SANNE

MAKING THE DIFFERENCE

Annual report and accounts for the year ended 31 December 2019

sannegroup.com

SANNE

SANNE is a leading global provider of alternative asset and corporate business services.

> Highlights

Contents

Operational Highlights

- Strong revenue momentum:
  - Continuing operations revenue growth of 16.2%[1] with organic growth from continuing operations of 13.5%[1]
  - Total group income growth of 14.7%[1,2] with organic total sales growth of 12.1%[1,2]
  - Strong new business wins, with annualised revenue of approximately £24.5 million secured in 2019 (2018: £24.5m) with momentum continuing into 2020
- Second half recovery, as anticipated, and strong cash flow:
  - Material improvement in second half underlying operating profit margin to deliver 28.2% for the full year (H1: 26.4%), following decisive action addressing first half challenges
  - Underlying operating cashflow generation of 105%
- Active strategic development programme for growth and focus:
  - Disposal of legacy Private Client business for up to £12 million to focus on core alternative and corporate markets
  - Extension of global network with office openings in Tokyo, San Diego and Mumbai
  - Acquisition of Inbhear establishing Cayman presence and strengthening Irish service offering
  - Investment in Colmore bringing new data analytics offering to our clients
- Statutory profit before tax of £9.6m (2018: £19.6m) reflect exceptional one-off costs largely related to earn out payments for LIS and AgenSynd (£6.3m) as well as intangible impairment in South Africa (£2.4m)
- Final dividend of 9.4p (14.1p total), reflecting the Board's confidence in the prospects of the Group consistent with the Group's progressive dividend policy

[1] Constant currency represents the 2019 performance based on 2018 FX rates to eliminate movements due to FX.

[2] Underlying Total Group results show the combined results for both continuing and discontinued operations presented after the exclusion of non-underlying items. Discontinued operations refers to the Jersey Private Client business.

Financial Highlights

STATUTORY CONTINUING OPERATIONS

Continuing operations revenue

£159.7m

+17% from 2018

2018: £136.2m

UNDERLYING CONTINUING OPERATIONS

Operating profit[1]

£44.3m

+7% from 2018

2018: £41.4m

UNDERLYING CONTINUING OPERATIONS

Profit before tax[1]

£40.4m

+1% from 2018

2018: £39.8m

UNDERLYING CONTINUING OPERATIONS

Diluted earnings per share[1]

22.3p

0% from 2018

2018: 22.4p

STATUTORY CONTINUING OPERATIONS

Operating profit

£14.3m

-34% from 2018

2018: £21.5m

STATUTORY CONTINUING OPERATIONS

Profit before tax

£9.6m

-51% from 2018

2018: £19.6m

STATUTORY CONTINUING OPERATIONS

Diluted earnings per share

3.8p

-62% from 2018

2018: 10.1p

UNDERLYING TOTAL GROUP

Free cash flow attributable to equity holders[2]

£35.1m

+53% from 2018

2018: £23.0m

STATUTORY CONTINUING OPERATIONS

Full year dividend per share

14.1p

+2% from 2018

2018: 13.8p

1. Underlying continuing operations performance measures show the contribution from continuing operations only presented after the exclusion of both non-underlying items and a cost allocation in relation to the discontinued operations. A detailed reconciliation is presented later in the statement.
2. Free cash flow attributable to equity holders is the total cash generated in the year before acquisitions, capital expenditure, financing activities and cash non-underlying costs.
3. Alternative performance measures are explained on pages 40 and 41.

> SANNE at a Glance

Investment case

1

OUR FOCUS REMAINS FIRMLY ON THE ALTERNATIVES HIGH GROWTH MARKETS GLOBALLY

We operate in highly regulated markets where clients are of high quality institutional nature.

Read more about our markets on pages 20 and 21.

2

WELL POSITIONED BUSINESS IN OUR INDUSTRY TO TAKE ADVANTAGE OF MARKET OPPORTUNITIES

We are present across key international financial centres and jurisdictions, meaning we are exposed to the largest markets and have the ability to service clients at a local level and globally cross-border.

3

ATTRACTIVE FINANCIAL MODEL

Our client relationships and contracts are long-term which means we have high recurring revenues.

Read more about our financial model on pages 24 and 25.

4

ROBUST AND CONSISTENTLY INVESTED INTO OPERATING PLATFORM

Our business is built on well-established and robust compliance and risk management framework, accredited business processes and policies.

Delivering value and efficiency to our general partners

FINANCIAL RELATED SERVICES

CORPORATE GOVERNANCE RELATED SERVICES

OTHER REGULATORY RELATED SERVICES

Read more about our strategy on page 14.

Our journey has seen us grow significantly

1 April **2015**	1 April **2020**
PEOPLE GLOBALLY 270+	PEOPLE GLOBALLY 1,700+
CLIENTS GLOBALLY 500+	CLIENTS GLOBALLY 1,950+
TOTAL ACQUISITIONS 2	TOTAL ACQUISITIONS 11
REVENUE £35m	REVENUE[1] £165m
LOCATIONS 7	LOCATIONS 20
STRUCTURES AND FUNDS ADMINISTERED 2,500+	STRUCTURES AND FUNDS ADMINISTERED 8,500+
AUA £45bn	AUA £250bn

1. Total Group Revenue, see page 40

> Our history timeline

In the beginning...

1988
SANNE was incorporated in Jersey

2003
Business refocused to target funds and corporate industry

2010
New offices opened in Hong Kong, Shanghai and Dubai

2012
New offices opened in London and Guernsey

SNN

2015
IPO admission to LSE in April valuing the company at £230 million

2016
Acquisition of businesses in Dublin, South Africa, New York, Belgrade and the Netherlands

2017

Listed as a FTSE 250 business. Acquisition of a business in Luxembourg

2018

Acquisition of businesses in Madrid, London and Paris

2019

New offices opened in Amsterdam, Tokyo and Mumbai

The future

We strive to be recognised as a leading global provider of alternative asset and corporate business services

Chairman's Statement

Rupert Robson

CHAIRMAN

We added three new offices to our global footprint in Tokyo, San Diego and Mumbai as well as entering into an agreement to acquire Inbhear which will add a new office in Cayman, a new strategic jurisdiction for SANNE with significant growth potential.

2019 has been an important year for SANNE, as the Group continues to build its global platform and capabilities, in order to take advantage of the significant structural growth opportunity in our core markets.

During the year, we have made a number of significant changes to the structure and operations of the Group to ensure that our expertise and resources are deployed as effectively as possible.

These changes have not been without their challenges, as evidenced by lower profit margins in the first half of the year, but I am pleased with the progress made in the second half to address these issues and restore the Group's margins. Importantly, SANNE continues to capture significant revenue growth across all our key markets as well as continuing to invest in our network and platform for profitable future growth.

Operational update

We saw strong double-digit revenue growth across all regions during 2019, with the exception of the Channel Islands, where the declining Private Client business diluted the overall result. In particular, the Group's core Alternatives businesses, making up 88% of 2019's total revenues and 92% of continuing revenues, increased by 18% as demand for our services from existing and new clients continued to grow.

While revenue growth remained robust during 2019, underlying profit levels were flat as a result of operational challenges which affected margins during the first half of the year. The decisive actions taken to rectify these issues delivered a material improvement to profit margins during the second half. These actions, combined with the Group's strong cash conversion levels, make SANNE well placed to deliver both top line growth and increased levels of profitability in 2020 and beyond.

Reflecting our confidence in this growth potential, the Board is recommending a final dividend of 9.4 pence per ordinary share (2018: 9.2 pence), taking the total dividend for the year, including the interim dividend of 4.7 pence per share, to 14.1 pence per share (2018: 13.8 pence in total).

Strategic developments

During the year, we continued to invest for profitable growth, both organically and inorganically. We added three new offices to our global footprint in Tokyo, San Diego and Mumbai as well as entering into an agreement to acquire Inbhear which will add a new office in Cayman, a new strategic jurisdiction for SANNE with significant growth potential. We also established a strategic partnership with Colmore to deliver a new data analytics offering to our fund manager client base underscoring our commitment to client service and innovation.

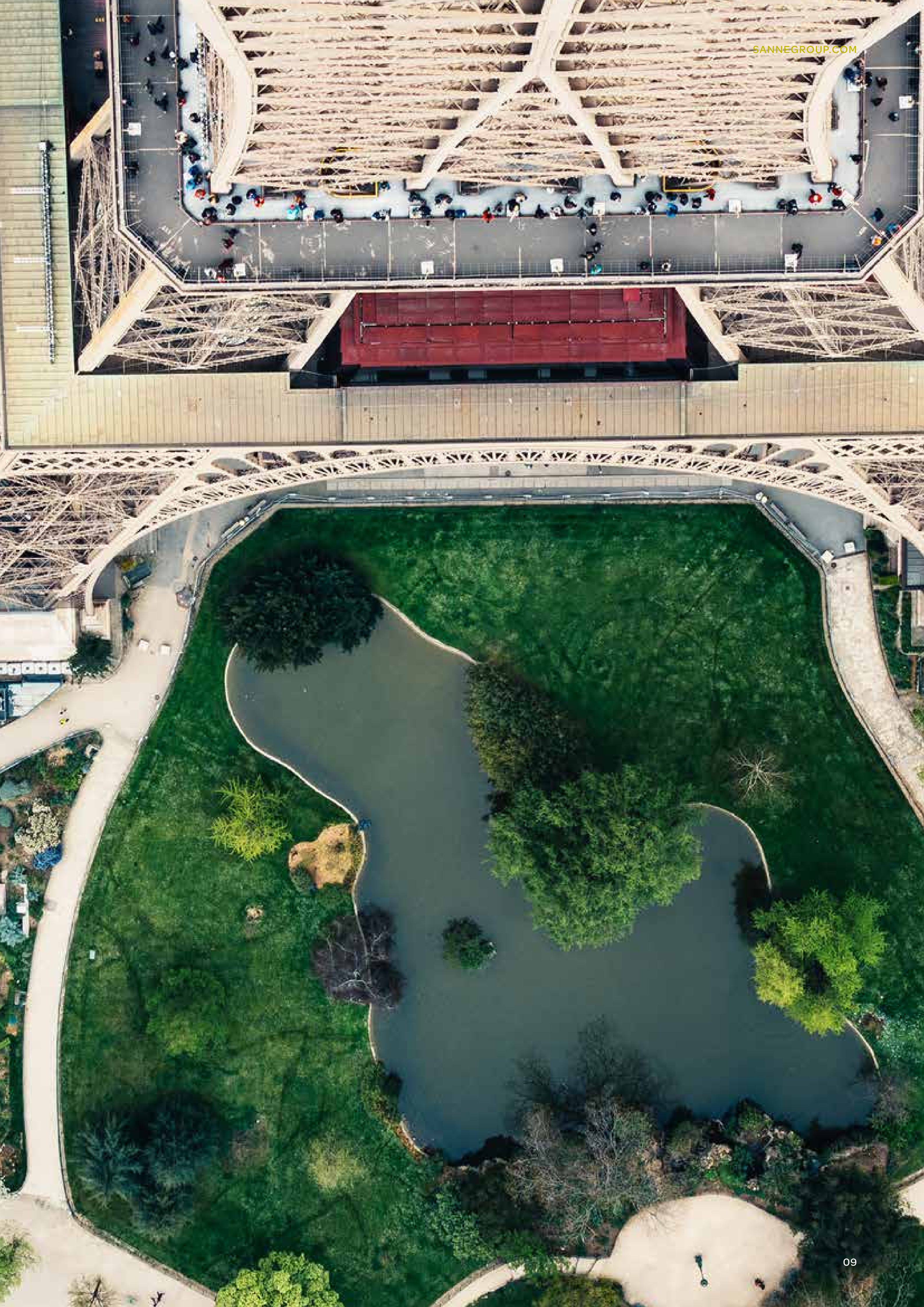
Following the end of the period, SANNE announced that we had reached an agreement to divest our legacy Private Client operations in Jersey. This will simplify the Group's structure and enable management to focus on SANNE's attractive core Alternatives and Corporate businesses.

Our people

During my time as Chairman, SANNE has grown from 290 to over 1,700 employees. I am proud of the culture we have established, and proactive employee engagement remains a key focus for the Group. During 2019 SANNE established a Workforce Advisory Panel to bring employees from all areas of the business and geographies together to provide a forum for them to interact with each other and the Non-executive Directors from the Board.

During the first half of the year Martin Schnaier replaced Dean Godwin as Chief Executive Officer, following Dean's retirement. Martin has been one of the driving forces behind SANNE's growth since he joined the Group in 2011. I would like to take this opportunity to thank Dean for his immense contribution to transform the business during his seven years as Chief Executive.

The Board has a diverse range of skills and backgrounds. We have decided to appoint a third female Director to the Board during the year, in line with best practice. With our continuing investment in, and focus on, technology to enhance our service offering, we are considering how to increase technology input to the Board's deliberations. We are also aware of the fact that Andy Pomfret, Nicola Palios and I will have served on the Board for six years by the time of the next full-year reporting cycle. As a result, while we all remain committed Board members, Board succession planning is actively on the Board's agenda for the coming year.



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> Chairman's Statement

Environmental, Social and Governance (ESG) – our role in society

We understand the expectations and commitments made by our investors with regard to Environmental Social & Governance (ESG) considerations. Sustainability is essential to delivering our business plan and growth profile, particularly within our increasingly global footprint. Environmental and social considerations are therefore embedded in our corporate values and commercial operations. Robust governance, transparency and accountability principles also underpin our approach across all areas of business.

With this in mind, our initial objective is to establish a robust baseline, quantifying our environmental and social impact across our operations using 2019 as our baseline year. Subsequently, during 2020 we will be finalising ESG and sustainability policy framework and setting ambitious long-term environmental and social policy objectives, including carbon offsetting targets. Further detail is set out in our ESG section of this annual report.

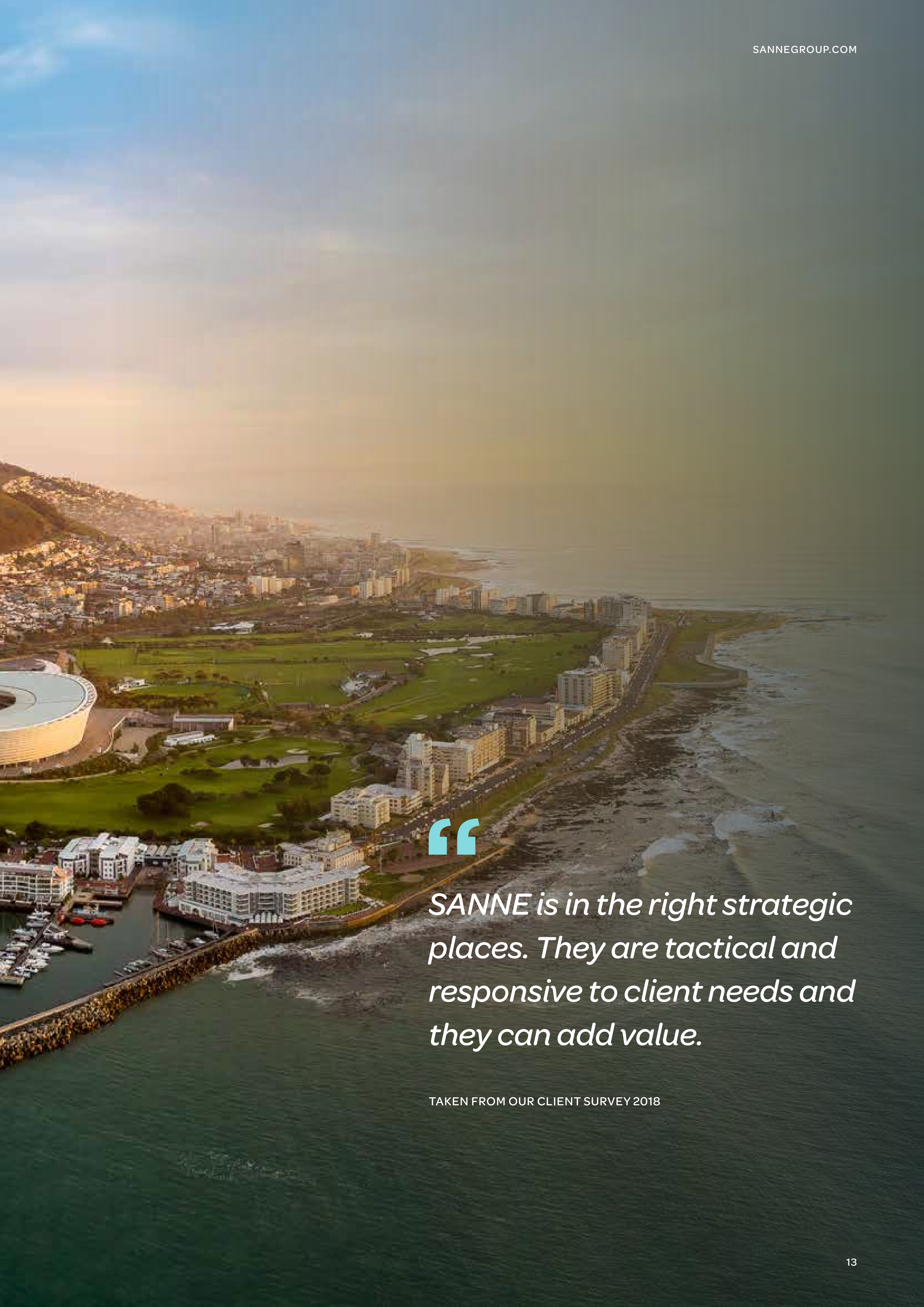
As a professional services provider, our most material contributors to our environmental and carbon footprint are business travel and utilities consumption; both representing essential components of our business operations. For the first time, we have disclosed our 2019 carbon emissions in this annual report.

Looking ahead

The demand for alternative asset investments, increasing regulatory requirements and complexity and propensity for asset managers to seek an outsourced solution for administration are powerful long-term drivers for our market. We have a strong strategy and proposition that positions SANNE well in the sector to make the most of these opportunities. Notwithstanding the uncertain economic backdrop, including the current impact being seen as a result of the global COVID-19 outbreak, the Board continues to look to the future with confidence.

Rupert Robson
Chairman

> STRATEGIC REPORT



SANNE is in the right strategic places. They are tactical and responsive to client needs and they can add value.

TAKEN FROM OUR CLIENT SURVEY 2018

> Strategy Review

Vision

The vision of the Group is to be one of the world's leading providers of outsourced alternative asset and corporate administration services.

Client-driven

The Group looks to partner with top tier alternative asset managers, financial institutions and global corporates who require a high-touch professional service due to the bespoke nature of their investment products and activities. These products and activities have become increasingly complex and cross-jurisdictional requiring co-ordinated support across a global platform supported by industry experts in private equity, debt, capital markets and real assets.

SANNE executes this strategy by offering "local excellence on a global platform". It has built a platform spanning 21 locations with over 1,700 employees that is preeminent in its core markets and is relied upon by over 1,700 clients with AuA totalling in excess of £250bn. Clients choose SANNE not only because of its depth of resource, but also because of its client-centric approach which focuses relentlessly on delivering quality support.

This client-centric approach is predicated on a professional services philosophy and is backed-up by the assurance of its listing on the London Stock Exchange which provides a credible governance framework for a business with over £250 billion in assets under administration. Listing also means that SANNE can take a long-term approach with clients requiring stability of service over 10-year plus cycles in an industry where the competitive landscape is dominated by short-term propositions.

Structural market growth

SANNE's continuing growth has stemmed from the combined effects of investor demand for alternative investment strategies, ever increasing regulatory complexity and the rise in outsourcing by asset managers increasing the size of our addressable markets. The trend towards outsourcing is a result of increasing sophistication among clients in relation to outsourcing together with a desire to rationalise supply chains. In this environment, we believe that SANNE is uniquely placed to meet growing industry needs and is determined to develop a sustainable product that helps facilitate global investment in a responsible manner.

Organic growth

The Group's growth strategy is focussed on a series of core initiatives:

1. **Drive differentiated, best-in-class client offering across high touch and technology enabled services**
   This involves investing in the best people and training programmes, developing efficient and best in class processes; investing in new technology-led services and propositions; rolling out new capabilities relevant to specific product groups and adding new services that are relevant to our client base
2. **Increase our share of wallet within existing asset manager client groups as well as targeting new ones**
   This involves cross selling more services to each fund; capturing new fund launches by existing clients; servicing larger client groups across all their alternative investment product strategies and all their operating jurisdictions; displacing competitors as clients seek to rationalise their supply chain; and targeting "new-new" asset manager clients into the platform either through competitive process or encouraging first time outsourcing
3. **Roll out our services and product offerings at scale across the entire global footprint**
   This involves ensuring that we offer all product verticals in every location they are relevant to the same high standards and scale
4. **Add new geographic markets to the Group's footprint in line with client requirements**
   This involves opening offices across new locations to access new markets and client
5. **Invest in resilient and scalable operating platforms and technology to support our client service offering**
   This involves continuing to build robust capability across Group Service areas such as risk, compliance, human resources and finance as well as investing in technology and systems to improve efficiency and capability, and develop processes to ensure scalability and efficiency in our processes

Inorganic growth

6. SANNE has a proven track record of finding, acquiring and integrating specialist firms in the administration sector where this enhances the value proposition of the Group and its services. This activity is essentially relationship driven and uses SANNE's capital resources to fund acquisitions, strategic investments and partnerships to augment or accelerate growth across one or more organic growth initiatives. These transactions are always undertaken in a responsible manner after careful due diligence to ensure a shared vision and minimise any risks to the Group. SANNE does not specifically target inorganic growth for its own sake.

> Chief Executive Officer's Statement

Martin Schnaier

CHIEF EXECUTIVE OFFICER

2019 was another year of strong growth for SANNE as we continued to benefit from our leading position in structural growth markets. The year has also seen us experience and address a number of operational issues as we came to the end of a period of accelerated investment in our global support functions and moved our client service teams across EMEA and CI from product-vertical reporting lines to jurisdictional-vertical reporting lines. I am pleased with the progress that we have made in the second half of the year in addressing these issues and building on our industry leading position.

The Group delivered a strong revenue performance in 2019 consistent with the substantial market opportunity that our business addresses. Total Group revenue grew by 14.7% on a constant currency basis and total organic revenues grew by 12.1% on a constant currency basis, in line with our "double digit" growth guidance. Excluding the Jersey Private Client operations, total continuing revenues grew by 16.2% on a constant currency basis and total continuing organic revenues by 13.5% at constant currency.

North America delivered another very strong year with organic revenue growth of 18.7 % at constant currency. EMEA and CI, excluding the Jersey Private Client operations, together saw organic revenue growth of 13.9% at constant currency with healthy activity across all alternative asset classes. APM grew organic revenues by 8.6% at constant currency, despite the anticipated higher-than-average attrition from end of life structures in Mauritius; these attrition levels are expected to normalise in 2020.

The total Group underlying operating profit margin of 28.2% (2018: 31.1%) was principally affected by two issues which arose in the first half of the year and have now been addressed. First, we incurred higher discretionary overhead expenditure, mostly relating to third party recruitment fees and premises costs, during the first half. Secondly, EMEA and CI over-recruited staff ahead of anticipated growth in these segments.

These issues were decisively addressed in the second half. With respect to overhead expenditure, we have brought together cost controls for the various Group Services functions under the control of the CFO and the finance function. These changes resulted in a rapid and significant improvement in overhead efficiency with overheads as a percentage of revenue reducing to 27.9% in the second half from 32.4% in the first half. Importantly, these improvements in costs and control have been achieved without reducing any investment spend either in the platform or within our growth initiatives.

As part of implementing our new jurisdictionally-based reporting model, we undertook a detailed exercise in the EMEA and CI segments to more closely align client revenues with the resources required to deliver the relevant client services. This will enable better resourcing decisions within these segments and generally improve their operational efficiency. The implementation phase of this exercise began later in the second half so the consequent improvement in gross margin will largely arise 2020.

2019 performance

	2019			2018			
£ 000's	Revenue	GP	Margin	Revenue	GP	Margin	C.C. rev. growth
EMEA	60,561	33,745	55.7%	48,100	29,643	61.6%	27.6%
APM	34,268	23,161	67.6%	30,433	22,103	72.6%	8.6%
NA	26,925	13,477	50.1%	21,702	10,808	49.8%	18.7%
CI (continuing)	37,953	22,454	59.2%	36,007	21,746	60.4%	5.4%
Total continuing revenue	**159,707**	**92,837**	**58.1%**	**136,242**	**84,300**	**61.9%**	**16.2%**
CI discontinuing	5,736	3,700	64.5%	6,761	4,048	59.9%	-15.2%
Total Group Revenue	**165,443**	**96,537**	**58.4%**	**143,003**	**88,348**	**61.8%**	**14.7%**

Note: EMEA & CI continuing together grew at 18.2% constant currency.

The Group achieved another period of strong new business activity, with the projected annualised revenues from new business won in the year of approximately £24.5m, equal to the record level seen in 2018. It is anticipated that the development of these annualised revenues will begin to benefit revenue in 2020 with the fully annualised effect being realised in the following two years. The Group has seen this new business momentum continue into 2020.

Cash generation in the year has been very strong. Underlying operating cash conversion was 105% and this performance meant the underlying free cash flow attributable to equity holders was up 52.9% year on year at £35.1 million for 2019.

Expanding our footprint and enhancing our capabilities

SANNE continues to expand its global footprint and enhance its capabilities to create long-term value.

