferred tax relating to items that are charged or credited directly to equity is a credit of £455,000 (2011: a credit of £270,000).

24. Financial instruments disclosure

Capital risk management

Capital management objectives are to ensure the Group's ability to continue as a going concern and to provide a return to shareholders.

The Group manages its capital through the optimisation of the debt and equity balance and by pricing products and services commensurate with the level of risk. The capital structure of the Group currently consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated statement of changes in equity. The Group's Audit Committee reviews the capital structure as part of its risk analysis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

The Group is not subject to externally imposed capital requirements, other than the minimum capital requirements and duties regarding serious reduction of capital, as imposed by the Companies Act 2006 on all public limited companies.

Categories of financial assets and financial liabilities

The Group held the following categories of financial instruments:

	2012 £000	2011 £000
Financial assets		
Loans and receivables (including trade and other receivables, cash and cash equivalents)	**7,076**	6,059
Available for sale assets	**131**	—
	7,207	6,059
Financial liabilities		
Fair value through profit and loss (FVTPL)	**—**	430
Trade payables and accruals – held at amortised cost	**2,216**	3,458
Borrowings	**—**	7,335
	2,216	11,223

The fair value of the financial instruments set out above is not materially different to the book value.

Liquidity risk management

The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring both forecast as well as actual cash flows to enable matching of the maturity profiles of financial assets and liabilities. Sufficient cash is retained to service short-term financing needs.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities. The table includes principal only cash flows in respect of trade and other payables. The comparative figures include principal and interest cash flows in respect of bank overdrafts and loans. Interest payable was calculated by reference to the actual rate prevailing and balances outstanding at the year end date.

	Current		Non-current	
2012	**Within 6 months £000**	**6 to 12 months £000**	**1 to 2 years £000**	**2 to 5 years £000**
Trade and other payables	**2,216**	**—**	**—**	**—**

	Current		Non-current	
2011	Within 6 months £000	6 to 12 months £000	1 to 2 years £000	2 to 5 years £000
Bank overdraft and loans	718	702	1,356	6,220
Trade and other payables	3,458	—	—	—
	4,176	702	1,356	6,220

Following the early repayment of the Group's interest rate hedging arrangement liabilities, the Group no longer has any exposure to derivative financial instruments. A total credit of £16,000 (2011: credit of £55,000) has been recognised in the income statement in respect of the movement in the fair value of derivative financial instruments up to the repayment date.

24. Financial instruments disclosure continued

Interest rate sensitivity analysis

At the year end date there was no material exposure to movements in interest rates as the Group reported a cash balance in excess of £4m. At 30 September 2011 the Group had hedging arrangements in place to mitigate the risk of significant changes in interest rates. Had the amount of bank debt outstanding at 30 September 2011 been outstanding for the whole year, a 1% increase or decrease in LIBOR rates would have resulted in an increase or decrease to interest payable reported in the income statement for the year ended 30 September 2011 of £18,500.

Other financial assets and liabilities

The financial assets and liabilities are measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position at 30 September 2012 are available for sale financial assets which are in level 1. At 30 September 2011 the financial assets and liabilities measured at fair value were interest rate swaps in level 2.

Interest rate swap contracts

The Group entered into a swap contract with HSBC Bank plc under which 75% of term debt was subject to a fixed rate swap. The contract was terminated in January 2012.

At 30 September 2011 the fair value of interest rate swaps was recorded in the statement of financial position as a liability of £430,000.

Management monitor and manage the financial risks relating to the operations of the Group through internal risk reports. These risks include currency risk, price risk, interest rate risk, credit risk, liquidity risk and cash flow interest rate risk.

Where the Group considers the impact arising from one or more of these risks to be potentially material to the Group's financial position, derivative financial instruments are used to reduce the risk exposure. The use of financial derivatives requires the prior approval of the Board. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Whilst the Group had previously entered into interest rate hedging arrangements to mitigate the risk of significant movements in interest rates, it does not apply hedge accounting.

Foreign currency risk management

The Group has no material currency exposure. The Group's financial instruments are denominated in sterling.

Credit risk management

The Group's credit risk is primarily attributable to its trade receivables. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the statement of financial position are net of allowances for doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Group has an excellent history in terms of the level of trade receivables written off as irrecoverable.

