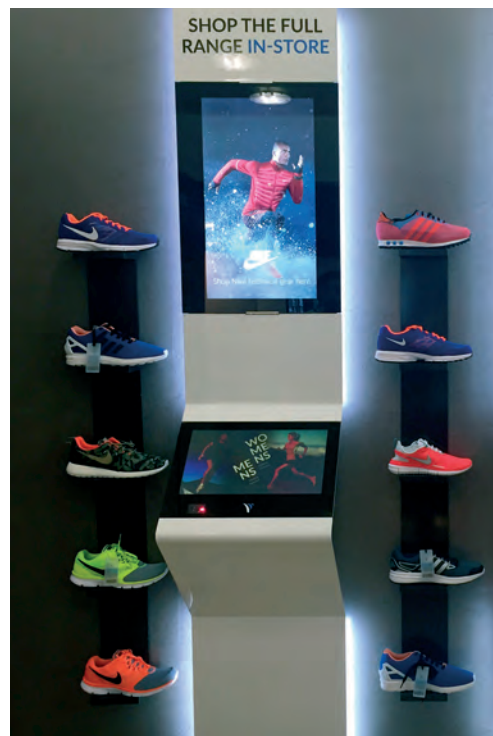
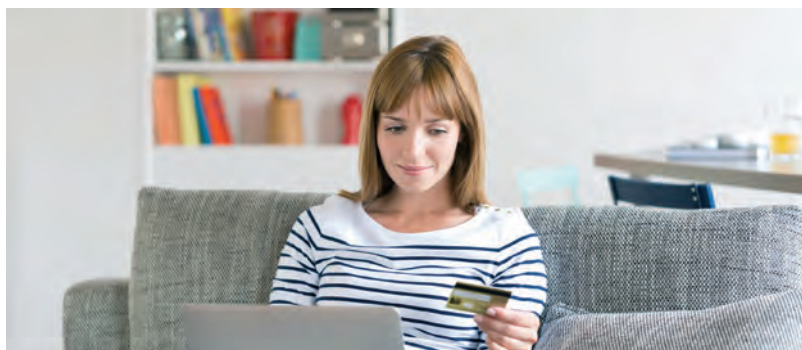


### Innovative Technology Solutions





## About Sanderson

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.

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# Highlights



## Financial

- Revenue increased to £19.18 million (2014: £16.41 million).
- Pre-contracted recurring revenues of £9.77 million (2014: £8.76 million), representing approximately 51% of total revenue; gross margin from recurring revenues covered 67% of total Group overhead (2014: 71%).
- Operating profit\* increased 16% to £3.30 million (2014: £2.84 million).
- Profit before tax of £2.03 million (2014: £1.92 million).
- Basic earnings per share of 3.4 pence (2014: 3.1 pence).
- Adjusted\*\* earnings per share of 5.1 pence (2014: 4.6 pence).
- Net cash at year-end of £4.61 million (2014: £6.16 million) after acquisition related cash consideration payments of £1.9 million.
- Proposed final dividend up 20% to 1.2 pence per share (2014: 1.0 pence; 2013: 0.85 pence), making total for year of 2.1 pence (2014: 1.8 pence; 2013: 1.5 pence).

## Operational

- Strong trading momentum in Multi-Channel retail complemented by significant growth in digital retail businesses with One iota revenues up 70%.
- Introduction of new UnityExpress ERP product targeting newer manufacturing businesses gaining good traction with three new client wins.
- Appointments of Ian Newcombe as Group CEO and David Gutteridge as non-executive director in June 2015.
- New Three Year Plan adopted; future reporting of divisional performance to change to Digital Retail and Enterprise Software.

\* Operating profit is stated before amortisation of acquisition-related intangibles, share-based payment charges and acquisition-related and restructuring costs.

\*\* Adjusted for amortisation of acquisition-related intangibles, share-based payment charges and acquisition-related and restructuring costs.

† Interim and declared final dividend in respect of the financial year.

## At a glance

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
- 550 customers and 230+ 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

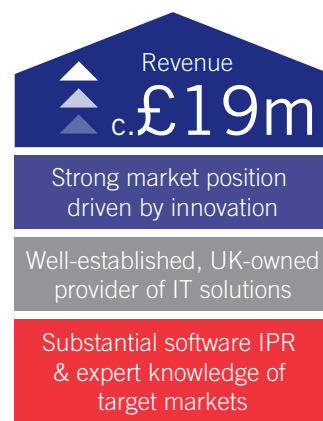
➤ Sanderson serves customers nationwide from seven locations around the UK



- Sales & Marketing
- Technical
- Finance & Admin



Predominantly small & medium enterprises (SMEs)



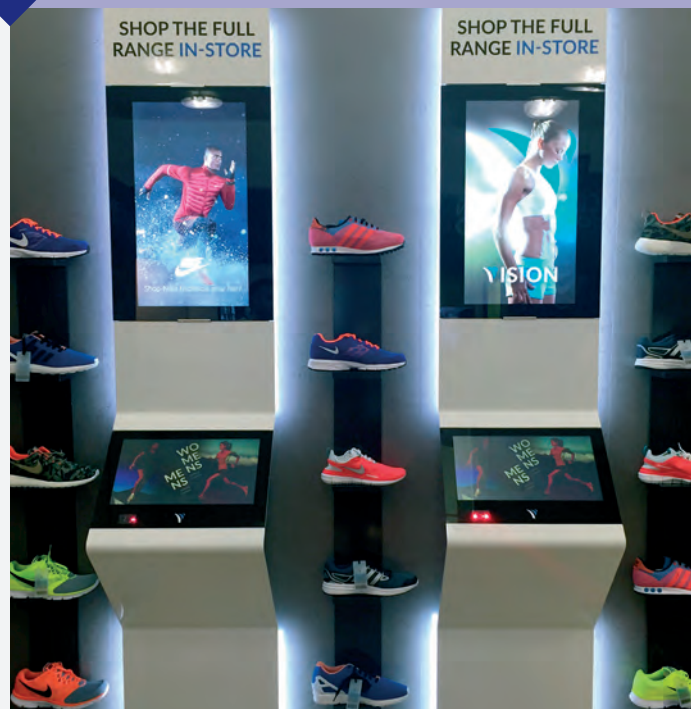


## Multi-Channel Retail

### Digital retail technology for increased sales

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 omni-channel sales. We offer a comprehensive range of IT solutions to meet the needs of organisations in this sector. Sanderson provides in-store technology, integrated back-office and ecommerce systems which underpin online operations, 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 trusted solutions which help our customers achieve return on their investment.

Our online, in-store and interactive solutions enable retailers to keep pace with new devices, technologies and channels and include: desktop, mobile web, mobile apps, in-store till (EPoS) apps, assisted selling iPads, kiosk deployments, mobile payments such as Apple Pay, beacon technology and interactive digital signage. All of which help our retail customers to transform the shopping experience; driving consumer engagement, retention and increased sales.



Transforming the shopping experience with ecommerce in-store

## Manufacturing



Proven solutions for manufacturing excellence

### Boosting efficiency & profitability

Sanderson has been helping UK manufacturers succeed with IT for over 30 years, delivering proven software and long-term value. Our latest business systems, ERP (Enterprise Resource Planning) 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.

Designed for modern manufacturing, our latest ERP and MRP software helps manufacturing and engineering businesses improve processes, manage the supply chain and provide excellent customer service. Whilst our specialist food and beverage ERP, allows food and drink companies to manage their production, recipes and new product development along with sales, finance and regulatory compliance.

Our range of Green IT and Factory and Warehouse Automation solutions improve efficiency in manufacturing and bring many cost saving benefits to customers.

# Chairman's statement



**Christopher Winn**  
Chairman

The trading results are in line with market expectations and show Group revenue growing to £19.18 million and adjusted operating profit\* growing to £3.30 million, an increase of 16%

Sanderson Group plc is a software and IT services business specialising in multi-channel retail and manufacturing markets in the UK and Ireland.

## Financial results

The trading results for the year ended 30 September 2015 are in line with market expectations and show Group revenue growing to £19.18 million (2014: £16.41 million) and adjusted operating profit (stated before the amortisation of acquisition-related intangibles, share-based payment charges and acquisition-related and restructuring costs) growing to £3.30 million (2014: £2.84 million), an increase of 16%.

Overall, gross margin has been maintained at 85% (2014: 85%), reflecting a continuing emphasis on the supply of Sanderson proprietary software and services. The Group's order book remains strong and at the year-end stood at a robust £2.35 million (2014: £2.41 million).

The Group's cash generative business model has enabled Sanderson to invest in excess of £3 million during the year to further develop the Group's operations, including £1.9 million of consideration and deferred consideration payments in respect of acquired businesses. Following this investment, at 30 September 2015, Sanderson reported a cash balance of £4.61 million (2014: £6.16 million).

## Dividend

This strong cash generation has enabled the Board to maintain a 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 2016, the Board is proposing a final dividend of 1.2 pence per ordinary share, making a total of 2.1 pence for the year. This represents a 17% increase compared with the total dividend of 1.80 pence in 2014. The final dividend, if approved, will be paid on 18 March 2016 to shareholders on the register at the close of business on 4 March 2016.

## Strategy

The strategy of the Board is to achieve sustained growth by further building and developing the Sanderson businesses operating within the multi-channel retail and manufacturing target markets. The digital retail opportunity, in particular, provides exposure to a market sector which is experiencing rapid growth. Whilst the Group will continue to invest across all of its businesses, particular emphasis will be placed on further developing the range of solutions for our fast growing digital retail businesses, for the food and drink processing sector and for entry level systems in the manufacturing division. Mobile solutions continue to be developed across all of the Group's target markets.

To augment organic growth, selective acquisition opportunities will continue to be considered.

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



## Group Chief Executive's business review



**Ian Newcombe**  
Group Chief Executive

Sanderson has maintained a strong balance sheet, a robust business model built upon long-term relationships with customers and is well-positioned in its target markets

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 delivered a consistent and reliable quality of service which has ensured the development of long-term relationships with customers.

The Group's solutions are developed and marketed to provide customers with 'value for money' IT systems which offer tangible business benefits and a timely return on investment. The primary target market for Sanderson comprises generally small and medium sized businesses. Sanderson solutions typically enable customers to increase sales and revenue whilst also achieving additional efficiencies by making and maintaining cost savings, often within twelve months of implementation.

