# SANDERSON GROUP PLC

## Annual Report and Accounts

for the year ended 30 September 2014

**IT solutions driving continual business improvement**

2014

# 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.

**Our Business**



**Our Governance**



**Our Financials**



SANDERSON GROUP PLC

# Highlights

Operating profit*
**up 28%**
**to £2.84m**
(2013: £2.22m)

Revenue
**up 19%**
**to £16.41m**
(2013: £13.83m)

Total dividend‡
**up 20%**
**to 1.8p**
(2013: 1.5p)

## Financial

- Revenue increased to £16.41 million (2013: £13.83 million)
- Pre-contracted recurring revenue of £8.76 million (2013: £7.94 million), approximately 53% of total revenue
- Significant increases in Multi-channel retail division revenue and operating profits* to £9.68 million (2013: £7.23 million) and £1.89 million (2013: £1.28 million) respectively; these results reflect increased business from new customers and a significant contribution from One iota
- Modest increase in Manufacturing division revenue and operating profit* to £6.74 million (2013: £6.59 million) and £0.95 million (2013: £0.93 million) respectively
- Gross margin of 85%, reflecting high proportion of delivered and installed proprietary software and other "owned" services
- Operating profit* increased to £2.84 million (2013: £2.22 million)
- Profit before tax of £1.92 million (2013: £1.94 million)
- Basic earnings per share of 3.1 pence (2013: 3.9 pence); †Adjusted eps of 4.6 pence (2013: 4.4 pence)
- Net cash at year-end increased to £6.16 million (2013: £3.66 million)
- Proposed final dividend of 1.0 pence per share (2013: 0.85 pence; 2012: 0.7 pence) giving total for year of 1.8 pence per share (2013: 1.5 pence; 2012: 1.2 pence)

## Operational

- Strong trading momentum maintained, complemented by increased levels of new business and successful integration of acquisitions
- Healthy order book of £2.41 million at year-end (2013: £1.94 million)
- Ten new multi-channel retail customers during the year and seven new manufacturing customers
- Continued investment in proprietary solutions using mobile technologies generating high levels of interest and development activity

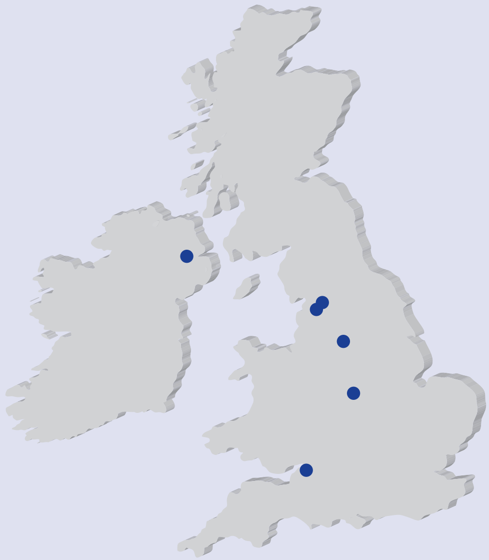
* Stated before charges for amortisation of acquisition-related intangibles, share-based payment charges and acquisition-related costs
‡ For the financial year ended 30 September 2014
† Adjusted for amortisation of acquisition-related intangibles, share-based payment charges and acquisition-related costs

# 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 and resilient business
- 460 customers and 190 employees
- IT solutions provider with extensive software IPR and expert knowledge of target markets
- Strong market position driven by innovation
- Substantial recurring revenues
- Long-term customer relationships built on high quality service and support



## Manufacturing

*Proven solutions for manufacturing and food & drink processing*

Sanderson has been helping UK manufacturers succeed with IT for 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 and drink 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.

Sherborne, Memory Lane Cakes, sodexo, Anstey, epc, Denman, nairn's, Tunnock's Est. 1890, Associated British Foods plc, Newly Weds Foods, Ensinger, Michelmersh Brick Holdings PLC, Bromford Industries

### Customer Story

**Freddy Hirsch Group**

The Freddy Hirsch Group is an ingredients manufacturing and distribution organisation that has grown to become the largest food ingredients manufacturer on the African continent. A customer since 2000, the Group is a major user of all available modules in the Sanderson food ERP system, including Factory Automation for scheduling and control of recipe weighing and multiple dispensing systems. The Sanderson manufacturing system allows the company to operate a common IT platform across its business with products and prices managed by head office and downloaded to the relevant country.

## 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 in this sector. Sanderson provides integrated ecommerce systems which underpin online operations, in-store technology, and is a major provider of IT solutions to the 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.

### Customer Story

**Preston Beer Company**

Preston Beer is a £5 million, 10-employee business. Trading as Preston Beer Company and La Vinea Wines, it supplies an extensive range of beers, spirits, soft drinks and wines to restaurants, hotels and pubs in the north of England. It has transformed its operations with the Sanderson delivered wholesale solution with system investment paid back three times over in under a year. Robust pricing control, real-time stock visibility and unparalleled management data are just some of the benefits, with accurate stock control achieving a saving of £5,000 per month, 100% customer retention as a result of accurate records and a 2% margin improvement since the system's implementation. "We had no idea how much benefit this system would bring us – we wish we'd installed it years ago."

### Customer Story

**Aspinal of London**

A name synonymous with luxury, Aspinal sells fine quality leather goods to customers across the world. Having begun its days, back in 2000, entirely online, Aspinal of London has come a long way since. With retail stores, concessions in top department stores and an increasingly global presence, Aspinal has grown exponentially over the last decade. Supporting Aspinal's expansion is multi-channel retail software from Sanderson. Benefits include rapid sales order processing, accurate stock information across all channels, greater warehouse efficiency, and the single view of the customer key to multi-channel retailing. "The system provides a comprehensive platform for our operations and one that is flexible enough to accommodate future requirements. In fact, I wouldn't like to think what would happen without the support of Sanderson."

# Chairman's statement

Christopher Winn

"The Group has achieved further significant progress during the year. Sanderson continues to convert substantially all of its profit into cash and this strong cash generation has enabled us to maintain a progressive dividend policy whilst continuing to invest in and develop the Group's businesses. The balance sheet has also been further strengthened with net cash at the year-end standing at £6.16 million equating to over 11 pence per share. Across the Group, order intake rose by over 10% on a like-for-like basis while the value of contracts signed by new customers during the year rose by more than 15%."

### Introduction

Sanderson provides a comprehensive and constantly developing range of modern software solutions together with associated services to businesses in the multi-channel retail and manufacturing markets. The Group's business model has been developed whereby solutions primarily comprising Sanderson proprietary software are marketed, sold under licence, delivered, supported and serviced by expert Sanderson staff. The Group has been able to deliver a consistent and reliable quality of service which has ensured the development of long-term relationships with customers.

### Financial results

Revenue for the year ended 30 September 2014 ('the year' or 'year-end') was £16.41 million (2013: £13.83 million) and operating profit (stated before amortisation of acquisition-related intangibles, acquisition-related costs and share-based payment charges) was £2.84 million (2013: £2.22 million). The value of the order book at the year-end was £2.41 million (2013: £1.94 million), which provides a solid platform from which to achieve further progress in the current financial year ending 30 September 2015.

The net cash balance at 30 September 2014 was £6.16 million (2013: £3.66 million).

### Dividend

The Group has continued to generate cash, enabling the Board to maintain its progressive dividend policy whilst continuing to invest in and to develop the Group's businesses. Subject to the approval of shareholders at the Annual General Meeting, scheduled to be held on 3 March 2015, the Board is proposing a final dividend of 1.00 pence per ordinary share, making a total of 1.80 pence for the year. This represents a 20% increase compared with the total dividend of 1.50 pence in 2013. The final dividend, if approved, will be paid on 20 March 2015 to shareholders on the register at the close of business on 6 March 2015.

### Business review

Sanderson is an established provider of software and services to the multi-channel retail and manufacturing markets. As with previous years, the second half of the financial year now contributes the larger proportion of annual operating profit producing an additional £409,000 (2013: £239,000) of operating profit, compared with the first half.

Sanderson software and cloud-based licences and services are provided to customers on an ongoing annual contractual basis. This recurring revenue stream is augmented by consultancy, support and maintenance services. In the year ended 30 September 2014, pre-contracted revenues were £8.76 million representing 53% of total revenues (2013: £7.94 million, representing 57%). The gross margin from recurring revenues covered 71% of total Group overheads in the year (2013: 73%).

The Group continues to invest in both its products and services as well as in its sales, delivery and customer service capabilities. Mobile delivery platforms and the next generation of products in the wholesale distribution sector have been particular areas of investment across the Group, but all of the Group's products are developed on a continuous and evolutionary basis, in anticipation of and in response to, market demand from both prospective and existing customers. The investment driver for customers is to utilise and to adopt latest technologies with the aim of delivering business growth and increased efficiency, enabling customers to make cost savings and thus achieve an attractive and timely return on investment.

During the year, 17 new customers were gained (2013: 14 new customers) at an average initial contract value of £116,000 (2013: £119,000). The total value of orders from new customers grew to £1.97 million (2013: £1.67 million, 2012: £1.49 million).

The gross margin was 84.9% of revenue compared with 87.6% in the prior year. The Manufacturing division delivered two large infrastructure projects as the initial phase of potentially larger software and services projects. The underlying gross margin excluding the large infrastructure projects was 86.8% reflecting the Group's continuing emphasis on higher margin Sanderson proprietary software, delivered and installed by the Group's own staff.


**The Group business focused on the food & drink processing sector continued to make progress and drove growth**

### Review of multi-channel retail

Sanderson products and services provide comprehensive IT solutions to businesses operating in the ecommerce, mobile commerce, wholesale distribution, cash and carry and retail sectors of the UK. Continued high levels of activity have been experienced from the provision of ecommerce and mobile commerce solutions. The annual growth rate being achieved in the ecommerce and mobile commerce (ecommerce via mobile devices) markets continues to be in excess of 10%.

Revenue was £9.68 million (2013: £7.23 million). Growth in the Group's ecommerce and wholesale distribution business was partially offset by a fall in the Group's business which focuses on the traditional mail order fulfilment market, but boosted by a growing revenue contribution from One iota of £1.66 million, acquired in October 2013. Revenue from the Group's business operating in the ecommerce and mobile commerce markets now accounts for £4.53 million, representing 47% of divisional revenues and is expected to grow further in the future.

The division's operating profit was £1.89 million which included a contribution (before amortisation and charges in respect of share-based payments, group management services and taxation) from One iota of £420,000. Priam, which was acquired in the previous financial year, has been restructured and fully integrated into the Group and whilst its profit contribution was minimal in the year, an improved contribution is expected in the current year. Ten new customers were gained in the year compared with five in the previous year. The challenge of delivering a very large order book in the Group's ecommerce business has held back profitability in the year, but now offers a good opportunity to further boost profitability in the current year.

### Review of manufacturing

The Group's business which addresses the general UK manufacturing market continued to experience slow trading. However, a recently launched product, UnityExpress, aimed at smaller manufacturing businesses has a number of good and promising prospects in the sales pipeline. The Group business focused on the food and drink processing sector, benefiting from investment made over the last two years, has continued to make progress and drove overall growth for the Manufacturing division. The size of the UK food and drink processing market continues to grow and there are increasing numbers of small and medium-sized ('SMEs') businesses in this sector. The need for traceability through the food and drink distribution, production and supply chain, combined with a continued drive to reduce operational costs continues to provide the Group with a good opportunity in this market. The Sanderson food and drink processing business now accounts for 50% of divisional revenue (2011: 39%). This growth trend is expected to continue.

Revenue was £6.74 million (2013: £6.59 million) with operating profit of £952,000 (2013: £932,000). Overall order intake was £2.89 million (2013: £3.10 million).

Seven new customers were gained in the year (2013: nine new customers) and going into the new financial year, the order book is good and at the year-end stood at over £926,000 (2013: £1.24 million) with good sales prospects in the pipeline.

"Whilst the Group plans to continue to invest across all of its businesses, particular emphasis is expected to be placed on developing further the range of solutions for ecommerce and mobile commerce businesses, as well as, for the food and drink processing sector. Selective acquisition opportunities will continue to be carefully considered to augment organic growth but the management priority is to focus upon delivering 'on target' results and on making the previous acquisitions successful."

### Acquisition – One iota

In October 2013, the Group acquired One iota Limited for a maximum consideration of £5.43 million, made up of initial consideration of £3.13 million and deferred consideration of up to £2.30 million depending on the trading performance of business in the three years to 30 September 2016. The One iota business is experienced in cloud-based multi-channel retail solutions and the One iota MESH platform integrates a retailer's back-office and existing systems, with mobile, tablet and in-store sales channels.