The credit risk on liquid funds is minimised because the counterparties are UK banks with high credit-ratings assigned by international credit-rating agencies.

Management of other risks

The Group's policies on interest rate and liquidity risk are described above and on page 47.

25. Contingent liabilities

Each company within the Group has guaranteed the bank facilities of its fellow subsidiary companies. Bank facilities available to each subsidiary are also secured by fixed and floating charges over the whole of the Group's property, assets and undertakings. At 30 September 2012 the Group held net cash balances of £4,066,000 and no subsidiary company was a net borrower. Total bank borrowings at 30 September 2011 amounted to £7,335,000 net of arrangement costs.

26. Commitments

Capital commitments, approved by the Board and existing at 30 September 2012 amounted to £nil (2011: £100,000).

Total commitments under non-cancellable operating leases are as follows:

	2012 Land and buildings £000	2012 Other £000	2011 Land and buildings £000	2011 Other £000
Payable:				
Within one year	**236**	**21**	14	1
In the second to fifth years inclusive	**770**	**11**	668	205
Over five years	**2,888**	**—**	5,158	—
	3,894	**32**	5,840	206

Operating leases relate to land, buildings and other assets used to support the operational requirements of the Group.

27. Pension schemes

The Group operates a defined contribution pension scheme. The pension cost charge for the year relating to this scheme was £364,000 (2011: £236,000). There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

A wholly owned subsidiary undertaking, Sanderson Limited, contributes to one defined benefit pension scheme. The scheme is now funded solely by employer contributions as it is closed to future accrual and as a result has no contributing members. The latest actuarial valuation of the scheme, as at 1 April 2011, showed the scheme to have a deficit of £3.97m. Sanderson Limited is now responsible for funding 75% of this deficit and an unrelated company funds the remaining 25%. The valuation was performed by the scheme actuary, who is independent of the Group. The valuation is based on the defined accrued benefit method, which is considered appropriate for schemes in which benefit accrual has ceased. The present value of defined benefit obligations as quantified using the defined accrued benefit method does not differ materially from the valuation that would arise using the projected unit credit method.

The principal assumptions used for the purpose of the IAS 19 valuation were as follows:

	2012	2011
Inflation	**2.6%**	3.3%
Pension revaluation in deferment	**2.6%**	2.8-3.3%
Pension escalation in payment	**2.6%**	3.3%
Discount rate	**4.25%**	5.0%
Expected percentage long-term rates of return on the main assets classes, net of expenses, set by management having regard to actuarial advice and the relevant indices were:		
— Unitised with profits	**5.0%**	5.75%
— Equities	**8.0%**	8.0%
— Bonds and gilts	**3.5%**	5.0%
— Cash	**1.5%**	3.5%

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27. Pension schemes continued

PCMA00 and PCFA00 mortality tables have been used in both years, with long cohort improvements of at least 1% for males and 0.5% for females. A male member retiring at 30 September 2012 is assumed to have a life expectancy of 24.1 years (2011: 24.0), a female member 26.0 years (2011: 26.0). A male member retiring in 20 years is assumed to have a life expectancy from their retirement date of 26.1 years (2011: 26.0) and a female member 27.2 years (2011: 27.2).

Amounts recognised in the income statement in respect of the scheme, before taxation:

	2012 £000	2011 £000
Included within operating profit:		
Current service cost	(4)	(4)
Included within interest receivable:		
Expected return on scheme assets	463	437
Included within interest payable:		
Interest cost on scheme liabilities	(552)	(524)

Amounts recognised in the statement of comprehensive income, before taxation:

	2012 £000	2011 £000
Actual return on scheme assets	480	119
Expected return on scheme assets	(463)	(437)
	17	(318)
Experience gains or losses arising on the scheme liabilities	103	8
Effect of changes in actuarial assumptions	(860)	(119)
Actuarial loss recognised in the statement of comprehensive income	(740)	(429)

The cumulative actuarial gains and losses recognised in the statement of comprehensive income are as follows:

	2012 £000	2011 £000
Cumulative actuarial loss at 1 October	(4,767)	(4,338)
Recognised during the year	(740)	(429)
Cumulative actuarial losses at 30 September	(5,507)	(4,767)