The Group has continued to invest in both the development of software products and services, as well as in sales and marketing. Particular emphasis has been placed on the Group businesses specialising in the development of mobile commerce solutions and food and drink processing solutions. The mobile commerce products, together with in-store technology developments, are collectively referred to as digital retail solutions which enable retailers to capitalise on the huge growth in the widespread adoption of smartphones and tablets and to exploit mobile as a sales channel. Full integration with existing business systems minimises duplication of data handling and significantly improves the return on investment achieved by customers adopting this technology.

At the core of the Group's well-developed business model is Sanderson software with on-premise and cloud-based licences, together with Sanderson services, 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 2015, pre-contracted revenues were £9.77 million representing 51% of total revenues (2014: £8.76 million). The gross margin from recurring revenues covered 67% of total Group overheads in the year (2014: 71%).

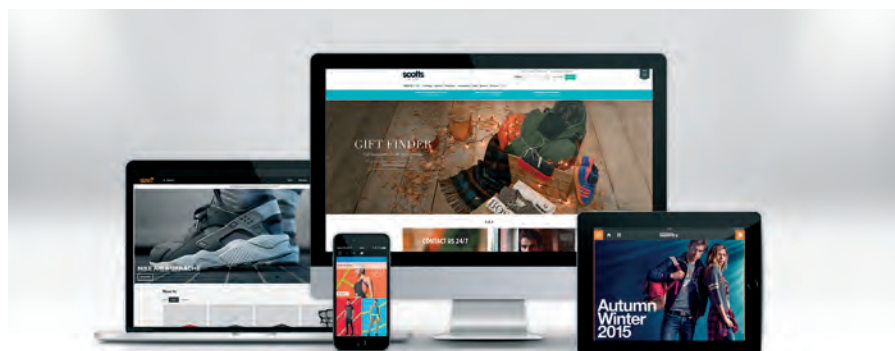
Reflecting prior and continuing investment in the Group's sales and marketing capacity and capability, Sanderson achieved an improved intake of sales orders in the year of £10.03 million (2014: £8.71 million), with 21 new customers being gained (2014: 17).

### Acquisition

On 5 December 2014, the Group acquired a supplier of specialist warehouse management solutions, Proteus Software Limited, for an initial cash consideration of £1.40 million. Up to a further £0.5 million is payable in March 2016, based upon the trading performance of Proteus in the twelve months following acquisition. Proteus solutions, which complement the Group's own products, services and customers, are used by businesses operating in the areas of third party logistics, warehouse management and supply chain distribution. The Proteus business has been positioned within the Group's multi-channel business and its results are reported within this division.



Management expects to focus further efforts on delivering growth especially in the newly emerging digital retail market, where the Group's One iota business has a growing presence



One iota has grown revenue by in excess of 70% during the year

## Review of multi-channel retail

Sanderson provides comprehensive IT solutions to businesses operating in the ecommerce, mobile commerce, retail, distribution, wholesale and logistics sectors of the UK. Mobile enablement and deployment continues to be a key business driver in this sector with increasing levels of business activity. Well-positioned in this active sector, One iota Limited has grown revenue by in excess of 70% during the year. The wholesale distribution and cash and carry market has been a slower area of business during the year but prospects for the coming year have improved, driven by the latest enhanced version of software. Proteus has made a steady start as part of Sanderson and contributed £1.88 million of revenue and £58,000 of profit. The addition of Proteus has helped to further expand the Group's presence in the areas of warehousing, logistics and supply chain. A number of internal 'joint' sales opportunities are being developed.

The deployment and use of mobile technologies is continuing to grow with market demand accelerating. In the coming year, management expects to focus further efforts on delivering growth across the Group's businesses but especially from the newly emerging digital retail market, where the Group's One iota business has a growing presence.

Ten new customers were gained during the year, including Anzac Wines & Spirits, Dunsters Farm, Superdry and Matthew Algie (2014: ten new customers). The multi-channel retail division has continued to gain a number of large orders from existing customers who generally invest in and deploy the latest technologies to attract new customers and to maximise sales.

Divisional revenue rose by 31% to £12.71 million (2014: £9.68 million) and operating profit rose by 39% to £2.62 million (2014: £1.89 million). The year-end order book continued to be strong at £1.45 million (2014: £1.48 million) and with good sales prospects, the multi-channel retail business is well-positioned to achieve its increased trading targets for the current financial year ending 30 September 2016.

## Review of manufacturing

Businesses in the food and drink processing sectors and engineering, plastics, aerospace, electronics, print ('general manufacturing'), represent the main areas of specialisation for Sanderson in manufacturing markets. The overall divisional trading performance was lower than expected and this contrasted with the strong trading performance of the prior year.

Sanderson continues to invest in product development and in its sales and marketing capability with a focus on the food and drink business. Traceability of products and ingredients through the food manufacturing and supply chain is a strong feature of the Sanderson food and drink solution — a key requirement for businesses operating in the food and drink industry. The Group business which focuses on customers operating in this food and drink market sector experienced some delay in the receipt of expected sales orders and delivered a lower level of profitability as a result. However, one large order with a value in excess of £400,000 was gained just after the year-end and the outlook for the current year to 30 September 2016, is much improved.

The Sanderson business which addresses the general manufacturing market improved its trading performance and this improvement is expected to continue into the current year. The introduction of the new UnityExpress 'ERP' ('Enterprise Resource Planning') product aimed at new and emerging manufacturing businesses has proved successful and three new customers were gained in the year, albeit at an average contract value of in the region of £35,000, compared with the average value experienced by the remainder of the Group of nearer £75,000 across the 21 new customer contracts signed in the year. It is expected that UnityExpress will augment the Unity solution, which is targeted at larger businesses.

# Group Chief Executive's business review

continued

The Sanderson business which addresses the general manufacturing market improved its trading performance and this improvement is expected to continue into the current year



Eleven new customers were gained during the year, including Simtom Food Products, Summit Chairs, St Marcus Fine Foods, Wine Bottling Solutions, Purdie Dished Ends and NutriFresh. This compares with seven new customers in the prior year. Large projects with existing customers included Food Partners, Cook Trading and Freddy Hirsch.

Revenue for the year was £6.48 million (2014: £6.74 million) and operating profit was £680,000 (2014: £952,000). Recurring revenue represents over 58% of total divisional revenue and covers over three-quarters of divisional overheads. A good start to the current year, together with a strong sales prospect list, should ensure that the manufacturing division achieves a much improved trading result for the full year ending 30 September 2016.

## Outlook

The Board has adopted a three-year strategy and has an internal business plan which seeks to further develop the Group both organically as well as by way of selective acquisitions, thereby increasing profitability, dividends and shareholder value. The Board believes that the Group's digital retail business will enhance the Group's ability to develop and expand. Revenues derived from the digital retail market have grown from £4.53 million in the year ended 30 September 2014 to £5.87 million in the year ended 30 September 2015. Reflecting the growing

importance of the Group's digital retail business, going forward, the Group intends to report its breakdown of divisional results in terms of a Digital Retail business division and an Enterprise Software division, which consist of a manufacturing business and a warehouse and logistics business. The Board will continue to invest in its ERP software businesses, in order to ensure that product offerings continue to both attract new customers as well as to maximise and encourage additional investment in system enhancements from existing customers. The combination of more rapid growth available via a Digital Retail division and the steadier growth from the Enterprise Software business is expected to enable the Group to meet its strategic targets over the next three years and beyond.

Sanderson has maintained a strong balance sheet, a robust business model built upon long-term relationships with customers generating strong recurring revenues and is well-positioned in its target markets. Together, these factors provide the Board with a good level of confidence that, at this early stage of the new financial year, the Group will make further progress and deliver trading results which are, at least, in line with market expectations for the year ending 30 September 2016.

**Ian Newcombe**

Group Chief Executive

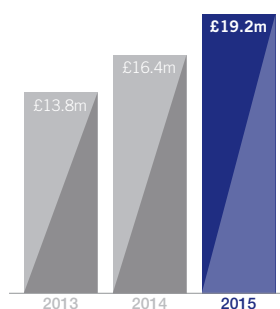
# Strategic report



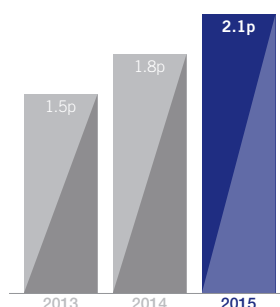
**Adrian Frost**  
Finance Director

The Sanderson Board remains committed to pursuing a growth strategy based upon a conservative financing policy, the cornerstone of which is a strong balance sheet.

## Revenue



## Dividend for financial year



## 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.

The financial year ended 30 September 2015 has demonstrated the benefit to be derived from the strategy set out in the foregoing paragraph. Organic growth in revenue of almost 6% and in operating profit before amortisation of acquisition-related intangibles, share-based payment charges and acquisition-related costs ('operating profit') of 11% has been augmented by a positive contribution from Proteus Software Limited, the specialist provider of Warehouse Management Systems acquired in December 2014. Including the effect of the acquisition, revenue increased by 17% to £19.18 million (2014: £16.41 million) and operating profit increased by 16% to £3.30 million (2014: £2.84 million).

Reference has been made in the Group Chief Executive's business review to the performance of the Group's digital retail activities during the year with One iota Limited, the Group's 2013 acquisition, growing revenue by over 70%. The results of this business have led to an acceleration in the payment of deferred consideration relating to the acquisition, with an amount originally expected to be paid in December 2016 now due to be paid one year earlier. This has led to an acquisition-related financial expense being charged in the income statement, a non-cash charge representing the difference between the fair value of deferred consideration at the acquisition date and the actual amount expected to be paid in December 2015.

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

## Statement of financial position

The Sanderson Board remains committed to pursuing a growth strategy based upon a conservative financing policy, the cornerstone of which is a strong balance sheet. The Group has an established history of converting substantially all of its profit to cash. At 30 September 2015, after the payment of £1.94 million consideration and deferred consideration in respect of acquired businesses, the Group had no debt and the net cash balance was £4.61 million (2014: £6.16 million).

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 £2.64 million (2014: £2.34 million) was incurred, of which £1.82 million (2014: £1.66 million) was expensed against operating profit.

## Treasury

The Group manages its treasury function as part of the central finance department. Whilst substantially all of the Group's operations are UK based, the acquisition of Proteus Software Limited in December 2014 has increased the number of customers with whom the Group transacts in Euros rather than Sterling. At 30 September 2015 cash balances were £4.61 million, of which approximately £300,000 was held in Euros. The Board has reviewed the Group's medium-term strategy and concluded that key strategic developments are achievable whilst retaining a positive cash balance.



