



Sanderson Group PLC - SND 2018 Interim Results
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SANDERSON GROUP PLC
Interim Results for the six months ended 31 March 2018

"Strong performance across the Group with EPS increasing by 44%; November acquisition has made a good start; Dividend up 14%; further significant progress anticipated."

Sanderson Group plc ('Sanderson' or 'the Group'), the software and IT services business specialising in digital retail technology and enterprise software for businesses operating in the manufacturing, wholesale distribution and logistics sectors, announces Interim Results for the six month period ended 31 March 2018.

Commenting on the results, Chairman, Christopher Winn, said:

"The Group trading results for the six month period ended 31 March 2018, are slightly ahead of management's expectations; revenue increased by 34% to £14.61 million (2017: £10.90 million) and operating profit* rose by 34% to £2.08 million (2017: £1.55 million). Sanderson continues to generate cash in line with operating profit and is committed to maintaining a strong balance sheet. To supplement organic growth, selective acquisitions are under continued consideration. The Board remains focused on continuing to deliver both organic and acquisitive growth, achieving 'on target' results, increased earnings, good cash generation and a robust balance sheet, thereby further increasing shareholder value and growing dividend returns."

Highlights - Financial

- Revenue increased by 34% to £14.61 million (2017: £10.90 million); 'like-for-like' revenue (excluding Anisa) rose to £11.08 million (2017: £10.90 million).
- Pre-contracted recurring revenue increased to £8.25 million (2017: £5.40 million), representing 56% of total revenue in the period (2017: 50%); 'like-for-like' recurring revenue grew by 11% to £5.99 million (2017: £5.40 million).
- Operating profit* rose by 34% to £2.08 million (2017: £1.55 million); 'like-for-like' operating profit (excluding Anisa) grew by over 12% to £1.74 million reflecting a more efficient, lower cost delivery of the Group's solutions.
- Continued cash generation in line with operating profit with net cash balance at 31 March 2018 of £1.39 million. The cash balance, excluding the Anisa loan (term debt facility of £4.12 million) remains strong at £5.06 million (2017: £4.51 million).
- Increased Interim Dividend declared, up 14% to 1.25 pence per share (2017: 1.10 pence).
- Basic earnings per share* increased 44% to 2.3 pence (2017: 1.6 pence).

* Operating profit and basic earnings per share are stated before amortisation of acquisition-related intangibles, share-based payment charges, acquisition-related and restructuring costs.

Highlights - Operational

- Strong performances from both Digital Retail and Enterprise divisions with order books of £3.42 million (2017: £0.84 million) and £5.19 million (2017: £1.93 million) respectively.
- Digital Retail revenue grew 20% to £4.25 million (2017: £3.54 million) whilst operating profit* more than doubled to £0.70 million (2017: £0.34 million); sales orders gained during period included Richer Sounds plc, Thorntons Limited, Beaverbrooks The Jewellers Limited and Scotts of Stow;
- Enterprise division, comprising manufacturing, wholesale distribution and logistics and supply chains, significantly enhanced and strengthened by acquisition of Anisa during the period; revenue and operating profit* (including Anisa) increased to £10.36 million (2017: £7.36 million) and £1.38 million (2017: £1.21 million) respectively. Anisa's global customer base, active during the period, with orders from Culina Group and DHL Supply Chain.
- Total Group order book at period-end (including Anisa) of £8.61 million (2017: £2.78 million); like-for-like order book rose 16% to £3.22 million (2017: £2.78 million).

On current trading and outlook, Group Chief Executive, Ian Newcombe, added:

"We continue to be measured in our business approach, sensitive to the general economic environment and we monitor customer confidence and market conditions carefully. Whilst the Group has not detected any major loss of confidence amongst its customers and that the value of prospects is increasing, sales cycles can still be protracted, especially where major projects are under consideration. Notwithstanding any potential uncertainty surrounding the ongoing Brexit negotiations, Sanderson, now strengthened by the November acquisition, has a large order book, robust recurring revenue and a healthy balance sheet. Combined with the Group's proven reputation, well-established track record and continuing sales momentum, the Board has a good level of confidence that Sanderson will make significant further progress during the current financial year ending 30 September 2018."