One iota has performed very well and the management team has continued to drive growth, doubling both revenue and profit when compared to its last full financial year, prior to acquisition. In September, following a successful pilot implementation, One iota secured its largest order to date, worth over £400,000. The order is expected to be installed, delivered and deployed over the course of the current financial year ending 30 September 2015.

### Management and staff

Sanderson now employs approximately 190 staff, who have a high level of experience and expertise in the market sectors which the Group addresses. On behalf of the Board, I would like to thank everyone for their hard work, support and dedication to the development of Sanderson over the period of recovery and business transition since 2009 and forward into a period of planned sustainable growth.

### Strategy

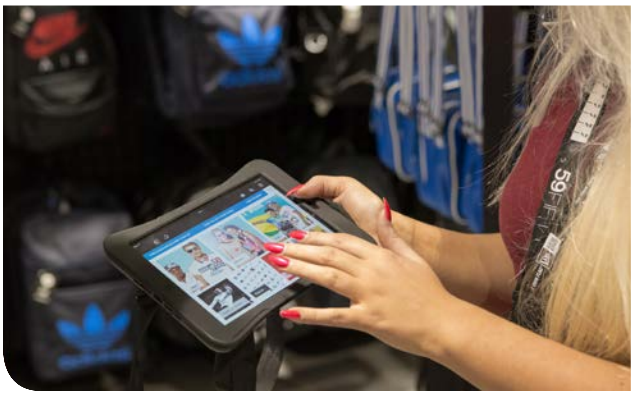
The Board's strategy is to achieve growth by continuing to build upon the Group's businesses operating within the multi-channel retail and manufacturing markets. Sanderson is a provider of modern and proven software solutions which continue to provide customers with opportunities to gain competitive advantage and to make cost savings. Whilst the Group plans to continue to invest across all of its businesses, particular emphasis is expected to be placed on developing further the range of solutions for ecommerce and mobile commerce businesses, as well as, for the food and drink processing sector.

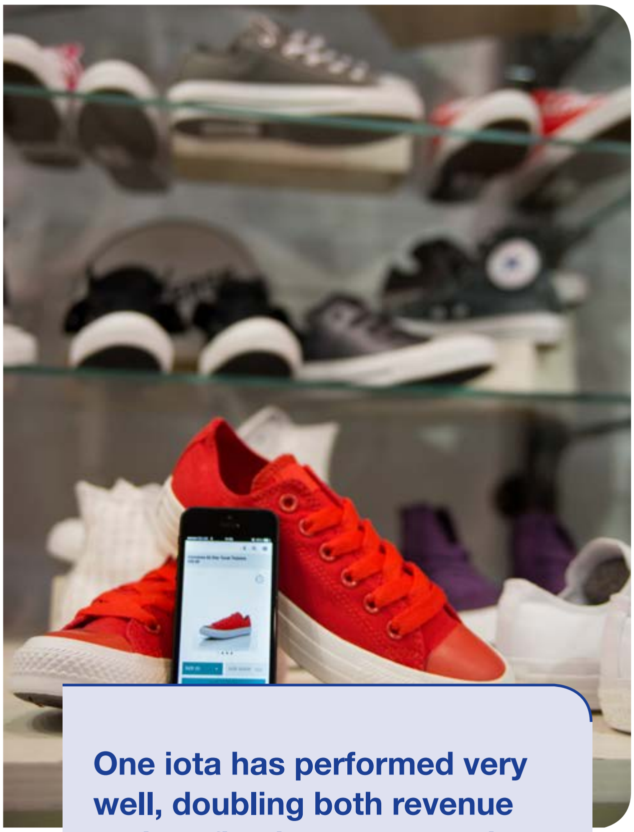
Selective acquisition opportunities will continue to be carefully considered to augment organic growth but the management priority is to focus upon delivering 'on target' results and on making the previous acquisitions successful.

### Outlook

Whilst the Board is keen to pursue the continued development of Sanderson, the Board remains cautious in its approach. Amongst small and medium-sized businesses, we believe that, to date, business sentiment has continued to show some improvement but prospective and existing customers remain cautious in their outlook. The Group's strong order book does provide the Board with a reasonable level of confidence, at this early stage, that the Group will make further progress in the current financial year ending 30 September 2015.

**Christopher Winn**
Chairman
24 November 2014



**One iota has performed very well, doubling both revenue and profit when compared to its last full financial year**

# Strategic report

Adrian Frost

"The Board believes strategic objectives regarding the development of existing businesses and complementary acquisitions are achievable whilst maintaining a strong balance sheet founded on positive cash balances. Our goal is to achieve growth, build value and thereby improve shareholder returns."

## Trading results

The Group's strategy is to achieve growth by continuing to build upon and to further develop the Group's businesses operating within the multi-channel retail and manufacturing markets. Organic growth will be augmented by earnings-enhancing acquisitions that can be identified as complementing the Group's existing operations, whilst retaining a strong balance sheet including positive cash balances.

Sanderson has made further progress during the year. Revenue has increased by over 18% to £16.41 million (2013: £13.83 million) and operating profit before amortisation of acquisition-related intangibles, share-based payment charges and acquisition-related costs ('operating profit') increased by 28% to £2.84 million (2013: £2.22 million).

One iota, acquired in October 2013, has performed well. Priam, acquired in August 2013, is now fully integrated and well positioned to make a positive contribution in the coming year. An increased amortisation charge relating to intangible assets arising on these acquisitions, together with costs relating to the acquisitions and subsequent restructuring of operations to fully integrate the acquisitions, have combined to reduce profit before taxation by 1% when compared with the prior year. The acquisition and restructuring costs have been fully expensed during the year to 30 September 2014.

A more detailed review of the financial year and the acquisitions is provided in the Chairman's statement.

## Statement of financial position

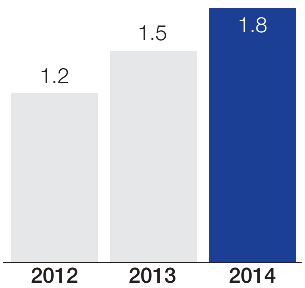
As referred to above, the Group intends to retain a strong balance sheet based on a positive cash balance. At the year-end a net cash balance of £6.16 million was reported (2013: £3.66 million). Cash generated from operating activities amounted to £2.69 million (2013: £1.71 million). The acquisition of One iota Limited on 7 October 2013 was a significant transaction for the Group with consideration of £2.38 million paid in cash at completion. Deferred consideration of £2.30 million is payable over the next three years. To ensure the strength of the balance sheet was not unduly affected by the acquisition, on 28 October 2013 the Group successfully raised £3.50 million before costs by way of a placing of 6,363,636 new ordinary shares, issued at 55 pence per share.

The Group continues to invest in product development to ensure the solutions marketed by Sanderson remain modern and competitive, whilst at the same time adopting a conservative accounting policy in respect of the treatment of such development expenditure that ensures a significant proportion of the annual development spend is expensed in line with revenues generated. During the year expenditure totalling £2.34 million (2013: £1.50 million) was incurred, of which £1.66 million (2013: £1.25 million) was expensed to operating profit.

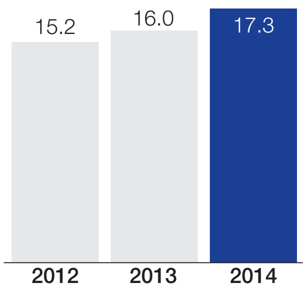
## Treasury

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.
At 30 September 2014, cash balances were £6.16 million. The Board has reviewed the Group's medium-term strategy and concluded that key strategic developments were achievable whilst retaining a positive cash balance.

**Dividend for the financial year**
Pence




**Operating profit* as a percentage of revenue**
%




* Before amortisation of acquisition-related intangibles, share-based payment charges and acquisition-related costs

### 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.

| Indicator | 2014 | 2013 |
|---|---|---|
| Revenue per employee | £85,000 | £89,800 |
| Operating profit as a percentage of revenue | 17.3% | 16.0% |
| Order intake | £8.70m | £5.87m |
| Debtors over 60 days as percentage of total debtors | 12.2% | 7.8% |
| Dividend cover | 2.4 | 2.8 |

Revenue per employee is used as a broad measure of efficiency. The Group has set a target of £100,000 for revenue per employee. The ratio has been impacted by the acquisitions in 2013, both of which have previously adopted a business model more weighted towards service revenue with a lower proportion of licence sales. We would expect to see the ratio improve as the more traditional Sanderson revenue model is adopted in future periods.

Operating profit as a percentage of revenue has improved as the two acquisitions referred to above have been fully integrated into the Group without any significant increase in administrative or establishment costs.

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. The measure is monitored in conjunction with the value of the order book as a strong order book enables the Group to continue to trade profitably when a temporary downturn in order intake is experienced. Order intake increased by 48% in the year to 30 September 2014. Whilst the 2013 acquisitions contributed £1.84 million of the increase, organic growth in order intake of 17% was achieved as the improved momentum experienced towards the end of 2013 continued into the current year.

The percentage of debtors over 60 days old has increased to slightly more than the target level of 10%. The increase in the amount of overdue debt is attributable to a number of factors including delays encountered in projects involving the integration of third party products with Sanderson solutions and activity levels in the approach to the year-end. The current economic environment also appears to have increased the number of customers extending payment beyond agreed credit terms.

Dividend cover compares adjusted diluted earnings per share to the dividend per share declared for the financial year, which is subject to approval at the Annual General Meeting due to be held on 3 March 2015. 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 proportion of overall earnings paid as dividends.

### 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:

| Risks | Potential Impact | Mitigation |
|---|---|---|
| **Economic** | As a supplier to the multi-channel retail and manufacturing markets a downturn in the economic climate affecting these sectors may lead to a reduced spend on IT systems and services by customers and prospective customers. | 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** | 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. | 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. |

# Strategic report continued

| Risks | Potential Impact | Mitigation |
|---|---|---|
| **People** | 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. | 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. |
| **Project delivery** | Significant revenue is generated from projects that require the delivery of software and services over extended timescales. Project failure could result in contracts being cancelled, impacting on profitability. | Established procedures are used in the delivery and management of projects. |
| **Financial** | Inaccurate financial information may result in sub-optimal decisions being taken by management and staff.<br><br>Inadequate internal controls may fail to prevent the Group suffering a financial loss. | The systems of internal controls deployed within the Group are designed to prevent financial loss. Controls are strongest in areas where management considers 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** | The Group will consider complementary and earnings-enhancing acquisitions as part of its overall growth strategy. Acquisitions may not always realise the benefits expected at the time of completion.<br><br>A failure to successfully integrate acquisitions may impact on Group profitability. | 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.<br><br>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. |
| **Reputational** | 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 sub-standard products may therefore result in customer disputes as well as a negative impact on solution sales. | 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. |

By order of the Board

**Adrian Frost**
Secretary
Sanderson Group plc
Sanderson House
Manor Road
Coventry
CV1 2GF

24 November 2014

# Board of directors

**Christopher Winn**

*Chairman,* 64.

Following graduation from Nottingham University (BA Honours in History), 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, Christopher 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,* 47.

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, as Group Finance Director.

**Ian Newcombe**

*Director,* 59.

Ian was appointed to the Board on 3 January 2013. 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 and 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 projects in the UK and Europe. In 1999, he was appointed Consulting Director of Talgentra Limited, 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 retail division of Sanderson and has since driven the growth of the division.

**Philip Kelly**

*Non-Executive Director,* 62.

Philip Kelly is a non-executive director of several companies in the software and related services sector. He has over 25 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. Philip is Chairman of the Remuneration Committee.

**John Paterson**

*Non-Executive Director,* 68.

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. John is Chairman of the Audit Committee.

# 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 11)

**Christopher Winn**
*Chairman*

**Adrian Frost**
*Finance Director*

**Ian Newcombe**
*Managing Director Multi-Channel Retail Division*

## Senior directors

**Paul Bywater**
*Managing Director Production & Print*
Paul graduated with a first class honours degree in production engineering and business studies. Paul joined Sanderson in 1986 and has held a number of positions at Sanderson including Analyst Programmer, Support Manager, Manufacturing Consultant, Systems Director, Development Director, and Product Strategy Director. Paul became Managing Director of the Production & Print business in 2009.

**Roger Stares**
*Managing Director Food & Drink*
Roger qualified in electrical engineering with Newman Industries then moved into its IT department, which was acquired by Sanderson in 1987. Roger has been instrumental in the design and development of the Group's food & drink solution with over 25 years' experience supplying IT to the food & drink sector. Whilst at Sanderson, Roger has held the positions of Technical Director and Director & General Manager. In 2007, Roger became 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, which was acquired by Sanderson in 1995. Paul has held a number of roles within the Group. His expertise lies in the day-to-day integration and management of acquisitions, business development, sales and account management. Paul has managed large accounts such as Thorntons and MandM Direct, one of the UK's largest and most successful online clothing retailers.