## Key performance indicators

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	2015	2014
Revenue per employee	<b>£88,000</b>	£85,000
Operating profit as a percentage of revenue	<b>17.2%</b>	17.3%
Order intake	<b>£10.03m</b>	£8.71m
Debtors over 60 days as percentage of total debtors	<b>12.4%</b>	10.9%
Dividend cover	<b>2.33</b>	2.40

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 improved by over 3% during the year and further improvement is anticipated in 2016 as the Group is considering a number of measures to improve operational efficiency.

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 15% in the year to 30 September 2015.

Overdue debt levels have increased over the course of the year to 30 September 2015. Whilst payment terms are not contingent on project milestones, a number of customers may delay payment until milestones are met. This trend has increased over the course of the year, impacting on the ratio reported above. A recent change of responsibilities within the credit control function has been made to provide more support to project delivery teams in collecting overdue cash.

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 2016. 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 ▼
<b>Economic</b>	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.
<b>Product development</b>	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. Over 50% of product development is in response to specific requirements ensuring new product offerings accurately reflect the needs of the markets served.
<b>People</b>	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.
<b>Project delivery</b>	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 and cash collection.	Established procedures are used in the delivery and management of projects.
<b>Financial</b>	Inaccurate financial information may result in sub-optimal decisions being taken by management and staff. Inadequate internal controls may fail to prevent the Group suffering a financial loss.	The systems of internal control 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.
<b>Acquisition risk</b>	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.  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.  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.
<b>Reputational</b>	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**

Finance Director

30 November 2015

Sanderson Group plc, Sanderson House,  
Manor Road, Coventry, CV1 2GF

## Digital Retail market review



Ian Newcombe, Group Chief Executive, and Damian Hanson, CEO of the Group's One iota business, explain what Digital Retail is and why Sanderson is well positioned in this active sector.

### Q What exactly is Digital Retail?

A The Internet and mobile technology have changed the way people shop. Keeping the customer happy in-store used to be relatively straightforward. But today's new, tech savvy shopper has high expectations. Digital Retail is the application of new and emerging technologies, in particular mobile and social, to connect and transform the shopping experience and give customers what they want, when and where they want it.

### Q So what do today's customers really want?

A Online shopping is easy and convenient. Open 24/7, the customer can shop anywhere, anytime. Internet retailers offer great discounts, flash sales, and use the data they hold to market to customers, personalise communication, and meet needs at the right time. But there remains a place for the High Street; consumers still love to browse. What's key, is for retailers to bridge the gap between online and in-store and offer the seamless, joined up shopping experience that their customers now demand.

### Q How do retailers who embrace technology gain?

A Retailers who fail to provide their customers with a fully connected shopping journey risk missing out on huge sales opportunities and the chance to create a retail experience where shoppers want to spend time and

money. Those who do bridge the gap, and utilise in-store technology, such as transactional kiosks and assisted-selling iPads, can sell beyond what is simply 'on the shelf'. They can showcase their entire range, upsell, avoid lost sales by allowing customers to order out-of-stock items for next day delivery, or use home delivery so customers don't have to carry heavy shopping bags around. Similarly, online retailers, can provide 'joined up' shopping. For example, offering click and collect, giving shoppers the option to complete a transaction started online in-store, or returning an item to a convenient shop.

### Q What is the Sanderson Group's Digital Retail proposition?

A Sanderson has a rich history of developing and supplying multi-channel retail solutions. It's One iota business is at the forefront of retail technology working with many of the UK's leading retail brands to create and implement exceptional shopping experiences using its online, in-store and interactive solutions. Recent new developments include mobile payment solutions like Apple Pay, interactive digital signage, and beacon technology which allows retailers to communicate with customers' mobile devices and provide information and promotional material.

Sanderson also provides the back office systems which are so crucial to processing sales and fulfilling customer orders efficiently.



One iota's post Black Friday 2014 hackathon; intensive development to meet the online retail challenge 'sell a lot, quickly'

## Target market information

Sanderson is focused on growth in its core markets.

### Multi-Channel Retail

Multi-channel retail is an active and fast developing market where technology is having a major impact.

Ecommerce now represents 24% of all retail sales and mobile is set to be the fastest growing sales channel over the next ten years. Click and collect will double in the next two years and digital technologies are forecast to influence 50% of in-store sales within a year. Yet the retail sector is lagging behind its customers in the use of technology. Many retailers offer neither a mobile optimised website nor a mobile app and according to research by Barclays, less than 5% consider their business to be at the cutting edge of mobile commerce. "Life will get worse for bricks-and-mortar retailers who do not embrace tech" says Retail Week.

Retailers must adopt digital technologies to transform the shopping experience, increase customer engagement and retention and grow sales. Sanderson is well-positioned in this active market – read more about the work we do within our customer case studies.

### Manufacturing

The manufacturing market is seeing modest growth. However, the food and drink sector (the UK's largest manufacturing sector) is performing better than general manufacturing. Fuelled by growing food sales and new product development as consumer tastes and shopping habits change, manufacturers are investing in technology to run their businesses efficiently and manage the complexities of their tightly regulated industry.

### Driving in-store sales at Superdry

Premium fashion retailer, Superdry, was looking for a technology partner to create a connected online and in-store shopping experience for its customers. Sanderson Group's One iota developed an iPad-based solution to drive in-store sales and give Superdry a competitive edge. Carrying the iPads which are integrated with existing business systems, sales assistants have more information than ever before. They can check stock availability, sell the entire ecommerce range, including items out of stock in store and transact anywhere. With the solution now implemented in all UK stores, Superdry is experiencing improved sales performance and excellent return on investment.



Connecting online and in-store shopping

### Managing Adelle Foods' complex supply chain



The UK's leading 'Food to Go' business

With an annual turnover of £295m, Adelle Foods is the UK's leading 'Food to Go' business, supplying the UK retail and foodservice sectors with an unrivalled portfolio of chilled food products. Their sandwiches, snacks and salads are manufactured and delivered to around 9,000 outlets across the UK and are enjoyed by hundreds of thousands of consumers every week. Adelle use the Sanderson food and drink system to help them manage their complex supply chain – processing orders in a fast moving environment, guiding what to manufacture, costing New Product Development, invoicing vast numbers of customers and ensuring orders are delivered efficiently.



## Recent senior appointments and key management



**Damian Hanson**  
CEO One iota

Damian is a proven management and board level executive with a history of 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 Zergo in 2002 and was an integral part of the exec team that listed the business on AIM in 2004.



**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 headquartered in Manchester, Wapfly provided mobile media services to 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 Zergo Group plc.



**Nick Bird**  
Commercial Director Food & Drink

Nick joined Sanderson in early 2015. Prior to this, he headed up the commercial practice of Experian Decision Analytics Global Software Product Management team where he was responsible for product profitability, product innovation and global pricing for the \$500 million business. Before Experian, Nick held commercial and technical roles at food manufacturer Kerry Group plc, where he led the development of a real time factory and warehouse management system and subsequently at a leading logistics business where he designed and implemented the financial management and reporting solution.



**Nikki Harwood**  
Group Finance Manager

Nikki studied mathematics and economics at university before qualifying as a Chartered Accountant, whilst working for Ernst & Young, where she spent five years as an auditor for a large number of public companies. She then moved into industry and worked at Experian for four years in numerous roles including UK Financial Planning Accountant, Cost Manager and business partnering with their technology division. Nikki joined Sanderson in June 2015.



**Mike Gallagher**  
Sales Director Manufacturing

Mike has an MSc in Information Technology for Manufacturing from Warwick and a BSc from Manchester University. An ERP specialist, he joined Sanderson in 2011 to spearhead growth of the Company's food and drink division. Having been instrumental in achieving a number of new business sales, he was promoted to Sales Director in 2014. Mike has also recently taken on all new business development for the Group's General Manufacturing business.



**Paul Aspden**  
Client Solutions Director

Paul joined the Group's One iota business in 2014. In his role as Client Solutions Director, he manages the creative, support and projects teams, supporting them in delivering rich, multi-channel shopping experiences that revolutionise the way top retailers and brands engage with their customers. Paul is a developer, digital planner and strategist who prior to Sanderson, ran one of the first digital media agencies, working with global business to consumer and business to business brands.





## Marketing Team

The Sanderson marketing team is a multi-disciplinary team that works closely with Sanderson businesses to devise strategy, then plan and execute marketing and communications campaigns. It collaborates in product development and has a deep understanding of the sectors in which Sanderson operates and the issues its customers face. The technology sector is constantly evolving, and the team keeps up-to-date with tools, skills and processes to maximise sales and marketing investment.



## Corporate Communications Team

The Corporate Communications team supports the Board and senior management in handling enquiries and managing communications with shareholders and investors. It consists of (from left to right) Secretary to the Group Finance Director, Kathy Astell; Head of Marketing, Kate Simpson; and PA to the Chairman, Fiona Crombie. Collectively, the team has wide-ranging experience of shareholder, analyst and customer communications; deals and acquisitions; and customer service in IT, tax and financial environments.

## Board of directors



### Christopher Winn

Chairman — 65

Following graduation from Nottingham University (BA Honours in History), Christopher worked for British Olivetti until 1974 when he joined the ACT Group, 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. In 1995, he joined the former Sanderson Group, becoming Group Chief Executive later that year. In 1999, Christopher led a '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 focused primarily on UK commercial markets, which retained the Sanderson name, gained admission to the London Stock Exchange AIM market in 2004.



### Ian Newcombe

Chief Executive Officer — 60

Ian was appointed to the Sanderson Group plc Board in 2013 and has over 30 years' experience in software and IT services. He began his career in electronics before moving on to the computer industry in 1979 when he joined ACT Group plc. As a local board member he helped establish an international IT business. In 1996, Ian joined Mitsubishi Electric as International Project Director. In 1999, he was appointed Consulting Director of Talgentra Ltd, where he developed a new consulting business which rapidly expanded overseas. In 2005, Ian became Managing Director of the multi-channel division of Sanderson. Having made a major contribution to the Group's strategy and driven the development of the multi-channel business, Ian was appointed Group Chief Executive in June 2015.



### Adrian Frost

Finance Director — 48

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.

### Philip Kelly

Non-Executive Director — 63

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 — 69

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.

### David Gutteridge

Non-Executive Director — 64

David has considerable business experience including with Financial Objects plc, Cyan Technology plc and Sanderson Group plc as a non-executive director between IPO in 2004 up until 2012. David was Chairman of Tinglobal Group plc until May 2014, when he led a successful trade sale to Singapore Listed, Declout Plc.