SANNE added Japan as a new jurisdiction in 2019 by opening a small office in Tokyo at the start of the year to support demand for our services in that market from existing clients. We have started to see exciting new business wins as well as build a good pipeline of opportunities in this large new market for SANNE. The Group also opened a new office on the West Coast of North America in San Diego. This office was opened to support the growing requirements from existing clients in the area, but also provides the opportunity to build a bigger client base of West Coast asset managers. Finally, the Group opened an office in Mumbai to improve connectivity for our Indian clients and intermediaries, as well to take advantage of new business opportunities that we see arising in India.

The acquisition of Inbhear, announced shortly after the year end, establishes a physical presence for the Group in the Cayman Islands. The Cayman business has a local accounting license and, with the full SANNE business behind it, has made good progress towards obtaining a trust licence. This presence will provide a significant revenue opportunity across the existing client base as well opening up a market for new clients that was difficult for Sanne to unlock on a cost effective basis. The acquisition also builds on our existing Irish presence by bringing a team of highly experienced professionals to augment our existing local offering.

During the year, SANNE also commenced work on a new technology-led data analytics service for our clients through a strategic partnership with Colmore, a leading technology solutions business. This partnership has brought new, leading technology solutions into our service offering that provides clients with real-time, dynamic access to insight reports, analysis and data. We anticipate the first version of this capability will go live with clients by the end of the first quarter of 2020. This is an important partnership for SANNE as we continue to envision technology taking an increasingly important role in the delivery of service to our clients.

We continue to see a large number of potential acquisition opportunities across our markets. SANNE has a track record of targeting and integrating high quality strategic acquisition opportunities to build out the client service offering and proposition as well as expanding our physical footprint.

Strengthening our operational platform

Over recent years, SANNE has been implementing the changes needed to support the Group's evolution from a Jersey-centric local specialist firm to a global platform capable of delivering scalable, sustainable growth.

During the year, as we moved the whole Group on to a model of jurisdiction-based reporting lines, we established dedicated strategies across each product vertical (Private Debt & Capital Markets, Real Estate, Private Equity and Loan Agency) to ensure we continue to go to market as an asset specialist and focus on delivering industry leading service and capability to all our clients. We have done this by taking a group of senior directors from across the Group and aligning them in industry specific teams. In 2019 we also continued to invest further in Business Development, a dedicated function that exclusively targets new asset manager clients drawing on the experience and expertise of the product teams.

Risk and Compliance remain a key focus with both areas undergoing management transition during 2019. We have also reinforced our focus on financial crime and on-boarding. I am pleased to note that these changes have driven a significant improvement in reporting and management of key risk indicators (KRIs) and compliance metrics, as well as enhanced policies, procedures and monitoring capability. Other critical support functions such as Human Resources, Finance and Legal continue to be strengthened and importantly, operate on fully integrated, single platforms to enhance Group-wide efficiency.

CONTINUED

Chief Executive Officer's Statement

This operating platform together with our information technology function have been systematically strengthened and expanded to support the Group as it scales its global offering. Our information technology function has continued to bring together the Group's systems and infrastructure and has built a strong central capability, largely in Belgrade, with teams of developers, support and a threat protection and defence capability.

The resilience of the Group's operational platform has been demonstrated by our resilience during the recent period of civil disruption in Hong Kong and more recently, the Coronavirus outbreak in many of our APAC jurisdictions. We are yet to see any material impact on our business or end markets arising from the current Coronavirus outbreak, however, we continue to pay close attention to the evolving landscape. In the first instance, we could expect to see some elevated costs in the event any of our larger jurisdictions found themselves subject to restrictions that prevented employees from travelling to work for a prolonged period of time. We are also mindful that any sustained period of time with major economies working under remote or restricted travel arrangements could impact the global flow of investment and the demand for alternative investment strategies which fuels our growth.

The decision in the summer of 2019 to undertake a strategic review of the Group's Jersey-based Private Client business was consistent with our strategy of optimising the Group's focus on those markets where we have our core strengths. The Group's significant success in targeting the closed-ended alternatives asset market in recent years had resulted in the Jersey Private Client business representing only 3.5% of Group revenues in 2019. We received significant interest in the business from potential acquirers and were pleased to reach agreement with JTC Plc in March. We wish the team well under the new owners.

Senior Management

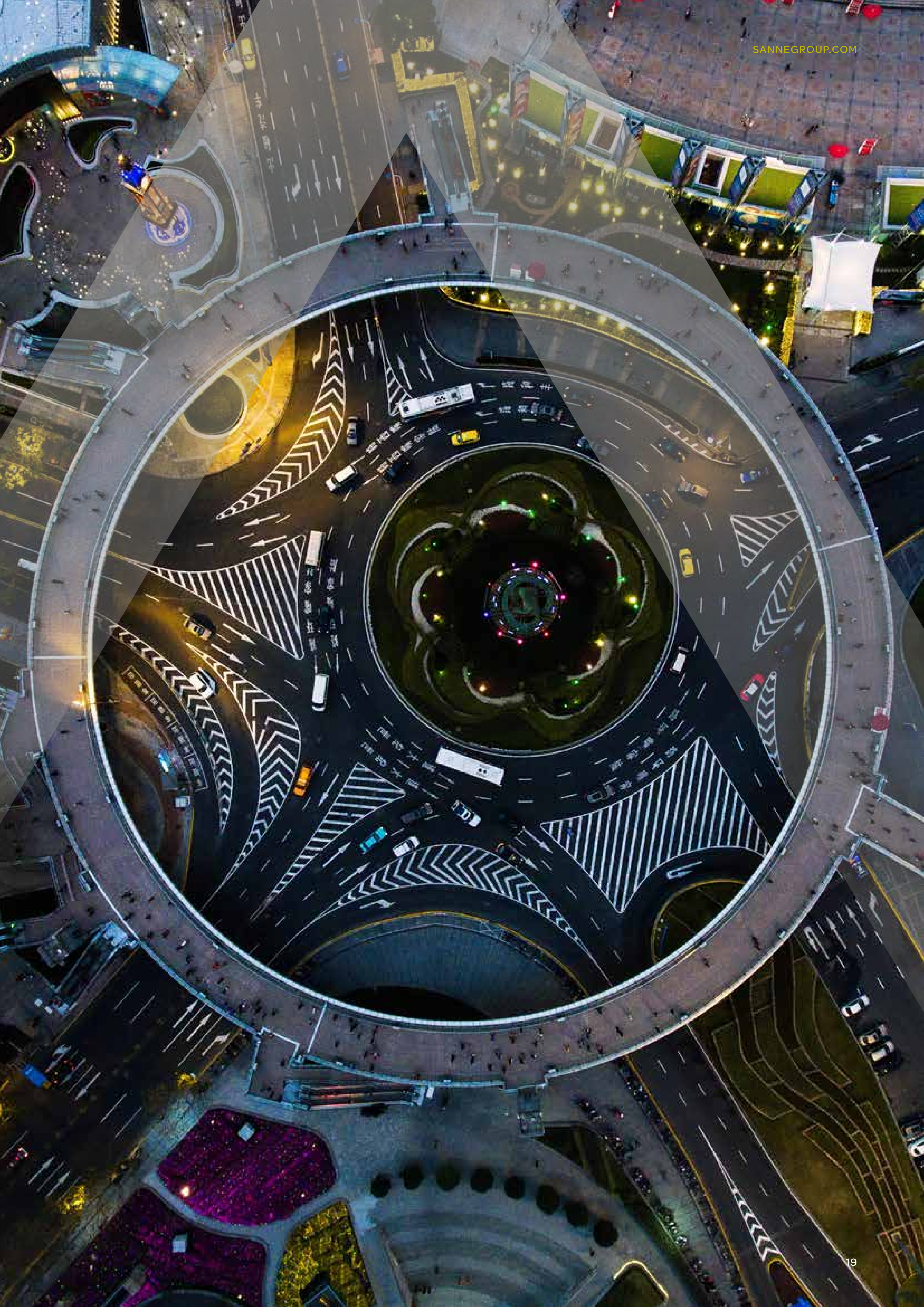
We have continued to strengthen the Executive Committee during 2019 with a number of changes and key appointments. James Bermingham joined the Group as our first ever General Counsel, having previously spent more than a decade building a leading Channel Islands and Luxembourg competitor to SANNE. Cindy Peters joined us as a new Group Head of Human Resources, she brings with her a wealth of experience from leading professional services firms and competitor fund administration firms. At the beginning of January 2020, Marie Measures joined the Group as SANNE's first ever Chief Technology Officer. Marie brings with her a depth of technology and management experience from highly regulated financial services firms and will be critical for us in driving further technology excellence into our own business as well as our client service offering.

Outlook

The decision during 2019 to continue investing for growth positions the Group well with momentum going into 2020, within our core Alternatives and Corporate markets. We continue to improve the operational efficiency of the Group and look to build on the hard work carried out during the second half of the year.

As we continue into 2020, we are seeing a healthy pipeline of acquisition opportunities to augment our growth strategy. We remain focussed on the current macro-economic environment, especially the evolving COVID-19 outbreak and potential effects thereof, and we expect to deliver a resilient performance in 2020 and remain confident in the medium and long-term prospects for SANNE.

Martin Schnaier
Chief Executive Officer



> Marketplace

Key drivers of our addressable market

> Demand for alternative investment strategies

WHAT THIS MEANS

Higher returns driving sustainable long-term growth in assets allocated towards alternative investments

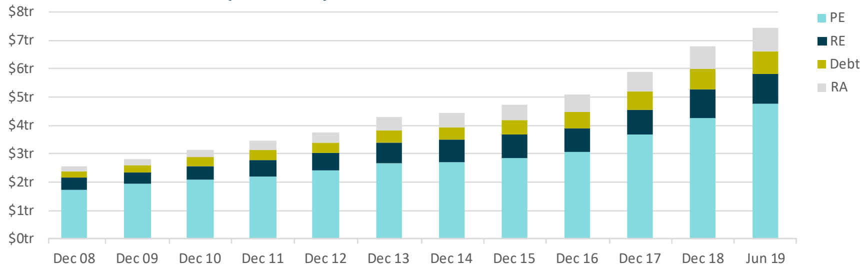
OPPORTUNITY IT PROVIDES

There are an increasing number of client funds structures to service

HOW ARE WE RESPONDING

Core focus of the Group's growth strategy is on capturing new funds from both existing clients and new asset managers to SANNE

Private Assets AuM ($'trillion)



> Regulation

WHAT THIS MEANS

Increasing regulatory demands on alternative asset managers and their funds increases the number of services that are required

OPPORTUNITY IT PROVIDES

For each fund SANNE services, this increases the revenue opportunity

HOW ARE WE RESPONDING

Through the Group compliance teams and product vertical strategies, SANNE continues to invest in its range of services and compliance strength to assist our clients with all their requirements

SANNE is a global business that operates in a highly fragmented industry and serves a number of end markets with significant opportunities for growth, including alternatives and corporates and private clients.

North America

MARKET

Largest market in the world for alternative investment funds but low levels of regulation and cross board complexity mean levels of outsourcing remain significantly lower than other areas of the globe

SERVICES TO

Private Equity, Real Assets, debt managers, institutions, global corporates

SPECIALISMS

Closed-ended strategies

150+ PEOPLE

x3 LOCATIONS

How Sanne is split:[1]

17% NORTH AMERICA

24% CHANNEL ISLANDS

38% EMEA

21% APM

1. Includes continuing operations only

Other dynamics impacting our business and competitive landscape

> Outsourcing

WHAT THIS MEANS

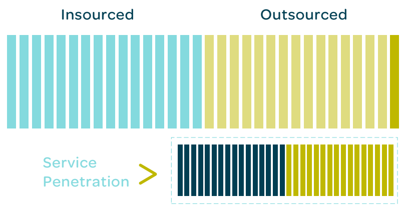
Increasing operating complexity and regulatory burden on asset managers as well as cost efficiencies drive a trend for increasing levels of outsourcing

OPPORTUNITY IT PROVIDES

As a leading third party specialist service provider to the sector, SANNE is capturing more work from asset managers who have traditionally insourced the services

HOW ARE WE RESPONDING

Core focus of the Group's growth strategy is on capturing the increased volumes of services outsourced by asset managers



> Globalisation

WHAT THIS MEANS

Asset managers and the fund structures they manage are increasingly global in their search for investors, their investment focus and structure

OPPORTUNITY IT PROVIDES

Third party fund administrators like SANNE are increasing required to have the expertise and presence to be able to service the asset managers and their fund structures in all their key locations

HOW ARE WE RESPONDING

SANNE continues to build out it's presence and expertise across all major locations, which allows us to better service our clients and differentiate ourselves from regional providers

> Consolidation

WHAT THIS MEANS

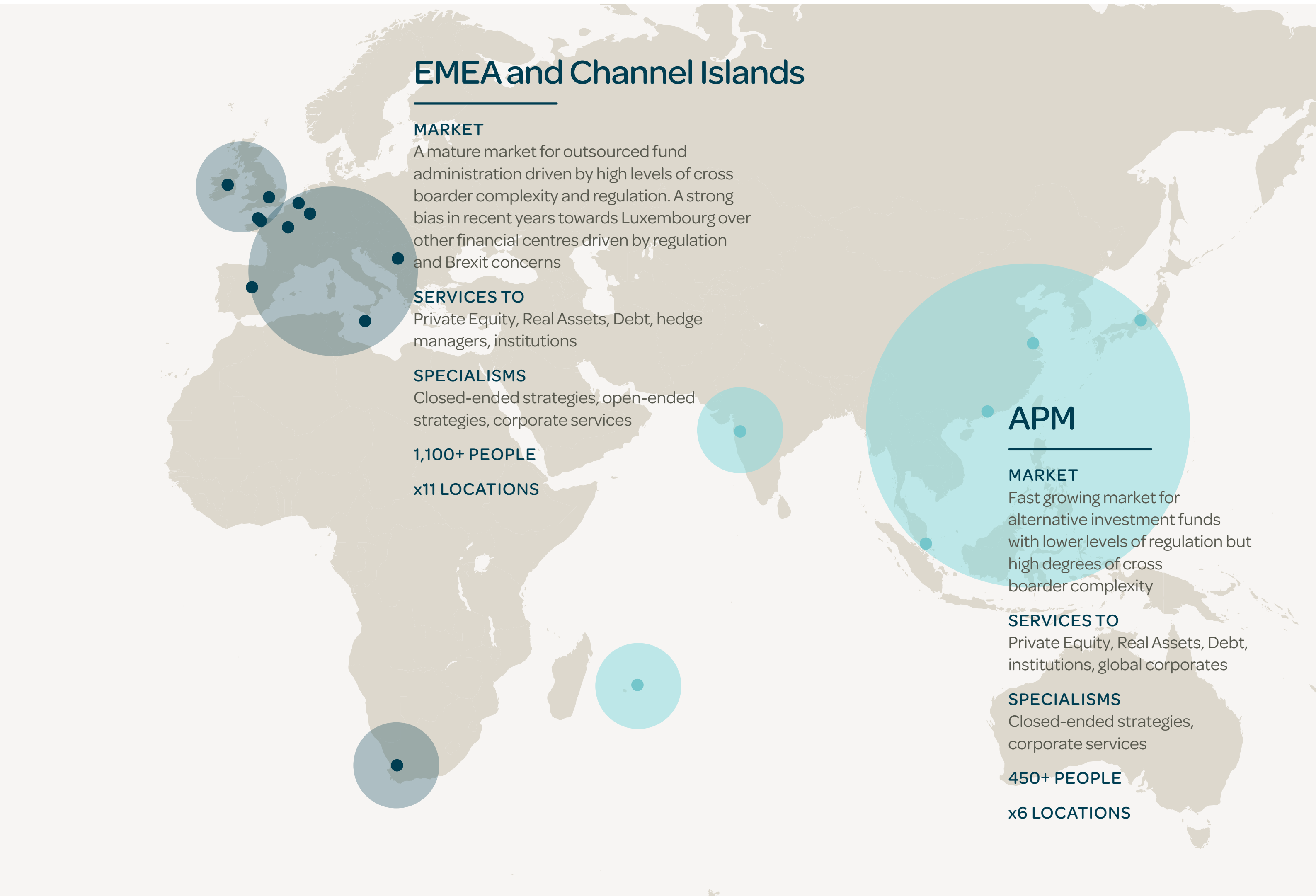
SANNE's industry remains highly fragmented

OPPORTUNITY IT PROVIDES

SANNE has the opportunity to consolidate high quality businesses into its platform to accelerate its growth strategy

HOW ARE WE RESPONDING

SANNE continues to have a disciplined approach to finding and acquiring high quality business that accelerate the Group's strategy



EMEA and Channel Islands

MARKET

A mature market for outsourced fund administration driven by high levels of cross boarder complexity and regulation. A strong bias in recent years towards Luxembourg over other financial centres driven by regulation and Brexit concerns

SERVICES TO

Private Equity, Real Assets, Debt, hedge managers, institutions

SPECIALISMS

Closed-ended strategies, open-ended strategies, corporate services

1,100+ PEOPLE

x11 LOCATIONS

APM

MARKET

Fast growing market for alternative investment funds with lower levels of regulation but high degrees of cross boarder complexity

SERVICES TO

Private Equity, Real Assets, Debt, institutions, global corporates

SPECIALISMS

Closed-ended strategies, corporate services

450+ PEOPLE

x6 LOCATIONS

> Where SANNE fits into the alternative asset management value chain

01

> Limited partners (LPs) are the investors into the fund

WHAT THIS MEANS
These institutions commit capital to the fund for its duration

02

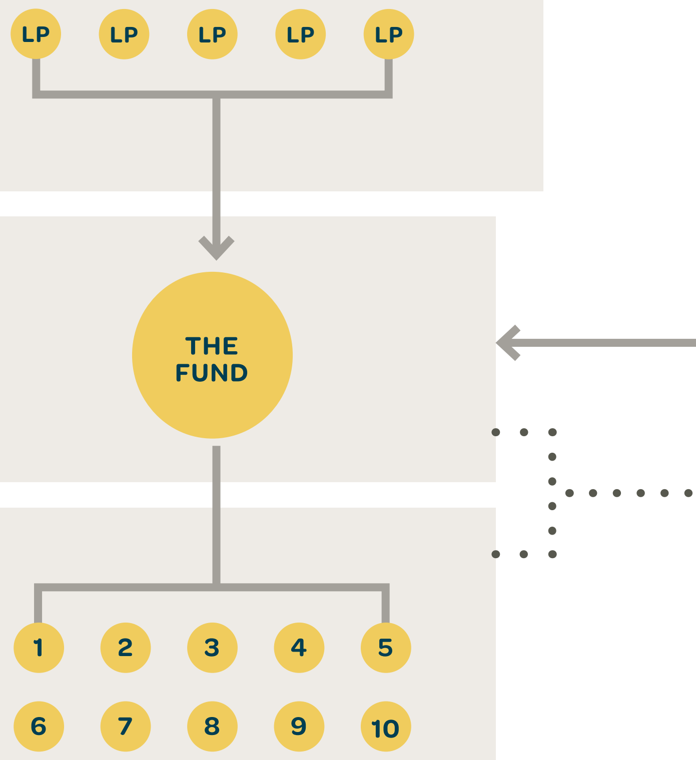
> Fund established to run for a fixed period (traditionally 7-12 years)

WHAT THIS MEANS
Funds tend to have a defined life and capital is committed throughout

03

> Funds will have a series of SPVs structured underneath

WHAT THIS MEANS
These are multiple corporate entities under a fund to assist with ease of capital flow and to hold investments



> *Their strengths are their technology, accuracy and the timelines of their work. The team is supportive and we do see the value in having one administrator. We have a good relationship with them.*

TAKEN FROM OUR CLIENT SURVEY 2018

> Funds are managed by general partners

WHAT THIS MEANS

The general partner (GP) is the asset management firm who are responsible to the LPs for running and administering the fund as well as sourcing and executing investments and divestments in line with the funds mandate

GP CORE FOCUS

- Growth of core funds
- Asset selection and investment
- Asset disposal

PARTNERS PAINS/ HYGIENE FACTORS

- Increasing legislation
- Increased complexity of fiduciary duties
- Financial reporting
- Regulatory requirements of assets, funds and structures
- Global tax jurisdictions

SANNE engages directly with the fund and its various SPV entities

> CFO or COO has responsibility for hygiene factors

WHAT THIS MEANS

It is the GP, CFO or COO who is responsible for ensuring the day-to-day administration of a fund and its SPVs is undertaken

THEY HAVE 2 CHOICES

INTERNALLY MANAGE

- Increased overheads and costs
- Increased risk
- Broader remit

OR

SANNE

EXTERNALLY MANAGE

- Outsourced solution with lower overheads
- Derisked risk from scale and scope of outcome capabilities
- Better focus on gain creators

HOW SANNE DELIVERS VALUE AND EFFICIENCY TO OUR GENERAL PARTNERS

SANNE's broad, yet complimentary, services helps our clients around the world to become more efficient in their businesses by enabling them to focus on their core business affairs, allowing us to meet their outsourced administration and reporting needs

- FINANCIAL RELATED SERVICES
- CORPORATE GOVERNANCE RELATED SERVICES
- OTHER REGULATORY RELATED SERVICES

> Business Model

Key resources >

Global reach

Strong client base

Talented people

Strong brand

Key activities >

93%
Alternative asset managers and financial institution

Specialism:
Closed-ended strategies

- Capital markets
- Private Debt
- Real Estate
- Private Equity
- Agency services
- Management company & Depositary services

Open-ended strategies

- Hedge funds

Services:

- Asset class administration, SPV structure services, transaction management, reporting and regulatory services
- Loan agency services & Bong agency service
- Management company set-up and advisory services, hosting solutions, securitisation services

7%
Financial institutions, listed and global corporate businesses

Specialism:
Corporate services

Services:

- Governance, fiduciary & administration services, Executive Incentives, Investment and treasury services, Regulatory, reporting & tax compliance services, TISE listing services

How does SANNE differentiate itself?

OUR BROAD YET COMPLEMENTARY RANGE OF FULLY INTEGRATED SERVICES HELPS OUR CLIENTS AROUND THE WORLD TO BECOME MORE EFFICIENT IN THEIR BUSINESSES BY ENABLING THEM TO FOCUS ON THEIR CORE BUSINESS AFFAIRS, ALLOWING US TO MEET THEIR OUTSOURCED ADMINISTRATION AND REPORTING NEEDS. SINCE INCORPORATING IN 1988, WE HAVE FOCUSED ON THREE CORE THINGS AS PART OF OUR CLIENT SERVICES OFFERING:

1 High quality service delivery

WE ACHIEVE THIS THROUGH OUR HIGHLY SKILLED AND PROFESSIONALLY QUALIFIED PEOPLE WHO ARE LOCATED IN THE RIGHT JURISDICTIONS, AND HAVE DEEP EXPERTISE AND EXPERIENCE ACROSS THE ASSET CLASSES AND MARKETS IN WHICH THEY OPERATE.

Value generated for our stakeholder groups >

Employees

Clients

Shareholders

Intermediary network

Suppliers

Regulators

Investment in >

1 OUR PEOPLE

2 OUR INFORMATION TECHNOLOGY AND SYSTEMS

3 OUR GLOBAL OFFICE NETWORK

4 CORPORATE SOCIAL RESPONSIBILITY INITIATIVES THROUGH LOCAL COMMUNITY INVOLVEMENT

5 ONGOING CHANGE PROGRAMMES, PROCESSES AND PROCEDURES

6 OUR RISK AND GOVERNANCE FRAMEWORK

2 Processes & platforms

OUR PEOPLE AROUND THE WORLD ARE SUPPORTED BY ACCREDITED BUSINESS PROCESSES, PLATFORMS AND SYSTEMS THAT UTILISE INDUSTRY BEST PRACTICE AND EFFICIENT BUSINESS METHODOLOGIES TO ENSURE OUR PEOPLE CAN FOCUS ON NURTURING AND CONTINUING TO BUILD LONG-TERM RELATIONSHIPS WITH OUR CLIENTS.

3 Adding value through M&A

AS OUR BUSINESS CONTINUES TO GROW ORGANICALLY, WE HAVE FOCUSED ON SUPPLEMENTING THIS GROWTH THROUGH CAREFULLY SELECTED M&A ACTIVITY WHICH ENHANCES OUR SERVICES, AND ADDS COMPLEMENTARY PRODUCTS AND STRATEGICALLY IMPORTANT LOCATIONS AROUND THE WORLD, WHICH ULTIMATELY MEANS WE CAN SERVICE CLIENTS MORE EFFICIENTLY.

> Key Performance Indicators

Key performance indicators (KPIs) are used to monitor the Group's performance and to measure the financial impact of the Group's strategy. KPIs for 2019 are presented for the entire Group (including contribution from continuing and discontinued operations). Some KPIs are Alternative Performance Measures, see pages 40 and 41.