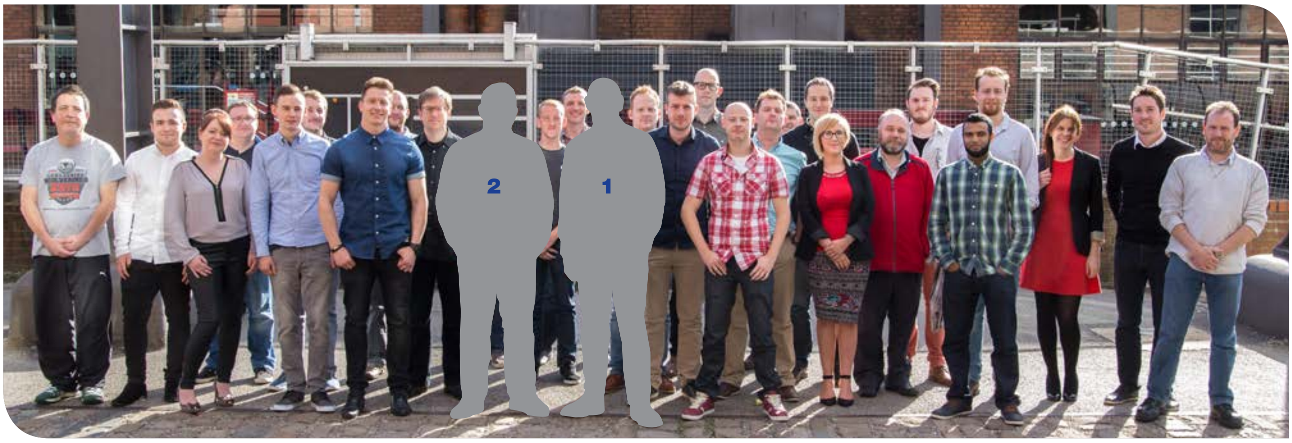
**Mark Adamson**
*Commercial Director Multi-Channel Solutions*
Mark is a Chartered Accountant with a degree in pure mathematics. He was previously Group Finance Director of the largest independent group of bus companies in the UK which was subsequently acquired by Stagecoach. He then became Group Finance Director of an AIM listed, medical devices manufacturing and distribution business. In both these roles, Mark held overall responsibility for IT strategy and infrastructure. Mark originally joined Sanderson as Finance Director of the Multi-channel and Manufacturing divisions before moving to his current role.

**Kate Simpson**
*Head of Marketing*
An LLB (Hons) graduate in Law, Kate started her working life at the BBC before spending seven years at Mitsubishi Electric and in 1999 joined Sanderson as Marketing Manager for the Commercial Systems business (now Civica). In 2003, Kate took up her current role within the Group, and has assisted in the adoption of a more market-focused approach and, more recently, in ensuring the effectiveness of the increased investment in sales and marketing.

# Employees

The Group's employees are a significant asset of the business. We are fortunate to be able to employ staff with detailed knowledge of the industries in which we operate. We have taken the opportunity to highlight some of the many staff who deliver value to our customers and to our organisation on a daily basis

**Pictured:** Marketing Team




**Pictured:** One iota Team

**1. Damian Hanson**

*CEO One iota*

Damian is a proven management and board level executive with a history in delivering award winning business solutions within the technology sector. After successful roles with GE Capital ITS and National Computing Centre, Damian decided to join early stage mobile technology venture 2ergo in 2002 and was an integral part of the exec team that listed the business on AIM in 2004.

**2. David Hague**

*CTO One iota*

David studied Information System Engineering at UMIST (now the University of Manchester). David co-founded Wapfly, a mobile software business in 2004, at the age of 21. Initially head quartered in Manchester, Wapfly provided mobile media services for high profile companies such as EMAP, Bauer Media and Condé Nast. David later set up a Sydney office in 2008 to expand the Wapfly reach globally. The Australian business quickly developed into an industry leader working with companies such as the Australian Broadcasting Corporation, WPP, Sony, Vodafone and Mastercard. In 2009 Wapfly was acquired by 2ergo Group PLC.

# Governance statement

As the Company's shares are traded on AIM, the Company has not complied with the UK Corporate Governance Code ('the Code') nor is it required to. However, the Company is committed to high standards of corporate governance and draws upon best practice available, including those aspects of the Code considered appropriate.

### Board of directors

The Board is broadly balanced with three executive and two 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 two non-executive directors. Each committee has defined terms of reference.

The Audit Committee is chaired by John Paterson, and meets at least twice a year with the executive directors and representatives of the external auditor 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 auditor together with their scope of work and consideration of their findings, and the review of internal controls.

The Remuneration Committee is chaired by Philip Kelly, 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 £6.16 million. The Group's medium-term strategy is to maintain a strong balance sheet with positive cash balances. The Board believes strategic objectives regarding the development of existing businesses and complementary acquisitions are 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 two non-executive directors and is chaired by Philip Kelly.

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 measured against targets set each year by the Remuneration Committee, 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 |
|---|---|---|---|---|---|---|
| Adrian Frost | 145,421 | 2005 | 57p | Yes | 01.10.2007 | 30.09.2017 |
| Adrian Frost | 215,579 | 2005 | 56p | Yes | 01.10.2007 | 15.12.2017 |
| Adrian Frost | 100,000 | 2005 | £1* | Yes | 01.10.2007 | 15.12.2017 |
| Adrian Frost | 100,000 | 2009 | 9.5p | Yes | 03.08.2012 | 03.08.2017 |
| Ian Newcombe | 300,000 | 2010 | 23p | Yes | 21.05.2013 | 21.05.2017 |
| Ian Newcombe | 75,000 | 2011 | 27p | No | 05.04.2014 | 05.01.2021 |
| Ian Newcombe | 118,750 | 2011 | 30p | No | 29.06.2014 | 29.06.2018 |
| Ian Newcombe | 31,250 | 2011 | 30p | No | 29.06.2014 | 29.06.2018 |
| Ian Newcombe | 200,000 | 2013 | 45.75p | No | 27.11.2015 | 27.11.2019 |

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.

# Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 2014.

### Business review

A comprehensive analysis of the Group's development and performance is contained in the Chairman's statement and Strategic report. 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 0.85 pence per share was paid on 28 March 2014 (2013: 0.70 pence) relating to the financial year ended 30 September 2013. An interim dividend of 0.80 pence per ordinary share was paid on 15 August 2014 (2013: 0.65 pence per share) in respect of the financial year ended 30 September 2014. The directors propose the payment of a final dividend in respect of the year ended 30 September 2014 of 1.00 pence per ordinary share. The final dividend is subject to shareholder approval at the Annual General Meeting on 3 March 2015 and, if approved, will be paid on 20 March 2015 to shareholders on the register at the close of business on 6 March 2015.

### 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 | | |
| Christopher Winn | 11,786,924 | 12,745,000 |
| Adrian Frost | 121,000 | 61,000 |
| Ian Newcombe | 71,500 | – |
| Philip Kelly * | 50,000 | 50,000 |
| 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 | 11,786,924 | 21.8 |
| Hargreave Hale & Co | 7,195,654 | 13.3 |
| ISIS Ep LLP | 4,818,257 | 8.9 |
| Miton Diverse Income Trust | 4,454,985 | 8.2 |
| AXA Framlington Investment Management | 2,500,000 | 4.6 |
| Helium Rising Stars Fund | 2,394,753 | 4.4 |
| Unicorn Asset Management | 1,767,572 | 3.3 |

### 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 judgments 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 auditor is 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.

### Auditor

Grant Thornton UK LLP is 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.

By order of the Board

**Adrian Frost**
Secretary
Sanderson Group plc
Sanderson House
Manor Road
Coventry
CV1 2GF

24 November 2014

# 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 2014 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 17, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

### 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 2014 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 Strategic report and 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 2014.

**David White**
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
24 November 2014

# Consolidated income statement

for the year ended 30 September 2014

| | Note | 2014 £000 | 2013 £000 |
|---|---|---|---|
| **Revenue** | 3, 4 | **16,411** | 13,828 |
| Cost of sales | | **(2,483)** | (1,711) |
| **Gross profit** | | **13,928** | 12,117 |
| Technical and development costs | | **(6,322)** | (5,304) |
| Administrative and establishment expenses | | **(3,731)** | (3,184) |
| Sales and marketing costs | | **(1,827)** | (1,657) |
| **Results from operating activities** | | **2,048** | 1,972 |
| **Results from operating activities before adjustments in respect of the following:** | 7 | **2,839** | 2,215 |
| Amortisation of acquisition-related intangibles | | **(387)** | (66) |
| Acquisition-related costs | | **(303)** | (94) |
| Share-based payment charges | 6 | **(101)** | (83) |
| **Results from operating activities** | | **2,048** | 1,972 |
| Finance income | 9 | **28** | 489 |
| Finance expenses | 10 | **(160)** | (518) |
| Profit before taxation | | **1,916** | 1,943 |
| Taxation | 11 | **(318)** | (252) |
| **Profit for the year** | | **1,598** | 1,691 |

All operations are continuing.

All of the profit for the year is attributable to equity holders of the parent undertaking.

| | | | |
|---|---|---|---|
| **Earnings per share** | | | |
| **From profit attributable to the owners of the parent undertaking during the year** | | | |
| Basic earnings per share | 13 | **3.1p** | 3.9p |
| Diluted earnings per share | 13 | **2.9p** | 3.7p |

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

Our Business

Our Governance

Our Financials

# Consolidated statement of comprehensive income

for the year ended 30 September 2014

| | Note | **2014 £000** | 2013 £000 |
|---|---|---|---|
| **Profit for the year** | | **1,598** | 1,691 |
| **Other comprehensive income** | | | |
| *Items that will not subsequently be reclassified to profit or loss* | | | |
| Remeasurement of net defined benefit liability | 27 | **(834)** | (225) |
| Deferred taxation effect of defined benefit pension plan items | 17 | **183** | 53 |
| | | **(651)** | (172) |
| *Items that will subsequently be reclassified to profit or loss* | | | |
| Change in fair value of available for sale financial asset | | **17** | 74 |
| Foreign exchange translation differences | | **23** | (32) |
| **Total comprehensive income attributable to equity holders of the parent** | | **987** | 1,561 |

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

# Consolidated statement of financial position

at 30 September 2014

| | Note | 2014 £000 | 2013 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **294** | 307 |
| Intangible assets | 15 | **28,514** | 23,194 |
| Deferred tax assets | 17 | **1,145** | 1,388 |
| | | **29,953** | 24,889 |
| **Current assets** | | | |
| Inventories | | **4** | — |
| Trade and other receivables | 18 | **4,706** | 3,371 |
| Other short-term financial assets | 19 | **222** | 205 |
| Cash and cash equivalents | | **6,159** | 3,662 |
| | | **11,091** | 7,238 |
| **Current liabilities** | | | |
| Trade and other payables | 21 | **(3,355)** | (2,746) |
| Deferred consideration | 20 | **(815)** | (145) |
| Income tax payable | | **(47)** | (5) |
| Deferred income | | **(4,412)** | (3,886) |
| | | **(8,629)** | (6,782) |
| **Net current assets** | | **2,462** | 456 |
| **Total assets less current liabilities** | | **32,415** | 25,345 |
| **Non-current liabilities** | | | |
| Pension obligations | 27 | **(4,804)** | (4,174) |
| Deferred consideration | 20 | **(1,213)** | — |
| Deferred tax liabilities | 17 | **(581)** | (272) |
| | | **(6,598)** | (4,446) |
| **Net assets** | | **25,817** | 20,899 |
| **Equity attributable to equity holders of the parent company** | | | |
| Share capital | 22 | **5,406** | 4,380 |
| Share premium | | **8,809** | 4,302 |
| Available for sale reserve | | **91** | 74 |
| Foreign exchange reserve | | **(9)** | (32) |
| Retained earnings | | **11,520** | 12,175 |
| **Total equity** | | **25,817** | 20,899 |