## Group information

### Company Secretary

Adrian Frost

### Registered company number

4968444

### Registered and head office

Sanderson House  
Manor Road  
Coventry  
CV1 2GF

### Nominated advisor and broker

Panmure Gordon & Co  
One New Change  
London  
EC4M 9AF

### Registrar

Neville Registrars Limited  
Neville House  
18 Laurel Lane  
Birmingham  
B63 3DA

### Solicitor to the Company

Schofield Sweeney  
Springfield House  
76 Wellington Street  
Leeds  
LS1 2AY

### Auditor to the Company

Grant Thornton UK LLP  
Colmore Plaza  
20 Colmore Circus  
Birmingham  
B4 6AT

### Financial PR

Walbrook PR Limited  
4 Lombard Street  
London  
EC3V 9HD

# 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 three non-executive directors. All executive directors are subject to election by shareholders at the first opportunity after their appointment and to re-election at regular intervals thereafter.

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

## Board committees

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

The Audit Committee is chaired by 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 £4.6 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. The Group remains profitable and cash generative. Accordingly, the directors have prepared the accounts on a going concern basis.

## Directors' remuneration

The Company adheres to the principles of good governance when deciding remuneration strategy and has delegated responsibility for remuneration policy to the Remuneration Committee. The Remuneration Committee meets at least once a year and its broad responsibility is to ensure the remuneration packages of the executive directors and senior management are competitive and designed to attract, retain and motivate individuals of high quality. The Remuneration Committee is made up of the three non-executive directors and is chaired by 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	59,000	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	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

### 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

## Business review

A comprehensive analysis of the Group's development and performance is contained in the Chairman's statement, Group Chief Executive's business review 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 1.00 pence per share was paid on 20 March 2015 (2014: 0.85 pence) relating to the financial year ended 30 September 2014. An interim dividend of 0.90 pence per ordinary share was paid on 14 August 2015 (2014: 0.80 pence per share) in respect of the financial year ended 30 September 2015. The directors propose the payment of a final dividend in respect of the year ended 30 September 2015 of 1.20 pence per ordinary share. The final dividend is subject to shareholder approval at the Annual General Meeting, expected to be held on 3 March 2016 and, if approved, will be paid on 18 March 2016 to shareholders on the register at the close of business on 4 March 2016.

## 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

David Gutteridge was appointed to the Board, as a non-executive director, on 9 June 2015. All other directors served throughout the year. 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 or date of appointment
Ordinary shares of 10 pence		
Christopher Winn	11,786,924	11,786,924
Adrian Frost	247,421	121,000
Ian Newcombe	72,500	72,500
Philip Kelly*	50,000	50,000
John Paterson*	90,000	90,000
David Gutteridge*	545,000	500,000#

\* Denotes non-executive directors.

# Interest at date of appointment; 9 June 2015.

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	21.6
Hargreave Hale & Co	7,940,654	14.5
Living Bridge	4,818,257	8.8
Miton Asset Management	4,254,522	7.8
Helium Rising Stars Fund	2,394,753	4.4
Downing ONE VCT Plc	2,193,506	4.0
Unicorn Asset Management	1,767,572	3.2
AXA Investment Managers	1,700,000	3.1

## 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 Strategic Report, Directors' Report, Annual Report and the financial statements in accordance with applicable law and regulations.

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

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

Company Secretary  
30 November 2015  
Sanderson Group plc, Sanderson House  
Manor Road, Coventry, CV1 2GF

# 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 2015 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 21, 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](http://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 2015 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 2015.

### David White

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Birmingham  
30 November 2015



# Consolidated income statement

for the year ended 30 September 2015

	Note	2015 £000	2014 £000
<b>Revenue</b>	3, 4	<b>19,182</b>	16,411
Cost of sales		(2,964)	(2,483)
<b>Gross profit</b>		<b>16,218</b>	13,928
Technical and development costs		(7,858)	(6,322)
Administrative and establishment expenses		(3,774)	(3,731)
Sales and marketing costs		(2,165)	(1,827)
<b>Results from operating activities</b>		<b>2,421</b>	2,048
<b>Results from operating activities before adjustments in respect of the following:</b>	7	<b>3,303</b>	2,839
Amortisation of acquisition-related intangibles	15	(483)	(387)
Acquisition-related and restructuring costs		(310)	(303)
Share-based payment charges	6	(89)	(101)
<b>Results from operating activities</b>		<b>2,421</b>	2,048
Finance income	9	47	28
Finance expenses	10	(185)	(160)
Acquisition-related finance expense	10	(252)	—
<b>Profit before taxation</b>		<b>2,031</b>	1,916
Taxation	11	(164)	(318)
<b>Profit for the year</b>		<b>1,867</b>	1,598

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	3.4p	3.1p
Diluted earnings per share	13	3.3p	2.9p

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

# Consolidated statement of comprehensive income

for the year ended 30 September 2015

	Note	2015 £000	2014 £000
<b>Profit for the year</b>		<b>1,867</b>	1,598
<b>Other comprehensive income</b>			
<i>Items that will not subsequently be reclassified to profit or loss</i>			
Remeasurement of net defined benefit liability	27	(90)	(834)
Deferred taxation effect of defined benefit pension plan items	17	18	183
		(72)	(651)
<i>Items that will subsequently be reclassified to profit or loss</i>			
Change in fair value of available for sale financial asset		(31)	17
Foreign exchange translation differences		(78)	23
<b>Total comprehensive income attributable to equity holders of the parent</b>		<b>1,686</b>	987

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

# Consolidated statement of financial position

at 30 September 2015

	Note	2015 £000	2014 £000
<b>Non-current assets</b>			
Property, plant and equipment	14	469	294
Intangible assets	15	30,627	28,514
Deferred tax assets	17	1,319	1,145
		<b>32,415</b>	29,953
<b>Current assets</b>			
Inventories		83	4
Trade and other receivables	18	5,472	4,706
Other short-term financial assets	19	190	222
Cash and cash equivalents		4,607	6,159
		<b>10,352</b>	11,091
<b>Current liabilities</b>			
Trade and other payables	21	(3,909)	(3,355)
Deferred consideration	20	(1,594)	(815)
Income tax payable		—	(47)
Deferred income		(4,830)	(4,412)
		<b>(10,333)</b>	(8,629)
<b>Net current assets</b>		<b>19</b>	2,462
<b>Total assets less current liabilities</b>		<b>32,434</b>	32,415
<b>Non-current liabilities</b>			
Pension obligations	27	(4,627)	(4,804)
Deferred consideration	20	(244)	(1,213)
Deferred tax liabilities	17	(936)	(581)
		<b>(5,807)</b>	(6,598)
<b>Net assets</b>		<b>26,627</b>	25,817
<b>Equity attributable to equity holders of the parent company</b>			
Share capital	22	5,460	5,406
Share premium		9,023	8,809
Available for sale reserve		60	91
Foreign exchange reserve		(87)	(9)
Retained earnings		12,171	11,520
<b>Total equity</b>		<b>26,627</b>	25,817

These financial statements were approved and authorised for issue by the Board of directors on 30 November 2015 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 2015

	Share capital £000	Share premium £000	Available for sale reserve £000	Foreign exchange reserve £000	Retained earnings £000	Total equity £000
At 1 October 2014	5,406	8,809	91	(9)	11,520	25,817
Exercise of share options	54	214	—	—	(150)	118
Settlement of share options	—	—	—	—	(48)	(48)
Dividend paid	—	—	—	—	(1,035)	(1,035)
Share-based payment charge	—	—	—	—	89	89
Transactions with owners	54	214	—	—	(1,144)	(876)
Profit for the year	—	—	—	—	1,867	1,867
<i>Other comprehensive income:</i>						
Remeasurement of net defined benefit liability	—	—	—	—	(90)	(90)
Deferred tax on above	—	—	—	—	18	18
Foreign exchange translation differences	—	—	—	(78)	—	(78)
Change in fair value of available for sale financial asset	—	—	(31)	—	—	(31)
Total comprehensive income	—	—	(31)	(78)	1,795	1,686
<b>At 30 September 2015</b>	<b>5,460</b>	<b>9,023</b>	<b>60</b>	<b>(87)</b>	<b>12,171</b>	<b>26,627</b>

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
<i>Other comprehensive income:</i>						
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
<b>At 30 September 2014</b>	<b>5,406</b>	<b>8,809</b>	<b>91</b>	<b>(9)</b>	<b>11,520</b>	<b>25,817</b>

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 2015

	2015 £000	2014 £000
<b>Cash flows from operating activities</b>		
Profit for the year after taxation	1,867	1,598
<i>Adjustments for:</i>		
Amortisation of intangible assets	982	630
Depreciation	156	135
Share-based payment charge	89	101
Net finance expense	390	132
Income tax charge	164	318
<b>Operating cash flow before changes in working capital</b>	<b>3,648</b>	<b>2,914</b>
Movement in trade and other receivables	(105)	(1,076)
Movement in inventories	(37)	(4)
Movement in trade and other payables	(629)	856
<b>Cash generated from operations</b>	<b>2,877</b>	<b>2,690</b>
Payments to defined benefit pension scheme	(450)	(360)
Income tax paid	(5)	—
Interest paid	—	(2)
<b>Net cash flow from operating activities</b>	<b>2,422</b>	<b>2,328</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(296)	(113)
Acquisition of subsidiary undertakings, net of cash acquired (note 16)	(1,041)	(2,046)
Payment of deferred consideration in respect of subsidiary undertakings	(895)	(100)
Dividend received	12	15
Bank interest received	35	13
Development expenditure capitalised	(824)	(680)
<b>Net cash flow from investing activities</b>	<b>(3,009)</b>	<b>(2,911)</b>
<b>Cash flow from financing activities</b>		
Issue of shares, net of costs	118	3,953
Settlement of share options	(48)	—
Equity dividends paid	(1,035)	(873)
<b>Net cash flow from financing activities</b>	<b>(965)</b>	<b>3,080</b>
Net (decrease)/increase in cash and cash equivalents	(1,552)	2,497
Cash and cash equivalents at beginning of year	6,159	3,662
<b>Cash and cash equivalents at the end of the year</b>	<b>4,607</b>	<b>6,159</b>

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 2015 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 of £4.6 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 Group.

### Use of estimates and judgements

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

## Estimates

- Note 15: Measurement of intangible assets:* In testing for impairment of intangible assets, management 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 2016 in line with the average length of customer relationships. The results of this review are disclosed in note 15.
- Note 16: Measurement of intangible assets relating to 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 assesses 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 judgement is the valuation of pension scheme liabilities, which represent the net present value of future pension obligations. These calculations are performed by the scheme actuary, with whom the directors have agreed the underlying assumptions to be applied. The key assumptions are rates of increases in pension benefits, mortality rates, inflation and the discount rate applied to produce the net present value. The discount rate is derived from market rates on AA corporate bonds at the year-end date.