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This announcement contains inside information for the purposes of Article 7 of EU Regulation [596/2014](#).

CHAIRMAN'S STATEMENT

Sanderson Group plc ('Sanderson' or 'the Group'), the software and IT services business specialising in digital retail technology and enterprise software for businesses operating in the manufacturing, wholesale distribution and logistics sectors, announces its interim results for the six month period ended 31 March 2018.

November acquisition

Sanderson was expanded and enhanced by the acquisition of the Anisa Group ('Anisa') on 23 November 2017, for an enterprise value of £12 million. The acquired business specialises in the delivery and support of world-class integrated supply chain and enterprise resource planning ('ERP') solutions on a global basis. The acquisition has significantly increased the size and strength of the Group, considerably enhancing the range of solutions and services which Sanderson can now offer customers, particularly in managed services.

Financial results

The Group trading results for the six month period ended 31 March 2018, are slightly ahead of management's expectations; revenue increased by 34% to £14.61 million (2017: £10.90 million) and operating profit* rose by 34% to £2.08 million (2017: £1.55 million). On a 'like-for-like' basis, excluding the acquisition, revenue rose to £11.08 million (2017: £10.90 million) and operating profit* grew by over 12% to £1.74 million (2017: £1.55 million), very much reflecting a more efficient, lower cost of delivery of the Group's solutions.

Gross margin remained high at 80% (81% on a 'like-for-like' basis of comparison) (2017: 82%). Growing pre-contracted recurring revenues reached £8.25 million (2017: £5.40 million) and represented 56% of total revenue in the period. 'Like-for-like' recurring revenue grew by 11% to £5.99 million (2017: £5.40 million) and the Group continues to focus on building its pre-contracted recurring revenues including growing subscription, cloud and managed services revenues.

The total order book, including Anisa and the remaining element of a large order gained in June 2017, was valued at £8.61 million at the end of March 2018. The increased Group order book is now much better balanced and at a more manageable level across the Group's businesses. Measured on a 'like-for-like' basis, the order book stood at £3.22 million at 31 March 2018 (2017: £2.78 million), over 16% ahead of the comparable order book at the end of March 2017.

Sanderson continues to generate cash in line with operating profit and is committed to maintaining a strong balance sheet. Following the acquisition in November 2017, which was financed from the Group's own cash resources, by the assumption of Anisa's utilised five year repayable term debt facility of £4.12 million and by the issue of 3,990,653 Sanderson shares, the Group's net cash balance was £1.39 million at 31 March 2018. The cash balance excluding the loan facility remains strong at £5.06 million (2017: £4.51 million).

Dividend

The Board continues to maintain a progressive dividend policy and is pleased to declare a further increase of 14% in the level of the interim dividend to 1.25 pence per share (2017: 1.10 pence). The dividend will be paid on 10 August 2018 to shareholders on the register at the close of business on 27 July 2018. The ex-dividend date will be 26 July 2018.

Strategy

The strategy of the Board is to sustain growth by continuing to develop and to build the Sanderson business. The deployment and adoption of the Group's solutions allow customers to make productivity and efficiency gains, as well as to reduce operating costs. Investment is planned across all of the Group's businesses, but particular emphasis will again be placed on enhancing mobile and ecommerce solutions in order to capitalise on the drive for digital transformation in the retail, wholesale distribution and logistics sectors. Mobile solutions continue to be developed to address all of the Group's markets. The November acquisition expands the Group's offering with complementary products covering the logistics and supply chain sectors and brings exciting new opportunities to grow subscription, cloud and managed services revenue across the Group.

To supplement organic growth, selective acquisition opportunities are under continued consideration. Management adopts a careful and measured approach to acquisitions and cautiously considers any risks which might be involved. The Board remains focused on continuing to deliver both organic and acquisitive growth, achieving 'on target' results, increased earnings, good cash generation and a robust balance sheet, thereby further increasing shareholder value and growing dividend returns.