These financial statements were approved and authorised for issue by the Board of directors on 24 November 2014 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 2014

| | Share capital £000 | Share premium £000 | Available for sale reserve £000 | Foreign exchange reserve £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|---|
| At 1 October 2013 | 4,380 | 4,302 | 74 | (32) | 12,175 | 20,899 |
| Exercise of share options | 258 | 1,206 | — | — | (830) | 634 |
| Issue of shares | 768 | 3,482 | — | — | — | 4,250 |
| Costs incurred in respect of share issue | — | (181) | — | — | — | (181) |
| Dividend paid | — | — | — | — | (873) | (873) |
| Share-based payment charge | — | — | — | — | 101 | 101 |
| Transactions with owners | 1,026 | 4,507 | — | — | (1,602) | 3,931 |
| Profit for the year | — | — | — | — | 1,598 | 1,598 |
| *Other comprehensive income:* | | | | | | |
| Remeasurement of net defined benefit liability | — | — | — | — | (834) | (834) |
| Deferred tax on above | — | — | — | — | 183 | 183 |
| Foreign exchange translation differences | — | — | — | 23 | — | 23 |
| Change in fair value of available for sale financial asset | — | — | 17 | — | — | 17 |
| Total comprehensive income | — | — | 17 | 23 | 947 | 987 |
| **At 30 September 2014** | **5,406** | **8,809** | **91** | **(9)** | **11,520** | **25,817** |

for the year ended 30 September 2013

| | Share capital £000 | Share premium £000 | Available for sale reserve £000 | Foreign exchange reserve £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|---|
| At 1 October 2012 | 4,352 | 4,205 | — | — | 11,473 | 20,030 |
| Exercise of share options | 28 | 97 | — | — | (110) | 15 |
| Dividend paid | — | — | — | — | (590) | (590) |
| Settlement of share options | — | — | — | — | (200) | (200) |
| Share-based payment charge | — | — | — | — | 83 | 83 |
| Transactions with owners | 28 | 97 | — | — | (817) | (692) |
| Profit for the year | — | — | — | — | 1,691 | 1,691 |
| *Other comprehensive income:* | | | | | | |
| Remeasurement of net defined benefit liability | — | — | — | — | (225) | (225) |
| Deferred tax on above | — | — | — | — | 53 | 53 |
| Foreign exchange translation differences | — | — | — | (32) | — | (32) |
| Change in fair value of available for sale financial asset | — | — | 74 | — | — | 74 |
| Total comprehensive income | — | — | 74 | (32) | 1,519 | 1,561 |
| At 30 September 2013 | 4,380 | 4,302 | 74 | (32) | 12,175 | 20,899 |

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 2014

| | 2014 £000 | 2013 £000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the year after taxation | **1,598** | 1,691 |
| *Adjustments for:* | | |
| Amortisation of intangible assets | **630** | 237 |
| Depreciation | **135** | 124 |
| Share-based payment charge | **101** | 83 |
| Net finance expense | **132** | 29 |
| Income tax charge | **318** | 252 |
| **Operating cash flow before changes in working capital** | **2,914** | 2,416 |
| Movement in trade and other receivables | **(1,076)** | 383 |
| Movement in inventories | **(4)** | 9 |
| Movement in trade and other payables | **856** | (1,100) |
| **Cash generated from operations** | **2,690** | 1,708 |
| Payments to defined benefit pension scheme | **(360)** | (677) |
| Interest paid | **(2)** | — |
| **Net cash flow from operating activities** | **2,328** | 1,031 |
| **Cash flow from investing activities** | | |
| Purchase of property, plant and equipment | **(113)** | (45) |
| Acquisition of subsidiary undertaking, net of cash acquired (note 16) | **(2,046)** | (440) |
| Payment of deferred consideration in respect of subsidiary undertakings | **(100)** | — |
| Dividend received | **15** | 20 |
| Bank interest received | **13** | 54 |
| Development expenditure capitalised | **(680)** | (249) |
| **Net cash flow from investing activities** | **(2,911)** | (660) |
| **Cash flow from financing activities** | | |
| Issue of shares, net of costs | **3,953** | 15 |
| Settlement of share options | **—** | (200) |
| Equity dividends paid | **(873)** | (590) |
| **Net cash flow from financing activities** | **3,080** | (775) |
| Net increase/(decrease) in cash and cash equivalents | **2,497** | (404) |
| Cash and cash equivalents at beginning of year | **3,662** | 4,066 |
| **Cash and cash equivalents at the end of the year** | **6,159** | 3,662 |

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 2014 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 £6 million. The Group's medium-term strategy is to maintain a strong balance sheet with positive cash balances. The Board believes strategic objectives regarding the development of existing businesses and complementary acquisitions are 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 judgments

The preparation of the financial statements requires management to make judgments, 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 judgments 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 has 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 is 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. Management 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 has estimated cash flows attributable to existing businesses and extrapolated forward budgets for the financial year ending 30 September 2015 in line with the average length of customer relationships. The results of this review are disclosed in note 15.

*Note 16: Acquisitions:* In attributing value to intangible assets arising on acquisition, management has made certain assumptions in terms of cash flows attributable to intellectual property and customer relationships. The key assumptions relate to the trading performance of the acquired business and discount rates applied to calculate the present value of future cash flows. The directors consider the resulting valuations to be reasonable approximations as to the value of the intangibles acquired.

*Note 18: Measurement of trade receivables:* Management assess the likely recoverability of amounts invoiced to customers on the basis of the creditworthiness 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.

*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 judgment 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.

### Use of estimates and judgments continued

*Judgments*

*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 uses its judgment 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 judgment is required in assessing the impact of any legal or economic limits or uncertainties.

## 3. Accounting policies

### New and revised accounting standards applied for the first time in the current year

The Group has adopted the following new standards, or new provisions of amended standards. There is no material impact on either amounts reported or disclosure in the financial statements arising from the first time adoption.

IFRS 13 Fair Value Measurement. IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures pertaining to fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRS require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

IAS 19 Employee Benefits (Amended). The amendments to IAS 19 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. The amendments eliminate the option to adopt the 'corridor method' of accounting. As the Group had not previously used this method, no restatements are required. The amendments also change the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit asset or liability. The Group has adopted this approach in the current year. Having assessed the impact on amounts previously reported, no restatement has been made as the impact is immaterial. The final changes arising from the amendment enhance disclosures, including more information about the characteristics of defined benefit plans and related risks.

IAS 12 Income Taxes (Amended). The amendments relate to deferred tax and the recovery of underlying assets. There is no impact arising from this amended standard.

### 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 anticipates that the following pronouncements relevant to the Group's operations 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 (not yet adopted by the EU)
- IFRS 10 Consolidated Financial Statements (effective for periods commencing after 1 January 2014)
- IFRS 11 Joint Arrangements (effective for periods commencing after 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IFRS 15 Revenue from Contracts with Customers (not yet adopted by the EU)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)
- Amendments to IAS 39 (effective 1 January 2014)
- Offsetting Financial Assets and Financial Liabilities; Amendments to IAS 32 (effective 1 January 2014)
- Transition Guidance – Amendments to IFRS 10, IFRS 11 & IFRS 12 (effective 1 January 2014)
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 (effective 1 January 2014).

## 3. Accounting policies continued

Other than in respect of IFRS 15, 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. With regard to IFRS 15, the Group has commenced an assessment of the impact likely from adopting the standard, but is not yet in a position to state whether the impact will be material to the Group's reported results or financial position.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

### 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. 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.

### Property, plant and equipment

Property, plant and equipment is 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 property leases, which vary between 3 and 50 years
- plant and equipment — 15%–33⅓%.

### 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.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than sterling are translated into sterling upon consolidation. Assets and liabilities (including goodwill and fair value adjustments arising on acquisition) are translated into sterling at the closing rate. Income and expenditure is translated at an average rate. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity.

### Accounting for financial assets

The Group has financial assets in the following categories:

- loans and receivables
- 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 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 which is recognised in profit or loss.

### Accounting for financial liabilities

The Group's financial liabilities include trade and other payables which, subsequent to initial recognition at fair value, are measured at amortised cost using the effective interest rate method. Deferred consideration is classified as fair value through profit and loss. Movements subsequent to initial recognition at fair value are recognised in the Consolidated income statement.

### 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.

Net interest expense on the net defined benefit liability is included in finance costs. Gains or losses resulting from remeasurement of the net defined benefit liability are included in other comprehensive income.

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

### Revenue

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

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. When amounts are invoiced in advance the unearned element remains in deferred income until recognition is appropriate.

## 3. Accounting policies continued

### 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.

### Dividends

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

### 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 transferred 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. Where contingent consideration arises on acquisition as a result of performance targets it is recognised at fair value, taking into account the probability of the contingent events occurring. At each year-end the fair value is recalculated and gains or losses arising are recognised in the Consolidated income statement. The carrying value of goodwill relating to subsidiaries disposed of is deducted from sale proceeds in arriving at reported profit or loss on disposal. Goodwill is not amortised but is tested annually for impairment.

### 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.

### 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.

### 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 | 3–10 years |
| Customer relationships | 3–10 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), is 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.

### 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. Payments made to employees on cancellation of an equity-settled award are accounted for as a repurchase of an equity interest and deducted from equity. Any excess of the payment over the fair value of the award calculated at the date of cancellation is treated as an expense. On exercise, shares are issued and the nominal value of each share is credited to share capital. The difference between the exercise price paid and the nominal value of each share is credited to share premium. The exercise of options issued pursuant to the Company's Long Term Incentive Plan gives rise to a charge against reserves equal to the market price per share at the date of exercise.

### 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.

### 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 | |
|---|---|---|---|---|---|---|
| | **2014 £000** | 2013 £000 | **2014 £000** | 2013 £000 | **2014 £000** | 2013 £000 |
| Revenue – external customers | **6,736** | 6,594 | **9,675** | 7,234 | **16,411** | 13,828 |
| Cost of sales | **(1,190)** | (817) | **(1,293)** | (894) | **(2,483)** | (1,711) |
| Gross profit | **5,546** | 5,777 | **8,382** | 6,340 | **13,928** | 12,117 |
| Depreciation† | **(73)** | (85) | **(62)** | (39) | **(135)** | (124) |
| Operating profit before adjustments | **952** | 932 | **1,887** | 1,283 | **2,839** | 2,215 |
| Amortisation* | **(53)** | (53) | **(334)** | (13) | **(387)** | (66) |
| Acquisition-related costs | **—** | — | **(303)** | (94) | **(303)** | (94) |
| Share-based payment charges | **(22)** | (31) | **(79)** | (52) | **(101)** | (83) |
| Result from operating activities | **877** | 848 | **1,171** | 1,124 | **2,048** | 1,972 |
| Net finance expense | | | | | **(132)** | (29) |
| Taxation | | | | | **(318)** | (252) |
| Profit attributable to equity holders | | | | | **1,598** | 1,691 |

* Amortisation of acquisition-related intangibles.

† Depreciation charged to operating profit.

The CODM uses both gross profit and operating profit measures in assessing the performance of the Group's divisions. No one customer accounts for more than 10% of the revenue of either division.

An analysis of items contained within the statement of financial position is set out below. The Group's assets are held in the United Kingdom. Included within other unallocated assets and liabilities are net overdrawn cash balances totalling £0.70 million (2013: £1.84 million) and deferred tax balances in respect of certain shared operations. Amounts in respect of shared operations cannot be allocated between operating divisions.

Additions to property, plant and equipment during the year amounted to £113,000 (2013: £45,000). A total of £27,000 (2013: £21,000) were attributable to the Manufacturing division, with £86,000 (2013: £24,000) incurred by the Multi-channel retail division.

#### Analysis of items contained within the statement of financial position

| | Manufacturing | | Multi-Channel | | Total | |
|---|---|---|---|---|---|---|
| | **2014 £000** | 2013 £000 | **2014 £000** | 2013 £000 | **2014 £000** | 2013 £000 |
| Property, plant and equipment | **110** | 160 | **184** | 147 | **294** | 307 |
| Intangible assets | **11,598** | 11,602 | **16,916** | 11,592 | **28,514** | 23,194 |
| Deferred tax assets | **1,137** | 978 | **8** | 155 | **1,145** | 1,133 |
| Inventory | **—** | — | **4** | — | **4** | — |
| Cash and cash equivalents | **2,111** | 2,024 | **2,972** | 3,478 | **5,083** | 5,502 |
| Trade and other receivables | **1,891** | 1,688 | **2,815** | 1,683 | **4,706** | 3,371 |
| Total assets | **16,847** | 16,452 | **22,899** | 17,055 | **39,746** | 33,507 |
| Trade and other payables | **(1,568)** | (1,165) | **(1,787)** | (1,581) | **(3,355)** | (2,746) |
| Deferred income | **(2,181)** | (1,966) | **(2,231)** | (1,920) | **(4,412)** | (3,886) |
| Income tax | **—** | (5) | **(47)** | — | **(47)** | (5) |
| Deferred taxation | **(27)** | (38) | **(554)** | — | **(581)** | (38) |
| Deferred consideration | **—** | — | **(2,028)** | (145) | **(2,028)** | (145) |
| Pension obligations | **(4,804)** | (4,174) | **—** | — | **(4,804)** | (4,174) |
| Total liabilities | **(8,580)** | (7,348) | **(6,647)** | (3,646) | **(15,227)** | (10,994) |
| Allocated net assets | **8,267** | 9,104 | **16,252** | 13,409 | **24,519** | 22,513 |
| Other unallocated assets and liabilities | | | | | **1,298** | (1,614) |
| Net assets | | | | | **25,817** | 20,899 |

## 5. Related parties

The Group's related parties are its key management personnel and the Sanderson Group Retirement Benefit Scheme (the Scheme), a legacy defined benefit pension scheme that closed to new members in 1995 and to future accrual in 2004.