01

Total Group revenue

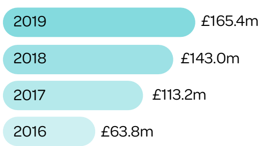
£165.4m

DEFINITION

The total value of all services sold to clients in the year

2019 PERFORMANCE

Another year of strong organic and inorganic increase



RELEVANCE

Revenue measures how we well the Group has expanded its business

LINK TO STRATEGY

1 2 3 6

02

Constant currency organic total Group revenue growth

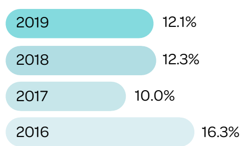
12.1%

DEFINITION

Constant currency organic revenue growth compares the revenue in the year with the prior year, applying the same FX rates in both periods. Revenue from any acquisition made in the year is excluded. Where an acquisition was made part way through the prior year, the current year contribution will be reduced to include only the same period as had been included in the prior year. A reconciliation is included on page 36 of these accounts

2019 PERFORMANCE

Total constant currency organic total Group income growth of 12.1% continues the Group's track record of double digit performance



RELEVANCE

Constant currency organic revenue growth provides a measure of how well the Group is expanding outside the impact of acquired revenue streams and currency

LINK TO STRATEGY

1 2 3

03

Underlying total Group operating profit

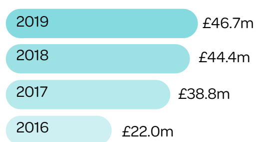
£46.7m

DEFINITION

Group operating profit adjusted for non-underlying items and including operating profit from discontinued activities. Further details of non-underlying items can be found in note 9 to the financial statements and further details of discontinued activities can be found in note 11 to the financial statements

2019 PERFORMANCE

In 2019 we delivered another strong year of underlying profitability



RELEVANCE

Underlying operating profit is a key measure of our profitability

LINK TO STRATEGY

1 2 3 5

STRATEGY KEY: 1 Differentiated, best in class service 2 Increase share of wallet and win new clients 3 Roll out services across all locations 4 Add new locations 5 Invest in resilient and scalable support functions 6 Acquisitions to augment growth strategy

04

Underlying total group operating profit margin

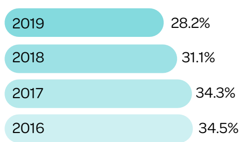
28.2%

DEFINITION

Group operating profit adjusted for non-underlying items and including discontinued operations as a percentage of total group income

2019 PERFORMANCE

2019 has seen further margin decline as a result of operational challenges covered in more detail in the Chief Executive Officer's Statement



RELEVANCE

Underlying operating profit margin is a key measure of our profitability and efficiency

LINK TO STRATEGY

1 5

05

Underlying total group diluted EPS

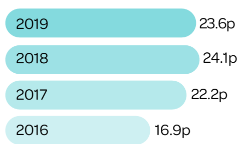
23.6p

DEFINITION

Underlying total group diluted earnings per share represents underlying total group profit before tax less the underlying effective tax charge for the period divided by the weighted average number of shares in issue for the period

2019 PERFORMANCE

Underlying total group diluted EPS was broadly flat the prior year as strong revenue growth was offset by lower margins



RELEVANCE

This remains a key measure of value creation for the Board and Shareholders

LINK TO STRATEGY

1 2 3 4 5 6

06

Annualised new business wins

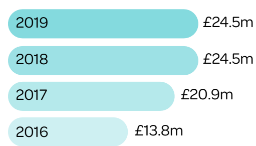
£24.5m

DEFINITION

Annualised new business wins reflects the total expected annualised revenue, excluding one-off on-boarding and start up fees, from new client engagements entered into within the year where SANNE has either already started to invoice the client or expects to commence invoicing the client within 12 months of signing

2019 PERFORMANCE

Annualised new business wins matched last year's record level



RELEVANCE

The annualised revenue of new business wins are used to gauge growth and performance

LINK TO STRATEGY

2

CONTINUED

> Key Performance Indicators

STRATEGY KEY: 1 Differentiated, best in class service 2 Increase share of wallet and win new clients 3 Roll out services across all locations 4 Add new locations 5 Invest in resilient and scalable support functions 6 Acquisitions to augment growth strategy

07

Underlying operating cash conversion

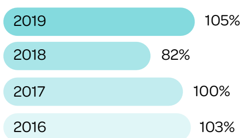
105%

DEFINITION

Underlying operating cash flow conversion represents the cash generated by continuing and discontinued operations, adding back the cash charges within non-underlying items and reducing for the total cash out flow in relation to the Group's IFRS 16 leases as a percentage of underlying total group operating profit

2019 PERFORMANCE

SANNE has seen a significant increase in underlying operating cash conversion in the year



RELEVANCE

This measures the Group's cash-generative characteristics from its underlying operations and is used to evaluate the Group's management of working capital

LINK TO STRATEGY

1 5

08

Underlying free cash flow attributable to equity holders

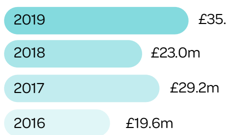
£35.1m

DEFINITION

Free cash flow attributable to equity holders represents our underlying free cash flow prior to any acquisitions, refinancing or share capital cash flows

2019 PERFORMANCE

SANNE has seen a significant year on year increase driven by improved operating cash conversion



RELEVANCE

It is a key measure of cash earned for the shareholders of the Group that can be used to generate cash returns of be invested in the future growth of the business

LINK TO STRATEGY

1 2 5

09

Number of locations

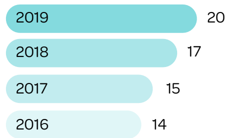
20

DEFINITION

Represents the number of physical locations SANNE operates from

2019 PERFORMANCE

SANNE has established a number of new locations in the markets and support existing clients



RELEVANCE

This remains a key measure of the Group's geographic reach

LINK TO STRATEGY

4

Segmental Review

At the start of 2019, in response to the significant growth and expansion of the Group over recent years, SANNE adopted a jurisdictionally-based reporting model across our European and South African jurisdictions from the previous product-vertical reporting model. This better aligns our reporting with how SANNE actually manages its business. The Group's NA and APM reporting segments already operated on this basis. As a result, there is no change to the reportable segments in NA and APM, however the old segments of "EMEA Alternatives" and "Corporate and Private Client" across Europe and South Africa have been combined and then split into two new reporting segments of CI (covering the Jersey and Guernsey jurisdictions) and EMEA covering all other European and South African business.

The Group's four reporting segments are therefore now: Europe, Middle East and Africa (EMEA); Channel Islands (CI); North America (NA); and Asia-Pacific & Mauritius (APM). For comparability, within EMEA and CI we will split out the corporate and private client revenues (making up the old CPC segment) for 2019 and for continuing operations disclose separately the Corporate revenues.

Unless otherwise stated all growth rates discussed in the segmental reviews are on a constant currency basis.

Europe, Middle East and Africa (EMEA)

	2019 (£'000)	2018 (£'000)	% growth	Constant currency % growth
Revenue	**60,561**	48,100	25.9%	27.6%
- Alternatives	**57,918**	45,941		
- CPC	**2,643**	2,159		
Gross profit	**33,745**	29,643	13.8%	15.2%
Margin	**55.7%**	61.6%		

SANNE's EMEA segment operates across Luxembourg, Ireland, the United Kingdom, Spain, France, the Netherlands, Malta and South Africa. This division provides services across all our closed-ended investment strategies (Private Debt & Capital Markets, Real Estate, Private Equity and Loan Agency, including Depositary) as well as the Group's open-ended Hedge and corporate clients.

Once again, 2019 was a year of strong growth in EMEA with revenue growth of 27.6% and organic revenue growth of 20.0%. Whilst the segment has seen gross margin decline in the year as a result of challenges that arose with the implementation of the new jurisdictional reporting model and increased investment in growth initiatives, gross profit grew by 15.2% and 5.4% on an organic basis. Whilst there were no acquisitions completed in the period, the inorganic growth in the segment in 2019 relates to the inclusion of both LIS/CP and AgenSynd for the full year in 2019 for the first time.

The main driver of growth in the year has been the continued strong demand for our services and new fund creations in the Group's core closed-ended alternatives markets of Private Debt & Capital Markets, Private Equity, Real Estate and Loan Agency. Meanwhile, the Group's open-ended hedge fund business, saw good progress through broadening the client base outside South Africa with wins in Dublin as well as further wins in South Africa offset by client losses in the second half. The overall result of which was to keep performance flat on the prior year.

2019 has also seen the completion of the integration of the AgenSynd and LIS acquisitions made in 2018. We have successfully moved AgenSynd's London team into our existing office and collocated the LIS, CP and legacy Sanne Luxembourg businesses. We also completed the integration of all systems, policies and processes as well as all areas of Group Services support such as finance, IT, HR, risk and compliance. The integration of the CP legal entity into our existing Sanne Luxembourg entity is subject only to final regulatory approval which is expected during 2020. Sanne's legacy Loan Agency book has also been migrated onto AgenSynd's industry leading client-facing technology platform and we have started cross selling service capability from the platform to other clients across the Group.

Channel Islands (CI)

	2019 (£'000)	2018 (£'000)	% growth	Constant currency % growth
Revenue	**43,689**	42,768	2.2%	2.4%
- Alternatives	**26,993**	25,784		
- CPC	**16,696**	16,984		
Gross profit	**26,154**	25,794	1.4%	0.2%
Margin	**59.9%**	60.3%		
Revenue - discontinuing	**5,736**	6,761	-15.2%	-15.2%
Gross profit - discontinuing	**3,700**	4,048	-8.6%	-8.6%

The Revenue and Gross profit shown above include continuing discontinued operations unless otherwise stated

SANNE's CI segment operates in both Jersey and Guernsey. The segment provides services across all our closed-ended investment strategies (Private Debt & Capital Markets, Real Estate and Private Equity) albeit, not Loan Agency. The segment also includes the Group's Private Client business, and the majority of the services to corporate clients. Following the year end, SANNE has entered into an agreement for JTC Plc to acquire the Private Client business which is entirely reported within the CI segment.

Revenues from the new CI segment saw organic growth in the period of 2.2% which reflects the flat year on year performance in the Jersey Corporate book and further reduction in the Jersey Private Client business. Despite the trend in the industry across Europe for new funds to locate in Luxembourg, the Channel Islands segment saw good organic growth across the closed ended alternatives products of Private Debt & Capital Markets, Real Estate and Private Equity at 7.0%.

Whilst the segment, like EMEA, was impacted by the shift at the start of the year to the jurisdiction-orientated reporting model, the gross margin was broadly flat at 59.9% in 2019.

CONTINUED

> Segmental Review

Asia Pacific and Mauritius (APM)

APM (£'m)	2019 (£'000)	2018 (£'000)	% growth	Constant currency % growth
Revenue	34,268	30,433	12.6%	8.6%
Gross profit	23,161	22,103	4.8%	0.9%
Gross profit margin	67.6%	72.6%		

Note: The Revenue and Gross profit shown above is for both continuing and discontinued operations unless otherwise stated

SANNE's APM segment operates across Hong Kong, Singapore, Shanghai, Tokyo, Mumbai and Mauritius. This segment provides services across all core alternative closed-ended investment products.

The segment delivered organic revenue growth of 8.6% driven by another very strong year across the Asia Pacific offices. These offices alone saw constant currency growth of 36% in the year across the Private Equity and Real Assets fund client base, being SANNE's two main product groups in the region. 2019 saw the opening of the Group's new office in Japan and significant headcount growth across the other offices which are all of broadly similar size.

Mauritius saw a flat revenue result compared with the prior year. This was largely the result of higher than average levels of end of life client attrition seen across what is a mature book of funds. Mauritius has though seen a good level of new business wins in the year reflecting an acceleration in business development following investment in the business development team on the island and in the newly set up sales office in India. During the year the Group also established a dedicated centre of excellence for the preparation of financial statements. This service draws on the depth of accounting expertise in the Mauritian market and both supports the wider Group as well as being sold to third parties.

The segment's gross profit margins declined in the year to 67.6%, primarily driven by mix effect as the fast-growing Asia Pacific offices become a larger proportion of the business. In 2019, the Asia Pacific offices represented approximately one third of the segment's overall revenues and the margins in the region are in line with those across our EMEA and CI businesses.

North America (NA)

NA (£'m)	2019 (£'000)	2018 (£'000)	% growth	Constant currency % growth
Revenue	**26,925**	21,702	24.1%	18.7%
Gross profit	**13,477**	10,808	24.7%	18.9%
Gross profit margin	**50.1%**	49.8%		

SANNE's NA segment primarily services closed ended alternative fund clients in North America. The segment originated with the acquisition of FLSV Fund Administration Services LLC (FAS) in late 2016 and has experienced strong organic growth since.

2019 was another year of strong organic revenue growth for the NA segment at 18.7%. This revenue growth continued to be driven largely by a strong new fund launch environment across the existing client base. The segment's margin remained broadly flat on the prior year at 50.1% due to higher revenues and increased use of support from the Group's Belgrade office, offset by increased growth initiative costs.

During the year, the segment continued to be dominated by services across Private Equity. However, we continued to build the segment's client base across the Real Assets, and Debt & Private Capital markets. We continue to see growth opportunities from first time outsourcers and new asset managers in the market, and an expansion in the types of products offered in the alternatives market. In addition, the business opened a new office on the west coast of North America. This office opened initially to support existing clients in the west coast time zone more closely, but has also afforded an opportunity to target other, new clients in the area.

> Chief Financial Officer's Review

James Ireland
CHIEF FINANCIAL OFFICER

"The Group delivered strong cash returns in the year generating underlying free cash flow attributable to equity holders of £35.1m in 2019, an increase of 52.9% on 2018. This performance represents an adjusted underlying operating cash conversion of 105% (2018: 82%).

Total Group revenue grew by 14.7% in 2019 to £165.4 million (2018: £143.0m) with continuing operations revenue growth of 16.2%, both at constant currency. Underlying total group operating profit has grown at 2.9% at constant currency to £46.7 million (2018: £44.4m) as the operational challenges seen in the first half diluted underlying total group operating profit margin to 28.2% from 31.1% in 2018. Statutory operating profit for the year was £14.3 million down from £21.5 million in 2018. This reflected exceptional one-off costs largely related to acquisition earn-out payments as well as intangible impairment in South Africa.

Underlying total group diluted EPS was down by 4.2% on the prior year at constant currency at 23.6 pence (2018: 24.1p) as a result of increased interest costs under IFRS 16 and a higher underlying effective tax rate.

The Group delivered strong cash returns in the year generating underlying free cash flow attributable to equity holders of £35.1m in 2019, an increase of 52.9% on 2018.

This performance represents an adjusted underlying operating cash conversion of 105% (2018: 82%).

Group Income Statement

The Group reports key items in the income statement such as revenue and operating profit as well as presenting certain alternative performance measures (APMs) such as organic revenue growth rates and underlying profit measures to allow an additional understanding of the results for the year. In order to provide a clear reconciliation of performance, the Group's statutory results and APMs are presented below on both a total group basis (including results from both continuing and discontinued operations) as well as on an adjusted continuing basis.

Total Group Income Statement:

	2019 (£'000)	2018 (£'000)	% growth	Constant currency % growth
Total Group revenue	**165,443**	143,003	15.7%	14.7%
Revenue - Discontinued operations	**5,736**	6,761	-15.2%	-15.2%
Continuing revenues	**159,707**	136,242	17.2%	16.2%
Total group gross profit	**96,537**	88,348	9.3%	8.1%
Gross profit - Discontinued operations	**3,700**	4,048	-8.6%	-8.6%
Continuing operations gross profit	**92,837**	84,300	10.1%	8.9%
Total group underlying operating profit	**46,688**	44,447	5.0%	2.9%
Operating profit - Discontinued operations	**3,700**	4,048	-8.6%	-8.6%
Non-underlying cost	**(28,707)**	(18,882)	52.0%	33.0%
Operating profit	**14,281**	21,517	-33.6%	-36.3%
Finance cost[1]	**(4,730)**	(1,885)		
Non-underlying finance cost	**(457)**	-		
Profit before tax	**13,251**	23,680		
Taxation	**(4,377)**	(5,506)		
Profit after tax	**8,874**	18,174		
Underlying total group DEPS (pence)	**23.60**	24.11		
Reported DEPS (pence)	**6.08**	12.58		

1. Is the total of other gains and losses, finance costs and finance income

Key performance measures for the underlying continuing business:

	2019 (£'000)	2018 (£'000)	% growth	Constant currency % growth
Continuing revenues	**159,707**	136,242	17.2%	16.2%
Underlying continuing operations operating profit	**44,333**	41,430	7.0%	4.7%
– margin	**27.8%**	30.4%		
Underlying continuing operations profit before tax	**40,356**	39,785	1.4%	-0.5%
Underlying continuing operations tax charge	**7,761**	7,455		
Underlying continuing operations profit after tax	**32,594**	32,330	0.8%	-1.1%
Underlying continuing operations DEPS	**22.3p**	22.4p	-0.4%	-2.5%

CONTINUED

> Chief Financial Officer's Review

Revenue

Total Group revenue increased by 14.7% on a constant currency basis in the year to £165.4 million (2018: £143.0m). Organic revenue growth in the period was 12.1% on a constant currency basis for the whole Group.

Revenue growth for the continuing operations, representing the Alternatives and Corporate businesses, was higher at 16.2% on a constant currency basis at £159.7 million (2018: £136.2m). Likewise, organic constant currency revenue growth was higher for the continuing operations at 13.5%.

	2019 (£'000)	2018 (£'000)	% growth	Constant currency % growth
Total Group revenue	**165,443**	143,003	15.7%	14.7%
LIS one-month adjustment	**1,548**	-		
AgenSynd eight-month adjustment	**2,151**	-		
Total Group organic income	**161,744**	143,003	13.1%	12.1%
Discontinued revenue	**5,736**	6,761		
Continuing operations organic revenue	**156,008**	136,242	14.5%	13.5%

Note: See the Alternative Performance Measures section for organic growth calculation methodology

Gross profit

Gross profit in 2019 including the results from both continuing and discontinued operations was £96.5m (2018: £88.3m), representing constant currency growth of 8.1% (9.3% at actual currency). Gross profit for continuing operations in 2019 was £92.8 million (2018: £84.3m). This reflected the strong revenue growth in the year, partially offset by a decline in gross profit margin. Gross profit margin for the total group including both continuing and discontinued operations was 58.4%, down 3.4 percentage points from the prior year. This reduction was predominantly the result of margin decline in the EMEA segment where the over-recruitment of staff ahead of anticipated growth had the most significant impact. The margin was also diluted slightly by mix effects in the APM segment where the higher growth Asia Pacific offices operate at gross profit margins in line with EMEA and CI rather than the higher margin Mauritius business. Further investment in growth initiatives such as the dedicated Business Development team and the teams supporting the product strategies described in the CEO's Statement also had an impact. The costs associated with these growth initiatives equated to c.2.5% of Group revenues compared with c.1.5% in 2018.

Disposal of the Jersey Private Client business

The table below shows the underlying financial performance of the Jersey Private Client business that is expected to be sold in 2020. The underlying profit measures for the discontinued business are alternative performance measures that differ from the disclosures made under IFRS 5 in note 11 in the financial statements. The difference is that the underlying measures also include costs that, whilst not directly transferring with the sale, will cease within the continuing Group as a consequence of the disposal or that the Group will be capable of reducing as a result of the disposal. This includes certain business systems licencing fees, office costs and some operating leverage in Group Services. These alternative performance measures allow an additional assesment of the impact of disposing of the operations as compared with the IFRS 5 presentation.

	2019 (£'000)	2018 (£'000)	% growth
Discontinued revenue (per IFRS 5)	**5,736**	6,761	-15.2%
Discontinued gross profit (per IFRS 5)	**3,700**	4,048	-8.6%
Discontinued operating profit (per IFRS 5)	**3,700**	4,048	-8.6%
Allocation direct costs	**343**	336	2.1%
Allocation of overhead costs	**1,002**	696	44.0%
Underlying discontinued operating profit	**2,355**	3,017	-21.9%
Tax charge (per IFRS 5)	**(370)**	(405)	-8.6%
Discontinued profit after tax (per IFRS 5)	**3,330**	3,643	-8.6%
Adjusted discontinued interest costs	**(296)**	(240)	-23.3%
Adjustment to discontinued taxation charge	**164**	127	29.0%
Underlying discontinued profit after tax	**1,854**	2,499	-25.8%
Underlying discontinued DEPS	**1.27p**	1.73p	-26.6%

Overheads

The Group's operating model involves client focused service teams being supported by centralised and integrated Group Services functions including information technology, risk and compliance, human resources, premises, finance and the Group's head office costs. All costs for these functions are included in the Group's overheads.

Total group overheads, excluding non-underlying costs, in 2019 were £49.8 million (2018: £43.9m), which represented 30.2% of total Group revenue for the year compared with 30.8% in 2018 and 32.4% in the first half of 2019.

Overheads associated with the underlying continuing operations represented 31.3% of the continuing revenues for the Group. This is higher than the total Group result reflecting that it is not possible to remove the entire overhead allocation from the Group immediately on disposing of the discontinued operations.

Non-underlying costs

Non-underlying items within profit measures include share-based payments where they relate to acquisitions; acquisition and integration costs; amortisation and impairment of intangible assets; one-off costs related to the refinancing of the Group's banking facilities undertaken in the year; and costs related to the regulatory settlement in Jersey in the year and other costs. For further detail on non-underlying items, please see note 9 in the financial statements.

Non-underlying costs in 2019 saw an increase to £29.2 million (2018: £18.9m). The main drivers behind this increase were acquisition earn-outs on LIS (£4.2m) and AgenSynd (£2.0m) charged to the income statement due to employment related clauses; impairment of contract intangibles in the South African acquisition made in 2016 (£2.4m); and costs relating to a regulatory settlement in the year and other non-trading related provisions (£1.0m).

Operating profit

Underlying total group operating profit and underlying continuing operations operating profit are key measures of the Group's performance for each of the total operations managed during the year as well as for the ongoing business. Underlying total group operating profit in 2019 was up 2.9% in constant currency on the prior year at £46.7 million (2018: £44.4m). Underlying continuing operations operating profit, however, saw better growth of 4.7% on a constant currency basis which reflects the decline seen in the discontinued operations. Statutory operating profit fell in the year to £14.3 million (2018: 21.5m) as a result of the increase in non-underlying charges in the year.

Net finance expense

Total Group net finance expense was £4.5 million (2018: £1.8m). The increase in 2019 largely reflects the Group's adoption of IFRS 16 for the treatment of operating leases. The interest charge in relation to operating leases in 2019 was £1.6 million. The charge before the adoption of IFRS 16 increased as a result of the higher average net debt in the year, as a result of acquisitions and related earn-out payments.

Taxation

The Group's reported effective tax rate for the total Group for the year was 33% (2018: 23.3%). The year on year increase was driven by the increasing proportion of Group profits being earned in jurisdictions with higher tax rates. As with prior years there has been significant non-underlying expenditure impacting on the effective tax rate and when adjusted for non-underlying items, the effective rate for the year for the total Group was 18.8% (2017: 18.2%).

Diluted underlying earnings per share

Total Group underlying diluted earnings per share were 23.6 pence (2018: 24.1p), underlying continuing operations diluted earnings per share were 22.3 pence (2018: 22.4p) and reported diluted earnings per share from continuing operations were 6.1 pence (2018: 12.6p).

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> Chief Financial Officer's Review

Dividend

The Board continues to adopt a progressive dividend policy where it seeks to increase the absolute value of the dividend each year, subject always to maintaining a sufficient level of dividend cover. Accordingly, the Board is recommending a final dividend of 9.4 pence per ordinary share (2018: 9.2 pence). The final dividend will be payable on 20 May 2020 to Shareholders on the register at close of business on 24 April 2020.

Together with the interim dividend of 4.7 pence per share, this gives a total dividend for the year of 14.1 pence per share (2018: 13.8 pence in total).

Cash flow and working capital

In 2019 SANNE has seen strong cash generation with underlying operating cash conversion of 105% (2018: 82%). The main movements in the cash flow are summarised below:

	2019 (£'000)	2018 (£'000)
Total Group underlying operating profit	**46,688**	44,447
Depreciation (equipment and IFRS16)	**8,180**	1,915
Other (includes share based payments and movements in provisions)	**449**	4,264
Change in working capital	**3,151**	(14,390)
Total Group underlying operating cashflows	**58,468**	36,236
Total cash flows on leases recognised under IFRS 16	**(6,364)**	-
Non-cash non-underlying items	**(2,852)**	-
Underlying operating cashflows	**49,252**	36,236
	105%	82%
Capital exp. (Equipment and software)	**(4,190)**	(4,221)
Tax	**(7,641)**	(7,312)
Net finance cost	**(2,293)**	(1,732)
Underlying free cashflow attributable to equity holders	**35,128**	22,971
Free cashflow attributable to discontinued operations	*3,563*	*4,321*
Free cashflow attributable to continuing operations	***31,565***	*18,650*

SANNE's high levels of cash conversion in the year were driven by improved processes and controls around working capital management. This has resulted in trade receivables growing at a much slower rate than revenue and an improvement in the proportionate size of working capital balances on the balance sheet reducing to 19.7% of the year's revenue from 22.6% in 2018. The table below pulls out the key trading working capital items included within the Group's balance sheet:

	2019 (£'000)	2018 (£'000)
Contract assets	**6,460**	6,628
Trade receivables[1]	**42,595**	40,268
Contract liabilities	**(17,634)**	(16,085)
Trading working capital	**31,421**	30,811
Trading working capital as % of continuing revenue	**20%**	23%
Trading working capital as % of discontinued revenue	**42%**	33%

[1] Includes allowance for doubtful receivables

As highlighted in the table above, the Jersey Private Client business that is being sold has a much larger amount of working capital associated with it as a proportion of revenue than the continuing operations. The sale of this business will therefore result in an improvement in the Group's working capital.