Management and staff

Following the acquisition in November 2017, Sanderson now employs over 320 staff with specialist expertise and a very high level of experience in the market sectors which the Group addresses. On behalf of the Board, I would like to express the Board's appreciation and thank everyone for their hard work, support, dedication and valued contribution to the ongoing development of the Group.

Christopher Winn

Chairman
23 May 2018

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

SANDERSON GROUP PLC

Interim Results for the six months ended 31 March 2018

GROUP CHIEF EXECUTIVE'S BUSINESS REVIEW

The target market for Sanderson products and services primarily comprises SMEs (small and medium-sized enterprises). The Group's well-developed business model is based on developing long-term relationships with its customers. These relationships result in a high proportion of sales arising from pre-contracted recurring revenue, complemented by incremental sales to the Group's strong, well-established and growing customer base. This robust revenue stream typically accounts for around 90% of Group revenue. Sanderson proprietary software is marketed and sold under a 'right to use' licence, with all sales, marketing, delivery, support and services carried out by the Group's own expert staff. Both on-premise and cloud-based solutions are available to customers on a subscription basis.

The Sanderson proprietary solutions are designed in anticipation of technological developments, often in conjunction and collaboration with customers. Solutions thereby deliver 'value for money', with cost effective, timely and tangible business benefits. Such benefits typically enable customers to grow sales whilst also achieving improved productivity, additional efficiencies and cost savings. Sanderson customers usually achieve rapid return on investment (often within a year of implementation) and gain competitive advantage which is particularly important in challenging market times. The Group continues to invest in the development of its software and services, as well as in its sales and marketing. Particular emphasis has been placed on the Group businesses specialising in UK food and drink processing, in wholesale distribution and most especially, in the market for digital retail solutions. Digital transformation is a key business driver for retailers as they strive to deliver a seamless shopping journey for their customers. Sanderson partners with retailers in their digital transformation programmes to deliver in-store technology, mobile and ecommerce solutions. This enables retailers to capitalise on the significant growth and widespread use of smartphones and tablets, exploiting 'mobile' as a sales channel fully integrated with existing business systems, increasing sales conversions and improving the customer experience.

Review of Digital Retail

The Group provides comprehensive IT solutions to businesses operating in the ecommerce, mobile commerce and retail sectors of the UK. 'Digital retail' continues to be a very active and rapidly developing sector of the market.

The Digital Retail division, which works with leading retailers such as JD Sports and Superdry, continues to make strong progress. Revenue grew again by 20% in the six month period to 31 March 2018 compared with the comparable prior year period, to £4.25 million (2017: £3.54 million). Operating profit* doubled at £0.70 million (2017: £0.34 million). We continue to invest in product innovation and delivery capacity to address this expanding market. Following a successful pilot scheme, a phase one order has been secured with another new customer and iconic global brand. Demand from existing customers for the Group's latest omni-channel solutions remains strong, with sales orders gained from a number of customers including Richer Sounds plc, Thorntons Limited, Beaverbrooks The Jewellers Limited and Scotts of Stow.

At 31 March 2018, the order book stood at £3.42 million (2017: £0.84 million) including the remaining element of a large order gained in June 2017 to be delivered over the next 15 months. Excluding this large order, the order book increased by over 50% from the previous year. With good sales prospects and a number of pilot schemes being planned for initial deployment in the current financial year, as well as strong partnerships with existing customers, the Digital Retail business is well-positioned for continued growth.

Review of Enterprise

The enlarged Enterprise division, which has been significantly enhanced and strengthened by the acquisition of Anisa, now comprises three market-focused businesses which operate in the manufacturing, wholesale distribution and logistics and supply chain sectors. Divisional revenue and operating profit* increased to £10.36 million (2017: £7.36 million) and £1.38 million (2017: £1.21 million) respectively. The Enterprise division has a good order book which, at 31 March 2018, was valued at £5.19 million (2017: £1.93 million). With strong recurring revenue, the good order book and a growing list of sales prospects, the Enterprise division enters the second half of the financial year well positioned for further progress. Productivity gains, improved efficiency and cost savings are key drivers in these markets.