The fair value of the scheme assets and present value of the scheme liabilities at each statement of financial position date were:

	2012 £000	2011 £000
Fair value of defined benefit obligation	(12,227)	(11,100)
Fair value of scheme assets	7,715	7,106
Deficit in the scheme	(4,512)	(3,994)
Deferred taxation on above	1,038	998
Net pension liability	(3,474)	(2,996)

The Group's share of the assets of the scheme are invested as follows:

	2012 £000	2011 £000
Unitised with-profits fund	946	2,412
Legal & General Consensus Fund	4,323	3,584
Cash deposits	2,446	1,110
Closing fair value of scheme assets	7,715	7,106

Changes in the Group's share of the fair value of the scheme's assets, before taxation:

	2012 £000	2011 £000
Opening fair value of scheme assets at 1 October	**7,106**	6,687
Expected return	**463**	437
Actuarial gains/(losses)	**17**	(318)
Benefit payments made	**(186)**	(5)
Contributions paid	**315**	305
Closing fair value of scheme assets at 30 September	**7,715**	7,106

Changes in the Group's share of the fair value of the defined benefit obligations, before taxation:

	2012 £000	2011 £000
Opening defined benefit obligation at 1 October	**(11,100)**	(10,466)
Current service cost	**(4)**	(4)
Interest cost	**(552)**	(524)
Benefit payments made	**186**	5
Actuarial losses	**(757)**	(111)
Closing defined benefit obligation at 30 September	**(12,227)**	(11,100)

An analysis of the Group's share of the scheme's assets by investment type is provided below:

	2012 %	2011 %
Equities	**45**	41
Bonds and gilts	**9**	7
Unitised with-profits fund	**12**	33
Cash	**34**	19
	100	100

Total committed contributions to the defined benefit scheme for the financial year ending 30 September 2013 include monthly recovery plan payments of £30,000 and a one-off payment of £200,000 due in October 2012.

The history of the Group's share of the scheme for the current and prior period, before taxation:

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Present value of defined benefit obligation	**(12,227)**	(11,100)	(10,466)	(7,614)	(6,065)
Fair value of scheme assets	**7,715**	7,106	6,687	5,775	6,235
(Deficit)/surplus in the scheme	**(4,512)**	(3,994)	(3,779)	(1,839)	170
Experience adjustments on the scheme liabilities	**(757)**	(111)	(2,333)	(1,615)	884
Experience adjustments on the scheme assets	**17**	(318)	169	(608)	(987)

Our Business

Our Governance

Our Financials

Independent auditor's report to the members of Sanderson Group plc

We have audited the parent company financial statements of Sanderson Group plc for the year ended 30 September 2012 which comprise the statement of financial position, statement of cash flows and statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 20, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2012;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Other matter

We have reported separately on the Group financial statements of Sanderson Group plc for the year ended 30 September 2012.

David Munton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
26 November 2012

Company statement of financial position

at 30 September 2012

	Note	2012 £000	2011 £000 Restated
Non-current assets			
Investments	30	**22,977**	30,262
Deferred tax asset		**110**	107
Intangible assets	31	**—**	72
		23,087	30,441
Current assets			
Trade and other receivables	32	**5**	8,512
Income tax		**77**	368
Other short-term financial assets		**131**	—
Cash and cash equivalents		**1,510**	—
		1,723	8,880
Current liabilities			
Bank loans and borrowings	34	**—**	(1,609)
Trade and other payables	33	**(32)**	(53)
Derivative financial instrument		**—**	(430)
		(32)	(2,092)
Net current assets		**1,691**	6,788
Total assets less current liabilities		**24,778**	37,229
Non-current liabilities			
Bank loans and borrowings	34	**—**	(6,360)
Trade and other payables	33	**(6,869)**	(7,808)
		(6,869)	(14,168)
Net assets		**17,909**	23,061
Equity attributable to the equity holders of the Company			
Called up share capital	35	**4,352**	4,338
Share premium account		**4,205**	4,178
Retained earnings		**9,352**	14,545
Total equity		**17,909**	23,061

The statement of financial position was approved by the Board of directors on 26 November 2012 and signed on its behalf by:

Christopher Winn
Director

Company Registration Number
4968444

Company statement of cash flows

for the year ended 30 September 2012

	Note	2012 £000	2011 £000
Cash flows from operating activities			
(Loss)/profit for the year after taxation		**(4,856)**	672
Adjustments for:			
Amortisation of intangible assets		**72**	44
Movement in fair value of derivative		**–**	(55)
Share-based payment expense		**117**	47
Impairment of investments		**4,754**	–
Net finance expense		**338**	1,300
Income tax		**(164)**	(261)
Operating cash flow before changes in working capital		**261**	1,747
Movement in trade and other receivables		**7,568**	2,201
Movement in trade and other payables		**2,508**	(1,873)
Cash generated from continuing operations		**10,337**	2,075
Interest paid		**(703)**	(591)
Income tax received		**452**	225
Net cash flow from operating activities		**10,086**	1,709
Cash flow from investing activities			
Purchase of investment held for resale	19	**(131)**	–
Dividend received		**2**	–
Net cash flow from investing activities		**(129)**	–
Cash flow from financing activities			
Inception of new bank borrowing		**–**	7,400
Repayment of bank borrowing		**(7,400)**	(8,577)
Fees paid in respect of change of banker		**–**	(275)
Equity dividends paid		**(413)**	(282)
Net cash flow from financing activities		**(7,813)**	(1,734)
Net increase in cash and cash equivalents		**2,144**	(25)
Cash and cash equivalents at beginning of year		**(634)**	(609)
Cash and cash equivalents at the end of the year		**1,510**	(634)

Company statement of changes in equity

for the year ended 30 September 2012

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 October 2011	4,338	4,178	14,545	23,061
Shares issued	14	27	(41)	—
Dividend paid	—	—	(413)	(413)
Share-based payment charge – continuing operations	—	—	65	65
Share-based payment charge – discontinued operation	—	—	52	52
Transactions with owners	14	27	(337)	(296)
Loss for the year	—	—	(4,856)	(4,856)
At 30 September 2012	**4,352**	**4,205**	**9,352**	**17,909**

for the year ended 30 September 2011	Share capital £000	Share premium £000	Retained earnings £000 Restated	Total equity £000 Restated
At 1 October 2010	4,338	4,178	14,108	22,624
Dividend paid	—	—	(282)	(282)
Share-based payment charge – continuing operations	—	—	23	23
Share-based payment charge – discontinued operation	—	—	24	24
Transactions with owners	—	—	(235)	(235)
Profit for the year	—	—	672	672
At 30 September 2011	4,338	4,178	14,545	23,061

Notes to the Company financial statements

Basis of preparation
As used in the financial statements and related notes, the term “Company” refers to Sanderson Group plc. The separate financial statements of the Company are presented as required by the Companies Act 2006. The financial statements of the Company have been prepared and approved by the directors in accordance with International Reporting Financial Standards (‘IFRS’) as adopted by the European Union. These Company financial statements are the first financial statements of the Company prepared with accounting policies under IFRS.

The rules for first time adoption of IFRS are set out in IFRS 1 ‘First Time Adoption of International Financial Reporting Standards’. This is the first time the Company has elected to prepare its financial statements in accordance with endorsed IFRS. Details of how the transition from UK accounting standards to endorsed IFRS has affected the Company’s reported financial position and financial performance are provided in note 37. For the purposes of the financial statements of the Company, the date of transition to IFRS was 1 October 2010.

A separate income statement dealing with the results of the Company only has not been presented, as permitted by Section 408 of the Companies Act 2006.

Investments
Investments in subsidiary undertakings are stated at cost less provision for impairment where necessary to reduce book value to recoverable amount. Investment income is recognised on a receivable basis.

Share-based payments
The equity-based share option programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as fair value is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting. Deferred taxation is recognised over the vesting period to the extent that the Company expects to receive a deduction in future periods in respect of share options granted.

The fair value of options to purchase shares in the Company that have been issued to employees of subsidiary companies is recognised as an additional cost of investment by the parent company. An equal amount is credited to a share-based payments reserve.

Taxation
The current tax charge is based on the profit for the year and is measured at the amounts expected to be paid based on the tax rates and laws substantively enacted by the year end date. Current and deferred tax is recognised in the profit and loss account for the year except to the extent that it is attributable to a gain or loss that is or has been recognised directly in the statement of comprehensive income.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the year end date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more, tax. Deferred tax assets are recognised only to the extent that the directors consider it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse.