Contract assets, referred to as accrued income in prior years, has remained flat year on year despite strong revenue growth. This reflects the continued focus within SANNE on prudent revenue recognition. Contract liabilities reflect revenue that has been invoiced in advance and have grown in line with the business. Write offs of trade receivables remained at exceptionally low levels during 2019 representing less than 0.1% of revenues.

Capital expenditure in the year largely comprised equipment and software purchases and software development costs. The purchase of equipment and software largely relates to office fit-out costs in the Group. The software development costs relate to the joint development project with Colmore, which will offer the Helios technology and data analytics platform to our global alternatives client base.

The payment of deferred consideration in the cash flow statement relates entirely to the earn-out payment on LIS and CP, which was made in the second half. Whilst we have accrued for the earn-out payment for AgenSynd, this is not due to be settled until March 2020.

Capital management and financing

At 31 December 2019, the Group's net debt was £78.1 million (2018: £53.0m), including gross cash balances of £51.5m (2018: £32.4m). This reflected the strong operating cash generation seen in the year and comes after the funding of the earn-out payment for LIS and CP, the minority investment in Colmore and dividends paid to shareholders. As a result, the Group's headline net debt to underlying earnings before interest, taxation, depreciation and amortisation calculated ignoring IFRS 16 (net debt to pre-IFRS 16 EBITDA) ratio was 1.6x at the year end.

As a result of operating a number of regulated subsidiaries within the Group SANNE ring fences certain cash balances to ensure the relevant regulated entities are funded in order to meet minimum capitalisation requirements imposed on them. At 31 December 2019 the cash ring fenced for regulatory capital requirements ("regulatory cash") was £10.1 million (2018: £8.9m). Excluding this regulatory cash from available cash, the Group's net debt to pre-IFRS 16 EBITDA ratio increases to 1.8x.

The table below sets out how capital has been generated and used in 2019. The Group's approach to capital allocation is to seek to invest the cash generated by the business to earn the best return for the Group's principal stakeholders. Given the low capital requirements to fund organic growth, the principal use of capital has been to fund acquisitions and shareholder dividends. Management aims to do this whilst maintaining a Group net debt to pre-IFRS16 EBITDA ratio of not more than 2.0x. However, the Group's banking covenants are set materially higher with the option to increase this for a period of time so that the Group has additional funding headroom were it to be appropriate to use it.

Cash generated	£'m
Free cashflow before capital expenditure	**39**
Net debt movement	**23**
Total	**62**

Cash used	£'m
Acquisition related	**38**
Dividends	**20**
Capital expenditure	**4**
Total	**62**

In the first half of the year, SANNE successfully refinanced its debt facilities. The new debt facility is a multicurrency committed £150 million revolving credit facility with an uncommitted accordion facility of £70 million. The facility has a maturity of February 2023 with extension options of up to two years. At the year end the facility was £131.2 million drawn with available cash balances (excluding regulatory cash) of £51.5 million. Pre-IFRS 16 EBITDA is used to calculate leverage ratio per the terms of our facilities agreement.

Foreign Exchange

The Group's results are exposed to translation risk from the movement in currencies. Overall, the average movement from currencies have increased reported total group revenue and underlying total group operating profit by £1.5 million and £1.0 million respectively. During 2019 key individual exchange rates have moved, as shown in the table below.

	At 31 December			Annual average		
Per £ sterling	2019	2018	%	2019	2018	%
Euro	1.18	1.11	6.3%	1.14	1.13	0.9%
US Dollar	1.33	1.27	4.7%	1.28	1.33	-3.8%

> Alternative Performance Measures

The Group uses alternative performance measures (APMs) to provide additional information on the underlying performance of the business. Management use these key measures to assess the underlying performance of the Group's business and the adjusted performance enables further comparability between reporting periods. The APMs used to manage the Group are as follows:

Organic Revenue Growth

Organic revenue growth is quoted for both continuing operations as well as total Group revenue. In the case of continuing operations, it is reported revenue growth adjusted for acquisitions on a like-for-like basis. In the case of total Group revenue, again this shows income from both continuing and discontinued operations on a like-for-like basis for 2019 and 2018 adjusted for acquisitions. To arrive at a like-for-like basis, revenue from any acquisition made in the year is excluded. Where an acquisition was made part way through the prior year, the current year contribution will be reduced to include only the same period as had been included in the prior year. A reconciliation is included in the CFO Review. Organic revenue growth measures are a key performance indicator for the growth of the business excluding the impacts of any acquisitions undertaken. The calculation methodology for both continuing operations and total Group revenue is set out in the CFO's Report.

Constant Currency Growth

To highlight our period on period performance, we discuss our results in terms of growth at constant currency. This represents growth calculated after translating both year's performance at the prior year's applicable exchange rates. Overall, the average movement from currencies have increased reported total group revenue and underlying total group operating profit by £1.5 million and £1.0 million respectively. Therefore, constant currency metrics can be arrived at by removing these amounts.

Underlying Total Group And Underlying Continuing Operations Alternative Profit Measures

Post the year end the Group has announced that it has entered into an agreement to dispose of its Jersey Private Client business. As such, the statutory results for the Group are presented for continuing operations. To help provide users of these accounts with a view of performance during the year ended 31 December 2019, we present several alternative profit measures aimed at showing both the full Group's performance (including both continuing and discontinued operations) as well as the representative performance for the ongoing business only (continuing operations). In both sets of alternative performance measures, they are adjusted to exclude non-underlying costs. Non-underlying charges are defined as expense items, which if included, would otherwise obscure the understanding of the underlying performance of the Group. These items represent material restructuring, acquisition, integration and costs that are transformational in nature or costs that do not relate to the operating of the Group's business. Further explanation of why non-underlying charges are excluded from APMs is included in note 3 and note 9 of the financial statements.

Underlying total group alternative performance measures are reconciled below but include all results from both continuing and discontinuing operations whilst excluding non-underlying items.

Underlying continuing operations alternative performance measures are also reconciled below. These present results from the continuing operations only, also exclude non-underlying items but are also adjusted to remove certain direct and overhead cost allocations that, whilst not directly transferring with the sale, will cease within the continuing Group as a consequence of the disposal or that the Group will be capable of reducing as a result of the disposal. These alternative performance measures differ to the IFRS 5 definition of continuing and discontinued operations.

Total Group revenue:

	2019 (£'000)	2018 (£'000)
Continuing operations revenue	**159,707**	136,242
Discontinued operations revenue	**5,736**	6,761
Total Group Revenue	**165,443**	143,003

Underlying total group operating profit:

	2019 (£'000)	2018 (£'000)
Underlying total group operating profit	**46,688**	44,447
Discontinued operations operating profit (note 11)	**(3,700)**	(4,048)
Non-underlying cost (note 9)	**(28,707)**	(18,882)
Operating profit - continuing	**14,281**	21,517

Underlying total group operating profit is used to explain the operating performance of the total Group in the year including both continuing and discontinued operations on a like for like basis compared with the prior year.

Underlying total group profit before tax:

	2019 (£'000)	2018 (£'000)
Underlying total profit before tax	**42,415**	42,562
Discontinued operations profit before tax (note 11)	**(3,700)**	(4,048)
Non-underlying cost and tax	**(29,164)**	(18,882)
Profit before tax	**9,551**	19,632

Underlying total group profit before tax is a key measure of Group profitability and assesses the Group's combined organic and inorganic profitability after funding costs have been considered.

Underlying total group diluted earnings per share:

	2019 (£'000)	2018 (£'000)
Underlying total group DEPS	**23.6**	24.1
Weighted average number of ordinary shares for the purposes of diluted EPS	**144,019,578**	141,269,560
Underlying total group profit after tax	**34,448**	34,829
After tax impact of discontinued operations	**(3,330)**	(3,643)
After tax impact of non-underlying items	**(25,574)**	(16,655)
Profit after tax from continuing operations	**5,544**	14,531

Underlying total group diluted earnings per share represents underlying total group profit before tax less the underlying effective tax charge for both continuing and discontinued operations in the period divided by the weighted average number of shares in issue for the period. This is a key measure of total underlying profitability for shareholders from all operations owned in the year.

Underlying continuing operations operating profit:

	2019 (£'000)	2018 (£'000)
Underlying continuing operations operating profit	**44,333**	41,430
Discontinued operations overhead and direct cost allocation adjustment	**(1,345)**	(1,031)
Non - underlying items	**(28,707)**	(18,882)
Operating profit - continuing	**14,281**	21,517

Underlying continuing operations operating profit is used to explain the operating performance of the ongoing portion of the Group reflecting the disposal and exclusion of the Jersey Private Client business. This is a key profit measure to consider the operating profitability on an ongoing basis.

Underlying continuing operations profit before tax:

	2019 (£'000)	2018 (£'000)
Underlying continuing operations profit before tax	**40,356**	39,785
Discontinued operations overhead and direct cost allocation adjustment	**(1,641)**	(1,271)
Non-underlying items	**(29,164)**	(18,882)
Profit before tax from continuing operations	**9,551**	19,632

Underlying continuing operations profit before tax is a key measure of Group profitability for the ongoing business and assesses the Group's combined organic and inorganic profitability after funding costs have been considered but excluding those operations being sold.

Underlying continuing operations diluted earnings per share:

	2019 (£'000)	2018 (£'000)
Underlying continuing DEPS	**22.3**	22.4
Weighted average number of ordinary shares for the purposes of diluted EPS	**144,019,578**	141,269,560
Underlying continuing profit after tax	**32,594**	32,330
After tax impact of non-underlying items	**(25,574)**	(16,655)
After tax impact of additional discontinued operation cost	**(1,476)**	(1,144)
Profit after tax from continuing operations	**5,544**	14,531

Underlying Total Group Operating Profit Margin And Underlying Continuing Operations Operating Profit Margin

Underlying total group operating profit margin is the underlying total group operating profit as a percentage of total Group revenue. This is a key measure of Group profitability during the year and demonstrates the efficiency of the Group. Underlying continuing operations operating profit margin is the underlying continuing operations operating profit as a percentage of continuing operations revenue. This is a key measure of the ongoing Group's profitability after the disposal and exclusion of the Jersey Private Client business.

Underlying Operating Cash Flow

Underlying operating cash flow represents the cash generated by total operations in the year, adding back the cash charges within non-underlying items and reducing for the total cash out flow in relation to the Group's IFRS 16 leases. A reconciliation is included in the CFO Review.

Underlying operating cash conversion

Underlying operating cash conversion is the underlying operating cash flow as a percentage of underlying operating profit. This measures the Group's cash-generative characteristics from its underlying operations and is used to evaluate the Group's management of working capital.

	2019 (£'000)	2018 (£'000)
Underlying operating cashflows	**49,252**	36,236
Total Group underlying operating profit	**46,688**	44,447
Underlying operating cash conversion	**105%**	82%

Underlying free cash flow attributable to equity holders

Free cash flow attributable to equity holders represents our underlying free cash flow prior to any acquisitions, refinancing or share capital cash flows. It is a key measure of cash earned for the shareholders of the Group that can be used to generate cash returns of be invested in the future growth of the business.

	2019 (£'000)	2018 (£'000)
Underlying free cashflow attributable to equity holders	**35,128**	22,971
Capital exp. (Equipment and software)	**4,190**	4,221
Interest on bank loan	**2,293**	1,732
Lease liability payments	**4,757**	-
Non-underlying cashflow items	**(924)**	(1,306)
Net cash from operating activities	**45,444**	**27,618**

Underlying Effective Tax Rate

The underlying effective tax rate is determined as the reported tax rate for the Group adjusted for the tax effects of non-underlying costs. We consider the underlying effective tax rate to be an appropriate measure, as it best reflects the applicable tax payable in relation to the underlying performance of the Group. A reconciliation is provided in note 10 to the financial statements for the reported and total group underlying effective tax rate. The table below reconciles the underlying tax charge for underlying continuing operations and the underlying effective tax rate is this charge divided by the underlying continuing operations profit before tax:

	2019 (£'000)	2018 (£'000)
Underlying tax charge (per note 9 of the financial statements)	**7,967**	7,733
Income tax expense from discontinued operations (per note 9)	**(370)**	(405)
Underlying continuing tax charge adjustment (per CFO Review)	**164**	127
Underlying continuing tax charge	**7,761**	**7,455**

Net Debt

This refers to the Group's net indebtedness that is calculated by taking the Group's gross debt balance and reducing it by gross cash balances.

> Risk Management

As a regulated provider of administration, reporting and fiduciary services, SANNE Group places risk management and compliance at the core of its day-to-day activities.

Overview

As a regulated business, we are committed to conducting proportionate, consistent risk management and ensuring compliance with applicable regulations. The Group has defined its risk appetite, and it monitors risk exposure against that appetite. The management and transparency of risk is underpinned by robust risk and compliance governance and controls. SANNE's Risk Management Framework (RMF) is designed to identify, assess, mitigate, monitor and report principal risks with oversight provided by the Risk Committee.

This section of the report provides an overview of SANNE's approach to Risk Management, including details of the enhancements made over the past reporting period.

Risk Management at SANNE

The Risk Management Framework at SANNE is bespoke and appropriate for the nature of its operations, scale, geography and complexity of the business. Retaining the core principles of the Three Lines of Defence Model, risk and compliance functions are independent of the operating units whilst maintaining close dialogue and involvement to ensure accurate and timely risk analysis.

Our Risk Management Framework ensures that there is:

- a set of tools to enable the timely identification, escalation and mitigation of risks;
- a suitable basis upon which the Board can validate the effectiveness of the Group's risk management and internal controls;
- clearly defined risk responsibilities and accountabilities, promoting well-informed risk-taking behaviour; and
- a strong risk awareness culture where tone is set from the top.

Governance

The Board has overall accountability for setting SANNE's risk appetite and ensuring any risks that could impact on the delivery of the Group's corporate strategies are identified, understood and managed effectively. To do this, the Board delegates oversight of the risk and control environment to the Risk Committee.

The Risk Committee's membership comprises of three Non-executive Directors, including the Chair of the Audit Committee. The Chief Risk Officer and the Global Head of Compliance have a standing invitation to attend all meetings.

In the second half of 2019, the Risk & Compliance function, previously led by the Chief Risk & Compliance Officer (CRCO) was demerged, leading to Risk and Compliance teams now operating under the leadership of a Chief Risk Officer (CRO) and a Global Head of Compliance (GHoC) for Risk and Compliance functions respectively. This section of the report focuses on risk management matters however, where appropriate, it also refers to Compliance components.

The Group follows industry standards for risk management and governance arrangements, including the Three Lines of Defence Model.

Risk Assessment

The Board has completed a robust Group-wide risk assessment of both principal and emerging risks over the reporting period.

Operating a risk management framework that is proportionate and responsive to business priorities, SANNE's Risk Management Framework includes a systematic approach to identifying, assessing, mitigating and monitoring risk through a programme of Business Risk Assessments, which leverage a comprehensive risk taxonomy.

Risk Assessment, completed using management information and senior management insight, is undertaken at jurisdiction level initially, to highlight emerging and existing risk exposures that are then consolidated into a Group Risk Assessment. At this stage, executive risk owners overlay their own assessment and the resultant assessment is presented to the Risk Committee on an annual basis. Risk management actions arising from the assessment are reviewed and approved through the Risk Committee.

Principal Risks

The risks from the Risk Taxonomy are discussed, debated and challenged, firstly by senior management and Executive Directors, and then by the Risk Committee, with a view to presenting the key risks to the Board. The Board has agreed that the top risks will be presented in the Annual Report and Accounts as the principal risks.

Assessed at least annually through the Risk Assessment Programme, principal risks are the key risks to SANNE that could result in events or circumstances that might threaten SANNE's business model, future performance, solvency, liquidity or reputation; they include the exposures that present the highest level of inherent risk to the organisation.

SANNE's Principal Risks and associated controls can be found on pages 43 and 44.

Culture

SANNE encourages a culture of accountability, proactivity and transparency. The reporting period has seen significant enhancements to the risk culture and education across SANNE, including a significant platform investment.

Emerging Risks

SANNE operates in a global market, where products and services are correlated with external conditions. SANNE takes a proactive approach to managing emerging risks in order to negate potential impacts on operations and clients.

SANNE is monitoring and responding to the global Covid-19 (Coronavirus) outbreak and has mobilised the executive Business Continuity Crisis Team in order to react to the latest developments. The safety and wellbeing of employees and stakeholders is a top priority and protective action has and will be taken in line with the guidance from authorities. SANNE maintains adequate and testing business continuity arrangements to ensure continued service provision to clients throughout disruptive periods. In affected regions continuity or partial continuity arrangements have been invoked with minimal disruption to client service. Where continuity arrangements have not been invoked the Group is conducting additional preparatory and readiness testing. SANNE has already developed and issued several internal and client communications and will continue to rapidly and transparently communicate with all key stakeholders on developments and potential impacts.

Financial impact analysis has commenced, and the Group's share price has seen a decline due to market volatility. Modelling undertaken as part of the Group's financial viability assessments show a positive base line profit to absorb the impact and continue profitability.

The Risk and Compliance functions monitor political developments, including those related to BREXIT (through the BREXIT Committee). SANNE's global platform and multi-jurisdictional strategy, including a substantial EU presence, ensures SANNE is well-positioned to mitigate BREXIT risks as well as leverage any associated opportunities.

SANNE's exposure to foreign exchange rate changes relates primarily to global income and is considered on pages 39 and 40. SANNE operates in competitive employment markets; being unable to attract and retain talent could have an adverse effect on operations and clients. SANNE continues to invest in people and develop the overall employment proposition to mitigate this industry risk.

International bodies, governments and regulators continue to focus on increasing tax transparency. This focus has been seen globally across many of the jurisdictions in which SANNE operates as amendments were made to enhance economic substance requirements. Fund administrators will need to ensure that operational models and new business assessment procedures are adapted to manage continued changes in tax requirements.

SANNE conducts horizon scanning across the industry, regulatory and political environment to ensure the early identification of risk exposures. These are reported via the relevant internal risk committees to ensure appropriate mitigation.

Risk Taxonomy

Level 1 Risk Category	Level 2 Risk Category	Principal Risk
Strategic	Strategy	Yes
	Competitor & Client Demand	Yes
	Acquisition	Yes
	Governance & Reporting	
Operational	Process	
	Business Change	Yes
	Business Continuity	
	Outsourcing	
	Internal Fraud	
	Health & Safety	
	Physical Security	
People	Staff Resources	Yes
	Key Person	
	Staff Conduct	
Technology	Data & Cyber	Yes
	Design	
	Resilience & Stability	
Regulatory	Compliance	Yes
	Financial Crime	Yes
	Listing Rules	
Legal	Fiduciary	Yes
	Contractual	
	Litigation	
Financial	Liquidity & Capital	
	Tax	
	Financial Performance	Yes
	Income (FX)	

Principal Risks

Risk direction of travel:

Increasing ^

Stable <>

Decreasing v

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Risk Management

Strategy: Inadequate strategic business decisions or failure to execute the defined strategy.
Inadequate strategic decisions, or a failure to execute the set strategy by management, could have a detrimental impact on SANNE's operations and clients as well as reduce market confidence.

The PLC Board, including Non-executive Directors, oversee the implementation of the Group's strategy. Risk-taking and aversion in the pursuit of strategic objectives is balanced through the setting and oversight of the Group Risk Appetite.

SANNE conducts new client and business due diligence, which is subject to the governance and approval of New Business Committees, to ensure that all growth is aligned to the business strategy and values.

The Group's Board and management committees will continue to oversee the effectiveness of the its strategic risk management.

Acquisition Risk: Acquisitions present unidentified liabilities or fail to achieve business objectives and potential value.

A core component of SANNE's strategy is inorganic growth; SANNE has and will continue to acquire businesses or enter into partnerships such as COLMORE in 2019. When acquiring a business or entering into a partnership, SANNE has an expectation of future growth, opportunities and value. There is the potential that an acquisition, or partnership, presents an unidentified liability or does not timeously realise the value expected. The integration of acquisitions may disrupt operations and divert senior management time and attention.

Prior to any recommendation to the Board for an acquisition or partnership, SANNE conducts a robust due diligence process including third party assessments from top accounting and law firms. Subsequently, oversight and challenge is provided by the independent Non-executive Directors. SANNE defines the integration strategy and resources at the outset and ensures oversight and monitoring throughout the transition period.

With the appointment of the Director of Mergers and Acquisitions over the reporting period, inorganic growth is expected to continue. SANNE has a proven track record of acquiring high quality businesses and successfully integrating them into the organisation. This experience will ensure future acquisition risks are effectively managed and the expected value realised in a timely manner.

Competitor & Client Demand Risk: Failure to anticipate and respond to competitors activity, client demands, innovation, economic, regulatory and political changes and the markets we operate within.

SANNE operates in a global market where products and services are correlated with client demand, market conditions, regulatory regimes and political trends. SANNE must therefore anticipate and respond to numerous external emerging risk factors: competitor activity, client behaviour, innovation, economic changes, regulatory regimes and political trends.

SANNE's product and service offering remains highly competitive in the corporate services and asset administration industry. SANNE continues to invest in its Business Development teams in order to maximise new business opportunities. A director has been appointed per product to ensure SANNE's products and services remain relevant and competitive. SANNE operates out of 19 jurisdictions, allowing the business to swiftly shift in line with the locational demand from our clients.

The Executive Committee and Board oversee digital and technology investment and SANNE's joint venture with COLMORE demonstrates the businesses commitment to providing clients with an innovative product offering.

The Risk and Compliance functions will continue to monitor changes in the political environment and ensure the appropriate BREXIT mitigants are in place through the BREXIT Committee.

SANNE's business model and client demand is affected by market conditions and the general economy. Income and growth are linked to the performance and demand of services from the Alternative Assets Management industry. SANNE's products and global platforms continues to diversify with this trend likely to continue. The executive and management team continually evaluate the Group's strategy to consider and mitigate the impact off any emerging threats due to market conditions.

Process Risk: Lack of relevant process or incorrect, inconsistent, or untimely execution of processes. Untimely or ineffective planning, design, communication or execution of internal change.

Should there be a material operational error as a result of the ineffective execution of processes, this could have an adverse impact on our clients, damaging our reputation and potentially lead to a regulatory breach.

SANNE operates multiple layers of control testing in order to ensure that there is an effective process control environment. SANNE's Group Policy Framework sets the Group's minimum standards and is supported by jurisdiction procedures and checklists.

SANNE has established and is implementing a programme of operational excellence in order to ensure best in industry process and service execution, alongside an optimum platform of systems and automation.

Staff Resources: Failure to attract, retain and develop sufficient qualified and capable resources could have an adverse impact on SANNE's operations and clients.

The appointment of a Chief Human Resources Officer to the executive management team has supported the prioritisation and delivery of SANNE's people strategy. SANNE has continued to focus on succession planning and developing its people through professional qualifications. Furthermore, the Workplace Advisory Panel was established as an effective feedback mechanism between employees and the Board.

The employment market for fund administration and corporate services staff will continue to be competitive, however SANNE's continued optimisation of the overall employment proposition and competitive remuneration packages ensures that SANNE is able to compete for and retain the best resources across the industry. Retention across the senior management population has been strong over the reporting period.

Data & Cyber Security: Failure to protect systems, services and data from a cyber-attack and / or maintain data within legal and regulatory requirements.

The management of data is key to SANNE's business model; SANNE is entrusted by its clients to ensure that the appropriate protections are in place when processing information.

Cyber security continues to be a growing threat globally and the sophistication of threats posed is constantly evolving. A substantial cyber-attack or information loss event could cause detriment to SANNE's clients as well as erode market, regulatory and client confidence.

SANNE operates a suite of company-wide data security, integrity and protection controls to mitigate against privacy / data risks and cyber events, and complements this with a holistic training and awareness programme to ensure employees are diligent to a progressive threat. Extensive cyber response plans are in place alongside a comprehensive cyber insurance policy.

Cyber-security events have materialised in the fund management industry; there is the potential for SANNE to become a target for cybercrime. Consequently, SANNE will continue to allocate substantial resources and investment to its data integrity and cyber prevention strategies.

Compliance Risk: Failure to comply with regulatory requirements or failing to anticipate and / or respond to regulatory changes/ themes.

A failure to comply with current regulations and / or regulatory changes could have an adverse impact on SANNE's relationship with regulators and ultimately lead to regulatory censure. SANNE operates in dynamic regulatory environments with changing laws and regulations. The organisation recognises that these changes present both opportunity and uncertainty and manages these changes accordingly.

During the reporting period, the organisation appointed a dedicated Global Head of Compliance (GHoC). Independent and skilled compliance resources are in place across the global jurisdictions in which SANNE operates. Regulatory horizon scanning ensures that SANNE complies with regulatory change, including identifying and acting upon the related revenue opportunities. SANNE continues to conduct monitoring and assurance in order to demonstrate compliance with relevant laws and regulations.

As the regulatory environment evolves, SANNE expects a global trend of increased regulatory scrutiny for both fund administrators and corporate service providers. SANNE is well positioned to comply with relevant requirements and capitalise on change in regulated markets.

Financial Crime: Inadequate systems, procedures and controls to prevent SANNE being exposed to or facilitating financial crime.

SANNE is committed to highest standards of ethical behaviour. The organisation continues to ensure that there are appropriate procedures, systems and controls to deter and prevent Financial Crime Risk. There is continued oversight and monitoring of financial crime risks, and adherence to both internal financial crime policies and regulatory obligations by the Group Compliance function, Assurance and Internal Audit. (Footnote: Financial Crime Risk is the collective term that includes money laundering, terrorist financing, sanctions, fraud, bribery & corruption and tax evasion risks).