Enterprise - Manufacturing

Businesses in the engineering, plastics, aerospace, electronics, print ('general manufacturing') and food and drink processing sectors represent the main areas of specialisation for Sanderson in manufacturing markets. Sanderson continues to invest in product development and sales and marketing. The manufacturing business is very much driven by activity in food and drink. Here, traceability of ingredients through the supply chain and compliance with increasingly stringent regulatory standards, are key industry requirements and strong features of the Group's solution. Profit achieved from this part of the business was higher than for the comparable period last year and large orders from existing customers included Newly Weds Foods Limited and Adelle Foods Group Limited.

Enterprise - Wholesale Distribution and Logistics

Sanderson supplies solutions to the wholesale distribution, cash and carry and fulfilment sectors, as well as to the specialist warehousing and logistics markets. The businesses which focus on the wholesale distribution and fulfilment sector remained very profitable. The Group launched an innovative suite of digital solutions in the wholesale industry at the end of the last financial year. This suite offers the opportunity to improve and increase productivity and is designed to capitalise on digital transformation and the growing use of mobile devices in the sector. Improved results in the second half year are anticipated.

Enterprise - Anisa Supply Chain Logistics

Anisa specialises in the delivery of world-class integrated supply chain and ERP solutions. It employs over 90 staff in office locations across the UK and in smaller operations in Singapore and Australia, providing around 250 customers with 24-hour, 365 days a year, support on a worldwide basis.

Anisa has made a good start as part of Sanderson. A number of exciting sales prospects are being developed, including a major UK port, where a scoping exercise is currently underway for a new supply chain system. It is anticipated that this initial project will lead to a more substantial order in the second half. The Anisa customer base is also active, with orders from customers including Moran Logistics Limited, a market leader in multi-temperature food logistics, Culina Group and DHL Supply Chain.

The acquisition of Anisa considerably enhances the range of solutions and services which Sanderson can now offer customers. In particular, managed services provide an opportunity to exploit and to accelerate expected market trends towards subscription and cloud-based options for product delivery going forward.

Outlook

We continue to be measured in our business approach, sensitive to the general economic environment and we monitor customer confidence and market conditions carefully. Whilst the Group has not detected any major loss of confidence amongst its customers and that the value of prospects is increasing, sales cycles can be protracted, especially where major projects are under consideration. Notwithstanding any potential uncertainty surrounding the ongoing Brexit negotiations, Sanderson, now strengthened by the November acquisition, has a large order book, robust recurring revenue and a healthy balance sheet. Combined with the Group's proven reputation, well-established track record and continuing sales momentum, the Board has a good level of confidence that Sanderson will make significant further progress during the current financial year ending 30 September 2018.

Ian Newcombe

Group Chief Executive

23 May 2018

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

CONSOLIDATED INCOME STATEMENT For the six months to 31 March 2018

Note	Unaudited six months to 31/03/18 £000	Unaudited six months to 31/03/17 £000	Audited year to 30/09/17 £000	
Revenue	2	14,608	10,900	21,559
Cost of sales		(2,973)	(1,912)	(3,830)
Gross profit		11,635	8,988	17,729
Other operating expenses		(10,051)	(7,877)	(14,849)
Results from operating activities	2	1,584	1,111	2,880
Results from operating activities before adjustments in respect of the following:	2	2,081	1,552	3,896
Amortisation of acquisition-related intangibles		(225)	(246)	(491)
Acquisition-related and restructuring costs		(264)	(175)	(485)
Share-based payment charges		(8)	(20)	(40)
Results from operating activities	2	1,584	1,111	2,880
Net finance expense		(152)	(91)	(165)
Acquisition-related finance expense		-	(6)	(2)
Profit before taxation		1,432	1,014	2,713
Taxation		(94)	(141)	154
Profit for the period attributable to equity holders of the parent		1,338	873	2,867
Earnings per share				
From profit attributable to the owners of the parent undertaking during the period				
Basic earnings per share	4	2.3p	1.6p	5.2p
Diluted earnings per share	4	2.3p	1.5p	5.2p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the six months to 31 March 2018

