

## Regulatory Story

[Go to market news section](#)



**Company** Sanderson Group PLC  
**TIDM** SND  
**Headline** 2009 Interim Results  
**Released** 07:00 30-Jun-2009  
**Number** 7353U07



RNS Number : 7353U  
 Sanderson Group PLC  
 30 June 2009

For Immediate Release

30 June 2009

### **SANDERSON GROUP PLC Interim Results for the period ended 31 March 2009**

Sanderson Group plc ("Sanderson" or "The Group"), the software and IT services business specialising in the multi-channel retail and manufacturing markets in the UK and Ireland, announces interim results for the six months ended 31 March 2009.

#### **Highlights**

- Revenue of £13.0m (2008: £13.0m)
- \*Adjusted operating profit of £1.1m (2008: £2.0m)
- Loss from operating activities of £1.1m (2008: profit of £1.4m)
- \* Adjusted earnings per share of 0.5p (2008: 3.2p)
- Basic loss per share of 4.6p (2008: 1.9p earnings)
- Interim Dividend per share of 0.2p (2008: 1.2p)
- Cash generated from operations of £1.5m (2008: £1.3m)
- Net debt significantly reduced to £9.5m (2008: £12.5m)

\*Before amortisation of acquisition related intangibles, impairment of goodwill and share based payment charges.

#### **On current trading and the outlook, Mr Christopher Winn, Executive Chairman, commented:**

"We believe that our focus on core markets and the continuing development of solutions relevant to customers operating in these sectors will deliver improved financial performance and enhanced shareholder value. The short term goal remains the reduction in debt levels as quickly as trading conditions allow.

"Notwithstanding the slowdown in the general economy the Group has a robust business model with a focus on its strong client base. The Group has concentrated on providing additional products and services to customers and together with the cost savings already implemented, this should ensure that the Group produces an improved trading result for the second half of the financial year."

#### **Enquiries:**

Christopher Winn, Executive Chairman  
 Adrian Frost, Group Finance Director  
 Sanderson Group plc 02476 555466

Mark Taylor / Freddy Crossley  
 Charles Stanley Securities 020 7149 6000

Paul Vann/Tom Cooper  
 Winningtons Financial 0117 920 0092 or 07768 807631

### **SANDERSON GROUP PLC**

#### **Interim Results for the period ended 31 March 2009**

## CHAIRMAN'S STATEMENT

### Introduction

The trading results for the six month period to 31 March 2009 show revenue from continuing operations of £13.0m (2008: £13.0m). Operating profit before the amortisation of acquisition related intangibles and before the charge in respect of share based payments amounted to £1.1m (2008: £2.0m).

The Group's trading has been affected by the challenging market conditions resulting from the general economic downturn and recession. In response, the Board has already implemented a number of efficiency measures and cost saving initiatives which will result in a significantly reduced cost base in the second half of the financial year.

The Group has reported a number of non-cash charges in the period, resulting in an after tax loss of £2.0m (2008: profit of £0.8m). In addition to the regular amortisation charge in respect of acquisition related intangibles, an impairment charge of £1.5m against the value of goodwill attributable to the manufacturing division has been recognised in the income statement. This charge arises from the reduced levels of profitability being reported by this business. A further one-off charge of £0.6m in respect of a movement in the fair value of the Group's interest rate hedging arrangement, arising from the reduction in base rates to an historic low, is included in finance costs.

The Group has continued to manage working capital in a prudent manner. Cash generated from operations in the six month period to 31 March 2009 was £1.5m (2008: £1.3m). This strong cash generation has facilitated a reduction in bank debt, with net debt at 31 March 2009 amounting to £9.5m (2008: £12.5m). The Group is currently in advanced discussions with its bank, Royal Bank of Scotland, to reschedule and extend repayment of the remaining bank debt while also resetting the covenant suite to more appropriately reflect the current market environment. The new maturity date is expected to be June 2014.

### Business review

As highlighted in the trading update issued in April, the general recession in the UK economy has resulted in both existing, as well as, prospective customers reducing or postponing capital investment decisions. Discretionary expenditure from existing customers is focused on enhancing the performance of their current IT systems in order to deliver tangible business benefits through cost savings and increased efficiencies with a strong return on investment (ROI) expected from any capital investment. The Group is well placed to assist its customers in this endeavour. The level of annual, pre-contracted recurring revenues has increased in monetary terms by 3% in the period to £6.8m (2008: £6.6m) and accounts for 54% of total revenue (2008: 52%). The Group has further developed its customer support and managed service offerings in the multi-channel retail division which has resulted in a 7% growth in divisional recurring revenues. A contribution to this growth was derived from the gain of a three year managed service contract with an existing customer, worth £1.5m over the life of the contract.