Fiduciary Risk: Failure to clearly define SANNE's role in providing management services to a client structure / service vehicle or a failure to fulfil the role expertly. Typically, where SANNE appoints a director to the board, acts as trustee or as investment manager.

Should SANNE inadequately fulfil its duty as a provider of fiduciary services, its reputation could be damaged and SANNE could become subject to high-value litigation.

SANNE operates a comprehensive set of controls in order to prevent the materialisation risk in relation to its fiduciary duties. Director appointment and approvals are in place alongside clearly defined responsibilities, training and procedures. SANNE fiduciary related services are conducted in line with its four eye principals.

A change in the market conditions and therefore a downward turn in higher risk investments, could change risk exposures and fund administrators and asset management companies may begin to experience increased regulatory scrutiny and litigation with regards to fiduciary responsibilities.

Financial Performance: Failure to manage and monitor the financial performance of the Group on an ongoing and forecast basis.

Should SANNE fail to adequately manage its financial reporting obligations this could lead to poor management decisions, unexpected costs and inaccurate external financial reporting.

SANNE operates on a single, fully integrated finance system for the Global Group and has invested in a large and highly qualified finance team. The Group has an extensive financial controls framework that gets regularly tested by Internal Audit. The Group also undertakes detail bottom-up budgeting exercises supplemented with quarterly reforecasting exercises. Management information is published on a regular basis for management to use and review and the Group operates regular reviews of financial performance across the business. The Group also has a highly qualified financial reporting team.

> ESG and Sustainability

ESG and sustainability overview

We understand the expectations and commitments made by our investors with regard to Environmental, Social & Governance (ESG) considerations.

Sustainability is essential to delivering our business plan and growth profile, particularly within our increasingly global footprint. Environmental and social considerations are therefore embedded in our corporate values and commercial operations. Robust governance, transparency and accountability principles also underpin our approach across all areas of business.

With this in mind, our initial objective is to establish a robust baseline, quantifying our environmental and social impact across our operations using 2019 as our baseline year. Subsequently, during 2020 we will be finalising our ESG and sustainability policy framework and setting ambitious long-term environmental and social policy objectives, including carbon reduction targets.

We are committed to using our baseline assessment as a springboard to ensuring we can provide a positive global influence in line with the major challenges addressed by the United Nation's 17 Sustainable Development Goals (SDGs), which aim to facilitate a better and more sustainable future.

Environmental Impact

We conduct our business activities in a way that ensures the environmental impact of our operations are positive and any negative impact is mitigated. We are also committed to at least complying with local environmental regulations.

As a professional services provider, our most material contributors to our environmental and carbon footprint are business travel and utilities consumption; both representing essential components of our business operations.

In developing our ESG and sustainability policy framework we are addressing the following core environmental factors:

- Business travel and carbon
- Resources, waste and the circular economy
- Impact on the natural environment and biodiversity

We also recognise the importance of taking a more holistic view around our environmental impact, even if our direct impact may be perceived as being negligible.

CARBON EMISSIONS REPORTING

SANNE is a Jersey incorporated company and, as such, we are not required to report our greenhouse gas emission and energy consumption but, for the first time, we will be making our 2019 carbon disclosures in this annual report.

As our initial objective is to establish a baseline from which to develop an appropriate policy framework, the scope of this exercise to date has been focused on business travel and locations with more than 100 employees for which satisfactory data was available for 2019.

Below describes SANNE's greenhouse gas emissions for the year 2019 from air travel, company owned cars, as well as gas and electricity for offices covering 77% of our employees (Table 1). All emission figures are reported in tonnes of carbon dioxide equivalent (tCO_2e).

56.6% of emissions came from air travel, and the generation, transmission and distribution of purchased electricity for large offices accounted for 42.9% of emissions. Company owned cars accounted for a relatively small 0.48% of emissions.

SANNE's emissions by scope

Scope	Source	Carbon emissions (tCO_2e)
Scope 1	Company owned cars	10.1
Scope 2	Electricity[1]	916.6
Scope 3	Air travel, Electricity and Car Fuel*[1]	1759.4
Total		**2686.1**

1. Emissions associated with electricity consumption for our offices in Jersey, Mauritius, South Africa, UK, New York (USA), and Serbia, covering 77% of our global employees.

As a people business, it is most pertinent to report SANNE's greenhouse gas emission intensities using the number of employees as an intensity factor (Table 2). The number of employees in 2019 was 1,647. The figures for emission intensities have been separated by scope and source of emissions to account for electricity emissions relating to 77% of employees.

SANNE's emissions by scope, source, and per employee

Scope and Source	Emissions per employee (tCO_2e)
Scope 1 Car Fuel	0.0
Scope 2 Electricity	0.7[1]
Scope 3 Electricity	0.2[1]
Scope 3 Car Fuel	0.0
Scope 3 Flights	0.9

1. Intensity factor used is the number of employees (1,273) in Jersey, Mauritius, South Africa, UK, New York (USA), and Serbia, covering 77% of our global employees.

Further work will establish the complete picture of our greenhouse gas emissions for a 2019 baseline, with the intention that our 2020 Annual Report will provide a detailed and quantified review of annual carbon performance.

We engaged with a third party supplier, Ditto Sustainability, to supply and validate our data. Ditto Sustainability has prepared this carbon emissions report in accordance with the international standard ISO14064. The greenhouse gas inventory has been calculated in accordance with ISO14064 and the World Resources Institute's greenhouse gas protocol.

Social Responsibility

SANNE is a people business. The success and wellbeing of our people is integral to our clients' success and therefore our business success. Everyone in the Company is expected to set and operate to the highest standards. We are all responsible for fostering the right behaviours, including integrity, professionalism, accountability, engagement, ambition and enthusiasm.

In 2019 we introduced the workforce advisory panel. This group comprises employee representatives from across our global business and reports directly into designated representatives on the Board. This communication link is extremely important to ensure our people have a voice and can actively contribute to our strategy. More information on the workforce advisory panel can be found in the Directors' Report on pages 62 and 63.

We aim to conduct our business in a socially responsible manner, to contribute to the communities in which we operate, and to respect the needs of our employees and stakeholders. We are therefore committed to the initiatives described below and have aligned these commitments with the SDGs we believe we can influence:

- Treating everyone at SANNE, and everyone with whom we come into contact, with fairness, respect and dignity. (SDG 5, 10)
- Ensuring a high-quality working environment is in place for employees and providing the opportunity to undertake further training and professional development. (SDG 3, 4, 8)
- Diversity and equal opportunity for all people in relation to recruitment, selection and career development. Further information on diversity and inclusivity can be found in the Directors' Report on page 62. (SDG 5, 8, 10)
- Monitoring and analysing equal pay and gender pay across the Group. (SDG 5, 8, 10)
- Respecting human rights and not tolerating modern slavery in our business or supply chain. We publish our modern anti-slavery and human trafficking statement on our website at www.sannegroup.com. We will review our approach annually and put in additional safeguards with our suppliers to reduce this risk. (SDG 1, 2, 3, 5, 8, 10)
- Taking a zero tolerance approach to bribery and corruption. SANNE has a Anti-Bribery and Corruption Policy in place as part of our Group Policy Framework and risk education modules are provided to all members of staff. (SDG 8, 16)
- Ensuring all employees are responsible for the promotion of and adherence to health, safety and wellbeing measures in the workplace. (SDG 3, 8)
- Undertaking local community charitable initiatives around the flowing core themes:
  - Supporting initiatives that help benefit and improve the lives of children (All SDGs)
  - Supporting initiatives that help in the fight against poverty (SDG 1)
  - Supporting initiatives that give people a better education and start in life (SDG 4)
  - Supporting initiatives that promote health and wellbeing (SDG 3)
  - Supporting initiatives that help improve the environment (SDG 11, 12, 13, 14, 15)

SANNE undertakes and supports a range of community projects globally. A few of the engagement initiatives undertaken in 2019 are:

SAN'ANGELS – CENTRE D'EVEIL IN MAURITIUS (SDG 4)

SANNE staff have continued to invest time and resources into helping 25 children, irrespective of race, gender, language, or religion, in SANNE's own school. The school also hosts a state of the art multi-purpose training centre which will be used for facilitating empowerment, entrepreneurship and skills development programmes for the families of the children at Centre d'Eveil and the wider Beau-Bassin community.

What SANNE has committed to provide to our local community in Mauritius:

- specialised education programmes tailored for children from underprivileged communities;
- counselling with the children's parents and family members;
- daily healthy breakfasts and lunches;
- funding for extracurricular activities and school outings; and
- medical well-being checks.

RAISING AWARENESS OF MENTAL HEALTH IN DUBLIN (SDG 3)

SANNE employees from the Dublin office took part in the Darkness into Light walk in aid of bringing more awareness to mental health issues in Dublin. Participants set off at 4.30am and took part in the long walk to help in the fight against suicide and raising awareness around mental health issues.

GIVING BACK TO THE LOCAL COMMUNITY IN LUXEMBOURG (SDG 1)

In the spirit of giving and doing something for others, members of our Luxembourg office yet again supported the charity "Weihnachten im Schuhkarton" (Christmas in a shoebox). Thanks to the team's efforts they were able to pack and fill 81 gift boxes to be given to children in need.

Governance

SANNE is committed to and recognises the value and importance of high standards of corporate governance. The Company complies with the UK Corporate Governance Code published by the Financial Reporting Council in July 2018.

Underlying all our governance practices is a mandate and responsibility to conduct all of our business activities in an honest, ethical and socially responsible manner – these values underpin our business model and strategy.

Our full corporate governance disclosures can be found on pages 50 to 98.

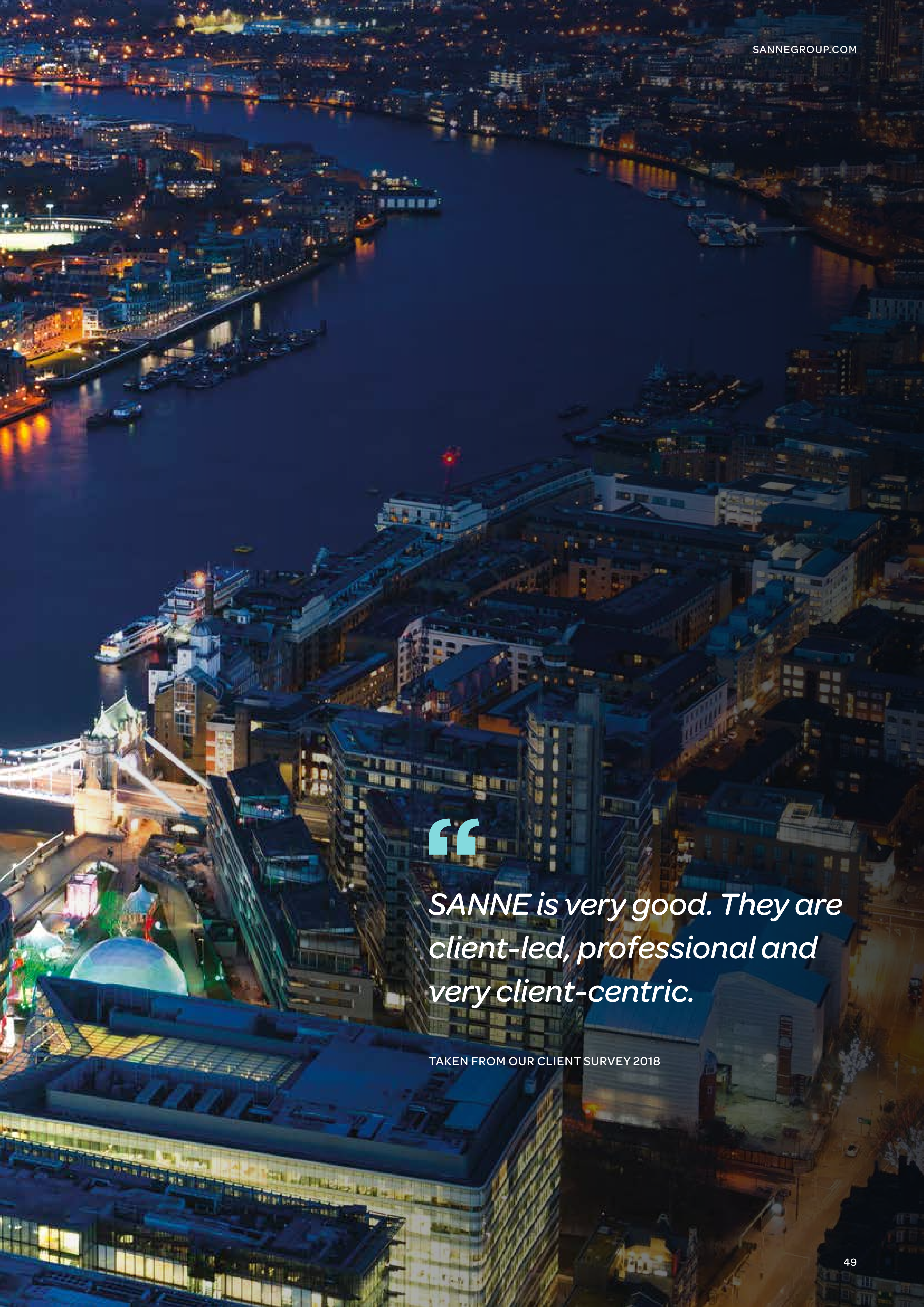
2020/21 Sustainability Initiatives

We are committed to continual improvement and in 2020 and 2021 are focusing on a number of ESG and sustainability related projects. Progress will be reported in our annual report going forward.

We shall continue to deliver and build upon the strong progress made through our existing projects, assessing and implementing new measures in the following areas:

- **Establish sustainability baseline and quantify our impact –** Our initial objective is to establish a robust baseline, quantifying our environmental and social impact across our operations using 2019 as our baseline year.
- **ESG and Sustainability Policy framework –** Finalise our first formal position on ESG and sustainability matters and, during 2020, review and update existing policies to ensure consistency where overlaps exist.
- **Monitoring and reporting –** In order to continually monitor and assess our performance, we will develop and maintain a centralised data management tool, used to report against our core ESG KPIs.
- **Carbon reduction targets –** Once we have established our environmental impact baseline we will be setting realistic and ambitious carbon reduction targets.
- **Employee engagement –** We will develop a comprehensive sustainability communication and engagement programme for our employees across the business.
- **Sustainable Development Goals (SDGs) –** Undertake a more comprehensive analysis of our operational alignment with the SDGs.
- **Industry benchmarks and commitments –** In addition to the measures above, we aim to advance our reputation as a sustainable organisation through participation and completion of additional industry performance benchmarks and commitments.

>GOVERNANCE



SANNE is very good. They are client-led, professional and very client-centric.

TAKEN FROM OUR CLIENT SURVEY 2018

> Chairman's Introduction

Rupert Robson

CHAIRMAN

"The Board places considerable emphasis on corporate governance as it believes it will provide the sustainable foundations for the continued success and growth of the Group.

Dear shareholder

In my capacity as Chairman, I am pleased to present the Corporate Governance Report.

The Board places considerable emphasis on corporate governance as it believes it will provide the sustainable foundations for the continued success and growth of the Group. The Board is committed to building the Group's corporate governance framework to deliver the Group's strategic aims and performance.

UK Corporate Governance Code

SANNE, as a premium listed company on the London Stock Exchange, is subject to the provisions of the UK Corporate Governance Code (the Code) published by the Financial Reporting Council (FRC) in July 2018.

SANNE complied with the Code throughout 2019.

Stakeholder voice

The Board recognises the importance of taking account of all stakeholder interests and, following the publication of the revised version of the Code in July 2018, the Board has put in place a number of new initiatives. Amongst those steps taken, the Board has introduced a workforce advisory panel and appointed three Designated Non-executive Directors (NEDs) to liaise with the panel to assist in gathering the views of the workforce.

Furthermore, the Board has overseen the revision of the terms of reference of all Board committees to ensure that each committee is responsible for giving due consideration to the interests of, and the impacts on, the workforce and other key internal and external stakeholders when making decisions. Additionally, a number of action points have been initiated which ensure compliance with the guidance notes published by the GC100 on the practical steps that can be taken in order to effectively implement section 172 of the Companies Act 2006. Our section 172 statement can be found on pages 64 to 65.

Board changes

Martin Schnaier was appointed as an Executive Director in January 2019 and as Chief Executive Officer (CEO) in May 2019, replacing Dean Godwin following his retirement. Further details on the succession planning process can be found in the Nomination and Governance Committee Report on page 67.

Board committees

The main committees of the Board are Audit, Risk, Nomination and Governance, and Remuneration. The committees have an important role in supporting the Board's work. They are provided with the resources they need to discharge their role, including administration support and access to professional advisers. Information about the committees can be found in this report on pages 66 to 98.

We continually review our corporate governance and the following report covers our approach and provides insight into discussions held at the Board and its committees.

Remuneration

Nicola Palios, the Chair of the Remuneration Committee, presents the Remuneration Committee Report on pages 78 to 88. Last year, we undertook a detailed review of our Directors' Remuneration Policy, considering whether it remained appropriate for our business strategy, the greater maturity of the business since IPO in 2015 and the current environment in which we operate. Following the review and an investor consultation, we received shareholder approval for the new policy with 97.88% of investors voting in favour at the 2019 Annual General Meeting (AGM).

Board effectiveness

The external Board evaluation for 2017 was followed by an internal evaluation for 2018 and again in 2019. This evaluation involved an in-depth review of the Board's activities and those of its committees, the Directors' interaction and their effectiveness in carrying out their role. Overall the evaluation was positive and we have introduced some changes to the way we operate together as a Board. Further information on the evaluation is provided on page 61.

Culture

Our culture is one of trust, openness and integrity and the business actively engages with the workforce to encourage and reinforce the required standards throughout the business. Further information on culture and ethics can be found on page 60.

Diversity

SANNE's people are from varied and diverse backgrounds, nationalities, age groups, and ethnic and religious groups. With continued global expansion, diversity amongst our colleagues has increased, and will continue to increase, as we foster international talent and we seek to create the same opportunities for all employees across the globe. Further information on diversity and inclusion can be found in the Directors' Report on page 62, and our Board Diversity Statement can be found on our website at www.sannegroup.com.

Shareholder communications

Our communication and engagement with shareholders over the last 12 months included investor roadshows. All shareholders had the opportunity to engage with senior management either at these events, directly, or at our AGM.

The Non-executive Directors are available to discuss any matter shareholders might wish to raise, and the Chairman and independent Non-executive Directors attend meetings with investors and analysts as required. On an annual basis, I approach all our larger shareholders to provide an opportunity for direct interaction.

I am grateful to all of our shareholders for their support.

It has been another successful year for the business. We have further developed our governance framework and built on our structure to suit the needs of our business. We will continue to build a sustainable successful high growth business.

Rupert Robson
Chairman
18 March 2020

Corporate Governance Report

Governance framework and Group committees

The work of the Board is supported by its committees, and this financial year these consisted of the Audit Committee, the Risk Committee, the Nomination and Governance Committee, and the Remuneration Committee. The Board and its committees reviewed their terms of reference and updated them in line with the new UK Corporate Governance Code with effect from 1 January 2019. The terms of reference for each of the committees can be found on our website, www.sannegroup.com, and reports from each committee are found on pages 66 to 98. Each committee meets separately, and at regular intervals throughout the year.

Day-to-day management has been delegated by the Board: development of the Group and its strategic direction is led by the Chief Executive Officer (CEO) and approved by the Board; and the Group's Executive Committee manages the day-to-day operations of the Group. Details of the composition of the Executive Committee are found on pages 56 and 57.

Governance structure at a glance

The structure chart below sets out the composition of the Board and its committees shown as at 28 February 2020, being the last practicable date prior to publication of the Report.

Further information about the Board committees is available on page 61 and in the committee reports on pages 66 to 98.

SANNE GROUP PLC - BOARD
Chairman: Rupert Robson
Martin Schnaier[1] – James Ireland – Andy Pomfret – Nicola Palios – Mel Carvill – Julia Chapman – Yves Stein

Audit Committee	Risk Committee	Nomination and Governance Committee	Remuneration Committee
Chairman: Andy Pomfret Mel Carvill Nicola Palios	Chairman: Mel Carvill Andy Pomfret Yves Stein	Chairman: Rupert Robson Mel Carvill Julia Chapman Nicola Palios Andy Pomfret Yves Stein	Chairman: Nicola Palios Julia Chapman Rupert Robson

Executive Committee

Sanne Group plc is incorporated in Jersey under the Companies (Jersey) Law 1991 and has its registered office at IFC 5, St Helier, JE1 1ST, Jersey.

1. Martin Schnaier was appointed to the Board on 23 January 2019.

Governance and the delivery of strategy

The Board's role is to determine and review the Group's strategy to promote the long-term success of the Company for the benefit of its shareholders. It also oversees management and is responsible for the governance, controls, risk management, direction and performance of the Group. The CEO is responsible for the day-to-day management of the business in line with the strategy and long-term objectives approved by the Board.

The Executive Committee, chaired by the CEO, rolled out a new governance strategy in 2019 focussed on operational excellence. This involved separating the management of the Group platform and its products. The Group platform falls under the control of the business which is tasked with aligning activities in the different jurisdictions under a common framework based on best-in-class service models. This is intended to achieve much greater operational consistency and resilience, along with an adapted compliance framework.

The management of Group products within the key Alternative industries falls under the control of specialist cross-jurisdictional teams that are responsible for creating a leading commercial proposition in each asset class. This dual focus on operational and commercial excellence is intended to position SANNE as one of the world's leading providers of alternative asset and corporate business services.

> Composition of the Board

As at 28 February 2020, being the last practicable date prior to the publication of the report, the Board consists of the Non-executive Chairman, two Executive Directors and five Non-executive Directors. In accordance with the Code, the Company considers the Non-executive Chairman and the Non-executive Directors to be independent.

Directors

Rupert Robson

NON-EXECUTIVE CHAIRMAN

Rupert Robson was appointed as the Non-executive Chairman of Sanne Group plc on 26 March 2015 and is the Chair of the Nomination and Governance Committee.

Rupert is also a Non-executive Director of Savills plc. He has held a number of senior roles in financial institutions, most recently Non-executive Chairman of Charles Taylor plc and TP ICAP plc, and Non-executive Director of London Metal Exchange Holdings Ltd, Tenet Group Ltd and OJSC Nomos Bank. Prior to that he was Global Head, Financial Institutions Group, Corporate Investment Banking and Markets at HSBC and Head of European Insurance, Investment Banking at Citigroup Global Markets.

Martin Schnaier

CHIEF EXECUTIVE OFFICER

Martin Schnaier was appointed as an Executive Director and Chief Executive Officer Designate on 23 January 2019, and then as Chief Executive Officer on 16 May 2019.

As Chief Executive Officer, Martin is responsible for delivering business strategies that underpin the long-term development of the service and operations platform.

Martin has played a key role in the growth of SANNE since joining in 2011, having previously held a number of senior positions within the organisation, including Chief Commercial Officer and Managing Director of SANNE's Alternative Assets business across EMEA, and has a deep understanding and experience of SANNE's business and markets.

Martin has 20 years' experience working in the finance industry, having held senior roles at Babson Capital (now Barings) and Advent Venture Partners prior to joining SANNE, and qualified as a Chartered Accountant (ICAEW) with KPMG.

James Ireland

CHIEF FINANCIAL OFFICER

James Ireland was appointed as Chief Financial Officer of Sanne Group plc on 1 July 2018.

As Chief Financial Officer, James is responsible for managing the financial strategy and operations of the Group. His responsibilities also cover M&A activity.

James has extensive experience in financial services organisations and is a skilled practitioner in the areas of business transformation, acquisitions and investor relations.

Prior to joining SANNE, James spent over 10 years at Investec plc where he most recently led the investment banking division's Support Services Sector team. Before Investec, James worked within the corporate tax division at Grant Thornton and also spent time mobilised with the British Army.

> Composition of the Board

Julia Chapman

NON-EXECUTIVE DIRECTOR

Julia Chapman was appointed as an independent Non-executive Director of Sanne Group plc on 1 July 2018 and was appointed as a Designated NED on 29 January 2019.

Julia serves on the board of three other main market listed companies: Henderson Far East Income Limited, GCP Infrastructure Investments Limited and BH Global Limited.

Julia is a solicitor qualified in England & Wales and Jersey with over 25 years' experience in the investment fund and capital markets sector. Having trained with Simmons & Simmons in London, she moved to Jersey to work for Mourant du Feu & Jeune (now Mourant Ozannes). She became a partner in 1999 and was responsible for legal, risk and compliance oversight of third party administration services to alternative investment funds. Up until 2012, Julia also worked at State Street where she was responsible for the internal legal affairs and governance in their European alternative investment services division. She left State Street to focus on the provision of independent directorship and governance services to a small number of alternative investment fund vehicles.

Mel Carvill

NON-EXECUTIVE DIRECTOR

Mel Carvill was appointed as an independent Non-executive Director of Sanne Group plc on 1 January 2018 and is Chair of the Risk Committee.

Mel is also a member of the Board of Directors of Home Credit N.V. and brings significant financial services industry experience having served as a member of the top management team of Home Credit's parent company, PPF Group, from 2009.