Personnel expenses
The Company employed three non-executive directors (2011: three non-executives). Fees paid in respect of these appointments amounted to £93,600 (2011: £90,133). Details of the remuneration of executive directors, paid by subsidiary companies, is given in note 8 to the accounts.

Accounting for financial assets
The Company has financial assets in the following categories:

- loans and receivables
- financial assets at fair value through profit or loss
- available for sale (AFS) financial assets

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expense is recognised in the income statement or statement of other comprehensive income. All financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through the income statement.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss. The Company's trade and most other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment on a case-by-case basis when they are past due at the year end date or when objective evidence is received that a specific counterparty will default. All other receivables are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics, if any. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Accounting for financial liabilities

The Company's financial liabilities include trade and other payables which are measured at amortised cost using the effective interest rate method.

Financial liabilities recorded at fair value through the income statement are initially recognised, net of issue costs, when the Company becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line "movement in fair value of derivative financial instrument."

Derivative financial instruments

The Company has previously held derivative financial instruments to reduce its exposure to interest rate fluctuations. These are carried at fair value through profit or loss. The Company does not hedge account for these items but reports the fair value as a financial asset or financial liability as appropriate at the year end date.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists. The Company had interest rate swap contracts that fell into this category.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and bank overdrafts where they form an integral part of the Company's cash management. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. The only equity instrument applicable to the Company is its issued share capital.

Share premium includes any premium received on the issue of share capital. Transaction costs associated with the issuing of shares are deducted from share premium, net of any related tax benefits. Retained earnings includes all current and prior period retained profits and losses.

Notes to the Company financial statements

continued

28. Employee share option schemes

The Company granted options over its shares to directors and senior managers of subsidiary companies in the year ended 30 September 2005 pursuant to a HMRC approved enterprise management incentive plan (EMI), an unapproved share option plan and a Long Term Incentive Plan ('LTIP'). Options over 512,500 shares were granted in the year to 30 September 2009, options over a further 1,050,000 shares were granted in the year to 30 September 2010 and options over 570,000 shares were granted in the year to 30 September 2011. In all cases the awards were pursuant to the unapproved share option plan.

None of the options have been granted to employees of the Company. The Company has adopted IFRS 2 in accounting for options issued to employees of subsidiary companies. Further details are provided in note 6 to the Group accounts.

29. Dividends

	2012 £000	2011 £000
Interim dividend of 0.50p per share (2011: 0.30p)	**217**	130
Final dividend relating to previous financial year of 0.45p per share (2011: 0.35p)	**196**	152
Total dividend for the financial year	**413**	282

A final dividend of 0.70 pence per ordinary share in respect of the financial year ended 30 September 2012 will be proposed at the Annual General Meeting of the Company, expected to be held 28 February 2013. If approved by shareholders, the total final dividend payment will amount to £305,732.

30. Non-current asset investments

	Shares in Group undertakings £000
Cost	
At 1 October 2010	30,215
Fair value of share options granted to employees of subsidiaries	27
At 30 September 2011	30,262
Fair value of share options granted to employees of subsidiaries	117
Disposals	(2,648)
At 30 September 2012	27,731
Impairments	
At 1 October 2010 and 30 September 2011	—
Impairment charge	(4,754)
At 30 September 2012	(4,754)
Net book value	
At 30 September 2011	30,262
At 30 September 2012	**22,977**

The principal subsidiary undertakings of Sanderson Group plc are Sanderson Limited (held indirectly), Sanderson Multi-Channel Solutions Limited and Sonarsend Limited. In all cases the companies are incorporated in England & Wales, develop and supply IT products and services as their primary activity and the Group holds 100% of the issued share capital:

The impairment charge has been recognised in respect of a dormant, intermediate holding company to reduce investment cost to the net asset value of the Company.