Key management personnel of the Group comprises the executive directors, members of the senior management team and the non-executive directors, a total of 9 individuals. Remuneration paid to key management personnel during the year is set out in note 8.

The defined benefit plan does not hold shares in Sanderson Group plc. The Group provides payroll services to facilitate the payment of pensions to retired members of the Scheme and accounting services to the Scheme trustee for the preparation of the Scheme accounts. Certain of the Group's employees act as directors of the corporate trustee of the Scheme. No charge is made for these services. The Group's only transactions with the Scheme relate to contributions paid to the plan as set out in note 27 and administrative expenses incurred by the Scheme that are charged to the employer and expensed by the Group as incurred.

## 6. Share-based payments

The Group operates an HMRC approved executive management incentive plan (EMI), an unapproved share option plan, a Company Share Option Plan ('CSOP') and a Long Term Incentive Plan ('LTIP'). Details of the total number of shares under option at the year-end 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 | 125,700 | Earnings per share growth | 54.25 | 01/10/2007 | 30/09/2017 |
| 16/12/2004 | Management | 120,000 | 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 | 15/12/2017 |
| 27/05/2005 | Management | 145,421 | Earnings per share growth | 57.00 | 01/10/2007 | 30/09/2017 |
| 27/05/2005 | Management | 100,000 | TSR* Target | 00.00† | 01/10/2007 | 15/12/2017 |
| 04/08/2009 | Management | 100,000 | ‡ | 09.50 | 03/08/2012 | 03/08/2016 |
| 21/05/2010 | Management | 450,000 | ‡ | 23.00 | 21/05/2013 | 21/05/2017 |
| 05/01/2011 | Management | 175,000 | | 27.50 | 05/04/2014 | 05/01/2021 |
| 29/06/2011 | Management | 230,000 | | 30.00 | 29/06/2014 | 29/06/2018 |
| 27/11/2012 | Management | 200,000 | | 45.75 | 27/11/2015 | 27/11/2019 |
| 18/12/2012 | Management | 110,000 | | 49.00 | 18/12/2015 | 18/12/2019 |
| 13/12/2013 | Management | 375,000 | | 71.00 | 13/12/2016 | 13/12/2023 |
| 17/12/2013 | Management | 105,000 | # | 70.50 | 17/12/2016 | 17/12/2023 |
| 17/12/2013 | Employees | 155,950 | § | 10.00 | 17/12/2014 | 17/12/2021 |
| 03/03/2014 | Management | 400,000 | | 57.50 | 03/03/2017 | 03/03/2023 |
| | | 3,007,650 | | | | |

* 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.

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

# Performance conditions relating to options issued to certain managers at One iota Limited are based on target profitability and are in line with the conditions relating to the measurement and payment of deferred conditional consideration payable to the former shareholders of the business.

§ Options granted to employees of One iota Limited were issued without performance conditions and with an exercise price at a discount to the market value at the time of issue. The options are exercisable in three equal, annual tranches commencing December 2014.

## 6. Share-based payments continued

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

| | 2014 Weighted average exercise price | 2014 Number of options (number) | 2013 Weighted average exercise price | 2013 Number of options (number) |
|---|---|---|---|---|
| Outstanding at start of year | 28.2p | 4,556,290 | 24.9p | 5,221,290 |
| Granted during the year | 56.6p | 1,035,950 | 46.9p | 310,000 |
| Exercised during the year | (24.5)p | (2,584,590) | (5.2)p | (275,000) |
| Forfeited during the year | — | — | (21.1)p | (700,000) |
| Outstanding at end of the year | 40.7p | 3,007,650 | 28.2p | 4,556,290 |
| Exercisable at end of the year | 30.2p | 1,661,700 | 26.5p | 3,706,290 |

Options exercised during the year were in respect of the following schemes:

| | Quantity | Exercise price |
|---|---|---|
| LTIP | 1,146,138 | £1 per exercise |
| Unapproved | 1,114,139 | 10.00 — 50.00p |
| EMI | 214,313 | 54.25 — 57.00p |
| CSOP | 110,000 | 27.5p |

Options outstanding at 30 September 2014 have exercise prices in the ranges 0.0 pence to 57.0 pence per share. The weighted average contractual life of the options is 5.3 years (2013: 2.2 years).

On 30 September 2014 the closing share price of Sanderson Group plc was 67 pence. During the year ending on that date the closing share price varied in the range 56.5 pence to 76 pence.

### 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 period and the prior period, together with the assumptions used in determining the fair value, are summarised below. No options were granted in the preceding period.

| | 30 September 2014 | 30 September 2013 |
|---|---|---|
| Weighted average share price at date of grant (pence) | 67.2 | 47.1 |
| Weighted average exercise price (pence) | 56.6 | 47.1 |
| Weighted average contractual life (years) | 9.7 | 10 |
| Weighted average expected volatility | 25% | 55% |
| Weighted average expected dividend yield | 2.1% | 2.5% |
| Weighted average risk-free interest rate | 4.2% | 4.2% |
| Weighted average fair value of options granted (pence) | 20.7 | 17.7 |

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:

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Share-based payment charges | 101 | 83 |

### 7. Expenses and auditor's remuneration

Included in the income statement are the following items:

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Auditor's 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 | **42** | 41 |
| Taxation advice | **19** | 26 |
| Depreciation and other amounts written off property, plant & equipment: | | |
| Owned, in respect of continuing activities | **135** | 124 |
| Amortisation of acquisition-related intangible assets | **387** | 66 |
| Amortisation of development costs | **243** | 171 |
| Aggregate charge against income in respect of research and development | **1,661** | 1,252 |
| Cost of inventory recognised as an expense | **2,483** | 1,711 |
| Rentals payable under plant and machinery operating leases | **9** | 19 |
| Leasehold property rentals | **297** | 273 |

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 the Group's own proprietary software and services.

### 8. Personnel expenses

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

| | 2014 number | 2013 number |
|---|---|---|
| Technical | **147** | 113 |
| Sales and marketing | **25** | 22 |
| Administrative | **21** | 19 |
| | **193** | 154 |

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

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Wages and salaries | **7,395** | 6,287 |
| Social security costs | **791** | 677 |
| Contributions to defined contribution pension plans | **517** | 382 |
| Share-based payment charge | **101** | 83 |
| | **8,804** | 7,429 |

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

| | Salary or fees £000 | Payments to defined contribution pension £000 | Benefits in kind £000 | Value arising on exercise of options £000 | Total 2014 £000 | Total 2013 £000 |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| Christopher Winn | 280 | — | 6 | 896 | **1,182** | 406 |
| Ian Newcombe* | 147 | 26 | 5 | 69 | **247** | 130 |
| Adrian Frost | 128 | 46 | 4 | 81 | **259** | 225 |
| **Non-executive directors** | | | | | | |
| John Paterson | 32 | — | — | — | **32** | 31 |
| Philip Kelly | 32 | — | — | — | **32** | 31 |
| David Gutteridge* | — | — | — | — | **—** | 8 |
| | 619 | 72 | 15 | 1,046 | **1,752** | 831 |

* Comparative figures in respect of Ian Newcombe cover the period from his appointment on 3 January 2013 to 30 September 2013. Comparative figures in respect of David Gutteridge cover the period from 1 October 2012 to his resignation on 3 January 2013.

## 8. Personnel expenses continued

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' bonuses are payable when targets in respect of Group operating profit, set by the Remuneration Committee, are achieved. Bonuses for the year ending 30 September 2015 will be based on targets in respect of Group operating profit and growth in earnings per share.

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 twelve 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 (nine individuals).

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Short-term employee benefits | **1,100** | 1,191 |
| Post-employment benefits | **102** | 54 |
| Share-based payments | **57** | 57 |
| | **1,259** | 1,302 |

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

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Expected return on defined benefit pension scheme assets | **–** | 415 |
| Bank interest received | **13** | 54 |
| Dividend received | **15** | 20 |
| | **28** | 489 |

## 10. Finance expenses

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Other interest | **4** | – |
| Net interest on defined benefit pension scheme deficit | **156** | – |
| Interest on defined benefit pension scheme obligations | **–** | 518 |
| | **160** | 518 |

## 11. Taxation

| | 2014 £000 | 2013 £000 |
|---|---|---|
| **Current tax expense** | | |
| UK corporation tax for the current year | – | – |
| Overseas corporation tax for the current year | (6) | (3) |
| Relating to prior periods | – | (20) |
| Total current tax | (6) | (23) |
| **Deferred tax** | | |
| Deferred tax for the current year | 315 | 168 |
| Relating to prior periods | 9 | (61) |
| Relating to change in rate of tax | – | 168 |
| Total deferred tax | 324 | 275 |
| Taxation charged to the income statement | 318 | 252 |

### Reconciliation of effective tax rate

The current consolidated tax charge for the period is lower (2013: lower) than the average standard rate of corporation tax in the UK during the period of 22%. The differences are explained below.

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Profit before taxation — continuing operations | 1,916 | 1,943 |
| Tax using the average UK Corporation tax rate of 22% (2013: 23.5%) | 422 | 457 |
| *Effects of:* | | |
| Expenses not deductible for tax purposes | 62 | 56 |
| Utilisation and recognition of losses | 149 | (348) |
| Tax relief arising on option exercise | (272) | – |
| Over provision in previous years | 9 | (81) |
| Change in tax rate | (52) | 168 |
| Total tax in income statement | 318 | 252 |

## 12. Dividends

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Interim dividend of 0.80p per share (2013: 0.65p) | 432 | 285 |
| Final dividend relating to previous financial year of 0.85p per share (2013: 0.70p) | 441 | 305 |
| Total dividend for the financial year | 873 | 590 |

A final dividend of 1.00 pence per ordinary share in respect of the financial year ended 30 September 2014 will be proposed at the Annual General Meeting of the Company, expected to be held on 3 March 2015. If approved by shareholders, the total final dividend payment will amount to £ 540,638. The directors will receive a proportion of this dividend by virtue of their shareholdings in the Company, details of which are disclosed in the Directors' report.

### 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. In order to better demonstrate the performance of the Group, an adjusted earnings per share calculation has been presented below which adds back items typically adjusted for by users of the accounts. The calculations for earnings and the number of shares relevant to all of the measures of earnings per share described in the foregoing are set out below:

| Earnings: | 2014 £000 | 2013 £000 |
|---|---|---|
| Result for the year | 1,598 | 1,691 |
| Amortisation of acquisition-related intangibles | 387 | 66 |
| Share-based payment charges | 101 | 83 |
| Acquisition — related and restructuring costs | 303 | 94 |
| Adjusted profit for the year | 2,389 | 1,934 |

| Number of shares: | 2014 number | 2013 number |
|---|---|---|
| In issue at the start of the year | 43,800,946 | 43,525,946 |
| Effect of shares issued in the year | 8,057,990 | 205,907 |
| Weighted average number of shares at year-end | 51,858,936 | 43,731,853 |
| Effect of share options | 2,328,723 | 2,385,565 |
| Weighted average number of shares (diluted) | 54,187,659 | 46,117,418 |

| Earnings per share: | 2014 pence | 2013 pence |
|---|---|---|
| Total attributable to equity holders of the parent undertaking: | | |
| Basic | 3.1 | 3.9 |
| Diluted | 2.9 | 3.7 |
| Earnings per share, adjusted, from continuing operations: | | |
| Basic | 4.6 | 4.4 |
| Diluted | 4.4 | 4.2 |

### 14. Property, plant and equipment

| | Leasehold improvements £000 | Plant and equipment £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 October 2012 | 189 | 426 | 615 |
| Additions | 2 | 43 | 45 |
| Additions as part of acquisition of subsidiary undertaking | — | 14 | 14 |
| Disposals | — | (15) | (15) |
| Balance at 30 September 2013 | 191 | 468 | 659 |
| Additions | 41 | 72 | 113 |
| Additions as part of acquisition of subsidiary undertaking | — | 9 | 9 |
| Balance at 30 September 2014 | 232 | 549 | 781 |
| **Depreciation** | | | |
| Balance at 1 October 2012 | 45 | 198 | 243 |
| Charge for the year | 26 | 98 | 124 |
| Disposals | — | (15) | (15) |
| Reclassification | 5 | (5) | — |
| Balance at 30 September 2013 | 76 | 276 | 352 |
| Charge for the year | 30 | 105 | 135 |
| Balance at 30 September 2014 | 106 | 381 | 487 |
| **Net book value** | | | |
| At 30 September 2013 | 115 | 192 | 307 |
| **At 30 September 2014** | **126** | **168** | **294** |

## 15. Intangible assets

| | Goodwill £000 | Intellectual property £000 | Customer relationships £000 | Development costs* £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at 1 October 2012 | 23,212 | 996 | 254 | 1,024 | 25,486 |
| Acquired | 310 | 226 | 242 | — | 778 |
| Internally developed | — | — | — | 249 | 249 |
| Balance at 30 September 2013 | 23,522 | 1,222 | 496 | 1,273 | 26,513 |
| Acquired (note 16) | 2,608 | 1,690 | 972 | — | 5,270 |
| Internally developed | — | — | — | 680 | 680 |
| Balance at 30 September 2014 | 26,130 | 2,912 | 1,468 | 1,953 | 32,463 |
| **Amortisation and impairment** | | | | | |
| Balance at 1 October 2012 | 1,499 | 863 | 144 | 576 | 3,082 |
| Amortisation for the year | — | 35 | 31 | 171 | 237 |
| Balance at 30 September 2013 | 1,499 | 898 | 175 | 747 | 3,319 |
| Amortisation for the year | — | 229 | 158 | 243 | 630 |
| Balance at 30 September 2014 | 1,499 | 1,127 | 333 | 990 | 3,949 |
| **Net carrying value** | | | | | |
| Balance at 30 September 2013 | 22,023 | 324 | 321 | 526 | 23,194 |
| **Balance at 30 September 2014** | **24,631** | **1,785** | **1,135** | **963** | **28,514** |

* Development costs are internally generated.