Previously, Mel worked across a range of sectors. Notably, Mel was at Generali from 1985 until 2009 where he held a number of senior positions including Head of Western Europe, Americas and the Middle East, Head of M&A and Head of International Regulatory Affairs, Head of Risk Management and Head of Corporate Finance.

Nicola Palios

NON-EXECUTIVE DIRECTOR

Nicola Palios was appointed as an independent Non-executive Director of Sanne Group plc on 26 March 2015 and is Chair of the Remuneration Committee.

Nicola is an English Barrister and a Jersey Advocate. Having joined the Mourant Group in 1988 she became Mourant's youngest ever partner and went on to hold the position of Chief Executive from 2003 until the sale of the group companies in 2010. She now runs her own consultancy business offering a variety of services to the private equity industry, and holds a number of Non-executive Directorships in private limited companies including Chairman of the States of Jersey Development Company.

Andy Pomfret

NON-EXECUTIVE DIRECTOR

Andy Pomfret was appointed as an independent Non-executive Director of Sanne Group plc on 26 March 2015, is Senior Independent Director and Chair of the Audit Committee, and was also appointed as a Designated NED on 29 January 2019.

Andy is also a Non-executive Director of Aberdeen New Thai Investment Trust Plc, Sabre Insurance Group plc and Non-executive Chairman of Miton UK MicroCap Trust plc.

Andy was Rathbones' Chief Executive and chaired the Executive Committee, which managed the day-to-day affairs of the Group. He qualified as a Chartered Accountant with Peat, Marwick, Mitchell & Co. (now KPMG). Prior to joining Rathbones in July 1999, he spent over 13 years with Kleinwort Benson as a corporate financier, Venture Capitalist and latterly Finance Director of the investment management and private banking division.

Yves Stein

NON-EXECUTIVE DIRECTOR

Yves Stein was appointed as an independent Non-executive Director of Sanne Group plc on 1 October 2018 and was appointed as a Designated NED on 29 January 2019.

Yves has more than 30 years of experience in the banking industry through various senior positions in Corporate Banking, Fund Services and Wealth Management. Yves currently serves as Chief Executive Officer of Banque Edmond de Rothschild (Europe) SA in Luxembourg.

He most recently served as Group Chief Executive of KBL European Private Bankers headquartered in Luxembourg. Prior to that he was Chief Executive Officer of Union Bancaire Privée (Europe) SA and Chief Executive Officer of Wealth Management of BNP Paribas in Switzerland.

> SANNE's Executive Committee

SANNE is led by an experienced team of industry experts.

Martin Schnaier

CHIEF EXECUTIVE OFFICER

Based in London, Martin is responsible for delivering business strategies that underpin the long-term development of SANNE's service and operations platform.

James Ireland

CHIEF FINANCIAL OFFICER

Based in London, James is responsible for managing the financial operations of the global business and its regional operations.

Andrew Jones

CHIEF RISK OFFICER

Based in Jersey, Andrew is responsible for the independent oversight of risk-taking activities, ensuring the independence and effectiveness of the risk team, and supporting the wider organisation in effective and efficient management of risk and control.

Cindy Peters

CHIEF HUMAN RESOURCES OFFICER

Based in London, Cindy's focus is ensuring that the HR function provides the optimal environment for our colleagues to deliver excellent service to clients.

James Bermingham

GENERAL COUNSEL

Based in London, James is responsible for setting SANNE's legal strategy to ensure an effective, efficient and adaptable operating platform that is best in class and provides unrivalled support to clients.

Jason Bingham

MANAGING DIRECTOR, PRODUCT DEVELOPMENT

Based in London, Jason is responsible for the strategic development of products and services at SANNE.

Kevin Lazeris

GROUP HEAD OF COMPLIANCE

Based in London, Kevin is responsible for all aspects of Group regulatory and financial crime compliance.

Marie Measures

CHIEF TECHNOLOGY OFFICER

Based in London, Marie is responsible for technology at SANNE, ensuring the effective functioning of information technology, business systems and information security across the Group's global office network, in addition to leading the next stage of SANNE's strategic evolution of its IT capability.

Mark Law

CHIEF COMMERCIAL OFFICER

Based in Hong Kong, Mark is responsible for the firm's global service offering across all jurisdictions and its continued commercial development. He works closely with SANNE's regional Managing Directors based in North America, the Channel Islands, EMEA, APAC and Mauritius.

> Leadership

Directors

The Board of Directors have their profiles set out on pages 53 to 55. The Board comprises the Non-executive Chairman, two Executive Directors and five independent Non-executive Directors.

Board changes

During 2018 and part of 2019, the Nomination and Governance Committee ran a thorough recruitment process for a CEO successor following Dean Godwin's decision to retire. This process resulted in an internal candidate, Martin Schnaier, being appointed to the Board as an Executive Director and CEO Designate on 23 January 2019 and, following a suitable handover period, CEO at the conclusion of the AGM on 16 May 2019. Further details on the succession planning process can be found in the Nomination and Governance Committee Report on page 67.

Chairman

The Chairman, Rupert Robson, leads the Board, provides direction and ensures that there is a clear structure in place for the effective operation of the Board and its committees. He sets the agenda for Board meetings, and promotes effective and constructive discussion at meetings. He is responsible for ensuring that the Directors receive timely and accurate information.

In addition, the Chairman works with the CEO to ensure strategies agreed by the Board are implemented. He is a support for the CEO whilst respecting the CEO's responsibility for managing the Group. There is a clear division of responsibilities between the Chairman and CEO, and this has been defined and was established when SANNE was listed.

The Board considered the time commitment of the Chairman, in light of his other time commitments as noted in his biography on page 53, and concluded that he fully satisfied his obligations to the Group. There has been a reduction in his other time commitments since last year.

Non-executive Directors

Non-executive Directors bring a strong independent element and a breadth of skills and experience to the Board. The Non-executive Directors bring constructive challenge and are responsible for the effective running of the Board's committees. They need to satisfy themselves that the Group's financial controls and risk management are robust and effective.

Senior Independent Director

Andy Pomfret is the Senior Independent Director (SID). The SID's role is to act as a sounding board for the Chairman, and to serve as an intermediary for the other Directors when necessary. He leads the Chairman's annual performance evaluation and brings independent judgement to the Board.

The SID is also available to shareholders if they have issues or concerns that have not been resolved through the normal channels of Chairman, CEO or CFO, or for which such contact is inappropriate.

Group Company Secretary

Ian Portal is the Group Company Secretary and supports the Chairman in the delivery of Board and governance procedures. In particular, he assists with the induction of new Directors and the annual cycle of Board and committee meetings. He supports the smooth operation of governance by working with the Chairman, and the chairmen of the committees. He additionally provides support to the Chairman in ensuring compliance with relevant legal and regulatory requirements. He arranges for the Directors to meet with executives, visit offices in the Group and provides information on corporate governance.

The Group Company Secretary provides advice and services and keeps accurate records of all meetings.

Independent advice

There is a process in place, facilitated by the Group Company Secretary, to enable any Director to take independent professional advice at SANNE's expense. This advice would be in relation to the performance of any aspect of their duties.

Conflicts of interest

In accordance with the Companies (Jersey) Law 1991, as amended, all Directors disclose to the Company the nature and extent of any interest of the Director (whether direct or indirect) of which the Director is aware in any transaction entered into, or proposed to be entered into, by the Group or any of its subsidiaries, which conflicts, or may conflict, to a material extent with the interests of the Group. The Directors' Register of Conflicts of Interest is maintained by the Group Company Secretary and is reviewed by the Directors as a standing agenda item at every Board meeting.

Directors' re-election

In accordance with provision 18 of the Code, newly appointed Directors and all existing Directors will submit themselves for re-election respectively, at the 2020 AGM. The Board recommends the re-election of each member of the Board based upon their skills, experience and contribution to the Board, and its committees and their ability to bring long-term shareholder value. The specific reasons why the Board considers each of the Directors' contribution to be important to the long-term sustainable success of the Company is specified in the Notice of AGM.

Board induction

Martin Schnaier, on appointment to the Board, was provided with:

- access to the Group's portal for Board and committee papers;
- access to the Group Company Secretary;
- a list of key contacts, and meetings were arranged with key staff;
- a background briefing on key issues by the Chairman;
- a Board induction pack; and
- training tailored to his position.

Further information of Director training and induction can be found on page 60.

> Board Effectiveness

Role of the Board

The Board is ultimately responsible for approving and overseeing the implementation of SANNE's strategy and ensuring appropriate systems of internal controls and risk management are in place. The Board also reviews performance management, and ensures the business has the right resources in place throughout the Group, to deliver long-term value to Shareholders and to ensure the business thrives.

Material acquisitions are decisions that are also reserved for the Board. Other matters include the approval of the Annual Report and Accounts and shareholder circulars, announcements and approval of share and other capitalisation issues and the approval of recommendations for a dividend.

How the Board spent its time in 2019

During the year the Board considered a wide range of matters that included:

Topics discussed	January	March	May	June	September	October	December
Chief Executive Officer's Report	x	x	x	x	x	x	x
Chief Financial Officer's Report	x	x	x	x	x	x	x
Committee Reports	x	x		x	x	x	x
Strategy	x	x	x	x	x	x	x
Disposals, Acquisitions and Integration	x	x	x	x	x	x	x
External or In-house Briefings	x	x	x	x	x		x
Risk Management and Internal Controls	x	x		x	x	x	
Compliance	x	x	x	x	x	x	x
Legal and Governance Updates	x	x	x	x	x	x	x
Technology			x			x	
Budget	x						x
Annual/ Interim Report and Accounts		x			x		
Dividend		x			x		
AGM Preparation		x	x				
People Matters and Culture	x	x	x	x	x	x	x
Development and Succession	x				x	x	
Board Evaluation	x						x
Investor Relations/ Shareholder Updates	x	x	x	x	x	x	

Board meeting attendance

The Board held seven scheduled[1] meetings during the year:

	Eligible to attend	Attended
Rupert Robson	7	7
Nicola Palios	7	7
Andy Pomfret	7	7
Dean Godwin[2]	3	3
Mel Carvill	7	6[3]
Martin Schnaier[4]	7	7
James Ireland	7	7
Julia Chapman	7	7
Yves Stein	7	7

1. In addition to the seven scheduled meetings, the Board met a further six times to discuss ad hoc items and a sub-committee of the Board met on four occasions.
2. Dean Godwin stepped down from the role as CEO and from the Board on 16 May 2019.
3. Mel Carvill was not able to attend one Board meeting due to a long-standing speaking engagement.
4. Martin Schnaier was appointed to the Board as CEO Designate on 23 January 2019 and was appointed as CEO on 16 May 2019.

The Directors attendance at committee meetings is disclosed in the separate reports of each committee on pages 66 to 98.

The Board held seven scheduled meetings during the year under review as per the table above. Non-executive Directors communicate directly, and have had informal meetings with Executive Directors and senior management between formal Board meetings. Directors are expected to attend all meetings of the Board, and the committees on which they sit, and to devote sufficient time to the Group to enable them to fulfil their duties as Directors. Non-executive Directors' letters of appointment confirm the minimum number of days each should be prepared to devote to the Group. The time commitments required by the Non-executive Directors were discussed by the Nomination and Governance Committee during the year and, taking into account external commitments, it was felt that the Non-executive Directors committed sufficient time to SANNE and were not unduly stretched by their commitments to other organisations.

CONTINUED

> Board Effectiveness

Board diversity

The Board supports the recommendations in the Code and ensures that diversity and gender are considered when making Director appointments. Further information on diversity and inclusion can be found in the Directors' Report on page 60 and our Board Diversity Statement can be found on our website at www.sannegroup.com.

Succession planning

Talent development and succession planning has been discussed by the Board and in more detail at the Nomination and Governance Committee during the year. Progress has been made in establishing training to promote and develop talent within the business.

Directors' induction and training

In order to ensure that Directors are able to participate fully in discussions, and to influence and challenge as appropriate, all Directors receive a tailored personal induction on appointment, together with guidance and training appropriate to their level of previous experience.

As part of the internal Board evaluation for 2018, the induction and on-going training of Directors was highlighted as an area for improvement. During 2019, the Nomination and Governance Committee approved a new Directors' training and induction programme, which is based on the guidelines set out by the ICSA and tailored to SANNE.

The programme is based on one-to-one meetings with the Board, members of the Executive Committee and other senior management as appropriate. A typical induction programme includes the following elements, as appropriate to the individual's position:

- Strategy
- Overview of each business area
- Financial and operational performance
- Market analysis
- Budget review
- Audit report and findings
- Risk management and internal controls
- Regulatory updates
- Shareholder base and investor perception
- Key persons, succession and talent management
- Governance framework overview and obligations
- Directors' duties and responsibilities

Further training is provided as needs are identified and members of the Board are provided with regular updates in order to keep them up to date with industry, regulatory and governance developments. In-house briefings from various areas of the business are provided at each meeting in order to deepen the Directors' understanding of the organisation whilst professional advisers also deliver technical updates. All Directors are free to attend seminars and briefings, at SANNE's expense, in areas considered to be appropriate for their own professional development including governance and issues relevant to the committees on which they sit.

During 2019, the Board received briefings and training on:

- Market analysis and valuation
- Technology
- Human Resources
- Loan agency
- EMEA
- Mauritius
- Luxembourg
- South Africa

Relationship with shareholders

The Group continues to maintain an active dialogue with its key stakeholders, including institutional investors, to discuss issues relating to the performance of the Group including strategy and new developments. The Non-executive Directors are available to discuss any matter stakeholders might wish to raise, and the Chairman and independent Non-executive Directors will attend meetings with investors and analysts as required.

Our investors are kept up to date with regulatory news releases through our regulatory news service (RNS) and press releases. Copies of the past RNS announcements can be found on the Group's website at www.sannegroup.com.

Board visits

During the year, the Board visited SANNE's offices in Jersey and Serbia, and had the opportunity to meet the management team. The Directors were able to:

- receive presentations about the local operations;
- meet office staff informally; and
- get an in-depth view of the regional opportunities.

Information and support

The Chairman, aided by the Group Company Secretary, is responsible for ensuring that the Directors receive accurate and timely information. The Group Company Secretary compiles the Board and committee papers, which are circulated to Directors in advance of the meeting via a secure web portal. Board papers are distributed in time to allow sufficient time for review. The Group Company Secretary also ensures that any feedback or suggestions for improvement on Board papers is fed back to management and standard reporting evolves to incorporate suggested amendments and enhancements.

During the year the Board and committees had specific governance discussions. There was focus on a number of topics including the implementation of the revised Code.

Culture and ethics

The Board actively promotes ethical conduct, integrity and professionalism throughout the organisation. Following participation from the workforce across the whole business, our corporate culture was redefined during the year and all employees understand our culture statement: "We are a diverse team of professional, knowledgeable and client-focused people, who care about delivering tailored solutions with integrity, in increasingly complex and evolving markets". Culture and integrity are promoted in the staff handbooks and reinforced through numerous communication channels. The reporting period has also seen significant enhancements to the risk culture and education across SANNE, including a significant platform investment.

During the reporting period, SANNE also set about measuring culture for the first time and the Board now receives regular updates in the form of a culture and risk culture dashboard. In defining the set of metrics, SANNE's values and behaviours were taken into account in addition to our culture statement; our values being the drivers of choices and decisions and our behaviours being the visible outcomes of those choices and decisions. Management also seek to identify, measure and track culture across the organisation by obtaining feedback from the business.

Accountability

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the review and assurance over the Group's systems of risk management and internal controls and for reviewing their effectiveness. The

Executive Directors and senior management are responsible for the implementation and maintenance of an effective system of internal controls. The Board is also responsible for risk assessment and management.

The Board has completed an annual assessment of the effectiveness of the systems of risk management and control including a review of the principal and emerging risks. The Board during the year delegated the responsibility for the review of this to the Risk Committee, which then reported back to the Board.

The review focussed on the Risk Governance Framework and the setting of Sanne's risk appetite. It considered the key risk assessment, processes and controls in place across the Group to manage the principal risks including escalating exceptions to the risk management processes through the risk reporting cycle. There were no significant failings or weaknesses identified in the review process. Further information can be found in the Strategic Report on pages 42 to 45 and in the Risk Committee Report on pages 74 and 75 including a description of the principal and newly identified emerging risks and how they are managed or mitigated.

The Board is responsible for presenting a fair, balanced and understandable position of the Group in the Annual Report and Accounts and the half-year results. A statement about this is made in the Audit Committee Report on page 69.

Board committees

As part of the governance framework the Board has authorised committees to ensure there is a focus on accountability. The committees meet separately and regularly throughout the year. A detailed list of the duties of each committee can be found in their terms of reference, which are available on our website at www.sannegroup.com. The Board has delegated the Group's strategic direction (which is considered and approved by the Board) to Martin Schnaier, the CEO.

AUDIT COMMITTEE

The Board has delegated a number of responsibilities to the Audit Committee, which includes overseeing the Company's financial reporting process.

RISK COMMITTEE

The Risk Committee advise the Board on the Company's overall risk appetite, tolerance and strategy. They oversee the current risk exposures, future risk strategy and review the Company's internal control environment.

NOMINATION AND GOVERNANCE COMMITTEE

Oversight, responsibility and the recommendation of executive appointments is provided by the Nomination and Governance Committee. The Committee is also responsible for succession planning and reviewing the overall composition of the Board. Governance oversight and review is also provided by the Nomination and Governance Committee.

REMUNERATION COMMITTEE

Remuneration strategy and incentives are reviewed and aligned to match the Group's strategic aims by the Remuneration Committee. The Remuneration Committee sets and reviews executive pay and rewards.

EXECUTIVE COMMITTEE

The Executive Committee operates under terms of reference approved by the Board. The Board has sight of the minutes of the Committee. It operates to support the CEO in the running of the Group.

Evaluation of Chairman and Directors

The Non-executive Directors, led by the SID, conducted a performance review of the Chairman. The review covered leadership, performance and overall contribution. These factors were considered to be of a high standard, and the Chairman has their full support.

The Chairman met privately with each individual Director to discuss the outcomes of the collective Board evaluation, and discussed with them their personal contributions and any areas for further learning and development. Following the Chairman's review the Board confirmed that, in line with the Code, the Directors have sufficient time to discharge their responsibilities and that any external appointments they hold do not distract from the time available to the Company.

The Board recommends the shareholders support the re-election of each Director at the forthcoming AGM in May 2020. The specific reasons why the Board considers each of the Directors' contribution to be important to the long-term sustainable success of the Company is specified in the Notice of AGM.

Board evaluation process

Following on from the first external Board evaluation in 2017 and an internal Board evaluation in 2018, the Company conducted an internal Board evaluation for 2019 in accordance with provision 21 of the Code.

The evaluation followed a number of stages as outlined below:

- An update was given against the performance of 2018 actions
- All Directors responded to questionnaires about the Chairman, the Board, and its committees
- A summary of results, together with anonymised comments, was collated into a comprehensive report
- The Group Company Secretary prepared an action plan for the Board and its committees for approval

The evaluation addressed all areas relating to the Board, its committees and their performance. The scope of the evaluation was in line with previous years in order to track progress in each assessed area, which included, but was not limited to: Board and committee relationships, composition, effectiveness, leadership, roles, activities, development, and engagement and impact on various stakeholder groups. The evaluation also explored other items including culture, technology, and the Board processes for developing strategy, dealing with acquisitions and managing risk.

Overall, the evaluation was positive and indicated a high level of satisfaction with the operation of the Board. A number of areas were highlighted as strengths, including:

- calibre of depth and experience;
- leadership of the Board and of each committee;
- Board dynamics and communication;
- sufficient opportunity to support and challenge management;
- quality of information provided to the Board; and
- improvements seen in technology, culture and the integration of acquisitions.

The Board also believed that they had a good understanding of their obligations stemming from section 172 of the Companies Act 2006 and that they were provided with sufficient information on the potential impacts of their actions when making decisions.

The evaluation also highlighted an number of opportunities for improvement, including: further utilising external advisors to inform strategic debate and conduct development sessions; increasing oversight of succession planning below Board level; continuing to assess opportunities and risks presented by new technologies; and increase the technological expertise of the Board.

> Directors' Report

Martin Schnaier

CHIEF EXECUTIVE OFFICER

"The nature of our business means that a customer focus approach is at the heart of SANNE's ethos and growth strategy, and we therefore actively monitor client service levels and product offerings.

The Directors present their report and audited financial statements for the Group for the year ended 31 December 2019 (the Financial Statements).

Compliance with the UK Corporate Governance Code

As a premium listed company on the London Stock Exchange we are committed to comply with the Code, which is available on the FRC website at www.frc.org.uk. During the year the Group has complied with all of the provisions of the Code.

Diversity and inclusion

Equality and diversity are fundamental values supported by SANNE.

The Board supports the recommendations in the Code and ensures that diversity and gender are considered when making Director appointments. The Board supports the Hampton-Alexander Review on FTSE Women Leaders, which recommends a voluntary target of 33% female directors in FTSE 350 companies by the end of 2020. As at 28 February 2020, being the latest practicable date before the publication of the Annual Report, 25% of the Board are female. The Board has decided, in line with best practice, to appoint a new female Non-executive Director during the year. The Committee also considered the recommendation of the Parker Review that each FTSE 250 board should have at least one director of colour by 2024. The Board seeks to ensure it has the right balance of independence, skills and knowledge to enable it to meet its responsibilities.

SANNE is an equal opportunities employer and encourages diversity. The Board recognises that diversity in our workforce brings a range of perspectives and skills that make the Company stronger, contributing to our continued success, whilst also reflecting our client base and the communities in which we operate.

SANNE considers applicants for all roles regardless of gender, ethnicity, religion and age. Applicants are all treated equally and we have a diverse workforce. All appointments are made based on merit and are measured against specific objective criteria including the skills and experience required for the position.

We respect individuals and their rights in the workplace and, with this in mind, specific policies are in place to prevent or, where issues are raised, address harassment and bullying and to ensure equal opportunities.

We are committed to ensuring disabled people are afforded equality of opportunity in respect of entering and continuing employment with us. The Group aims to provide training opportunities that are identical, as far as possible, for disabled and non-disabled employees.

Gender diversity at SANNE is an important metric for the business to constantly address and we are committed to increasing the participation of women at the Board, executive and management level.

The table below shows the level of female representation throughout the Group as at December 2019.

Level	Female representation
Board	25%
Executive[1]	12.5%
Management	48%
Staff	57%

1. Marie Measures was appointed as a member of the Executive Committee on 14 February 2020, bringing female representation at executive level to 22% at the time of publishing the Annual Report and Accounts.

In 2019, we have continued to improve in this area. In the fourth annual report published by the Hampton-Alexander Review, SANNE was ranked second amongst FTSE 350 support services companies.

The Board Diversity Statement can be found on the Company's website at www.sannegroup.com.

Our people

As a service business, our success is dependent on our people. Sharing in our success is something we value highly and we have implemented a number of specific initiatives that help to reward and recognise personal contribution and thereby deepen engagement with the Company, brand and culture. In addition to ensuring our employees are appropriately rewarded for their efforts, the promotion of training and management ambition is a key area of focus for SANNE. We encourage and support those undertaking professional qualifications, continual professional developments and other training opportunities as appropriate.

Employee engagement

In compliance with provision 5 of the Code, in January 2019 the Board established a formal workforce advisory panel (the Panel) and appointed three Designated NEDs as the mechanism for engaging with and gathering the views of the workforce.

The Panel is intended to provide a forum for the views and priorities of our entire workforce, via elected representatives, to be discussed and then to influence SANNE's strategy. The Panel is composed of ten workforce representatives, all below director level, who meet formally with the Designated NEDs twice a year and informally without Board involvement on a monthly basis. It is intended that one formal meeting a year is held at a global office and in January 2020 the Panel met with the Designated NEDs in London.

Human Resources oversaw a democratic election process in which five regions (Channel Islands, Europe, Africa & Mauritius, Asia and the US) appointed two Panel members each in order to ensure representation from the entire global business meet formally twice a year with the Designated NEDs.

During the reporting period the Panel have conducted a number of initiatives, including a Group-wide workforce survey, and presented their findings and proposals to the Designated NEDs. The survey was anonymised and covered five key topics:

- culture and diversity;
- training and development initiatives;
- IT and infrastructure;
- work life quality; and
- communication and engagement with Sanne Group plc.

The Designated NEDs report back to the Board following each formal meeting. Outside of the meeting cycle, the Nomination and Governance Committee receives and considers updates from the workforce advisory panel, including minutes of their monthly informal meetings, communications sent out to workforce, details of workforce repetitive elections and details of ongoing initiatives.

Political donations

SANNE has not made any donations to any political party.

Statement of Directors' Responsibilities

Our statement on Director's Responsibilities has been provided on page 99 of this Report.

Material interest in shares

Up to year end, being 31 December 2019, and as at 28 February 2020, being the latest practicable date before the publication of the report, the following disclosures of major holdings in voting rights have been made to the Group pursuant to Rule 5 DTR.

Shareholder	As at 6 March 2020 % interest in voting rights
Aviva	9.98
FMR LLC	7.39
Standard Life Aberdeen	5.63
Invesco	5.13
Grandeur Peak	5.03

Other statutory information

Directors' and officers' insurance

The Company maintains appropriate levels of Directors' and officers' insurance as well as professional indemnity cover for all its operational businesses and engagements.

Material contracts

As at year end, the Company is not party to significant agreements which take effect, alter or terminate on a change of control following a takeover bid apart from credit facilities with banks.