	Unaudited six months to 31/03/18 £000	Unaudited six months to 31/03/17 £000	Audited year to 30/09/17 £000
Profit for the period	1,338	873	2,867
Other comprehensive income/(expense)			
<i>Items that will not subsequently be reclassified to profit or loss</i>			
Remeasurement of net defined benefit liability	-	-	1,802
Deferred taxation effect of defined benefit pension plan items	-	-	(413)
	-	-	1,389
<i>Items that will subsequently be reclassified to profit or loss</i>			
Change in the fair value of available for sale financial asset	26	(4)	(22)
Foreign exchange translation differences	(28)	(15)	3
Total comprehensive income for the period	1,336	854	4,237

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2018

	Unaudited as at 31/03/18 £000	Unaudited as at 31/03/17 £000	Audited as at 30/09/17 £000
Non-current assets			
Intangible assets	43,199	30,316	30,419
Property, plant & equipment	979	543	467
Deferred tax asset	1,294	1,645	1,244
Investments	150	150	150
	45,622	32,654	32,280
Current assets			
Inventories	32	30	35
Trade and other receivables	9,395	5,496	5,139
Current tax	-	-	270
Other short-term financial assets	213	205	187
Cash and cash equivalents	5,060	4,509	6,176
	14,700	10,240	11,807
Current liabilities			
Bank loans and overdrafts	(916)	-	-
Loan notes	(1,047)	-	-
Trade and other payables	(6,471)	(3,361)	(3,653)
Deferred consideration	(1,138)	(102)	(24)
Current tax liabilities	(174)	(374)	-
Deferred income	(8,985)	(5,044)	(5,519)
	(18,731)	(8,881)	(9,196)
Net current (liabilities)/assets	(4,031)	1,359	2,611
Total assets less current liabilities	41,591	34,013	34,891
Non-current liabilities			
Bank loans and overdrafts	(2,751)	-	-
Deferred tax liabilities	(775)	(749)	(784)
Deferred consideration	(500)	(110)	-
Pension and other employee obligations	(6,086)	(8,066)	(6,176)
	(10,112)	(8,925)	(6,960)
Net assets	31,479	25,088	27,931
Equity			
Called-up share capital	5,964	5,500	5,507
Share premium	11,804	9,094	9,133
Available for sale reserve	101	75	57
Foreign exchange reserve	(99)	(71)	(53)
Retained earnings	13,709	10,490	13,287
Total equity	31,479	25,088	27,931

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months to 31 March 2018

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 October 2017	5,507	9,133	4	13,287	27,931
Shares issued as consideration	399	2,394	-	-	2,793
Exercise of share options	58	277	-	-	335
Dividend paid	-	-	-	(924)	(924)
Share-based payment charge	-	-	-	8	8
Transactions with owners	457	2,671	-	(916)	2,212
Profit for the period	-	-	-	1,338	1,338
<i>Other comprehensive income:</i>					
Foreign exchange translation difference	-	-	(28)	-	(28)
Change in market value of short-term financial asset	-	-	26	-	26
Total comprehensive income/(expense)	-	-	(2)	1,338	1,336
At 31 March 2018	5,964	11,804	2	13,709	31,479

For the six months to 31 March 2017

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 October 2016	5,485	9,056	23	10,367	24,931
Exercise of share options	15	38	-	-	53
Dividend paid	-	-	-	(770)	(770)
Share-based payment charge	-	-	-	20	20
Transactions with owners	15	38	-	(750)	(697)
Profit for the period	-	-	-	873	873
<i>Other comprehensive income:</i>					
Foreign exchange translation difference	-	-	(15)	-	(15)
Change in market value of short-term financial asset	-	-	(4)	-	(4)
Total comprehensive income/(expense)	-	-	(19)	873	854

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 30 September 2017

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 October 2016	5,485	9,056	23	10,367	24,931
Exercise of share options	22	77	-	-	99
Dividend paid	-	-	-	(1,376)	(1,376)
Share-based payment charge	-	-	-	40	40
Transactions with owners	22	77	-	(1,336)	(1,237)
Profit for the year	-	-	-	2,867	2,867
<i>Other comprehensive income:</i>					
Remeasurement of net defined benefit liability	-	-	-	1,802	1,802
Deferred tax on above	-	-	-	(413)	(413)
Foreign exchange translation differences	-	-	3	-	3
Change in fair value of available for sale financial asset	-	-	(22)	-	(22)
Total comprehensive income/(expense)	-	-	(19)	4,256	4,237
At 30 September 2017	5,507	9,133	4	13,287	27,931

**CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months to 31 March 2018**

	Unaudited six months to 31/03/18 £000	Unaudited six months to 31/03/17 £000	Audited year to 30/09/17 £000
Profit for the period	1,338	873	2,867
<i>Adjustments for:</i>			
Depreciation and amortisation	637	669	1,285
Share-based payment charges	8	20	40
Net finance expense	152	97	167
Release of contingent consideration	-	-	(165)
Income tax charge/(credit)	94	141	(154)
Operating cash flow from continuing operations before working capital movements	2,229	1,800	4,040
Movement in working capital	(640)	(5)	1,212
Cash generated by continuing operations	1,589	1,795	5,252
Income tax received/(paid)	258	-	(394)
Payments to defined benefit pension scheme	(180)	(180)	(360)
Net cash from operating activities	1,667	1,615	4,498
Investing activities			
Purchases of property, plant & equipment	(122)	(134)	(180)
Acquisition of subsidiary undertakings, net of cash acquired	(1,291)	-	-
Investment in unlisted company	-	(150)	(150)
Deferred consideration paid	(13)	(62)	(83)
Dividend received	9	-	15
Bank interest received	2	-	3
Expenditure on product development	(321)	(387)	(994)
Net cash used in investing activities	(1,736)	(733)	(1,389)
Financing activities			
Equity dividends paid	(924)	(770)	(1,376)
Issue of shares, net of costs	335	53	99
Bank loan repayments	(458)	-	-
Net cash used in financing activities	(1,047)	(717)	(1,277)
(Decrease)/increase in cash and cash equivalents	(1,116)	165	1,832
Cash and cash equivalents at start of the period	6,176	4,344	4,344
Cash and cash equivalents at end of the period	5,060	4,509	6,176

NOTES TO THE INTERIM RESULTS

1. Basis of preparation

The Group's interim results for the six month period ended 31 March 2018 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 2018. 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 434(5) of the Companies Act 2006 and are unaudited. The unaudited interim financial statements were approved by the Board of Directors on 22 May 2018.

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 2017, 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 498(2) or (3) of the Companies Act 2006.

Adoption of new and revised standards

The directors considered the impact on the Group of other new and revised accounting standards, interpretations or amendments. The following revised and new accounting standards may have a material impact on the Group and are currently issued but not yet effective for the year ended 30 September 2018:

- IFRS 15, "Revenue from Contracts with Customers" (effective date 1 January 2018)
- IFRS 16, "Leases" (effective date 1 January 2019)

The Group is in the process of assessing the impact that the application of these standards will have on the Group's Financial Statements.

2. Segmental reporting

The Group is managed as two separate divisions: Enterprise and Digital Retail. Substantially all revenue is generated within the UK.

	Enterprise			Digital Retail			Total		
	Six months	Six months	Year	Six months	Six months	Year	Six months	Six months	Year
	31/03/18	31/03/17	30/09/17	31/03/18	31/03/17	30/09/17	31/03/18	31/03/17	30/09/17
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenue	10,358	7,363	14,277	4,250	3,537	7,282	14,608	10,900	21,559
Operating profit before adjustments*	1,383	1,208	2,713	698	344	1,183	2,081	1,552	3,896
Amortisation	(92)	(113)	(225)	(133)	(133)	(266)	(225)	(246)	(491)
Share-based payment	(4)	(7)	(14)	(4)	(13)	(26)	(8)	(20)	(40)
Acquisition-related and restructuring costs	(253)	(175)	(287)	(11)	-	(198)	(264)	(175)	(485)
Operating profit	1,034	913	2,187	550	198	693	1,584	1,111	2,880
Net finance expense							(152)	(97)	(167)
Profit before tax							1,432	1,014	2,713

* Adjustments to operating profit in respect of amortisation of acquisition-related intangibles, share-based payment charges and acquisition-related and restructuring costs.