## Judgements

- Note 15: Intangible assets:* Development expenditure is recognised on the statement of financial position when certain criteria are met, as described more fully in the accounting policy on the treatment of research and development expenditure. Management uses its judgement in assessing development projects against the criteria.
- Note 17: Deferred tax:* The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties.

# Notes to the consolidated financial statements

continued

## 3. Accounting policies

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

The Group has adopted IFRS 10 Consolidated Financial Statements for the first time in the current year. IFRS 10 supercedes IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation: Special Purpose Entities. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlled interests and accounting for loss of control of a subsidiary are unchanged.

The directors have reviewed their control assessments in accordance with IFRS 10 and have concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

The Group has also adopted the following new standards, or new provisions of amended standards:

- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- IAS 27 (Revised), Separate Financial Statements
- IAS 28 (Revised), Investments in Associates and Joint Ventures
- Amendments to IAS 39
- Transition Guidance — Amendments to IFRS 10, IFRS 11 & IFRS 12
- Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36

There has been no material impact on either amounts reported or disclosure in the financial statements arising from first time adoption.

### 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 15 Revenue from Contracts with Customers (not yet adopted by the EU)
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (effective 1 February 2015)
- Clarification of Acceptable Methods of Depreciation and Amortisation — Amendments to IAS 16 and IAS 38 (not yet adopted by the EU)
- Annual Improvements to IFRS 2010–2012 Cycle (effective 1 February 2015)
- Annual Improvements to IFRS 2012–2014 Cycle (not yet adopted by the EU)
- Disclosure Initiative: Amendments to IAS 1 Presentation of Financial Statements (not yet adopted by the EU)

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%–33<sup>1</sup>/<sub>3</sub>%

## Cash and cash equivalents

Cash and cash equivalents comprise cash in 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.

# Notes to the consolidated financial statements

continued

## 3. Accounting policies continued

### 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.

## 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 arm's 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 and Group Chief Executive's business review.

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.

# Notes to the consolidated financial statements

continued

## 3. Accounting Policies continued

### 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

### 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.

# Notes to the consolidated financial statements

continued

## 4. Segmental reporting

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

	Manufacturing		Multi-Channel		Total	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
Revenue – external customers	6,478	6,736	12,704	9,675	19,182	16,411
Cost of sales	(1,294)	(1,190)	(1,670)	(1,293)	(2,964)	(2,483)
Gross profit	5,184	5,546	11,034	8,382	16,218	13,928
Depreciation <sup>†</sup>	(52)	(73)	(104)	(62)	(156)	(135)
Operating profit before adjustments	680	952	2,623	1,887	3,303	2,839
Amortisation*	(61)	(53)	(422)	(334)	(483)	(387)
Acquisition-related and restructuring costs	(109)	—	(201)	(303)	(310)	(303)
Share-based payment charges	(8)	(22)	(81)	(79)	(89)	(101)
Result from operating activities	502	877	1,919	1,171	2,421	2,048
Net finance expense					(390)	(132)
Taxation					(164)	(318)
Profit attributable to equity holders					1,867	1,598

\* Amortisation of acquisition-related intangibles. <sup>†</sup> Depreciation charged to operating profit.

The CODM uses both gross profit and operating profit measures in assessing the performance of the Group's divisions. The largest customer of the Multi-channel retail division accounted for 13% (2014: 9%) of divisional revenue. No other 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 cash balances totalling £1.60 million (2014: £0.70 million) and an investment held for resale. Amounts in respect of shared operations cannot be allocated between operating divisions.

Additions to property, plant and equipment year amounted to £296,000 (2014: £113,000). A total of £102,000 (2014: £27,000) were attributable to the Manufacturing division, with £194,000 (2014: £86,000) incurred by the Multi-channel retail division.

### Analysis of items contained within the Statement of Financial Position

	Manufacturing		Multi-Channel		Total	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
Property, plant and equipment	150	110	319	184	469	294
Intangible assets	12,030	11,598	18,597	16,916	30,627	28,514
Deferred tax assets	1,092	1,137	227	8	1,319	1,145
Inventory	—	—	83	4	83	4
Cash and cash equivalents	1,451	2,111	1,560	2,972	3,011	5,083
Trade and other receivables	1,485	1,891	3,987	2,815	5,472	4,706
Total assets	16,208	16,847	24,773	22,899	40,981	39,746
Trade and other payables	(1,531)	(1,568)	(2,378)	(1,787)	(3,909)	(3,355)
Deferred income	(2,165)	(2,181)	(2,665)	(2,231)	(4,830)	(4,412)
Income tax	—	—	—	(47)	—	(47)
Deferred taxation	(73)	(27)	(863)	(554)	(936)	(581)
Deferred consideration	(263)	—	(1,575)	(2,028)	(1,838)	(2,028)
Pension obligations	(4,627)	(4,804)	—	—	(4,627)	(4,804)
Total liabilities	(8,659)	(8,580)	(7,481)	(6,647)	(16,140)	(15,227)
Allocated net assets	7,549	8,267	17,292	16,252	24,841	24,519
Other unallocated assets and liabilities					1,786	1,298
Net assets					26,627	25,817

## 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.

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.

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

## 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	75,700	Earnings per share growth	54.25	01/10/2007	30/09/2017
27/05/2005	Management	215,579	Earnings per share growth	56.00	01/10/2007	15/12/2017
27/05/2005	Management	59,000	Earnings per share growth	57.00	01/10/2007	30/09/2017
04/08/2009	Management	100,000	*	09.50	03/08/2012	03/08/2016
21/05/2010	Management	400,000	*	23.00	21/05/2013	21/05/2017
05/01/2011	Management	125,000		27.50	05/04/2014	05/01/2021
29/06/2011	Management	190,000		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	101,130	‡	10.00	17/12/2014	17/12/2021
03/03/2014	Management	400,000		57.50	03/03/2017	03/03/2023
		2,456,409				

\* Performance conditions relating to options issued after 2005 have included targets based on operating profit, growth in earnings per share and total shareholder return.

† 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.

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

	2015 Weighted average exercise price	2015 Number of options (number)	2014 Weighted average exercise price	2014 Number of options (number)
Outstanding at start of year	40.7p	3,007,650	28.2p	4,556,290
Granted during the year	—	—	56.6p	1,035,950
Exercised during the year	(37.0)p	(536,742)	(24.5)p	(2,584,590)
Forfeited during the year	(10.0)p	(14,499)	—	—
Outstanding at end of the year	45.4p	2,456,409	40.7p	3,007,650
Exercisable at end of the year	33.3p	1,165,279	30.2p	1,661,700

# Notes to the consolidated financial statements

continued

## 6. Share-based payments continued

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

	Quantity	Exercise price
LTIP	220,000	£1 per exercise
EMI	176,742	10.00p — 57.00p
CSOP	90,000	27.50p — 30.00p
Unapproved	50,000	23.00p

Options outstanding at 30 September 2015 have exercise prices in the ranges 10.0 pence to 71.0 pence per share. The weighted average contractual life of the options is 4.9 years (2014: 5.3 years).

On 30 September 2015 the closing share price of Sanderson Group plc was 64.5 pence. During the year ending on that date the closing share price varied in the range 59.5 pence to 72.5 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 prior period, together with the assumptions used in determining the fair value are summarised below. No share options were granted in the current period.

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

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:

	2015 £000	2014 £000
Share-based payment charges	89	101

## 7. Expenses and auditor's remuneration

Included in the income statement are the following items:

	2015 £000	2014 £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	45	42
Taxation advice	7	19
Depreciation and other amounts written off property, plant & equipment:		
Owned, in respect of continuing activities	156	135
Amortisation of acquisition-related intangible assets	483	387
Amortisation of development costs	499	243
Aggregate charge against income in respect of research and development	1,819	1,661
Cost of inventory recognised as an expense	2,964	2,483
Rentals payable under plant and machinery operating leases	10	9
Leasehold property rentals	341	297

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:

	2015 No.	2014 No.
Technical	169	147
Sales and marketing	29	25
Administrative	20	21
	218	193

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

	2015 £000	2014 £000
Wages and salaries	8,484	7,395
Social security costs	957	791
Contributions to defined contribution pension plans	686	517
Share-based payment charge	89	101
	10,216	8,804



# Notes to the consolidated financial statements

continued

## 8. Personnel expenses continued

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 2015 £000	Total 2014 £000
<b>Executive directors</b>						
Christopher Winn	300	—	9	—	309	1,182
Ian Newcombe	150	26	4	—	180	247
Adrian Frost	128	46	4	115	293	259
<b>Non-executive directors</b>						
John Paterson	33	—	—	—	33	32
Philip Kelly	33	—	—	—	33	32
David Gutteridge*	10	—	—	—	10	—
	654	72	17	115	858	1,752

\* Figures in respect of David Gutteridge cover the period from his appointment on 9 June 2015.

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 2016 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 (ten individuals).

	2015 £000	2014 £000
Short-term employee benefits	916	1,100
Post-employment benefits	110	102
Share-based payments	20	57
	1,046	1,259

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

	2015 £000	2014 £000
Bank interest received	35	13
Dividend received	12	15
	47	28

## 10. Finance expenses

	2015 £000	2014 £000
Other interest	—	4
Net interest on defined benefit pension scheme deficit	185	156
	185	160

The Company is required by International Accounting Standards to calculate the fair value of deferred consideration by discounting expected future cash payments using the Company's cost of capital. The discount is then charged to the income statement over the period of deferral. As a result of certain deferred consideration payments in respect of One iota Limited being paid earlier than previously forecast, an accelerated charge of £252,000 (2014: £nil) has arisen. This charge, which is a non-cash item, has been separately reported as an acquisition-related finance expense.

## 11. Taxation

	2015 £000	2014 £000
<b>Current tax expense</b>		
UK corporation tax for the current year	—	—
Overseas corporation tax for the current year	—	(6)
Relating to prior periods	26	—
Total current tax	26	(6)
<b>Deferred tax</b>		
Deferred tax for the current year	216	315
Relating to prior periods	(78)	9
Total deferred tax	138	324
Taxation charged to the income statement	164	318

### Reconciliation of effective tax rate

The current consolidated tax charge for the period is lower (2014: lower) than the average standard rate of corporation tax in the UK during the period of 20.5%. The differences are explained below.