On 1 March 2019, the Group refinanced the loan facility and repaid the existing loan in full by drawing down on the new facility. Full details of the total amount drawn down on 1 March 2019 is shown in note 27 on page 144.

Information set out in the Strategic Report

The following information has been included in the Strategic Report:

- information about our people can be found in the Chairman's Statement (page 8);
- an indication of likely future developments in the business of the Company (pages 14 to 47); and
- risk management (pages 42 to 45).

Dividend

The Directors are recommending a final dividend of 9.4p per ordinary share, which will be recommended for approval at the AGM, be paid on 20 May 2020 to Shareholders on the register at the close of business on 24 April 2020. For more information on the dividend policy and its application, refer to the Chief Financial Officer's Review on page 38.

Share capital

The issued share capital of the Group and the details of movements in share capital during the year are shown in note 25 on page 143 of the Financial Statements.

The holders of the shares are entitled to receive dividends when declared, to receive a copy of the Annual Report and Accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights.

A waiver of dividend exists in respect of 1,730,901 unallocated shares held by Sanne Fiduciary Services Ltd as the trustee of the Sanne Employees Share Trust (EBT or The Trust) as at 31 December 2019.

The rights attached to the shares are provided by the Company's Articles of Association, which may be amended or replaced by means of a special resolution of the Company in a general meeting. The Directors' powers are conferred on them by Jersey Company law and by the Articles of Association.

Shares are admitted to trading on the London Stock Exchange and may be traded through the CREST system.

Allotment of shares

At the AGM held in 2019, the Shareholders generally and unconditionally authorised the Directors to allot relevant securities up to two-thirds of the of the nominal authorised share capital.

It is the Directors' intention to seek the renewal of this authority in line with the guidance issued by the Investment Association. The resolution will be set out in the Notice of AGM.

At the AGM in 2019, the Directors were also empowered by the shareholders to allot equity securities of up to 5% of the Company's issued share capital for a transaction, which the Board determines to be an acquisition or other capital investment as defined by the Pre-emption Group's Statement of Principles.

In line with the guidance of the Pre-emption Group it is the Board's intention to propose that an additional special resolution be passed at the upcoming AGM to allow the Company to allot equity securities up to a further 5% of the Company's issued share capital for transactions which the Board determines to be an acquisition or other capital investment as defined by the Pre-emption Group's Statement of Principles.

As part of the acquisition of FLSV Fund Administration Services LCC, which completed on 1 November 2016, SANNE agreed to pay part of the consideration in shares. As part of the transaction, SANNE issue and allotted the penultimate batch of retained consideration shares on 1 November 2019 and will issue and allot the final batch of retained consideration shares on 1 November 2020.

CONTINUED

> Directors' Report

Purchase of own shares

The shareholders approved the authority for the Company to buy back up to 10% of its own ordinary shares by market purchase until the conclusion of the AGM to be held this year. The Directors will seek to renew this authority for up to 10% of the Company's issued share capital at the forthcoming AGM. This power will only be exercised if the Directors are satisfied that any purchase will increase the earnings per share of the ordinary share capital in issue after the purchase and accordingly, that the purchase is in the interest of shareholders. SANNE did not purchase any of its own ordinary shares during 2019.

Articles of Association

The Company's Articles of Association set out its internal regulations and cover the rights of shareholders, the appointment of Directors and the conduct of Board and general meetings. Copies of the Articles of Association are available upon request from the Group Company Secretary, and at SANNE's AGM.

Disclosure of information to the external auditors

The Directors who held office at the date of the approval of this Directors' Report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the necessary steps to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Subsidiaries

SANNE operates through various subsidiaries in a number of different countries. The subsidiaries list is available on page 139.

Listing rule compliance

For the purposes of DTR 4.1.5 R(2) and DTR 4.1.8 R the required content of the management report is included in the Strategic Report and this Report.

For the purposes of LR 9.8.4 R the information required to be disclosed by LR 9.8.4 R listing can be found in the following locations.

Section	Location
1 Amount of Interest Capitalised	Not applicable
2 Publication of unaudited information (LR 9.2.8 R)	Not applicable
3 N/A (Section removed by the FCA handbook)	Not applicable
4 Details of long-term incentive schemes	Directors' Remuneration Report pages 78 to 98
5 Waiver of emoluments by a Director	Not applicable
6 Waiver of future emoluments by a Director	Not applicable
7 Non pre-emptive issues of equity for cash	Page 143
8 Non pre-emptive issues of equity for cash in relation to major subsidiary holdings	Not applicable
9 Any participation in a placing by a listed subsidiary undertaking	Not applicable
10 Any contracts of significance	Page 63
11 Provision of services by a controlling shareholder	Not applicable
12 Shareholders' waiver of dividends	Page 63
13 Shareholders' waiver of future dividends	Page 63
14 Agreements with controlling shareholders	Not applicable

Section 172(1) statement

Provision 5 of the Code states that, in the context of how the Board understands the view of key stakeholders, the Board should describe in the Annual Report how the matters set out in section 172 of the Companies Act 2006 have been considered in Board discussions and decision making. As a Jersey incorporated company, the Board is not subject to section 172. Nevertheless, as a matter of good governance, the Board has set out how they deliver against these duties where appropriate.

The Board of Sanne Group plc considers that they have acted in good faith and in a manner which they believe is likely to promote the continued success of the Company, for the benefit of its members and stakeholders as a whole. The Board also engages with its stakeholders when considering major strategic decisions in the following ways:

The Board regularly reviews its short and long-term strategy. SANNE's vision is to be one of the world's leading providers of alternative asset and corporate business services. In addition to pursuing organic and inorganic growth, strategic focus is on building a sustainable business, product development, client experience, investing in the development of new technology and in our workforce.

The Board aims to ensure that our employees work in a safe environment, receive appropriate training and are sufficiently rewarded for their efforts.

SANNE has nurtured long-term partnerships with our clients, external advisors and intermediary network. We endeavour to share our core values with our key stakeholders throughout the supply chain and maintain open communication with our clients and other stakeholders, advising them of our market strategy and product developments. The nature of our business means that a customer focus approach is at the heart of SANNE's ethos and growth strategy and we therefore actively monitor client service levels and product offerings. We also seek mutually beneficial, long-term relationships with our external advisors and intermediary partners and are dedicated to dealing with these parties in a fair and transparent way.

As a financial services group, we foster open and transparent communications with our regulators. We achieve this by providing our regulators with ongoing information in relation to our business, notifying them of issues as they arise, and responding to requests for information in a timely manner. Additionally, where appropriate, we provide input into regulatory consultations in order to contribute to and influence the direction of regulation. The Group Head of Compliance presents his report to every Risk Committee meeting, outlining all regulatory interactions and developments, and is in regular contact with the Chair of the Risk Committee.

We believe in helping and influencing the communities where we operate and engage in socially responsible activities in those jurisdictions. During 2019, SANNE changed its approach to ESG and our initial objective is to quantify our environmental and social impact across our operations using 2019 as our baseline year. This will allow the Board to oversee the implementation of an appropriate sustainability policy framework and set suitable long-term ESG targets.

Further information on our key stakeholders and SANNE's engagement and decision making considerations associated with those parties can be found in the following locations.

Stakeholder	Location	Pages
Shareholders	Strategic Report	14 to 47
Employees	Directors' Report	62 and 63
Clients, external advisers, and intermediary network	Strategic Report	14 to 47
Regulators	Risk Committee Report	74 and 75
Communities	ESG and Sustainability	46 and 47
Environment	ESG and Sustainability	46 and 47

Constructive use of the Annual General Meeting

The Board uses the AGM to communicate with shareholders. The chair of each Board committee will be present to answer questions put to them by shareholders.

Proxy appointment forms for each resolution provide shareholders with the option to direct their proxy vote on resolutions or to withhold their vote. All votes are counted by SANNE's Registrars and the voting results will be announced through the RNS, and made available on our website www.sannegroup.com.

Annual General Meeting

Electronic copies of the notice of the fifth AGM, which is currently planned to be held on 13 May 2020 at 11.30am at our new office at 125 London Wall, London, EC2Y 5AS, can be viewed or downloaded from the Company's website, www.sannegroup.com. At that meeting, shareholders will be asked to vote separately on the Annual Report and on the Report on Directors' Remuneration. Separate resolutions will also be proposed on every substantive issue. A poll will be held on each resolution to ensure that the votes of the shareholders unable to attend the meeting are taken into account, and results of the voting will be placed on our website as soon as possible after the meeting.

Auditor

Following a competitive tender process conducted during the year, the Board proposes that PricewaterhouseCoopers LLP are appointed as SANNE's auditor. A resolution proposing this will be put to the 2020 AGM.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources for a period of at least 12 months from the date of signing the Annual Report and Accounts, and have assessed that the going concern basis of accounting is appropriate in preparing the financial statements and that there are no material uncertainties to disclose.

After making diligent enquiries, the Directors had a reasonable expectation, based upon the current financial projections and the bank facilities available, that the Group had adequate resources to continue in operation. Accordingly, the Group continues to adopt the going concern basis in preparing the Group's financial statements.

Post balance sheet events

The Group has entered into an option agreement with Inbhear Management Services Limited and Inbhear Fund Services Limited whereby it will obtain control over the entities, subject to regulatory approvals. The upfront consideration is €6.6 million plus an earnout over the next three years capped at €7.8 million. Inbhear Management Services Limited is incorporated in the Cayman Islands and Inbhear Fund Services Limited is incorporated in the Republic of Ireland. This acquisition provides the Group with the opportunity to expand and grow its platform in the Cayman Islands, enhance the Group's new funds proposition in Dublin and grow its existing EMEA operations. At year end SANNE had not yet obtained control over the entity, due to contractual requirements that have not yet been met at year end.

The Group has terminated its premises lease agreement in its UK jurisdiction. The Group has undertaken to enter into a new lease agreement whereby it will rent a larger office space for the next five years, starting in March 2020.

The world is currently experiencing a global outbreak of Coronavirus (COVID-19) which is having an unprecedented impact on global markets. Management is actively monitoring the situation and has assessed the expected impact on the financial results. Whilst there can be no guarantees as to future operations or performance, the most significant immediate impact is on the forward looking assumptions made in the various impairment tests. The SANNE South Africa cash generating unit was found to be the most sensitive to the current downturn in the markets due the nature of its revenue being linked to asset values and the small headroom available. Management further stretched the reasonable possible change scenario based on the current distressed market conditions and, whilst this could potentially change in the future, there were no material differences between the current sensitivities and those disclosed in note 16 of the financial statements.

On 13 March 2020 SANNE reached an agreement to sell its Jersey based private client business to JTC plc. The consideration to be paid for the business is capped at a maximum of £12m, to be paid in cash upon completion, and subject to the satisfactory migration of clients to JTC plc. Refer to note 11 for the discontinued operations disclosures.

On behalf of the Board of Sanne Group plc

Martin Schnaier
Chief Executive Officer
18 March 2020

> Nomination and Governance Committee Report

Rupert Robson

CHAIRMAN OF THE NOMINATION AND GOVERNANCE COMMITTEE

Dear shareholder

I am pleased to present the report of the Nomination and Governance Committee (the Committee) for the year ended 31 December 2019.

During 2019 the Committee oversaw the replacement of the Chief Executive Officer and the implementation of the requirements set out by the Code.

During 2018 and part of 2019, the Board ran a thorough recruitment process for a CEO successor following Dean Godwin's decision to retire. This process utilised external consultants, and reviewed and assessed a strong field of internal and external candidates. On 23 January 2019, SANNE announced the appointment of Martin Schnaier, an internal candidate, as an Executive Director and CEO Designate of the Company and, following a suitable handover period, Martin took over the role of CEO at the conclusion of the AGM on 16 May 2019. I wish to thank Dean for his contribution to the Board and welcome Martin who has been with SANNE for over nine years, and has played a crucial role throughout that time in the growth and development of the business.

Succession planning was considered by the Committee, with attention being primarily focussed on Board composition. The Committee reviewed the knowledge base and experience of the Board and also considered its diversity, paying particular attention to the recommendations of the Hampton-Alexander Review and the Sir John Parker Review.

Following the Board appointments made during 2018 and 2019, the Committee believes the current composition represents a strong and well-balanced Board with the necessary skills and experience to manage and develop the Company, and recommends that each of the Directors be re-elected at the forthcoming AGM.

Following the publication of the revised Code in July 2018, the Committee put in place a combination of a workforce advisory panel and three designated Non-executive Directors as the mechanism for gathering the views of the workforce.

As part of the internal Board evaluation for 2018, the induction and on-going training of Directors was highlighted as an area for improvement. During 2019, the Committee approved a new Directors' training and induction programme. The Committee further arranged for the Board to receive regular presentations from different functions within SANNE to deepen their understanding of the business, with each Non-executive Director contributing to the agenda.

During the year the Committee also reviewed its Diversity Policy and this is available on the Company's website at www.sannegroup.com.

I would like to thank the other members of the Committee for their contribution and support during the year. As Chairman of the Committee, I will be available at the AGM to answer questions about the work of the Committee during the year.

Committee membership and attendance

Membership and attendance at the four scheduled[1] Committee meetings during the year was as follows:

Committee members	Eligible to attend	Attendance
Rupert Robson (Committee Chairman)	4	4
Mel Carvill	4	2[2]
Julia Chapman	4	4
Nicola Palios	4	4
Andy Pomfret	4	4
Yves Stein	4	3[3]

1. In addition to the four scheduled meetings, the Committee met on two other occasions to discuss ad hoc items.
2. Mel Carvill could not attend one meeting of the Committee due to a long-standing speaking engagement and another meeting due to a scheduling conflict regarding his directorship at another company.
3. Yves Stein agreed not to attend one meeting of the Committee as the main topic on the agenda was a discussion on his continuing as a Director of the Company following his appointment as CEO of Banque Edmond de Rothschild (Europe) SA.

The Committee's role and responsibilities include:

- reviewing and nominating candidates for both Executive and Non-executive roles on the Board;
- managing the size, structure, composition, knowledge, skills, capacity and diversity, including gender diversity, of the Board when considering suitable candidates;
- evaluating the Company's policy and practices for executive talent management development and diversity;
- understanding the role and leadership needs that are required by the business and to review talent to ensure that the Company maintains the ability to compete and win further market share;
- considering Director performance and, upon consideration, recommending to shareholders their election or re-election at the AGM;
- succession planning;
- reviewing the balance and composition of the Board;
- considering the Code and other corporate governance legislation, guidance or regulatory change; and
- making necessary changes to the corporate governance structure or Company procedures in order to comply with prevailing corporate governance regulations, codes or market practice.

One of the Committee's key roles is to discuss succession planning to ensure that a pipeline of talent is developed within the business. Ultimate responsibility for making senior management appointments rests with the CEO.

During the year the Committee reviewed its terms of reference. The Committee's terms of reference are available on the Company's website at www.sannegroup.com.

Committee activities during the year

During the year, the Committee:

- recommended to the Board the appointment of Martin Schnaier as CEO;
- discussed senior executive appointments and succession planning;
- considered the annual effectiveness review and determined that the Directors and the Chairman had sufficient time to discharge their roles;
- reviewed the composition of the Board's committees;
- approved a new Directors' training and induction programme;
- considered regulatory and legislative changes, including the revision of the Code;
- considered guidance on Board diversity, including the recommendations of the Hampton-Alexander Review and the Sir John Parker Review; and
- oversaw the formation of a workforce advisory panel, its proceedings and its interaction with the three designated Non-executive Directors.

Succession planning on the Board

The Committee annually reviews its effectiveness, composition and long-term succession planning. Taking into consideration the balance of skills, experience and independence of the Board, we are satisfied the Board's current composition is appropriate to adequately discharge its duties. The Board agrees with the recommendations of the Hampton-Alexander Review regarding gender diversity and will be appointing a new female Non-executive Director during the year. The Committee is also considering how to increase technology input to the Board's deliberations. The Committee is mindful that Andy Pomfret, Nicola Palios and I will each have served on the Board for six years by March 2021 and will be considering how to manage Board succession in that regard in due course.

Diversity

It is the Company's policy to ensure that proposed appointments and succession to the Board are based on merit and judged against objective criteria, as outlined by the Code. Diversity continues to be a key focus of the Committee and it embraces the benefits derived from having a diversity of culture, gender, skills, educational background and career experience on the Board. Further information on diversity and inclusion can be found in the Directors' Report on page 62 and our Board Diversity Statement can be found on our website at www.sannegroup.com.

Workforce Advisory Panel

The Committee receives and considers updates from the workforce advisory panel, including minutes of their monthly informal meetings, communications sent out to workforce, details of workforce repetitive elections and details of ongoing initiatives. For more information on the workforce advisory panel and the Designated NEDs, please refer to the Directors' Report on pages 62 and 63.

Committee effectiveness review

An evaluation of the Committee's effectiveness for 2019 was undertaken as part of the internal Board effectiveness review, and it reported that the Committee runs effectively. The Committee received a positive evaluation and was reported to have effective leadership. Looking ahead, there are opportunities to increase diversity, enhance the training received from external providers, and further monitor and develop management talent below Board level.

Director induction

An induction and training programme for the new Non-executive Directors was approved this year; it is based upon the ICSA guidelines and tailored to SANNE. Further information on this is included in the Corporate Governance Report on page 60.

Rupert Robson
Chairman of the Nomination and Governance Committee
18 March 2020

> Audit Committee Report

Andy Pomfret

CHAIRMAN OF THE AUDIT COMMITTEE

> *During 2019, the Committee oversaw a competitive tender for the role of external auditor. Following the process, PricewaterhouseCoopers LLP (PwC) was appointed as SANNE's external audit provider.*

Dear shareholder

The report outlines the activities and responsibility of the Audit Committee (the Committee) for the year ended 31 December 2019.

During the year the Committee and the Board devoted time to assess the approach to and the integrity of the Group's financial reporting, monitoring the effectiveness of the Group's internal financial controls framework, and overseeing the activities of the Internal Audit function and external auditor.

At the request of the Board, the Committee reviewed the contents of the Annual Report and Accounts and confirmed to the Board that, in its opinion, the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides information for shareholders and investors to be able to review the Group's financial performance, business model and strategy.

The work of the Committee in 2019, including advising the Board on the half-year results and the Annual Report and Accounts, and details of the competitive tender for the role of external auditor, is described in detail throughout this report.

As Chairman of the Committee, I will be available at the AGM to answer questions about the work of the Committee during the year.

Committee membership and attendance

Membership and attendance at the seven scheduled[1] Committee meetings during the year was as follows:

Committee members	Eligible to attend	Attendance
Andy Pomfret (Committee Chairman)	7	7
Mel Carvill	7	6[2]
Nicola Palios	7	7

1. In addition to the seven scheduled meetings, the Committee met on one other occasion to discuss ad hoc items.
2. Mel Carvill could not attend one meeting of the Committee due to a scheduling conflict regarding his directorship at another company.

Appropriate skills and experience

In order to maintain the integrity of the composition of the Audit Committee, and to ensure sufficient co-ordination between the Committee and those other committees which may discuss overlapping matters, the Audit Committee includes the Chairs of the Risk Committee and the Remuneration Committee. The Committee is composed entirely of independent Non-executive Directors and is in compliance with the Code.

Andy Pomfret and Mel Carvill have appropriate relevant financial services sector experience. Andy Pomfret is a qualified Chartered Accountant and has held the positions of the Finance Director and CEO of a quoted investment management and banking business. Mel Carvill is also a Chartered Accountant, holds an Advanced Diploma in Corporate Finance and has worked across a range of sectors in the European financial services industry. In addition, Nicola Palios brings expertise from her experience as managing partner of a firm providing legal and alternatives administration services. The Board has determined that the Committee as a whole has the competence relevant to the financial services sector in which SANNE operates and their biographies are set out on pages 53 to 55.

On appointment to the Committee there is an appropriate induction, consisting of a review of the terms of reference, previous Committee papers, information on the Company's financial performance and operational risks, and introductions to the Group's finance team, internal auditors, external auditors and key members of staff.

At the invitation of the Committee, the CEO, the CFO, the Chief Risk Officer, the Internal Audit Director and the General Counsel attended meetings. In addition, the lead audit partners from Deloitte and PwC attended all meetings held during their respective appointments as external auditor in 2019, and other management are requested to attend meetings during the year as required.

Role and responsibility of the Committee

The role of the Committee was authorised by the Board and its main duties in 2019 are listed below:

- monitoring the integrity of the financial statements of the Group including its annual and half-year reports, any interim management statements and other formal announcements relating to SANNE's financial performance. The Committee reports to the Board on significant financial reporting issues and judgements made;
- keeping under review the Company's internal financial control systems that identify, assess, manage and monitor financial risk;
- monitoring and reviewing the effectiveness of the Company's external audits, recommending the auditors' remuneration and assessing their independence and objectivity along with the effectiveness of the external audit process;
- reviewing and assessing the internal audit function, including oversight of the work of internal audit with steps taken to address findings and improve the control environment; and
- reviewing the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns about possible wrongdoing in financial reporting or other matters in line with whistleblowing procedures.

Fair, balanced and understandable assessment

As requested by the Board, the Committee has reviewed the Annual Report and Accounts in order to provide advice to the Board, as required by the Code, that the Annual Report and Accounts is fair, balanced and understandable and provides the necessary information for Shareholders and other users of the Annual Report and Accounts to enable them to assess the Group's position and performance, business model and strategy for 2019. In order to make this assessment the Committee considered:

- guidance provided to each contributor to the Annual Report and Accounts;
- any changes required as a consequence of regulatory changes;
- input provided from pre year end discussions with the auditors;
- input provided pre year end from senior management and corporate functions;
- a review by senior management to ensure consistency and balance;
- reviews conducted by the external advisers and the auditors based on consistency and best practice; and
- review and consideration by the Committee and final sign-off by the Board.

This process enabled the Committee, and then the Board, to confirm that the 2019 Annual Report and Accounts, taken as a whole is fair, balanced and understandable.

Controls over financial reporting

SANNE has robust internal control and risk management systems in relation to the process for preparing and ensuring the accuracy and reliability of the consolidated financial statements. The key features of these controls and systems are:

- clearly defined lines of accountability and delegation of authority;
- regular monitoring by management who consider developments in accounting regulations and best practice in financial reporting. Appropriate training is provided to key finance personnel on relevant developments in accounting standards;
- preparation of monthly management accounts at Group and jurisdictional level;
- review of local management accounts by jurisdictional managing directors and jurisdictional financial controllers;
- the Group's consolidation, which consolidates the results of each business unit and makes appropriate adjustments, is subject to various level of review by the Group Finance function;
- appropriate review of the disclosures made in the Annual Report and Accounts, including by the Committee and the Board;
- reports from management and the external auditor regarding significant judgements, changes in accounting policies and estimates, and other pertinent matters relating to the financial statements are provided to the Committee; and
- the financial statements of each material Group subsidiary, including all regulated and operating entities, are subject to an external audit.

CONTINUED

> Audit Committee Report

Financial Reporting Council review letter

During the reporting period, SANNE received a letter from the Corporate Reporting Review Team (CRRT) of the Financial Reporting Council (FRC) in relation to its regular review and assessment of the quality of corporate reporting in the UK. The letter focused on various items including the disclosures of critical accounting judgements and estimates, specific disclosures around goodwill impairment testing and the disclosure of other provisions. SANNE responded to the CRRT's questions providing clarifying information and an agreement to make limited modifications to the explanations for certain disclosures to enhance their clarity. These enhancements included clarifying which estimates are not major sources of estimation uncertainty and more specific information around goodwill impairment testing. The recommendations from the review have been incorporated into the 2019 financial statements.

Topics discussed by the Committee during the year

The timetable of the Committee is linked to the Group's reporting cycle, annual audit and financial reporting timetable. The Committee's activities carried out during the year covered, but was not limited to, the following topics:

FINANCIAL STATEMENTS AND REPORTS

- Full-year results 2018
- Half-year results 2019
- Impairment review
- Alternative Performance Measures
- New and revised accounting standards

FINANCE

- Going concern assessment
- Acquisitions
- Viability testing of proposed dividend scenarios

EXTERNAL AUDIT

- Effectiveness review, audit quality
- Competitive tender for the role of external auditor
- External Audit Plan and regular reports
- Review of Non-audit Spend Policy and PwC's voluntary commitment

INTERNAL AUDIT

- Internal audit plan
- Internal audit reports
- Internal audit progress
- Competitive tender for internal audit co-source partner

OTHER

- Review of Whistleblowing Policy
- Whistleblowing Report
- Committee evaluation
- Regulatory update
- Claims and contingencies

Significant financial statement issues considered by the Committee

The below table summarises the significant financial statement issues considered by the Committee. Management provide detailed papers on all these items which the Committee members then review in order to provide significant challenge on the various estimates and interpretations made by management.