3. Acquisition

On 23 November 2017 the Group acquired control of Anisa Consolidated Holdings Limited by purchasing the entire issued ordinary share capital (and thereby 100% of the voting rights), for an enterprise value of £12.0 million. The purchase consideration for the acquisition comprises an initial £5.20 million, made up of £2.41 million in cash which is being financed from existing Sanderson cash resources and by the issue of 3,990,653 new Sanderson 10p ordinary shares valued at 70p, which are subject to a lock-in period of three years. Sanderson is also taking over Anisa's utilised five-year repayable term debt facility (final quarterly repayment being due in 2020) of £4.12 million as well as a current account positive cash balance of just over £1 million. Furthermore, loan notes with a coupon of 5% to the value of £1.05 million will be repaid by October 2018. Deferred consideration, totalling £1.63 million is payable in three tranches. The first payment of £563,000 is payable in April 2018 and the second payment for the same amount, payable in October 2018; both tranches are unconditional. A third and final deferred payment of up to £500,000 is scheduled for April 2019, dependent upon some pre-agreed trading performance criteria.

In the period from acquisition to 31 March 2018 the business contributed revenue of £3,524k and an operating profit of £344k before amortisation of acquisition-related intangibles and acquisition-related costs.

It is estimated that the acquisition had the following effect on the Group's assets and liabilities at the acquisition date, however management has not yet completed its review of intangible and net assets:

	Pre-acquisition carrying amount	Fair value adjustment	Recognised value on acquisition
	£000	£000	£000
Property, plant and equipment	583	-	583
Cash	1,117	-	1,117
Bank loan	(4,125)	-	(4,125)
Trade and other receivables	4,793	(169)	4,624
Trade and other payables	(6,772)	(1,572)	(8,344)
Deferred taxation	73	-	73
Net identifiable assets and liabilities	(4,331)	(1,741)	(6,072)
Goodwill on acquisition			12,900
			6,828
Cash consideration paid at completion			2,408
Issue of 3,990,653 new 10p Sanderson ordinary shares, fully paid on completion			2,793
Deferred cash consideration payable by instalments			1,127
Deferred contingent cash consideration			500
Net discounted consideration payable			6,828

Goodwill arising on the acquisition is not tax deductible.

4. Earnings per share

	Unaudited six months to 31/03/18	Unaudited six months to 31/03/17	Audited year to 30/09/17
	£000	£000	£000
Earnings:			
Result for the period from continuing operations	1,338	873	2,867
Amortisation of acquisition-related intangibles	225	246	491
Share-based payment charges	8	20	40
Acquisition-related and restructuring costs	264	175	485
R&D tax credit	-	-	(388)

Adjusted profit for the period from continuing operations

1,835 1,314 3,495

Number of shares:	Unaudited six months to 31/03/18 No.	Unaudited six months to 31/03/17 No.	Audited year to 30/09/17 No.
In issue at the start of the year	55,070,668	54,851,985	54,851,985
Effect of shares issued in the period	3,358,016	102,058	136,646
Weighted average number of shares at period end	58,428,684	54,954,043	54,988,631
Effect of share options	663,454	2,375,114	587,918
Weighted average number of shares (diluted)	59,092,138	57,329,157	55,576,549

Earnings per share:	Unaudited six months to 31/03/18 (pence)	Unaudited six months to 31/03/17 (pence)	Audited year to 30/09/17 (pence)
Total attributable to equity holders of the parent undertaking:			
Basic	2.3	1.6	5.2
Diluted	2.3	1.5	5.2

Earnings per share, adjusted, from continuing operations:			
Basic	3.1	2.4	6.4
Diluted	3.1	2.3	6.3

5. Equity dividends paid

	Unaudited Six months to 31/03/18 £000	Unaudited Six months to 31/03/17 £000	Audited Year to 30/09/17 £000
Interim dividend	-	-	606
Final dividend	924	770	770
Total dividend paid in period	924	770	1,376

6. Interim report

The Group's interim report will be sent to the Company's shareholders. This report will also be available from the Company's registered office and on the Company's website www.sanderson.com.

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