31. Intangible assets

	Intellectual property £000
Cost	
At 1 October 2010 and 30 September 2011	217
Disposals	(217)
At 30 September 2012	**–**
Amortisation	
At 1 October 2010	101
Amortisation in the period	44
At 30 September 2011	145
Amortisation in the period	72
Disposals	(217)
At 30 September 2012	–
Net carrying value	
At 30 September 2011	72
At 30 September 2012	–

32. Trade and other receivables

	2012 £000	2011 £000
Prepayments	**5**	7
Amounts due from subsidiary undertakings	**–**	8,505
	5	8,512

33. Trade and other payables

	2012 £000	2011 £000
Current liabilities		
Accruals	**32**	53
Non-current liabilities		
Amounts due to subsidiary undertakings	**6,869**	7,808

34. Bank loans and other borrowings

	2012 £000	2011 £000
Current liabilities:		
Bank overdraft	**–**	634
Secured bank loan	**–**	925
Accrued interest payable	**–**	50
	–	1,609
Non-current liabilities:		
Secured bank loan	**–**	6,360

The Group repaid all bank debt advanced by HSBC Bank plc, ahead of schedule following the disposal of Sanderson RBS Limited (see note 5).

HSBC Bank plc holds fixed and floating charges over the whole of the Group's undertakings, property and assets, as security against a Group offset arrangement that allows each trading subsidiary the benefit of an overdraft facility as long as the Group position remains in credit. No subsidiary accounts were overdrawn at 30 September 2012.

Notes to the Company financial statements
continued

35. Called up share capital

	2012 number '000	2011 number '000
Authorised		
Equity: 535,000,000 Ordinary shares of 10 pence each	**53,500**	53,500

	£000	£000
Allotted, called up and fully paid		
At 1 October 2011: Equity — 43,383,946 Ordinary shares of 10 pence each	**4,338**	4,338
Issued during the year	**14**	—
At 30 September 2012: Equity — 43,525,946 Ordinary shares of 10 pence each	**4,352**	4,338

142,000 ordinary shares of 10 pence each were issued on 27 October pursuant to the exercise of an option agreement for consideration of 28.75 pence per share, the market value of shares at close of trading on the day prior to issue.

Subsequent to the year end, a further 150,000 shares were issued pursuant to the exercise of an option agreement for consideration of 9.5 pence per share, the option exercise price. The market price of shares at close of trading on the day prior to issue was 44 pence.

36. Contingent liabilities

Each company within the Group has guaranteed the bank facilities of its fellow subsidiary companies. Bank facilities are also secured by fixed and floating charges over the whole of the Group's property, assets and undertakings. At 30 September 2012 the Group held net cash balances of £4,066,000 and no subsidiary company was a net borrower. Total bank borrowings at 30 September 2011 amounted to £7,335,000 net of arrangement costs.

37. First time adoption of EU endorsed International Financial Reporting Standards

Because the Company operates as a holding company, the impact of the adoption of IFRS on the previously reported income statement and statement of financial position has been minimal. The Company previously held derivative financial instruments to reduce the Group's exposure to interest rate fluctuations. In accordance with IFRS, these derivative financial instruments are carried at fair value through profit or loss. The Company does not hedge account for these items but reports the fair value as a financial asset or financial liability as appropriate at the year end date. Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists. The Company had interest rate swap contracts that fell into this category prior to the repayment of the contracts in January 2012.

In restating the income statement for the year ending 30 September 2011 a new income statement item was recognised, 'movement in fair value of derivative financial instrument', contributing a credit of £55,000. The Company recognised a deferred tax charge in respect of the movement in fair value of derivative financial instrument, amounting to £19,000.

A reconciliation of previously reported UK GAAP profit to the adjusted profit under IFRS is set out below:

	Year ended 30 September 2011 £000
Profit for the year as previously reported under UK GAAP	636
Movement in fair value of derivative financial instrument	55
Deferred taxation on the above	(19)
Profit for the year as reported under IFRS	672

A reconciliation of previously reported UK GAAP shareholders' equity to adjusted shareholders' equity under IFRS is set out below:

	At 1 October 2010 £000	At 30 September 2011 £000
Total equity as previously reported under UK GAAP	22,983	23,384
Derivative financial instrument	(485)	(430)
Deferred taxation on the above	126	107
At year end date	22,624	23,061

The adoption of IFRS does not require the statement of cash flows to be restated as neither the movement in fair value of derivative financial instrument nor the associated deferred tax balance are cash transactions.

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