	2015 £000	2014 £000
Profit before taxation — continuing operations	2,031	1,916
Tax using the average UK Corporation tax rate of 20.5% (2014: 22%)	416	422
<i>Effects of:</i>		
Expenses not deductible for tax purposes	74	62
Utilisation and recognition of losses	(262)	149
Tax relief arising on option exercise	—	(272)
Over provision in previous years	(52)	9
Change in tax rate	(12)	(52)
Total tax in income statement	164	318

## 12. Dividends

	2015 £000	2014 £000
Interim dividend of 0.9 per share (2014: 0.80p)	491	432
Final dividend relating to previous financial year of 1.00p per share (2014: 0.85p)	544	441
Total dividend for the financial year	1,035	873

A final dividend of 1.20 pence per ordinary share in respect of the financial year ended 30 September 2015 will be proposed at the Annual General Meeting of the Company, expected to be held on 3 March 2016. If approved by shareholders, the total final dividend payment will amount to £655,206. 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.

# Notes to the consolidated financial statements

continued

## 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:

<b>Earnings:</b>	<b>2015 £000</b>	<b>2014 £000</b>
Result for the year	1,867	1,598
Amortisation of acquisition-related intangibles	483	387
Share-based payment charges	89	101
Acquisition-related and restructuring costs	310	303
Adjusted profit for the year	2,749	2,389

<b>Number of shares:</b>	<b>2015 No.</b>	<b>2014 No.</b>
In issue at the start of the year	54,063,808	43,800,946
Effect of shares issued in the year	347,143	8,057,990
Weighted average number of shares at year end	54,410,951	51,858,936
Effect of share options	1,446,115	2,328,723
Weighted average number of shares (diluted)	55,857,066	54,187,659

<b>Earnings per share:</b>	<b>2015 pence</b>	<b>2014 pence</b>
Total attributable to equity holders of the parent undertaking:		
Basic	3.4	3.1
Diluted	3.3	2.9
Earnings per share, adjusted, from continuing operations:		
Basic	5.1	4.6
Diluted	4.9	4.4

## 14. Property, plant and equipment

	<b>Leasehold improvements £000</b>	<b>Plant and equipment £000</b>	<b>Total £000</b>
<b>Cost</b>			
Balance at 1 October 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
Additions	89	207	296
Additions as part of acquisition of subsidiary undertaking	—	35	35
Balance at 30 September 2015	321	791	1,112
<b>Depreciation</b>			
Balance at 1 October 2013	76	276	352
Charge for the year	30	105	135
Balance at 30 September 2014	106	381	487
Charge for the year	24	132	156
Balance at 30 September 2015	130	513	643
<b>Net book value</b>			
At 30 September 2014	126	168	294
<b>At 30 September 2015</b>	<b>191</b>	<b>278</b>	<b>469</b>

## 15. Intangible assets

	Goodwill £000	Intellectual property £000	Customer relationships £000	Development costs* £000	Total £000
<b>Cost</b>					
Balance at 1 October 2013	23,522	1,222	496	1,273	26,513
Acquired	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
Acquired (note 16)	1,273	781	217	—	2,271
Internally developed	—	—	—	824	824
Balance at 30 September 2015	27,403	3,693	1,685	2,777	35,558
<b>Amortisation and impairment</b>					
Balance at 1 October 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
Amortisation for the year	—	298	185	499	982
Balance at 30 September 2015	1,499	1,425	518	1,489	4,931
<b>Net carrying value</b>					
Balance at 30 September 2014	24,631	1,785	1,135	963	28,514
<b>Balance at 30 September 2015</b>	<b>25,904</b>	<b>2,268</b>	<b>1,167</b>	<b>1,288</b>	<b>30,627</b>

\* Development costs are internally generated.

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

	2015 £000	2014 £000
Administrative and establishment expenses	982	630

## 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:

	2015 £000	2014 £000
Manufacturing	11,279	11,091
Multi-channel retail	14,625	13,540
Goodwill	25,904	24,631

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 2016 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. The profitability of the Manufacturing CGU declined during the year ended 30 September 2015. Management is confident this trend will be reversed in future years.

# Notes to the consolidated financial statements

continued

## 15. Intangible assets continued

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.

The directors have formulated profit and cash flow forecasts for the financial year ending 30 September 2016 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 £0.84 million. The value in use of the goodwill of the Multi-channel retail CGU exceeds the carrying value by £12.20 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 7% to trigger an impairment charge. In the case of the Multi-channel retail CGU a profit reduction of 42% would be required.

## 16. Acquisitions

### Current year

On 5 December 2014 the Group acquired control of Proteus Software Limited by purchasing the entire issued ordinary share capital (and thereby 100% of the voting rights) for a maximum aggregate consideration of £1.90 million. Cash consideration of £1.40 million was paid at completion and deferred consideration of up to £500,000 will be payable subject to Proteus achieving certain performance targets in the year to 5 December 2015. Based on current forecasts, management expects to pay £191,000 in January 2016 and this amount had been included in the calculation of consideration shown below.

The business provides warehouse management solutions to businesses operating in the areas of third party logistics, warehouse management and supply chain distribution. The business complements the Group's existing operations in these areas, a major reason for the Group completing the acquisition.

For the year ended 30 September 2014 Proteus had unaudited revenue of £1.98 million (2013: £1.91 million) and a loss before taxation of £3,000 (2013: profit before tax of £11,000). At 30 September 2014 Proteus's net assets were £586,000. In the period from 6 December 2014 to 30 September 2015 the subsidiary contributed £1.88 million to consolidated revenue and £58,000 to consolidated profit before taxation (stated after charging amortisation of acquired intangibles).

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	34	—	34
Intellectual property	395	214	609
Other intangible assets	—	173	173
Stock	42	—	42
Trade and other receivables	692	(36)	656
Cash and cash equivalents	452	—	452
Income tax receivable	—	42	42
Deferred income	(692)	—	(692)
Trade and other payables	(361)	(420)	(781)
Deferred taxation	—	(29)	(29)
Net identifiable assets and liabilities	562	(56)	506
Goodwill on acquisition			1,085
			1,591
Cash consideration paid at completion			1,400
Deferred contingent cash consideration			191
Net consideration payable			1,591



The deferred consideration payable has not been discounted as the likely amount payable and date of payment mean that the effect of any discount will be immaterial.

On 8 June 2015 the Group acquired control of Evogenic Limited by purchasing the entire issued ordinary share capital (and thereby 100% of the voting rights) for a maximum aggregate consideration of £445,000. Cash consideration of £110,000 was paid at completion. Unconditional deferred consideration of £60,000 will be paid in five equal instalments at six monthly intervals commencing in December 2015. Further deferred consideration of up to £275,000 will be payable subject to the Evogenic trading activity achieving certain performance targets in the three years to June 2018. Based on current forecasts, management expects to pay £238,000 over the three year period.

The business has developed an ERP solution to meet the unique demands of SME manufacturers and distributors. The solution complements the Group's existing operations in these areas, a major reason for the Group completing the acquisition. For the year ended 30 June 2014 Evogenic had unaudited revenue of £84,000 (2013: £117,000) and a profit before taxation of £5,000 (2013: £14,000). At 30 June 2014 Evogenic's net assets were £16,000. In the period from 8 June 2015 to 30 September 2015 the Evogenic business contributed £30,000 to consolidated revenue and £5,000 to consolidated profit before taxation (stated after charging amortisation of acquired intangibles).

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	1	—	1
Intangible assets	—	216	216
Trade and other receivables	4	—	4
Cash and cash equivalents	17	—	17
Trade and other payables	(3)	(20)	(23)
Deferred taxation	—	(32)	(32)
Net identifiable assets and liabilities	19	164	183
Goodwill on acquisition			188
			371
Cash consideration paid at completion			110
Deferred unconditional cash consideration			52
Deferred contingent cash consideration			209
Net consideration payable			371

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 trade receivables to provide for amounts written off post completion, the recognition of income tax and deferred tax assets and liabilities and the accrual of costs incurred prior to completion but payable after completion. 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.

Costs relating to the acquisitions of £184,000 (2014: £125,000) have been charged against operating profit and are included in administrative expenses.

# Notes to the consolidated financial statements

continued

## 16. Acquisitions continued

### Prior year

On 7 October 2013 the Group acquired the entire issued ordinary share capital of One iota Limited. 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 develops cloud-based, digital retail solutions via mobile, tablet and in-store devices.

## 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	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
Property, plant and equipment	231	69	—	—	231	69
Intangible assets	—	—	(936)	(486)	(936)	(486)
Share-based payment expense	55	42	—	—	55	42
Trade and other payables	107	—	—	(95)	107	(95)
Employee benefits	926	960	—	—	926	960
Tax losses	—	74	—	—	—	74
	1,319	1,145	(936)	(581)	383	564

### Movement in deferred tax for the year ended 30 September 2015

	As at 1 October 2014 £000	Income statement £000	Acquisition of subsidiary undertaking £000	Statement of comprehensive income £000	As at 30 September 2015 £000
Property, plant and equipment	69	158	4	—	231
Intangible assets	(486)	(384)	(66)	—	(936)
Share-based payment expense	42	13	—	—	55
Trade and other payables	(95)	201	1	—	107
Employee benefits	960	(52)	—	18	926
Tax losses	74	(74)	—	—	—
	564	(138)	(61)	18	383

### 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

A deferred tax asset of £560,000 (2014: £637,000) in respect of tax losses has not been recognised, as its future economic benefit is uncertain. The gross value of losses in respect of which the unrecognised deferred tax asset relates is £2.80 million (2014: £3.18 million).

The rate of UK corporation tax changed during the financial year ending 30 September 2015 resulting in a change to the rate at which deferred tax assets could be utilised. This reduced the charge to the income statement by £12,000 (2014: reduction of £52,000).