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

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Administrative and establishment expenses | **630** | 237 |

### Amortisation and impairment

Intangible assets other than goodwill are amortised over their useful economic lives. In the case of intellectual property and customer relationships, 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 five and ten years. Intellectual property and customer relationship assets have between two and nine 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:

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Manufacturing | **11,091** | 11,091 |
| Multi-channel retail | **13,540** | 10,932 |
| Goodwill | **24,631** | 22,023 |

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 2015 have been extrapolated for periods of between ten and twelve 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 retail CGU: 3% 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 5-10% per annum in the short to medium term.

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 the Manufacturing CGU, whereas 10% has been applied to the Multi-channel retail CGU.

### 15. Intangible assets continued

The directors have formulated profit and cash flow forecasts for the financial year ending 30 September 2015 on the basis of the growth rates set out above. The value in use of the goodwill of the Manufacturing CGU exceeds the carrying value by £3.20 million. The value in use of the goodwill of the Multi-channel retail CGU exceeds the carrying value by £3.10 million. 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 both CGUs. The Manufacturing CGU profit forecast would need to fall by 23% to trigger an impairment charge. In the case of the Multi-channel retail CGU a profit reduction of 16% would be required.

### 16. Acquisitions

#### Current year

On 7 October 2013 the Group acquired control of One iota Limited by purchasing the entire issued ordinary share capital (and thereby 100% of the voting rights) for a maximum aggregate consideration of £5.43 million. Cash consideration of £2.38 million was paid at completion and a further £750,000 of consideration was satisfied at completion by the issue of 1,314,636 ordinary shares at a price of 57.05 pence. Deferred consideration of £300,000 will be paid unconditionally in six equal instalments of £50,000 over the three year period immediately following completion. Further conditional deferred consideration of up to £2.00 million will be payable subject to One iota achieving certain performance targets over the three years ending 30 September 2016. Having applied a discount rate of 8% to future cash flows, management has estimated the fair value of consideration to amount to £4.78 million net of cash balances acquired, of which £750,000 has been satisfied by the issue of shares at completion and the remainder to be satisfied in cash.

The business provides cloud-based, multi-channel solutions via new mobile, tablet and in-store devices. For the year ended 31 January 2013 One iota had unaudited revenue of £665,000 (2012: £502,000) and profit before taxation of £195,000 (2012: £158,000). At 31 January 2013 One iota's net assets were £848,000. In the 51 weeks to 30 September 2014 the subsidiary contributed £1.66 million to consolidated revenue and £0.16 million to consolidated profit before taxation (stated after charging amortisation of acquired intangibles and share-based payment expense).

It is estimated that 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 | 18 | (9) | 9 |
| Intangible assets | 639 | 2,023 | 2,662 |
| Trade and other receivables | 259 | (5) | 254 |
| Cash and cash equivalents | 334 | — | 334 |
| Trade and other payables | (224) | (73) | (297) |
| Income tax payable | — | (47) | (47) |
| Deferred taxation | — | (411) | (411) |
| Net identifiable assets and liabilities | 1,026 | 1,478 | 2,504 |
| Goodwill on acquisition | | | 2,608 |
| | | | 5,112 |
| Cash consideration paid at completion | | | 2,380 |
| Issue of 1,314,636 ordinary shares of 10p, fully paid, at completion | | | 750 |
| Deferred cash consideration payable by instalments | | | 263 |
| Deferred contingent cash consideration | | | 1,719 |
| Net discounted consideration payable | | | 5,112 |

Deferred consideration of £300,000 is payable unconditionally in six equal instalments of £50,000 over the three year period immediately following completion. Further conditional deferred consideration of up to £2.00 million is payable in three instalments in December 2014, December 2015 and December 2016 subject to One iota achieving certain performance targets over the three years ending 30 September 2016. The deferred consideration shown in the table above has been discounted to present value in accordance with IAS 39 using a discount rate of 8% based on management's estimate of the internal cost of capital appropriate to the investment.

The fair value adjustments relate to the recognition of intangible assets in accordance with IFRS 3: Business Combinations, adjustments to deferred income to apply the Group's accounting policy to amounts billed prior to acquisition and adjustments to the accounting for costs relating to deferred income to match the treatment adopted in respect of the income. Fair values have been determined on a provisional basis.

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 adopted an income basis with estimated future cash flows discounted at a rate of 10% per annum.

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 multi-channel retail operations.

One iota offers a significant growth opportunity in the rapidly expanding mobile retail solutions market as well as a synergistic opportunity to accelerate further the development of Sanderson into the provision of integrated mobile solutions.

Costs relating to the acquisition of £125,000 (2013: £94,000) have been charged against operating profit and are included in administrative expenses.

### Prior year

On 12 August 2013 the Group acquired the entire issued ordinary share capital of Catan Marketing Limited for cash consideration. The business develops and supplies ecommerce software and related services under the PRIAM trading name.

## 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 | |
|---|---|---|---|---|---|---|
| | **2014 £000** | 2013 £000 | **2014 £000** | 2013 £000 | **2014 £000** | 2013 £000 |
| Property, plant and equipment | **69** | 178 | **—** | — | **69** | 178 |
| Intangible assets | **—** | — | **(486)** | (162) | **(486)** | (162) |
| Share-based payment expense | **42** | 29 | **—** | — | **42** | 29 |
| Trade and other payables | **—** | 96 | **(95)** | (110) | **(95)** | (14) |
| Employee benefits | **960** | 835 | **—** | — | **960** | 835 |
| Tax losses | **74** | 250 | **—** | — | **74** | 250 |
| | **1,145** | 1,388 | **(581)** | (272) | **564** | 1,116 |

### Movement in deferred tax for the year ended 30 September 2014

| | As at 1 October 2013 £000 | Income statement £000 | Acquisition of subsidiary undertaking £000 | Statement of comprehensive income £000 | **As at 30 September 2014 £000** |
|---|---|---|---|---|---|
| Property, plant and equipment | 178 | (109) | — | — | **69** |
| Intangible assets | (162) | 87 | (411) | — | **(486)** |
| Share-based payment expense | 29 | 13 | — | — | **42** |
| Trade and other payables | (14) | (81) | — | — | **(95)** |
| Employee benefits | 835 | (58) | — | 183 | **960** |
| Tax losses | 250 | (176) | — | — | **74** |
| | 1,116 | (324) | (411) | 183 | **564** |

### Movement in deferred tax for the year ended 30 September 2013

| | As at 1 October 2012 £000 | Income statement £000 | Acquisition of subsidiary undertaking £000 | Statement of comprehensive income £000 | As at 30 September 2013 £000 |
|---|---|---|---|---|---|
| Property, plant and equipment | 182 | (4) | — | — | 178 |
| Intangible assets | (121) | 67 | (108) | — | (162) |
| Share-based payment expense | 26 | 3 | — | — | 29 |
| Trade and other payables | 33 | (47) | — | — | (14) |
| Employee benefits | 1,038 | (256) | — | 53 | 835 |
| Tax losses | 288 | (38) | — | — | 250 |
| | 1,446 | (275) | (108) | 53 | 1,116 |

**17. Deferred tax assets and liabilities** continued

A deferred tax asset has been recognised in respect of tax losses reasonably expected to be utilised in the financial year ending 30 September 2015. 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 £637,000 (2013: £364,000) 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 £3.18 million (2013: £1.80 million).

The rate of UK corporation tax changed during the financial year ending 30 September 2014. The rate at which deferred tax assets will be utilised was adjusted in the year to 30 September 2013, resulting in a charge to the income statement of £168,000. No equivalent charge has arisen in the year to 30 September 2014.

**18. Trade and other receivables**

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Trade receivables | **3,713** | 2,412 |
| Prepayments and accrued income | **993** | 959 |
| | **4,706** | 3,371 |

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 project-related 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, £761,000 (2013: £498,000) are past due but not impaired. An analysis of these trade receivables is set out below:

| | **2014 £000** | 2013 £000 |
|---|---|---|
| 0–30 days overdue | **307** | 311 |
| 30–60 days overdue | **50** | 95 |
| 60–90 days overdue | **101** | 31 |
| 90+ days overdue | **303** | 61 |
| Total | **761** | 498 |
| **Movement in impairment provisions:** | | |
| Balance at the beginning of the year | **15** | 7 |
| Impairment losses recognised | **85** | 55 |
| Amounts written off as uncollectible | **(40)** | (47) |
| Balance at the end of the year | **60** | 15 |

**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.

## 20. Deferred consideration

| | 2014 £000 | 2013 £000 |
|---|---|---|
| **Current liabilities:** | | |
| *Arising on the acquisition of Catan Marketing Limited* | | |
| Unconditional deferred consideration, paid October 2013 | **–** | 50 |
| Conditional deferred consideration, paid October 2014 | **95** | 95 |
| *Arising on the acquisition of One iota Limited (note 16)* | | |
| Unconditional deferred consideration | **90** | – |
| Conditional deferred consideration | **630** | – |
| | **815** | 145 |
| **Non-current liabilities:** | | |
| *Arising on the acquisition of One iota Limited (note 16)* | | |
| Unconditional deferred consideration | **124** | – |
| Conditional deferred consideration | **1,089** | – |
| | **1,213** | – |

## 21. Trade and other payables

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Trade payables | **773** | 589 |
| Other taxation and social security | **1,086** | 614 |
| Accruals and customer deposits | **1,496** | 1,543 |
| | **3,355** | 2,746 |

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

| | 2014 number '000 | 2013 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 2013: Equity — 43,800,946 Ordinary shares of 10 pence each | **4,380** | 4,352 |
| Issued during the year | **1,026** | 28 |
| At 30 September 2014: Equity — 54,063,808 Ordinary shares of 10 pence each | **5,406** | 4,380 |

The following share issues occurred during the year:

| Date | Reason | Quantity | Price |
|---|---|---|---|
| 11/10/13 | Consideration for acquisition of subsidiary undertaking (note 16) | 1,314,636 | 57.05p |
| 28/10/13 | Placing | 6,363,636 | 55.00p |
| 18/12/13 | Exercise of options | 162,500 | 10.00p |
| 18/12/13 | Exercise of options | 115,579 | 71.00p |
| 29/01/14 | Exercise of options | 30,000 | 27.50p |
| 03/02/14 | Exercise of options | 30,000 | 27.50p |
| 27/03/14 | Exercise of options | 30,000 | 57.00p |
| 23/04/14 | Exercise of options | 119,587 | 69.00p |
| 24/06/14 | Exercise of options | 184,313 | 54.25p |
| 24/06/14 | Exercise of options | 926,639 | 50.00p |
| 24/06/14 | Exercise of options | 910,972 | 73.00p |
| 24/06/14 | Exercise of options | 50,000 | 27.50p |
| 09/07/14 | Exercise of options | 25,000 | 30.00p |

## 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 22.

The accumulated amount of current and deferred tax relating to items that are charged or credited directly to equity is a credit of £691,000 (2013: a credit of £508,000).