The Group has continued to gain new customers, but against the backdrop of a general lack of business confidence and economic uncertainty, the number and size of opportunities are fewer and the deferment of investment decisions, which was experienced towards the end of the 2008 financial year (ending 30 September 2008) has continued into the current year.

Sales and marketing efforts have been increased, with the focus being upon existing customer account management whilst at the same time continuing to compete and to win new customers. An efficiency programme has been implemented and the related costs have been expensed in the period to 31 March 2009. This programme will result in a reduction in the cost base of approximately £1m in the second half year.

### Review of multi-channel retail

The Group provides end-to-end and comprehensive solutions to businesses operating in retail, mail order, fulfilment and wholesale distribution, as well as, increasingly, to those with an online sales presence. Revenues derived from multi-channel retail operations increased by 3%. The change in the nature of customer expenditure, with less software licence revenue as a proportion of total revenue, led to a fall in gross margin. This trend has been particularly noticeable in the businesses focused on the high street retail sector. Activity levels from the larger retail customers has been high, especially in the areas of fraud prevention and Payment Card Industry (PCI) compliance. Activity at the lower end of the retail sector, including charities, has been very low.

The Group has experienced some continued modest growth from its non-high street customers - online traders, catalogue/mail order businesses and also wholesalers.

Six new customers were gained in the period including Kurt Geiger and Boot Tree. Reflecting the changed market conditions, this compares with twelve new customers in 2008 and nine new customers in 2007. Large projects were gained from a number of existing clients, including Wilkinson, Wyevale Garden Centres and Lakeland.

### Review of manufacturing

The Group's manufacturing business covers the provision of IT solutions to manufacturers who operate primarily in the engineering, plastics, electronics, furniture, automobile parts, print and food process sectors. The UK manufacturing sector has been particularly badly affected by the current recession. Revenue in the six months to 31<sup>st</sup> March 2009, at £3.0m, was almost 10% below the level of the previous year (2008: £3.3m).

One new client, Quality Desserts, was gained in the period compared with three in the comparative period in 2008. Market conditions remain challenging, but since February, the food process sector (which accounts for around 40% of total manufacturing division revenue) has become very active and order intake has recovered to pre-September 2008 levels. The manufacturing business is well positioned to benefit from any improvement in the economy and pre-contracted annual recurring revenues now account for 65% of total revenue.

### Balance sheet

A primary focus of the Group remains the reduction of debt levels. Whilst the conclusion of negotiations with the Group's bank will reduce the amount of capital repayments due in the short term, the Group remains committed to reducing debt levels as quickly as possible. The Group has reflected the revised repayment profile of bank debt in the balance sheet at 31 March 2009.

#### Strategy

We believe that our focus on core markets and the continuing development of solutions relevant to customers operating in these sectors will deliver improved financial performance and enhanced shareholder value. The short term goal remains the reduction in debt levels as quickly as trading conditions allow.

#### Dividend

Taking into account current market conditions, the likely timing of any sustained economic recovery and the Group's ongoing strategy to reduce debt levels, the Board believes that it is prudent to declare a reduced interim dividend of 0.2p per share, payable on 21 August 2009 to shareholders on the register at close of business on 24 July 2009.

#### Staff

The Group employs experienced individuals committed to the ongoing development of the business. We would like to thank all of our staff for their support and commitment in this challenging economic environment.

#### Outlook

Notwithstanding the slowdown in the general economy, the Group has a robust business model with a focus on its strong client base. The Group has concentrated on providing additional products and services to customers and together with the cost savings already implemented, this should ensure that the Group produces an improved trading result for the second half of the financial year.

### Christopher Winn

#### Chairman

30 June 2009

### CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Six months to 31/03/09 £'000	Unaudited Six months to 31/03/08 £'000	Audited Year to 30/09/08 £'000
<b>Continuing Operations</b>				
Revenue	2	12,956	13,001	27,554
Cost of sales		(3,723)	(3,443)	(8,007)
<b>Gross profit</b>		<b>9,233</b>	9,558	19,547
Other operating expenses		(10,380)	(8,139)	(17,795)
<b>Results from operating activities</b>		<b>(1,147)</b>	1,419	1,752
<b>Results from operating activities before amortisation and share based payment charges</b>				
	2	<b>1,066</b>	1,968	4,070
Amortisation of acquisition related intangibles		(690)	(524)	(1,381)
Impairment of goodwill		(1,499)	-	(889)
Share-based payment charges		(24)	(25)	(48)
<b>Results from operating activities</b>		<b>(1,147)</b>	1,419	1,752
Movement in fair value of derivative financial instrument		(576)	119	72
Net finance costs		(397)	(573)	(923)
<b>(Loss) / profit before tax</b>		<b>(2,120)</b>	965	901
Tax		134	(139)	942
<b>(Loss) / profit for the period</b>		<b>(1,986)</b>	826	1,843
<b>(Loss) / earnings per share</b>				
From continuing operations				
Basic	3	(4.6p)	1.9p	4.2p
Diluted	3	(4.6p)	1.8p	4.1p

### CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

Actuarial gains on defined benefit pension schemes	-	-	(103)
Tax on items taken directly to equity	-	-	29
<b>(Loss) / profit for the period</b>	<b>(1,986)</b>	<b>826</b>	1,843

<b>Total recognised income and expense for the period</b>	<b>(1,986)</b>	<b>826</b>	<b>1,769</b>
---	----------------	------------	--------------

**CONSOLIDATED BALANCE SHEET**

	<b>Unaudited As at 31/03/09 £'000</b>	Unaudited As at 31/03/08 £'000	Audited As at 30/09/08 £'000
<b>Non-current assets</b>			
Goodwill	29,908	33,594	31,407
Other intangible assets	5,118	6,761	5,829
Property, plant & equipment	529	561	602
Employee benefits	275	144	170
Deferred tax asset	1,013	775	1,046
	<b>36,843</b>	<b>41,835</b>	<b>39,054</b>
<b>Current assets</b>			
Inventories	380	362	397
Trade and other receivables	6,779	7,487	6,920
Income tax receivable	134	95	791
Derivative financial instrument	-	119	72
Cash and cash equivalents	179	68	1,060
	<b>7,472</b>	<b>8,131</b>	<b>9,240</b>
<b>Current liabilities</b>			
Bank overdraft and loans	(444)	(2,000)	(2,170)
Trade and other payables	(4,782)	(4,731)	(4,565)
Deferred contingent consideration	-	(1,442)	-
Current tax liabilities	(11)	(711)	-
Derivative financial instrument	(504)	-	-
Deferred income	(6,377)	(6,002)	(6,500)
	<b>(12,118)</b>	<b>(14,886)</b>	<b>(13,235)</b>
<b>Net current liabilities</b>	<b>(4,646)</b>	<b>(6,755)</b>	<b>(3,995)</b>
<b>Non-current liabilities</b>			
Deferred income	(433)	-	(702)
Deferred tax liabilities	(1,487)	(1,833)	(1,665)
Loans and borrowings	(9,212)	(10,526)	(9,554)
	<b>(11,132)</b>	<b>(12,359)</b>	<b>(11,921)</b>
<b>Net assets</b>	<b>21,065</b>	<b>22,721</b>	<b>23,138</b>
<b>Equity</b>			
Called-up share capital	4,338	4,328	4,338
Share premium	15,178	15,153	15,178
Retained earnings	1,549	3,240	3,622
<b>Total equity</b>	<b>21,065</b>	<b>22,721</b>	<b>23,138</b>

**CONSOLIDATED CASH FLOW STATEMENT**

	<b>Unaudited Six months to 31/03/09 £'000</b>	Unaudited Six months to 31/03/08 £'000	Audited Year to 30/09/08 £'000
<b>Cash flows from operating activities</b>			
(Loss) / profit for the period	(1,986)	826	1,843
<i>Adjustments for:</i>			
Depreciation and amortisation	2,343	685	2,692
Share based payment charges	24	25	48
Net finance expense	973	454	851
Income tax (credit) / expense	(134)	139	(942)
<b>Operating cash flow before working capital movements</b>	<b>1,220</b>	<b>2,129</b>	<b>4,492</b>
Increase / decrease in working capital	244	(787)	597

<b>Cash generated by operations</b>	<b>1,464</b>	1,342	5,089
Payments to defined benefit pension scheme	(117)	(117)	(234)
Interest paid	(728)	(306)	(605)
Income taxes received / (paid)	<b>657</b>	(377)	(1,139)
<b>Net cash from operating activities</b>	<b>1,276</b>	542	3,111
<b>Investing activities</b>			
Purchases of property, plant & equipment	(60)	(103)	(247)
Expenditure on product development	-	-	(50)
Acquisition of subsidiary net of cash acquired	-	(500)	(500)
<b>Net cash used in investing activities</b>	<b>(60)</b>	(603)	(797)
<b>Financing activities</b>			
Equity dividends paid	(87)	(671)	(1,192)
Repayment of bank borrowing	(2,000)	(125)	(975)
Repayment of finance lease principal	(10)	(10)	(22)
<b>Net cash used in financing activities</b>	<b>(2,097)</b>	(806)	(2,189)
<b>(Decrease) / increase in cash and cash equivalents</b>	<b>(881)</b>	(867)	125
<b>Cash and cash equivalents at start of the period</b>	<b>1,060</b>	935	935
<b>Cash and cash equivalents at end of the period</b>	<b>179</b>	68	1,060

## NOTES TO THE INTERIM RESULTS

### 1. Basis of preparation

The Group's interim results for the six month period ended 31 March 2009 are prepared in accordance with the Group's accounting policies which are based on the recognition and measurement principles of International Financial Reporting Standards ('IFRS') as adopted by the EU and effective, or expected to be adopted and effective, at 30 September 2009. As permitted, this interim report has been prepared in accordance with the AIM rules and not in accordance with IAS34 'Interim financial reporting'.