## 18. Trade and other receivables

	2015 £000	2014 £000
Trade receivables	4,018	3,713
Prepayments and accrued income	1,454	993
	5,472	4,706

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, £1,520,161 (2014: £761,000) are past due but not impaired. An analysis of these trade receivables is set out below:

	2015 £000	2014 £000
0–30 days overdue	740	307
30–60 days overdue	280	50
60–90 days overdue	236	101
90+ days overdue	264	303
Total	1,520	761
<b>Movement in impairment provisions:</b>		
Balance at the beginning of the year	60	15
Impairment losses recognised	15	85
Amounts written off as uncollectible	(33)	(40)
Balance at the end of the year	42	60

# Notes to the consolidated financial statements

continued

## 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

	2015 £000	2014 £000
<b>Current liabilities:</b>		
<i>Arising on the acquisition of Catan Marketing Limited</i>		
Conditional deferred consideration	—	95
<i>Arising on the acquisition of One iota Limited</i>		
Unconditional deferred consideration	94	90
Conditional deferred consideration	1,245	630
<i>Arising on the acquisition of Proteus Software Limited (note 16)</i>		
Conditional deferred consideration	191	—
<i>Arising on the acquisition of Evogenic Limited (note 16)</i>		
Unconditional deferred consideration	23	—
Conditional deferred consideration	41	—
	<b>1,594</b>	<b>815</b>
	2015 £000	2014 £000
<b>Non-current liabilities:</b>		
<i>Arising on the acquisition of One iota Limited</i>		
Unconditional deferred consideration	45	124
Conditional deferred consideration	—	1,089
<i>Arising on the acquisition of Evogenic Limited (note 16)</i>		
Unconditional deferred consideration	31	—
Conditional deferred consideration	168	—
	<b>244</b>	<b>1,213</b>

## 21. Trade and other payables

	2015 £000	2014 £000
Trade payables	560	773
Other taxation and social security	1,288	1,086
Accruals and customer deposits	2,061	1,496
	<b>3,909</b>	<b>3,355</b>

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

	2015 No. '000	2014 No. '000
<b>Authorised</b>		
Equity: 535,000,000 Ordinary shares of 10 pence each	53,500	53,500
	2015 £000	2014 £000
<b>Allotted, called up and fully paid</b>		
At 1 October 2014: Equity — 54,063,808 Ordinary shares of 10 pence each	5,406	4,380
Issued during the year	54	1,026
At 30 September 2015: Equity — 54,600,550 Ordinary shares of 10 pence each	5,460	5,406

The following share issues occurred during the year:

Date	Reason	Quantity	Price
19/12/14	Exercise of options	220,000	68.25p
19/12/14	Exercise of options	50,000	54.25p
23/12/14	Exercise of options	34,670	10.00p
13/02/15	Exercise of options	3,234	10.00p
08/03/15	Exercise of options	52,421	57.00p
25/03/15	Exercise of options	34,000	57.00p
25/03/15	Exercise of options	50,000	27.50p
25/03/15	Exercise of options	40,000	30.00p
31/03/15	Exercise of options	2,417	10.00p
07/07/15	Exercise of options	50,000	23.00p

## 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 26.

The accumulated amount of current and deferred tax relating to items that are charged or credited directly to equity is a credit of £709,000 (2014: a credit of £691,000).

## 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.



# Notes to the consolidated financial statements

continued

## 24. Financial instruments disclosure continued

### Categories of financial assets and financial liabilities

The Group held the following categories of financial instruments:

	2015 £000	2014 £000
<b>Financial assets</b>		
Loans and receivables (including trade and other receivables, cash and cash equivalents)	8,625	9,872
Available for sale assets	190	222
	<b>8,815</b>	10,094
<b>Financial liabilities</b>		
Trade payables and accruals	2,621	2,269
Deferred consideration	1,838	2,028
	<b>4,459</b>	4,297

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 2.4% has been observed since the year end to November 2015. The volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been effected 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 £4,000. 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	
	Within 6 months £000	6 to 12 months £000	1 to 2 years £000	2 to 5 years £000
<b>2015</b>				
Trade payables and accruals	2,621	—	—	—
Deferred consideration	1,553	106	155	125
	<b>4,174</b>	<b>106</b>	<b>155</b>	<b>125</b>
	Current		Non-current	
	Within 6 months £000	6 to 12 months £000	1 to 2 years £000	2 to 5 years £000
<b>2014</b>				
Trade payables and accruals	2,269	—	—	—
Deferred consideration	825	50	750	720
	<b>3,094</b>	<b>50</b>	<b>750</b>	<b>720</b>

## 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 £4.6 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 2015 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 2015 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 prior year and Evogenic Limited in the current year and is estimated using a present value technique. Deferred consideration payable in respect of Proteus Software Limited, also acquired during the current year, has not been discounted due to the amount payable and the proximity of the payment date to the financial year end. Fair value is estimated by discounting the estimated future cash flows at 8%. The cash flows of consideration payable before discounting are £1.94 million and reflect management's estimates of consideration that will become payable in the future. 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 any of the acquired businesses not achieve its performance targets 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:

	2015 £000	2014 £000
Balance at 1 October 2014	(2,028)	(145)
Acquired through business combination	(453)	(1,982)
Payments made during the year	895	100
Discount unwound and recognised as acquisition-related finance expense	(252)	(1)
	(1,838)	(2,028)

## 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.

# Notes to the consolidated financial statements

continued

## 24. Financial instruments disclosure *continued*

### 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 2015 the Group held net cash balances of £4.6 million.

## 26. Commitments

Capital commitments, approved by the Board and existing at 30 September 2015 amounted to £nil (2014: £nil).

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

	2015		2014	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Payable:				
Within one year	342	7	253	7
In the second to fifth years inclusive	908	13	741	16
Over five years	2,799	—	2,772	—
	<b>4,049</b>	<b>20</b>	<b>3,766</b>	<b>23</b>

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 £686,000 (2014: £517,000). There was a pension creditor in the prior year's accounts amounting to £119,000 but there is no equivalent creditor at 30 September 2015.

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 2014, showed the scheme to have a deficit of £3.70 million. 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 dependants 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 results of the 1 April 2014 actuarial valuation have therefore been projected forward to 30 September 2015. 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:

	2015	2014
Inflation — RPI	3.1%	3.2%
Inflation — CPI	2.3%	2.4%
Pension revaluation in deferment	3.1%	3.2%
Pension escalation in payment*	0.0–5.0%	0.0–5.0%
Discount rate	4.0%	4.0%

\* Different categories of member within the scheme are entitled to different rates of escalation.

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:

	2015	2014
Unitised with profits	4.50%	4.75%
Equities	7.00%	7.00%
Bonds and gilts	3.00%	3.50%
Cash	1.50%	1.50%
Property	5.50%	6.25%

S1PMA and S1PFA mortality tables have been used in both years. The 2015 valuation applies the CMI 2013 projection model with long cohort improvements of at least 1% for both males and females (2014: 1% for both males and females). A male member retiring at 30 September 2015 is assumed to have a life expectancy of 22.0 years (2014: 22.8), a female member 24.3 years (2014: 24.8). A male member retiring in 20 years is assumed to have a life expectancy from their retirement date of 23.4 years (2014: 24.3) and a female member 25.8 years (2014: 26.3).

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

	2015 £000	2014 £000
Included within operating profit:		
Current service cost; administration fees	(20)	—
Included within finance expense:		
Net interest cost on scheme deficit	(185)	(156)

# Notes to the consolidated financial statements

continued

## 27. Pension schemes continued

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

	2015 £000	2014 £000
Actual return on scheme assets	(237)	432
Expected return on scheme assets	(348)	(390)
Financial actuarial loss	(585)	42
Experience gains or losses arising on the scheme liabilities	(15)	(154)
Effect of changes in actuarial assumptions	510	(722)
Remeasurement recognised in the statement of comprehensive income	(90)	(834)

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

	2015 £000	2014 £000
Cumulative actuarial loss at 1 October	(6,566)	(5,732)
Recognised during the year	(90)	(834)
Cumulative actuarial losses at 30 September	(6,656)	(6,566)

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

	2015 £000	2014 £000
Fair value of defined benefit obligation	(13,227)	(13,367)
Fair value of scheme assets	8,600	8,563
Deficit in the scheme	(4,627)	(4,804)
Deferred taxation on above	926	960
Net pension liability	(3,701)	(3,844)

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

	2015 £000	2014 £000
Equities	6,030	5,803
Bonds	1,346	1,206
Unitised with-profits fund	292	247
Property	135	49
Cash and cash equivalents	797	1,258
Closing fair value of scheme assets	8,600	8,563

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:

	2015 %	2014 %
Equities	70	66
Bonds and gilts	16	14
Cash and cash equivalents	9	17
Other (including unitised with profits)	5	3
	100	100

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

	2015 £000	2014 £000
Opening fair value of scheme assets at 1 October	8,563	9,031
Return on plan assets	348	390
Financial actuarial (loss)/gain	(585)	42
Benefit payments made	(176)	(1,260)
Contributions paid	450	360
Closing fair value of scheme assets at 30 September	8,600	8,563

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

	2015 £000	2014 £000
Opening defined benefit obligation at 1 October	(13,367)	(13,205)
Interest cost	(531)	(546)
Benefit payments made	176	1,260
Actuarial losses: financial	96	(1,264)
Actuarial losses: demographic	399	388
Closing defined benefit obligation at 30 September	(13,227)	(13,367)

The weighted average duration of the defined benefit obligation at 30 September 2015 was 19 years.

Total committed contributions to the defined benefit scheme for the financial year ending 30 September 2016 amount to £330,000 in respect of agreed monthly contributions.

The results of the IAS 19 valuation at 30 September 2015 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 5%
Life expectancy	Increase by 1 year	Increase by 3%

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 2015 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 21, 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](http://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 2015;
- 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 2015.