## 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 by adopting a progressive dividend policy.

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:

| | 2014 £000 | 2013 £000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including trade and other receivables, cash and cash equivalents) | **9,872** | 6,074 |
| Available for sale assets | **222** | 205 |
| | **10,094** | 6,279 |
| **Financial liabilities** | | |
| Trade payables and accruals | **2,269** | 2,132 |
| Deferred consideration | **2,028** | 145 |
| | **4,297** | 2,277 |

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

### Market risk management

The Group is exposed to price risk in respect of its investment in the listed equity securities of an unrelated company whose shares are traded on the London Stock Exchange. For the listed equity securities, an average volatility of 2.6% has been observed since the year-end to November 2014. The volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these securities increased or decreased by that amount, other comprehensive income and equity would have changed by £6,000. The listed securities are classified as available for sale ('AFS') assets, therefore no effect on profit or loss would have occurred.

The investments in listed equity securities are considered strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilised in the Group's favour.

### 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 and gross amounts payable as deferred consideration.

| | Current | | Non-current | |
|---|---|---|---|---|
| **2014** | **Within 6 months £000** | **6 to 12 months £000** | **1 to 2 years £000** | **2 to 5 years £000** |
| Trade payables and accruals | 2,269 | — | — | — |
| Deferred consideration | 825 | 50 | 750 | 720 |
| Trade and other payables | 3,094 | 50 | 750 | 720 |

| | Current | | Non-current | |
|---|---|---|---|---|
| 2013 | Within 6 months £000 | 6 to 12 months £000 | 1 to 2 years £000 | 2 to 5 years £000 |
| Trade payables and accruals | 2,132 | — | — | — |
| Deferred consideration | 50 | 95 | — | — |
| Trade and other payables | 2,182 | 95 | — | — |

### 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 £6.00 million.

### Other financial assets and liabilities

The financial assets and liabilities measured at fair value in the statement of financial position are measured 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 measured at fair value in the statement of financial position at 30 September 2014 are available for sale financial assets which are in level 1 and valued as set out in note 19.

The financial liability measured at fair value in the statement of financial position at 30 September 2014 is deferred consideration which is in level 3 in the fair value hierarchy. The fair value of deferred consideration relates to the acquisitions of One iota Limited in the current year and Catan Marketing Limited in the prior year and is estimated using a present value technique. The fair value is estimated by discounting the estimated future cash flows at 8%. The cash flows before discounting are £2.35m and reflect management's belief that both businesses will achieve their performance targets such that the maximum contingent consideration will ultimately be payable. The discount rate is based on the Group's weighted average cost of capital. The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate. Should One iota not achieve its performance targets for the three years ending 30 September 2016 then the estimated future cash flows may be reduced.

The reconciliation of the carrying amounts of financial instruments classified within level 3 is as follows:

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Balance at 1 October 2013 | **(145)** | — |
| Acquired through business combination | **(1,982)** | (145) |
| Payments made during the year | **100** | — |
| Discount unwound and recognised within finance costs | **(1)** | — |
| **Balance at 30 September 2014** | **(2,028)** | (145) |

## 24. Financial instruments disclosure continued

### 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 minimized 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.

## 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 secured by fixed and floating charges over the whole of the Group's property, assets and undertakings. At 30 September 2014 the Group held net cash balances of £6.16 million. One subsidiary company reported an overdraft totalling £700,000.

## 26. Commitments

Capital commitments, approved by the Board and existing at 30 September 2014, amounted to £nil (2013: £nil).

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

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Land and buildings £000** | **Other £000** | Land and buildings £000 | Other £000 |
| Payable: | | | | |
| Within one year | **253** | **7** | 275 | 21 |
| In the second to fifth years inclusive | **741** | **16** | 569 | 17 |
| Over five years | **2,772** | **–** | 2,830 | – |
| | **3,766** | **23** | 3,674 | 38 |

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 £517,000 (2013: £382,000). As a result of an administrative error on the part of the scheme insurer, Scottish Widows, contributions amounting to £119,000 had not been paid at 30 September 2014 (2013: £nil).

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. Benefits are paid to members by reference to their length of service and final pensionable salary on the date the scheme closed to future accrual. The latest actuarial valuation of the scheme, as at 1 April 2011, showed the scheme to have a deficit of £3.97 million. 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 projected unit method.

The scheme falls within the statutory funding framework under the requirements of which the scheme must meet the statutory funding objective to have sufficient and appropriate assets to cover its technical provisions. Technical provisions are an estimate based on actuarial principles, of the assets needed to cover the scheme liabilities. Liabilities include pensions in payment, benefits payable to the spouses or dependents of deceased members and benefits accrued by members yet to reach their prescribed retirement age, which will be payable in the future. Technical provisions are calculated using an accrued benefits funding method and assumptions chosen by the trustees, after taking the actuary's advice and obtaining the employer's agreement.

The defined benefit pension scheme is a separate legal entity from the Sanderson Group and is independently responsible for managing the assets and liabilities of the scheme. The scheme trustee is required by the scheme's trust deed to act in the best interests of the members of the scheme. Certain of the Group's employees act as directors of the corporate trustee of the scheme. The scheme exposes the Group to actuarial risks such as:

*Projection risk:* IAS 19 does not require a full actuarial valuation each period end. The provisional results of the 1 April 2014 actuarial valuation have therefore been projected forward to 30 September 2014. By its nature such a projection involves a degree of estimation.

*Investment mismatch risk:* The discount rate used to calculate the defined benefit obligation under IAS 19 should reflect the yield available on a high quality corporate bond. The actual investment strategy adopted by the trustee is not to be fully invested in corporate bonds, which means movements in the scheme's assets may not correspond to movements in the value of liabilities as measured under IAS 19.

*Longevity risk:* If pensions are not bought out and members live longer than expected, the benefits will be payable for longer than allowed for in the calculation of the liabilities, leading to an experience loss on the plan liabilities. Conversely, should members not live as long as expected, an experience gain may arise.

*Benefit risk:* In calculating the liabilities the company must make a number of assumptions about the way the scheme's benefits will increase over time, such as the impact of inflation. If the increase in benefits does not follow the assumptions made, there is a risk that an experience gain or loss may arise.

*Equalisation risk:* The Department of Work and Pensions has taken legal advice on GMP equalisation and is currently considering options for implementation. There is a risk that additional benefits may arise as a result of implementation.

*Solvency risk:* The IAS 19 liabilities are calculated on an ongoing basis, which assumes the sponsoring employer remains solvent and the scheme remains in existence. Should the sponsoring employer no longer be in a position to support the scheme, the scheme would commence winding up and benefits may have to be bought out with an insurance company. The cost of this action is likely to exceed the value of liabilities as calculated under IAS 19.

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

| | **2014** | 2013 |
|---|---|---|
| Inflation — RPI | **3.2%** | 3.2% |
| Inflation — CPI | **2.4%** | 2.4% |
| Pension revaluation in deferment | **3.2%** | 3.2% |
| Pension escalation in payment | **3.2%** | 3.2% |
| Discount rate | **4.0%** | 4.3% |

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 | **4.75%** | 4.75% |
| — Equities | **7.00%** | 7.00% |
| — Bonds and gilts | **3.50%** | 4.00% |
| — Cash | **1.50%** | 1.50% |
| — Property | **6.25%** | n/a |

PCMA00 and PCFA00 mortality tables have been used in both years. The 2014 valuation applies the CMI 2013 projection model with long cohort improvements of at least 1% for both males and females (2013: 1% for males, 0.5% for females). A male member retiring at 30 September 2014 is assumed to have a life expectancy of 22.8 years (2013: 24.2), a female member 24.8 years (2013: 26.1). A male member retiring in 20 years is assumed to have a life expectancy from their retirement date of 24.3 years (2013: 26.2) and a female member 26.3 years (2013: 27.3).

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

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Included within operating profit: | | |
| Current service cost | **–** | (12) |
| Included within finance income: | | |
| Expected return on scheme assets | **–** | 415 |
| Included within finance expense: | | |
| Interest cost on scheme liabilities | **–** | (518) |
| Net interest cost on scheme deficit | **(156)** | – |

# Notes to the consolidated financial statements
continued

### 27. Pension schemes continued

The revisions to IAS 19 adopted by the Company for the first time in the year ended 30 September 2014 require the calculation of a net interest cost by reference to the deficit on the scheme at the start of the financial year and the discount rate. In prior years, IAS 19 required a finance charge be calculated by applying the discount rate to scheme liabilities and finance income be calculated by reference to each class of scheme asset and an assumed rate of return for each asset category. Had the revised IAS 19 applied in the year ended 30 September 2013 the interest cost would have exceeded the net of the finance income and finance expense shown above by £62,000.

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

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Actual return on scheme assets | **432** | 809 |
| Expected return on scheme assets | **(390)** | (415) |
| Financial actuarial gain | **42** | 394 |
| Experience gains or losses arising on the scheme liabilities | **(154)** | (14) |
| Effect of changes in actuarial assumptions | **(722)** | (605) |
| Remeasurement recognised in the statement of comprehensive income | **(834)** | (225) |

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

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Cumulative actuarial loss at 1 October | **(5,732)** | (5,507) |
| Recognised during the year | **(834)** | (225) |
| Cumulative actuarial losses at 30 September | **(6,566)** | (5,732) |

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

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Fair value of defined benefit obligation | **(13,367)** | (13,205) |
| Fair value of scheme assets | **8,563** | 9,031 |
| Deficit in the scheme | **(4,804)** | (4,174) |
| Deferred taxation on above | **960** | 835 |
| Net pension liability | **(3,844)** | (3,339) |

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

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Equities | **5,803** | 4,892 |
| Bonds | **1,206** | 811 |
| Unitised with-profits fund | **247** | 414 |
| Property | **49** | — |
| Cash and cash equivalents | **1,258** | 2,914 |
| Closing fair value of scheme assets | **8,563** | 9,031 |

None of the scheme's assets have quoted prices in an active market.

The assets of the scheme do not comprise any of the Group's own financial instruments or any assets used by Group companies.

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

| | **2014 %** | 2013 % |
|---|---|---|
| Equities | **66** | 52 |
| Bonds and gilts | **14** | 9 |
| Cash and cash equivalents | **17** | 35 |
| Other (including unitised with-profits) | **3** | 4 |
| | **100** | 100 |

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

| | 2014<br>£000 | 2013<br>£000 |
|---|---|---|
| Opening fair value of scheme assets at 1 October | **9,031** | 7,715 |
| Return on plan assets | **390** | 415 |
| Financial actuarial gain | **42** | 395 |
| Benefit payments made | **(1,260)** | (171) |
| Contributions paid | **360** | 677 |
| Closing fair value of scheme assets at 30 September | **8,563** | 9,031 |

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

| | 2014<br>£000 | 2013<br>£000 |
|---|---|---|
| Opening defined benefit obligation at 1 October | **(13,205)** | (12,227) |
| Current service cost | **–** | (12) |
| Interest cost | **(546)** | (518) |
| Benefit payments made | **1,260** | 171 |
| Actuarial losses: financial | **(1,264)** | (619) |
| Actuarial losses: demographic | **388** | – |
| Closing defined benefit obligation at 30 September | **(13,367)** | (13,205) |

The weighted average duration of the defined benefit obligation at 30 September 2014 was 20 years.

Total committed contributions to the defined benefit scheme for the financial year ending 30 September 2015 amount to £600,000 in respect of agreed monthly contributions.

The results of the IAS 19 valuation at 30 September 2014 are sensitive to the assumptions adopted. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

| Assumption | Change in assumption | Change in liabilities |
|---|---|---|
| Discount rate | Decrease by 0.5% | Increase by 11% |
| Rate of inflation | Increase by 0.5% | Increase by 6% |
| Life expectancy | Increase by 1 year | Increase by 2% |

The above analysis is based on a change in an assumption whilst holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to significant actuarial assumptions has been estimated, based on the average age and the normal retirement age of members and the duration of the liabilities of the scheme.

# 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 2014 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 17, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

## 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 2014;
- 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 Strategic report and 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 2014.