These interim results do not constitute full statutory accounts within the meaning of section 240(5) of the Companies Act 1985 and are unaudited. The unaudited interim financial statements were approved by the Board of Directors on 29<sup>th</sup> June 2009.

The consolidated financial statements are prepared under the historical cost convention as modified to include the revaluation of financial instruments. The statutory accounts for the year ended 30 September 2008, which were prepared under IFRS, have been filed with the Registrar of Companies. These statutory accounts carried an unqualified Auditors' Report and did not contain a statement under either Section 237(2) or (3) of the Companies Act 1985.

### 2. Segmental reporting

The Group is managed as two separate divisions, manufacturing and multi-channel retail. Substantially all revenue is generated within the UK.

	Manufacturing			Multi-channel retail			Total		
	Six months 31/03/09 £000	Six months 31/03/08 £000	Year ended 30/09/08 £000	Six months 31/03/09 £000	Six months 31/03/08 £000	Year ended 30/09/08 £000	Six months 31/03/09 £000	Six months 31/03/08 £000	Year ended 30/09/08 £000
Revenue	<b>2,974</b>	3,319	6,489	<b>9,982</b>	9,682	21,065	<b>12,956</b>	13,001	27,554
Operating profit*	<b>401</b>	601	1,255	<b>665</b>	1,367	2,815	<b>1,066</b>	1,968	4,070
Amortisation**	-	-	-	(690)	(524)	(1,381)	(690)	(524)	(1,381)
Impairment of goodwill	(1,499)	-	-	-	-	(889)	(1,499)	-	(889)
Share based payment charges	-	-	-	(24)	(25)	(48)	(24)	(25)	(48)
Operating (loss) / profit	<b>(1,098)</b>	601	1,255	<b>(49)</b>	818	497	<b>(1,147)</b>	1,419	1,752
Net finance expense							<b>(973)</b>	(454)	(851)
(Loss) / profit before tax							<b>(2,120)</b>	965	901

\*Stated before amortisation of acquisition related intangibles and share based payment charges.

\*\* Amortisation of acquisition related intangibles.

**NOTES TO THE INTERIM RESULTS (CONTINUED)****3. Earnings per share**

	<b>Six months to 31/03/09 £'000</b>	Six months to 31/03/08 £'000	Year to 30/09/08 £'000
<b>Earnings</b>			
(Loss) / profit for the period	<b>(1,986)</b>	826	1,843
Adjusted* profit from continuing operations	<b>227</b>	1,375	4,161
<b>Average number of shares during period</b>	<b>No. '000</b>	No. '000	No. '000
In issue at the start of the period	<b>43,384</b>	42,282	42,282
Effect of shares issued in the period	-	330	1,102
Weighted average number of shares at period end	<b>43,384</b>	42,612	43,384
Effect of share options	<b>1,836</b>	1,939	1,836
Effect of deferred consideration	-	670	-
Weighted average number of shares (diluted) at period end	<b>45,220</b>	45,221	45,220
<b>Earnings per share</b>	<b>pence</b>	pence	pence
Continuing - basic	<b>(4.6)</b>	1.9	4.2
- diluted	<b>(4.6)</b>	1.8	4.1
Adjusted* - basic	<b>0.5</b>	3.2	9.6
- diluted	<b>0.5</b>	3.0	9.2

Owing to the result for the period being a loss, the basic loss per share is not further diluted.

\*Stated before amortisation of acquisition related intangibles, impairment of goodwill and share based payment charges.

**4. Interim report**

The Group's interim report will be sent to the Company's shareholders. The report will also be available from the Company's registered office and on the Company's website: [www.sanderson.com](http://www.sanderson.com).

This information is provided by RNS  
The company news service from the London Stock Exchange

END

IR EAFKNAESNEAE

CLOSE

**London Stock Exchange plc is not responsible for and does not check content on this Website. Website users are responsible for checking content. Any news item (including any prospectus) which is addressed solely to the persons and countries specified therein should not be relied upon other than by such persons and/or outside the specified countries. [Terms and conditions](#), including restrictions on use and distribution apply.**

©2009 London Stock Exchange plc. All rights reserved

Regulatory