### David White

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Birmingham  
30 November 2015

# Company statement of financial position

at 30 September 2015

	Note	2015 £000	2014 £000
<b>Non-current assets</b>			
Property, plant & equipment	31	66	—
Investments	32	18,193	23,143
Deferred tax asset	33	81	10
		<b>18,340</b>	23,153
<b>Current assets</b>			
Trade and other receivables	34	4,024	189
Income tax		451	185
Other short-term financial assets		190	222
Cash and cash equivalents		1,595	1,780
		<b>6,260</b>	2,376
<b>Current liabilities</b>			
Trade and other payables	35	(3,319)	(4,390)
Deferred consideration	35	(191)	—
		<b>(3,510)</b>	(4,390)
<b>Net current assets / (liabilities)</b>		<b>2,750</b>	(2,014)
<b>Net assets</b>		<b>21,090</b>	21,139
<b>Equity attributable to the equity holders of the Company</b>			
Called up share capital	36	5,460	5,406
Share premium account		9,023	8,809
Available for sale reserve		60	91
Retained earnings		6,547	6,833
<b>Total equity</b>		<b>21,090</b>	21,139

The Company statement of financial position was approved and authorised for issue by the Board of directors on 30 November 2015 and signed on its behalf by:

**Christopher Winn**

Director

**Company Registration Number**

4968444

# Company statement of cash flows

for the year ended 30 September 2015

	2015 £000	2014 £000
<b>Cash flows from operating activities</b>		
Profit/(loss) for the year after taxation	858	(277)
<i>Adjustments for:</i>		
Net finance expense	(45)	(23)
Income tax	(262)	242
<b>Operating cash flow before changes in working capital</b>	551	(58)
Movement in trade and other receivables	(71)	—
Movement in amounts due to/from subsidiary undertakings	1,455	560
Movement in trade and other payables	200	(2,601)
<b>Cash generated from continuing operations</b>	2,135	(2,099)
Interest paid	(2)	—
<b>Net cash flow from operating activities</b>	2,133	(2,099)
<b>Cash flow from investing activities</b>		
Acquisition of subsidiary undertaking	(1,400)	—
Bank interest received	35	8
Dividend received	12	15
<b>Net cash flow from investing activities</b>	(1,353)	23
<b>Cash flow from financing activities</b>		
Issue of shares, net of costs	118	3,953
Settlement of share options	(48)	—
Equity dividends paid	(1,035)	(873)
<b>Net cash flow from financing activities</b>	(965)	3,080
Net (decrease)/increase in cash and cash equivalents	(185)	1,004
Cash and cash equivalents at beginning of year	1,780	776
<b>Cash and cash equivalents at the end of the year</b>	1,595	1,780

# Company statement of changes in equity

for the year ended 30 September 2015

	Share capital £000	Share premium £000	Available for sale reserve £000	Retained earnings £000	Total equity £000
At 1 October 2014	5,406	8,809	91	6,833	21,139
Settlement of share options	—	—	—	(48)	(48)
Dividend paid	—	—	—	(1,035)	(1,035)
Exercise of share options	54	214	—	(150)	118
Share-based payment charge	—	—	—	89	89
Transactions with owners	54	214	—	(1,144)	(876)
Profit for the year	—	—	—	858	858
<i>Other comprehensive income:</i>					
Change in fair value of available for sale asset	—	—	(31)	—	(31)
<b>At 30 September 2015</b>	<b>5,460</b>	<b>9,023</b>	<b>60</b>	<b>6,547</b>	<b>21,090</b>

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)
<i>Other comprehensive income:</i>					
Change in fair value of available for sale asset	—	—	17	—	17
<b>At 30 September 2014</b>	<b>5,406</b>	<b>8,809</b>	<b>91</b>	<b>6,833</b>	<b>21,139</b>

# 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.

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

### Use of estimates and judgements

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

#### *Estimates*

*Note 34: Measurement of trade receivables:* Management assesses 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.

#### *Judgements*

*Note 33: Deferred tax:* The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group’s future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties.

### 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 three non-executive directors during the course of the year (2014: two non-executives). John Paterson and Philip Kelly served throughout the year. David Gutteridge was appointed on 9 June 2015. Fees paid in respect of these appointments amounted to £75,280 (2014: £64,000).

Following an internal reorganisation, the Company employed the executive directors Christopher Winn and Adrian Frost with effect from 1 April 2015. Note 8 to the financial statements provides details of remuneration paid to Messrs Winn and Frost during the year. Of the amounts disclosed, 50% was paid by the Company during the period from 1 April 2015 to 30 September 2015. Mr Frost's option exercises had taken place prior to 1 April 2015.

### 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'.

### 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.



# Notes to the Company financial statements

continued

## 28. Accounting policies continued

### 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

	2015 £000	2014 £000
Interim dividend of 0.90p per share (2014: 0.80p)	491	432
Final dividend relating to previous financial year of 1.00p per share (2014: 0.85p)	544	441
Total dividend for the financial year	1,035	873

A final dividend of 1.20 pence per ordinary share in respect of the financial year ended 30 September 2015 will be proposed at the Annual General Meeting of the Company, expected to be held on 3 March 2016. If approved by shareholders, the total final dividend payment will amount to £655,206.

## 31. Property, plant and equipment

	Plant & Equipment £000
<b>Cost</b>	
Balance at 1 October 2013 and 1 October 2014	—
Additions	34
Transfer from subsidiary undertaking	286
Balance at 30 September 2015	320
<b>Depreciation</b>	
Balance at 1 October 2013 and 1 October 2014	—
Transfer from subsidiary undertaking	228
Charge for the year	26
Balance at 30 September 2015	254
<b>Net book value</b>	
At 30 September 2014	—
<b>At 30 September 2015</b>	<b>66</b>

## 32. Non-current asset investments

	Shares in Group undertakings £000
<b>Cost</b>	
At 1 October 2013	27,796
Fair value of share options granted to employees of subsidiaries	101
At 30 September 2014	27,897
Fair value of share options granted to employees of subsidiaries	89
Acquisition of Proteus Software Limited	1,591
Transfer of investment from subsidiary undertaking	2,000
Disposal of investment to subsidiary undertaking	(8,630)
At 30 September 2015	22,947
<b>Impairments</b>	
At 1 October 2013, 30 September 2014 and 30 September 2015	(4,754)
<b>Net book value</b>	
At 30 September 2014	23,143
<b>At 30 September 2015</b>	<b>18,193</b>

The subsidiary undertakings of Sanderson Group plc consist of the following wholly owned companies, with all trading entities being denoted by an asterisk:

Sanderson Multi-Channel Limited*	Priam Retail Solutions Limited
Sanderson Limited*	Sanderson Logistics Limited
One iota Limited*	Sanderson Support Limited
Proteus Software Limited*	Sanderson Commercial Services Limited
Sonarsend Limited	Sanderson Ireland Limited
Sanderson Australia Pty Limited*	Sanderson Retail Systems Limited
Deals Joy Limited	

Sanderson Australia Pty Limited is incorporated in Australia. Sanderson Ireland Limited is incorporated in the Republic of Ireland. All other companies are incorporated in England.

## 33. 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:

	2015 £000	2014 £000
Temporary differences re capital allowances	41	—
Share-based payment expense	37	10
Trade and other payables	3	—
	<b>81</b>	<b>10</b>

# Notes to the Company financial statements

continued

## 33. Deferred taxation continued

### Movement in deferred tax

	As at 1 October 2013 £000	Income statement £000	As at 30 September 2014 £000	Income statement £000	Arising on business transfers £000	As at 30 September 2015 £000
Property, plant and equipment	—	—	—	—	41	41
Share-based payment expense	9	1	10	27	—	37
Tax losses	147	(147)	—	—	—	—
Trade and other payables	—	—	—	—	3	3
	156	(146)	10	27	44	81

A deferred tax asset of £236,000 (2014: £351,000) 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 £1,182,000 (2014: £1,755,000).

## 34. Trade and other receivables

	2015 £000	2014 £000
<b>Current assets</b>		
Prepayments	77	6
Amounts due from subsidiary undertakings	3,947	183
	4,024	189

Amounts due from subsidiary companies are repayable on demand

## 35. Trade and other payables

	2015 £000	2014 £000
<b>Current liabilities</b>		
Trade and other payables	25	—
Accruals	213	38
Deferred consideration	191	—
Amounts due to subsidiary companies	3,081	4,352
	3,510	4,390

Amounts due to subsidiary companies are repayable on demand

## 36. Called up share capital

	2015 £000	2014 £000
<b>Authorised</b>		
Equity: 535,000,000 Ordinary shares of 10 pence each	53,500	53,500
	2015 No. '000	2014 No. '000
<b>Allotted, called up and fully paid</b>		
At 1 October 2014: Equity — 54,063,808 Ordinary shares of 10 pence each	5,406	4,380
Issued during the year	54	1,026
At 30 September 2015: Equity — 54,600,550 Ordinary shares of 10 pence each	5,460	5,406

The following share issues occurred during the year:

Date	Reason	Quantity	Price
19/12/14	Exercise of options	220,000	68.25p
19/12/14	Exercise of options	50,000	54.25p
23/12/14	Exercise of options	34,670	10.00p
13/02/15	Exercise of options	3,234	10.00p
08/03/15	Exercise of options	52,421	57.00p
25/03/15	Exercise of options	34,000	57.00p
25/03/15	Exercise of options	50,000	27.50p
25/03/15	Exercise of options	40,000	30.00p
31/03/15	Exercise of options	2,417	10.00p
07/07/15	Exercise of options	50,000	23.00p

## 37. 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.

### Categories of financial assets and financial liabilities

The Company held the following categories of financial instruments:

	2015 £000	2014 £000
<b>Financial assets</b>		
Loans and receivables (including trade and other receivables, cash and cash equivalents)	5,542	2,104
Available for sale assets	190	222
	<b>5,732</b>	2,326
<b>Financial liabilities</b>		
Trade payables and accruals	3,319	4,390

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 2.4% has been observed since the year end to October 2015. The volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been effected 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 £4,000. 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.

# Notes to the Company financial statements

continued

## 37. Financial instruments disclosure continued

### 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 Within 6 months £000	6 to 12 months £000	Non-current 1 to 2 years £000	2 to 5 years £000
<b>2015</b>				
Deferred consideration	191	—	—	—
Trade payables and accruals	238	—	—	—
Amounts due to subsidiary companies	3,081	—	—	—
	<b>3,510</b>	<b>—</b>	<b>—</b>	<b>—</b>
	Current Within 6 months £000	6 to 12 months £000	Non-current 1 to 2 years £000	2 to 5 years £000
<b>2014</b>				
Trade payables and accruals	4,390	—	—	—

### 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 £1.60 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 2015 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.

### 38. 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 2015 the Group held net cash balances of £4.6 million.

### 39. Related party transactions

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

	2015 £000	2014 £000
Sanderson Limited	—	50
Sanderson Multi-Channel Solutions Limited	—	50
One iota Limited	—	40

The Company received dividends from the following subsidiary companies during the year:

	2015 £000	2014 £000
One iota Limited	500	—
Sonarsend Limited	478	—
Sanderson Multi-Channel Solutions Limited	250	—
Proteus Software Limited	100	—

Amounts due from/(to) subsidiary companies at 30 September 2015 are set out below:

	2015 £000	2014 £000
Sanderson Limited	344	183
Sanderson Multi-Channel Solutions Limited	3,058	(1,682)
Sonarsend Limited (dormant subsidiary)	—	(546)
One iota Limited	(664)	(471)
Proteus Software Limited	(220)	—
Sanderson Australia Pty Limited	108	—
Poplar 600 Limited (dormant subsidiary)	(2,080)	(1,653)
Priam Retail Solutions Limited (dormant subsidiary)	25	—
Sanderson Retail Systems Limited (dormant subsidiary)	(117)	—

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.



## Shareholder notes

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