**David White**
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
24 November 2014

# Company statement of financial position

at 30 September 2014

| | Note | 2014 £000 | 2013 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments | 31 | **23,143** | 23,042 |
| Deferred tax asset | 32 | **10** | 156 |
| | | **23,153** | 23,198 |
| **Current assets** | | | |
| Trade and other receivables | 33 | **189** | 22 |
| Income tax | | **185** | 185 |
| Other short-term financial assets | | **222** | 205 |
| Cash and cash equivalents | | **1,780** | 1,000 |
| | | **2,376** | 1,412 |
| **Current liabilities** | | | |
| Bank overdraft | | **–** | (224) |
| Trade and other payables | 34 | **(38)** | (25) |
| | | **(38)** | (249) |
| **Net current assets** | | **2,338** | 1,163 |
| **Total assets less current liabilities** | | **25,491** | 24,361 |
| **Non-current liabilities** | | | |
| Trade and other payables | 34 | **(4,352)** | (6,893) |
| **Net assets** | | **21,139** | 17,468 |
| **Equity attributable to the equity holders of the Company** | | | |
| Called up share capital | 35 | **5,406** | 4,380 |
| Share premium account | | **8,809** | 4,302 |
| Available for sale reserve | | **91** | 74 |
| Retained earnings | | **6,833** | 8,712 |
| **Total equity** | | **21,139** | 17,468 |

The Company statement of financial position was approved and authorised for issue by the Board of directors on 24 November 2014 and signed on its behalf by:

**Christopher Winn**
Director

**Company Registration Number**
4968444

# Company statement of cash flows

for the year ended 30 September 2014

| | 2014<br>£000 | 2013<br>£000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| (Loss)/profit for the year after taxation | **(277)** | 177 |
| *Adjustments for:* | | |
| Share-based payment charge | **–** | 18 |
| Net finance expense | **(23)** | (68) |
| Income tax | **242** | (360) |
| **Operating cash flow before changes in working capital** | **(58)** | (233) |
| Movement in trade and other receivables | **560** | (17) |
| Movement in trade and other payables | **(2,601)** | 223 |
| **Cash generated from continuing operations** | **(2,099)** | (27) |
| Interest paid | **–** | – |
| Income tax received | **–** | – |
| **Net cash flow from operating activities** | **(2,099)** | (27) |
| **Cash flow from investing activities** | | |
| Bank interest received | **8** | 48 |
| Dividend received | **15** | 20 |
| **Net cash flow from investing activities** | **23** | 68 |
| **Cash flow from financing activities** | | |
| Issue of shares, net of costs | **3,953** | 15 |
| Settlement of share options | **–** | (200) |
| Equity dividends paid | **(873)** | (590) |
| **Net cash flow from financing activities** | **3,080** | (775) |
| Net increase/(decrease) in cash and cash equivalents | **1,004** | (734) |
| Cash and cash equivalents at beginning of year | **776** | 1,510 |
| **Cash and cash equivalents at the end of the year** | **1,780** | 776 |

# Company statement of changes in equity

for the year ended 30 September 2014

| | Share capital £000 | Share premium £000 | Available for sale reserve £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|
| At 1 October 2013 | 4,380 | 4,302 | 74 | 8,712 | 17,468 |
| Shares issued | 768 | 3,482 | — | — | 4,250 |
| Costs incurred in respect of share issue | — | (181) | — | — | (181) |
| Dividend paid | — | — | — | (873) | (873) |
| Exercise of share options | 258 | 1,206 | — | (830) | 634 |
| Share-based payment charge | — | — | — | 101 | 101 |
| Transactions with owners | 1,026 | 4,507 | — | (1,602) | 3,931 |
| Loss for the year | — | — | — | (277) | (277) |
| *Other comprehensive income:* | | | | | |
| Change in fair value of available for sale asset | — | — | 17 | — | 17 |
| **At 30 September 2014** | 5,406 | 8,809 | 91 | 6,833 | 21,139 |

for the year ended 30 September 2013

| | Share capital £000 | Share premium £000 | Available for sale reserve £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|
| At 1 October 2012 | 4,352 | 4,205 | — | 9,352 | 17,909 |
| Shares issued | 28 | 97 | — | (110) | 15 |
| Dividend paid | — | — | — | (590) | (590) |
| Settlement of share options | — | — | — | (200) | (200) |
| Share-based payment charge | — | — | — | 83 | 83 |
| Transactions with owners | 28 | 97 | — | (817) | (692) |
| Profit for the year | — | — | — | 177 | 177 |
| *Other comprehensive income:* | | | | | |
| Change in fair value of available for sale asset | — | — | 74 | — | 74 |
| At 30 September 2013 | 4,380 | 4,302 | 74 | 8,712 | 17,468 |

# Notes to the Company financial statements

## 28. Accounting policies

### 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. 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 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 temporary 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 temporary 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 temporary differences reverse.

### Personnel expenses

The Company employed two non-executive directors during the course of the year (2013: three non-executives). John Paterson and Philip Kelly served throughout the year. Fees paid in respect of these appointments amounted to £64,000 (2013: £70,300). 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
- 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. 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.

### 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.

### 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.

## 29. Employee share option schemes

Details of options granted over the shares of the Company are set out in note 6 to the financial statements.

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.

## 30. Dividends

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Interim dividend of 0.80p per share (2013: 0.65p) | 432 | 285 |
| Final dividend relating to previous financial year of 0.85p per share (2013: 0.70p) | 441 | 305 |
| Total dividend for the financial year | 873 | 590 |

A final dividend of 1.00 pence per ordinary share in respect of the financial year ended 30 September 2014 will be proposed at the Annual General Meeting of the Company, expected to be held on 3 March 2015. If approved by shareholders, the total final dividend payment will amount to £540,638.

## 31. Non-current asset investments

| | Shares in Group undertakings £000 |
|---|---|
| **Cost** | |
| At 1 October 2012 | 27,731 |
| Fair value of share options granted to employees of subsidiaries | 65 |
| At 30 September 2013 | 27,796 |
| Fair value of share options granted to employees of subsidiaries | 101 |
| **At 30 September 2014** | **27,897** |
| **Impairments** | |
| At 1 October 2012, 30 September 2013 and 30 September 2014 | (4,754) |
| **Net book value** | |
| At 30 September 2013 | 23,042 |
| **At 30 September 2014** | **23,143** |

The principal subsidiary undertakings of Sanderson Group plc are Sanderson Limited, One iota Limited (both 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 Group also owns 100% of the issued share capital of Sanderson Australia Software Pty Limited, a company incorporated in Australia, which supplies IT products and services to the local market.

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.

## 32. Deferred taxation

### Recognised deferred tax assets

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

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Share-based payment expense | **10** | 9 |
| Tax losses | **–** | 147 |
| | **10** | 156 |

### Movement in deferred tax

| | As at 30 September 2012 £000 | Income statement £000 | As at 30 September 2013 £000 | Income statement £000 | **As at 30 September 2014 £000** |
|---|---|---|---|---|---|
| Share-based payment expense | 4 | 5 | 9 | 1 | **10** |
| Tax losses | 106 | 41 | 147 | (147) | **–** |
| | 110 | 46 | 156 | (146) | **10** |

A deferred tax asset has previously been recognised in respect of tax losses reasonably expected to be utilised in the subsequent financial year. 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. No deferred tax asset has been recognised at 30 September 2014.

A deferred tax asset of £351,000 (2013: £79,000) 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 £1,755,000 (2013: £395,000).

The rate of UK corporation tax changed during the financial year ending 30 September 2014. The rate at which deferred tax assets will be utilised was adjusted in the year to 30 September 2013, resulting in a charge to the income statement of £23,000. No equivalent charge has arisen in the year to 30 September 2014.

### 33. Trade and other receivables

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Prepayments | 6 | 22 |
| Amounts due from subsidiary undertakings | 183 | – |
| | 189 | 22 |

### 34. Trade and other payables

| | 2014 £000 | 2013 £000 |
|---|---|---|
| **Current liabilities** | | |
| Accruals | 38 | 25 |
| **Non-current liabilities** | | |
| Amounts due to subsidiary undertakings | 4,352 | 6,893 |

### 35. Called up share capital

| | 2014 number '000 | 2013 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 2013: Equity — 43,800,946 Ordinary shares of 10 pence each | 4,380 | 4,352 |
| Issued during the year | 1,026 | 28 |
| At 30 September 2014: Equity — 54,063,808 Ordinary shares of 10 pence each | 5,406 | 4,380 |

The following share issues occurred during the year:

| Date | Reason | Quantity | Price |
|---|---|---|---|
| 11/10/13 | Consideration for acquisition of subsidiary undertaking (note 16) | 1,314,636 | 57.05p |
| 28/10/13 | Placing | 6,363,636 | 55.00p |
| 18/12/13 | Exercise of options | 162,500 | 10.00p |
| 18/12/13 | Exercise of options | 115,579 | 71.00p |
| 29/01/14 | Exercise of options | 30,000 | 27.50p |
| 03/02/14 | Exercise of options | 30,000 | 27.50p |
| 27/03/14 | Exercise of options | 30,000 | 57.00p |
| 23/04/14 | Exercise of options | 119,587 | 69.00p |
| 24/06/14 | Exercise of options | 184,313 | 54.25p |
| 24/06/14 | Exercise of options | 926,639 | 50.00p |
| 24/06/14 | Exercise of options | 910,972 | 73.00p |
| 24/06/14 | Exercise of options | 50,000 | 27.50p |
| 09/07/14 | Exercise of options | 25,000 | 30.00p |

### 36. Financial instruments disclosure

#### Capital risk management

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

The capital structure of the Company currently consists of cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in the Company 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 Company 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.

# Notes to the Company financial statements
continued

## 36. Financial instruments disclosure continued

### Categories of financial assets and financial liabilities

The company held the following categories of financial instruments:

| | 2014 £000 | 2013 £000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including trade and other receivables, cash and cash equivalents) | **2,104** | 1,207 |
| Available for sale assets | **222** | 205 |
| | **2,326** | 1,412 |
| **Financial liabilities** | | |
| Bank overdraft | **–** | 224 |
| Trade payables and accruals | **4,390** | 6,918 |
| | **4,390** | 7,142 |

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

### Market risk management

The Company is exposed to price risk in respect of its investment in the listed equity securities of an unrelated company whose shares are traded on the London Stock Exchange. For the listed equity securities, an average volatility of 2.6% has been observed since the year end to November 2014. The volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these securities increased or decreased by that amount, other comprehensive income and equity would have changed by £6,000. The listed securities are classified as available for sale ('AFS') assets; therefore, no effect on profit or loss would have occurred.

The investments in listed equity securities are considered long-term, strategic investments. In accordance with the Company's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilised in the Company's favour.

### Liquidity risk management

The Company 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.

| | **Current** | | **Non-current** | |
|---|---|---|---|---|
| **2014** | **Within 6 months £000** | **6 to 12 months £000** | **1 to 2 years £000** | **2 to 5 years £000** |
| Bank overdraft | **–** | **–** | **–** | **–** |
| Trade payables and accruals | **38** | **–** | **–** | **4,352** |
| | **38** | **–** | **–** | **4,352** |

| | Current | | Non-current | |
|---|---|---|---|---|
| 2013 | Within 6 months £000 | 6 to 12 months £000 | 1 to 2 years £000 | 2 to 5 years £000 |
| Bank overdraft | 224 | – | – | – |
| Trade payables and accruals | 25 | – | – | 6,893 |
| | 249 | – | – | 6,893 |

### Interest rate sensitivity analysis

At the year-end date there was no material exposure to movements in interest rates as the Company reported a cash balance of £1.78 million.

### 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 measured at fair value in the statement of financial position at 30 September 2014 are available for sale financial assets which are in level 1 and valued as set out in note 19.

### Foreign currency risk management

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

### Credit risk management

The Company has no material credit risk exposure.

### Management of other risks

The Company's policies on interest rate and liquidity risk are described above.

## 37. Contingent liabilities

Each company within the Group has guaranteed the bank facilities of its fellow subsidiary companies. Bank facilities available to each subsidiary are secured by fixed and floating charges over the whole of the Group's property, assets and undertakings. At 30 September 2014 the Group held net cash balances of £6.16 million. One subsidiary company reported an overdraft totalling £700,000.

## 38. Related party transactions

The Company levied management charges on the following subsidiary companies during the year:

| | 2014<br>£000 | 2013<br>£000 |
|---|---|---|
| Sanderson Limited | 50 | — |
| Sanderson Multi-Channel Solutions Limited | 50 | — |
| One iota Limited | 40 | — |

Amounts due from/(to) subsidiary companies at 30 September 2014 are set out below:

| | 2014<br>£000 | 2013<br>£000 |
|---|---|---|
| Sanderson Limited | 183 | (562) |
| Sanderson Multi-Channel Solutions Limited | (1,682) | (4,361) |
| Sonarsend Limited | (546) | (317) |
| One iota Limited | (471) | — |
| Poplar 600 Limited (dormant subsidiary) | (1,653) | (1,653) |

Directors of the Company received dividends during the year by virtue of their shareholdings in the Company, details of which are disclosed in the Directors' report.

# Group information

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Adrian Frost

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4968444

**Registered and head office**
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**To go directly to our website, scan the QR code opposite**