Significant financial and reporting issue	How the issue has been addressed
Revenue recognition, accrued income and trade receivables	Management maintains key controls over the largely quarterly billing cycles. The timings of the billing cycle are arranged to minimise accrued income balances at key reporting dates and thus give greater certainty over income which is still to be converted into cash. Management assesses the recoverability of all receivables at the year end and attest to the quality of assets considering various forward looking assumptions to determine the expected credit losses. We agreed with management's assessment that no additional provision for losses or impairment either to accrued income or trade receivables was needed.
Evaluation of impairment of intangible assets including goodwill and useful life of intangible assets	We considered the results of management's impairment assessment which reviews triggers for impairment around asset lives, valuation and verification of assets. We considered the judgements taken in relation to asset lives and the methodology applied to consider asset verification and we were satisfied that no changes in treatment were needed. With regards to goodwill, we consider the judgements taken in relation to short and long-term growth rates, cost basis and discount rates used and we were again satisfied that no changes in treatment were needed.
Share based payments	We have reviewed the methodology used for the accounting of share based payments and are comfortable with the assessment by management as to the number of shares expected to vest under the terms of the Performance Share Plan and Restricted Stock Awards. In doing so we have reviewed and are satisfied with management judgments and expectations around the achievement of performance targets and the leaver's assumptions applied.
Accounting for acquisition of minority interest	We have reviewed the judgements made and used by management in the conclusion that Sanne do not have significant influence over the Colmore A.G. investment. We have also reviewed the estimates used to determine the fair value of the investment at reporting date and we agree with the valuation as presented by management.
Disposal group held for sale	We reviewed the judgements made by management that the Group comply with all the requirements as set out in IFRS 5 to classify the private client business in Jersey as a disposal group held for sale. We agree with management's conclusion to disclose this business line as held for sale.
Alternative Performance Measures (APMs)	We considered all APMs used by management in the current year annual report and we are comfortable that all APMs provide useful alternative information about the underlying performance of the Group. We are satisfied that an equal measure of importance is given to both reported and alternative performance measures in the annual report.

External audit

Independence is vital for the integrity of the audit. The Committee is satisfied that PwC are fully independent from the Company's management and have no conflicts of interest. The review of any non-audit fees ensures that continued independence is maintained. All non-audit spend is reviewed by the Committee in accordance with the SANNE guidelines.

The Company is required by the Code to undertake a competitive tender for the role of external auditor at least every ten years. PwC were appointed as external auditor during 2019 following a competitive tender process and their appointment to this position will be kept under review.

External audit review and competitive tender

A review was held by the Committee on the effectiveness of the external audit provided by Deloitte LLP in relation to the 2018 audit, with consideration was given to:

- the quality of planning;
- communication between the audit team and management;
- the quality and knowledge of the audit team;
- regulatory insights;
- the holding of regular meetings with the Chair of the Committee, CFO and Head of Finance;
- the overall performance and the delivery of the audit; and
- the identification of Prior Period Errors (PPEs), which are explained fully in the Chief Financial Officer's Review and note 15 to the 2018 accounts.

Additionally, in 2018, Deloitte's audit of Sanne Group plc's financial statements for the year ended 31 December 2017 was reviewed by the FRC's Audit Quality Review Team (AQRT).

Following these reviews, the Committee recommended to the Board that a competitive tender for the role of external auditor be conducted with immediate effect during 2019.

Five external audit firms were invited to submit an audit services proposal to SANNE, three of whom presented their tender to the Board and Committee. The following criteria were used to evaluate the shortlisted firms:

- approach to ensuring audit quality and a high quality of client service;
- capability and competence of the team and the firm;
- proposed approach to the transition and the audit;
- relationship and cultural fit; and
- demonstration of added value.

Selection and appointment of external auditor

Following the competitive tender process and detailed consideration, PwC were awarded the role of external audit provider with Jeremy Jensen as the lead audit partner. The Board is recommending to the shareholders that PwC be appointment as external auditor at the forthcoming AGM.

Audit and non-audit fees

The Committee provides approval for non-audit fee spend in accordance with the FRC Ethical Standard and EU audit legislation. Assurance is provided to ensure that there is no threat to the auditor's independence and objectivity. The policy governing non-audit spend was reviewed by the Committee during the year and it applies additional restrictions on the use of PwC's services. The Committee monitors expenditure on non-audit services and each item requires approval in advance.

In addition, PwC have made a voluntary commitment to cease all non-audit services, with the exception of those services closely related to audit and assurance, for FTSE 350 companies from 1 January 2020 to further guarantee independence. Prior to becoming their external audit provider, PwC undertook some internal audit and tax consulting work on behalf of SANNE, but this ceased on appointment.

The Group audit fee was £860,000, split as £165,000 to Deloitte and other local firms, and £695,000 to PwC. The fees paid for non-audit services to PwC were £143,000. The ratio of non-audit fee to audit fee is 21% to PwC. During the year the Group incurred non-audit fees for work on: ISAE 3402 control reports; agreed upon procedures; and Internal Audit services (prior to appointment as external auditor). It was considered by the Committee that there was no perceived threat to auditor independence as there was no relationship to the financial reports and that these items would not impact auditor independence. The external auditors were considered the most suitable supplier for these services, taking into account the alignment of these services to the work undertaken by external audit and their skill sets.

Internal Audit function

During the year the Group operated its own internal audit function which was supported by a co-source arrangement with PwC to supplement resources and provide capability in specialist areas until their appointment as external auditor. Following a competitive tender, BDO were selected as internal audit co-source partner. The Internal Audit Director is invited to attend the Committee.

The internal audit plan was discussed and approved by the Committee. The Committee monitors the effective performance of the internal audit function against the plan and ensures that the audit scope continues to focus on all relevant areas of activity. The internal audit reports detailing issues identified and management actions taken to improve the control environment were presented to the Committee for their consideration.

The Committee determined that the internal audit function is appropriate for the business in terms of the quality, experience and expertise.

Whistleblowing

During the year the Whistleblowing Policy was reviewed by the Committee to ensure that it was effective. The Group uses a system enabling employees who are aware of, or suspect, misconduct, illegal activities, fraud, and abuse of assets or violations of any Company policy, to report these confidentially. The Committee is provided with reporting on the operation of the Whistleblowing Policy at each scheduled meeting. In the event of a whistleblowing event the Committee would keep the Board informed of all developments where appropriate.

CONTINUED

Audit Committee Report

Committee effectiveness review

An evaluation of the Committee's effectiveness for 2019 was undertaken as part of the internal Board effectiveness review, focussing on the operation and administration of the Committee. The Committee was reported as being run professionally and effectively under the Chairman's guidance. The review found that the Committee monitored the integrity of SANNE's financial statements and judgements in an appropriate and adequate way and performed well in overseeing the external audit tender process.

Priorities for 2020

The priorities for the Audit Committee over the next 12 months are as follows:

- to monitor the external auditor and continue to assist with their understanding of the business;
- to ensure the audit is aligned with the business and its strategic objectives;
- to review the work undertaken by the internal audit function and co-source and outsource providers of internal audit;
- to monitor the operation of the Whistleblowing Policy; and
- to liaise with the Risk Committee to ensure that any linked matters are fully understood.

Viability Statement

1) ASSESSMENT OF PROSPECTS

SANNE benefits from a high proportion of recurring revenues from long-term customer contracts. The Group also benefits from attractive levels of growth as well as strong margins and high levels of cash conversion as demonstrated by past performance. The Group also has limited exposure to long-term financial commitments.

A period of three years has been chosen to base the viability statement on because, despite most client contracts typically running for significantly longer periods, there is inevitably more uncertainty associated with a longer time frame and the three year time period is more closely aligned to the Group's focus on strategic planning.

The Group's strategy remains unchanged:

- Drive differentiated, best in class client offering across high touch and technology enabled services
- Increase our share of wallet within existing, as well as targeting new, asset manager client groups
- Roll out our services and product offerings at scale across the entire global footprint
- Add new geographic markets to the Group's footprint in line with client requirements
- Invest in resilient and scalable operating platforms and technology to support our client service offering
- Deploy the Group's capital to acquire or invest in companies to augment or accelerate the Group's growth strategy

The key factors that support the Group's future prospects are:

- long-term client relationships and engagements with high quality institutional clients;
- scale and depth of resources;
- diversification of income by investment strategy, asset class and geography;
- high quality employee base made up of a significant number of employees either holding or training for professional qualifications; and
- strong acquisitions track record of integrating businesses that build the Group's geographic footprint and capabilities. Since 2016, we have completed seven transactions.

2) THE ASSESSMENT PROCESS AND KEY ASSUMPTIONS

The viability assessment of the Group, over a three-year period, is undertaken primarily based on its strategic and financial direction from the CEO, CFO and Executive Committee. The process involves extended sessions for the entire Board and results in detailed financial forecasts being prepared. The first year of these financial forecasts are based on the Group's operating budget and all subsequent years are extrapolated based on the Group's overall strategic plan. Performance against the financial and strategic plans are assessed on a regular basis by both the Executive Committee and the Board.

This viability assessment takes into account all the committed expenditure of the Group together with earn-out costs in relation to historic acquisitions.

The key assumptions within the Group's financial forecasts include:

- Low double digit per annum revenue growth, reducing each year to single digit revenue growth in the final year being assessed
- A flat margin profile over the forecast period
- A marginal annual increase in the Group's effective tax rate to reflect stronger profit growth in higher tax jurisdictions
- No change in stated dividend policy
- No material change in capital structure
- Current business model and balance sheet structure remain unchanged

3) ASSESSMENT OF VIABILITY

Whilst the output of the Group's strategic and financial planning process reflects the Directors' best estimate of the future prospects of the business, the Group has also assessed the financial impact of a range of alternative scenarios. These scenarios are based on the Group's current position and the potential impact of the principal risks documented in the Strategic Report, on pages 42 to 45. These scenarios represent stresses which include:

- loss of the Group's largest client with a material one-off cost associated with the rightsizing of the Group's cost base (Scenario 1);
- loss of a whole product revenue stream in a major jurisdiction due to significant political/ regulatory change and a delay in overhead cost reduction action (Scenario 2);
- financial downturn in the Group's core markets resulting in no new business wins for 12 months, significantly depressed growth thereafter and pricing pressure materially reducing underlying operating profit margins (Scenario 3);
- material acquisition which fails to meet expectation and requiring a significant impairment within a year (Scenario 4);
- adverse movement of foreign currencies, driven by the ongoing macro-economic environment (Scenario 5); and
- deteriorated trading conditions resulting in a sustained reduction in Underlying EBITDA to around 20% and a reduction of 10% in cash collections (Scenario 6).

Principal risks	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6
Acquisition				x		
Competitor and client demand	x		x			
Strategic	x					
Business change		x				
Fiduciary		x				
Process		x	x			
Cyber and data				x		
Staff resources		x				
Compliance		x				
Financial Crime		x				
Financial performance			x	x	x	x

The results of the stress testing, including a combination of scenarios, as well as additional analysis looking at absolute headroom to fund an uninsured, one-off loss event, the impact of foreign exchange movements as well as other current issues such as the Global COVID-19 outbreak and its potential impact on SANNE, demonstrated that due to the Group's high cash generation and access to additional funds that it would be able to withstand the impact in each case.

4) VIABILITY STATEMENT

Based on the results of this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet all its liabilities as they fall due over the three-year period.

I would like to thank the other Committee members for their support during the year and I look forward to continuing to chair the Committee in 2020.

Andy Pomfret
Chairman of the Audit Committee
18 March 2020

> Risk Committee Report

Mel Carvill

CHAIRMAN OF THE RISK COMMITTEE

Dear shareholder

I am pleased to present, on behalf of the Board, the Report of the Risk Committee (the Committee) which outlines the activities and responsibility of the Committee with respect to the year ended 31 December 2019.

In 2019, the Committee continued to monitor SANNE's risk management framework, risk appetite positions and risk assessments, in order for the Group to be well placed to identify and respond to emerging risks in our business environment.

During 2019, the Committee advised the Board on the approach and application of risk management and compliance as described in this report.

I would like to thank the other Committee members for their support during the year and I look forward to continuing to chair the Committee in 2020. As Chairman of the Committee, I will be available at the AGM to answer questions about the work of the Committee during the year.

Committee membership and attendance

Membership and attendance at the five scheduled Committee meetings during the year was as follows:

Committee members	Eligible to attend	Attendance
Mel Carvill (Committee Chairman)	5	5
Andy Pomfret	5	5
Yves Stein	5	4[1]

1. Yves Stein was unable to attend one Committee meeting as he had a prior commitment that was planned before he joined the Board.

Appropriate skills and experience

In order to maintain the integrity of the composition of the Committee, and to ensure sufficient co-ordination between the Committee and the Audit Committee, which may discuss overlapping matters, the Chairman of the Audit Committee is a member of the Committee. The Committee is composed entirely of independent Non-executive Directors and is in compliance with the Code.

Mel Carvill, Andy Pomfret and Yves Stein have appropriate relevant financial sector experience. Mel Carvill has worked across a range of sectors in the European financial services industry and is a Fellow of the Institute of Chartered Accountants in England and Wales, an Associate of the Chartered Insurance Institute, a Chartered Insurer, a Fellow of the Chartered Institute for Securities and Investment and holds the Advanced Diploma in Corporate Finance. Andy is a qualified Chartered Accountant, has held the positions of the Finance Director and CEO of a regulated bank and was a founder member of the Prudential Regulation Authority Practitioner Panel. Yves is a Luxembourg national with more than 30 years of experience in the banking industry through various senior positions in Corporate Banking, Fund Services and Wealth Management. The Board has determined that the Committee as a whole has the relevant competence and experience and their biographies are set out on pages 53 to 55.

On appointment to the Committee there is an appropriate induction, consisting of: an induction pack which contains relevant useful information to get the members fully informed as quickly as possible including, but not limited to, the Committee's terms of reference, previous Committee papers, and information on the Company's financial performance and operational risks; and an introduction to the Group's Chief Risk Officer (CRO), Group Head of Compliance (GHoC), General Counsel, Internal Audit Director and key members of staff.

During 2019, SANNE separated the duties of the previous Chief Risk & Compliance Officer and appointed the CRO and GHoC to the executive team. The Committee has retained the oversight and monitoring of both the risk and compliance functions.

At the invitation of the Committee, the CEO, CFO, CRO, GHoC, General Counsel and Internal Audit Director attended meetings. In addition, the PwC lead audit partner and other management are requested to attend meetings during the year as required.

Role and responsibility of the Committee

The role of the Committee was authorised by the Board and its main duties in 2019 are listed below:

- advising the Board of the Company's overall risk appetite, tolerance and strategy and overseeing the risk exposures of the Company and its future risk strategy;

- keeping the Company's overall risk assessment and internal control processes under review including an annual assessment of effectiveness, and ensuring that both qualitative and quantitative metrics are used which cover financial, operational and compliance controls;
- setting a standard for the accurate and timely monitoring of large exposures and certain risks, which the Company believes are of critical importance;
- reviewing the adequacy of operational resilience and business continuity arrangements over the Company's provision of services;
- reviewing the performance of the risk management function and the compliance function and ensuring they have adequate resources;
- keeping under review the performance of the CRO and GHoC; and
- working with management to ensure the Company's purpose, values and risk culture expectations are appropriately embedded in the Company's risk strategy and risk appetite, and are reflected in observed behaviours and decisions.

The Committee's terms of reference are available on the Company's website at www.sannegroup.com.

Topics discussed by the Committee during the year

The Committee's activities, carried out during the year and subsequently, covered, but were not limited to, the following topics:

COMPLIANCE

- Compliance reporting
- Policies and procedures
- Horizon scanning
- Regulatory updates
- Implementation of the Senior Managers and Certification Regime in the UK

RISK MANAGEMENT

- SANNE's Risk Management Framework
- Risk appetite
- Emerging risks
- Assessing principal and jurisdictional risks
- Risk reporting metrics, including indicators and tolerances

OTHER

- Committee evaluation
- Internal audit updates

Risk management and internal controls

The Board is responsible for ensuring the maintenance of a robust risk management framework with regards to the principal risks facing SANNE in achieving its strategic objectives. The Board has delegated responsibility for the monitoring of the Company's risk management strategy and approach to the Committee.

The Committee has responsibility for identifying and assessing all risks across the Group. It ensures these risks are appropriately and proportionately controlled in line with the Group's defined risk appetite.

The CRO and GHoC have provided the Committee with regular reporting on risk and compliance emerging risk and threats, changing risk exposures and the associated mitigation strategies.

The Committee monitors the business adherence to the defined procedures for reporting control failings, or weaknesses, together with the details of corrective action taken to enhance the business control environment.

The Internal Audit function has assessed SANNE's risk management and control framework. Key framework components have been reviewed and key controls validated from the Group's principal risk assessment. No material weaknesses or significant failings were identified.

Principal Risks

The Principal Risks and uncertainties facing the Company are set out in the risk management report section of the Strategic Report on pages 42 to 45.

Regulatory change and compliance

The Committee and the Board are provided with technical updates on regulatory and legislative changes at each meeting. The Committee, along with the Board, monitors regulatory changes through its horizon scanning framework. The Committee also receives detailed compliance reports at each meeting.

Risk culture and education

The Committee reviewed and supported the progress made to improve risk education across the organisation in 2019, including the development of enhanced in-house financial crime training.

Group Policy Framework

The Group has continued to set minimum standards and requirements through the Group Policy Framework. The Committee is provided with regular updates on policy development, adoption, implementation and compliance across the global jurisdictions SANNE operates. Where required, jurisdictional handbooks are developed to complement the policies and support local implementation.

Cyber security

Cyber security continues to be an evolving threat to global organisations. Inherent risk is expected to rise with the increasing sophistication of cyber threats. SANNE continues to invest in the development of robust controls to detect and prevent risks arising from cyber security.

Committee effectiveness review

An evaluation of the Committee's effectiveness in 2019 was undertaken as part of the internal Board effectiveness review, focusing on the operation and administration of the Committee. The review found that the Committee was being run professionally and effectively under the Chairman's guidance and continued to fulfil its key roles in an appropriate and adequate manner. The Committee is satisfied that it has sufficient resources to carry out its duties and believed that the quality of information received by the Committee from the business has continually improved, particularly following the separation of the CRO and GHoC roles.

Priorities for 2020

The priorities for the Committee over the next 12 months are as follows:

- continue to support the Board and senior management in making well-informed, risk-based commercial decisions through accurate and concise risk reporting;
- constantly review and refine our risk methodologies to ensure they are industry leading, whilst remaining proportionate to SANNE's risk profile;
- optimise the Business Risk Assessment approach through increased use of data and metrics;
- enhancing and simplifying the standards within the Group Policy Framework; and
- continue to foster a proactive risk culture that promotes accountability, integrity and transparency.

Mel Carvill
Chairman of the Risk Committee
18 March 2020

> Directors' Remuneration at-a glance

How we performed in FY19

PERFORMANCE AGAINST INCENTIVE METRICS

Annual bonus

£42.4m

2019 UNDERLYING PBT

18/25

NON-FINANCIAL STRATEGIC TARGETS

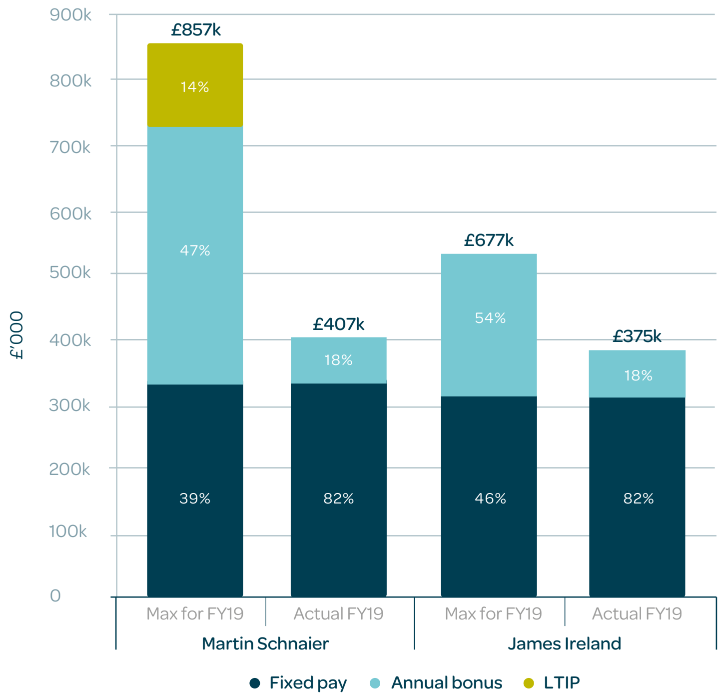
PSP

23.6p

2019 UNDERLYING DILUTED EARNINGS PER SHARE

Key:
- Below threshold for payment
- Good performance but below maximum payment

MAXIMUM VS ACTUAL FY19 REMUNERATION



FY19 annual bonus

Performance measure	Weighting (1% of max)	Target range	Outcome (1% of max)
PBT	75%	£47.9-£54.8m	0%
Strategic	25%	N/A	18%
Total	**100%**	**–**	**18%**

FY17–19 PSP

Performance measure	Weighting (1% of max)	Target range	Outcome (1% of max)
Underlying diluted EPS	100%	32.5p – 36.5p	0%
Total	**100%**	**–**	**0%**

How we will implement our Remuneration Policy for FY20

Element	Implementation of Remuneration Policy for FY20
Salary	Chief Executive Officer: £390,000 (increased by 8.3%) Chief Financial Officer: £302,100 (increased by 2.41%)
Pensions and benefits	Directors are entitled to receive employer contributions of 4% of base salary, in line with the UK workforce. Benefits include Group income protection insurance, life assurance and private medical cover.
Annual bonus	Maximum opportunity is 125% of salary, 50% payable in cash and 50 % deferred in shares for three years. 2020 performance metrics are underlying profit before tax (75%) and strategic targets (25%). 50% of maximum payable for target performance.
Performance Share Plan	PSP awards with a face value of 200% of salary. Two-year post-vesting holding period applies. Performance metrics and targets for 2020 are: – underlying diluted EPS (75%) 7.5% to 18% CAGR – TSR relative to the FTSE 250 (25%) median to upper quartile performance.
Shareholding requirement	Shareholding requirement of 250% of salary. 50% of the net of tax shares vesting under the incentives must be retained until guideline is met. Post-cessation. Executives are required to retain shares at a level of 200% of salary (or the actual shareholding value, if lower) for at least two years.

> Remuneration Committee Report

Nicola Palios

CHAIR OF THE REMUNERATION COMMITTEE

> *I had a very constructive and informative session with our Workforce Advisory Panel to discuss our Remuneration Policy and how our executive pay policy aligns to the policy for the broader workforce.*

The information contained in this section of the Remuneration Committee Report is unaudited.

Dear shareholder

On behalf of the Board I am pleased to present the report of the Remuneration Committee (the Committee) in respect of the year-ended 31 December 2019. Last year, following a detailed review of our Remuneration Policy and investor consultation, we received shareholder approval for the policy with 97.88% voting in favour at the 2019 Annual General Meeting. We are grateful to our major investors for their feedback during the consultation process for the new policy and for all shareholders giving their support. We have reviewed the policy and the Committee is comfortable that this still supports the long-term business strategy and so we are proposing no changes to the policy for FY20. Accordingly, at this year's AGM there will be an advisory vote on the Annual Report on Remuneration, which includes this Annual Statement.

Performance and reward for 2019

2019 was a year of significant change for SANNE with the transition of Chief Executive Officer from Dean Godwin to Martin Schnaier, and the establishment of a largely new leadership team. As explained in last year's report Dean continued to be paid salary and benefits up to his retirement. He waived his entitlement to a bonus for the part of FY19 worked and the Committee used its discretion to ensure that all outstanding deferred bonus and PSP awards lapsed.

Whilst there was strong revenue growth during the year, there were operational issues during the first half of 2019 arising from sub-optimal cost control in some functional areas. This was addressed by prompt restructuring of Group Services and the introduction of a tighter control environment, meaning that profits were broadly flat year-on-year.

The 2019 annual bonus plan was based 75% on a range of PBT targets and 25% on strategic KPIs. Our 2019 underlying total group PBT of £42.4m was below the threshold for payment and, as a consequence, none of the PBT element paid out. For the strategic element we set individual objectives for the CEO and for the CFO and, overall, paid out 18% to each out of the 25% of bonus available for this element. Overall, total bonuses for the CEO and CFO were both 18% of the maximum. Half will be paid in cash and half in deferred shares. The Committee is comfortable that the bonuses paid are a fair reflection of overall performance for the year and that no discretion is needed to adjust the out-turn.

The award granted in 2017 under our Performance Share Plan is due to vest in March 2020, by reference to underlying diluted EPS performance in 2019. At grant, in early 2017, we set an underlying diluted EPS target range of 32.5p to 36.5p for 25% to 100% of the award to vest. Our 2019 underlying total group diluted EPS was 23.6p, failing to achieve the payment threshold and so the shares under this award will lapse in full. Over this period our underlying EPS has grown substantially and our total shareholder return over the three-year period has been nearly 40%. The failure to achieve any pay out for this award demonstrates the robust target-setting approach on the Committee's part. The Committee is comfortable that the policy has operated as intended and no discretion is needed to adjust the out-turn.

Application of the Remuneration Policy in 2020

As I noted last year and as part of the new policy, instead of increasing remuneration to the desired level in FY19, in agreement with our major shareholders we have taken a staggered approach to increasing remuneration levels over two years to the desired level, dependent on Company and individual performance.

First, in relation to the salary of our Chief Executive Officer (CEO), Martin Schnaier, this was increased from £300,000 to £360,000 when he assumed the CEO role at the 2019 AGM. Last year we explained that, from 1 January 2020, the salary would be increased further, to £390,000, assuming satisfactory performance and development in the role. The Committee has assessed Martin's performance over the year and is comfortable to make this second stage increase. From this point onwards, for the remainder of the policy period, we anticipate that the salary increases for the CEO and for the Chief Financial Officer (CFO) will be in line with the workforce average, barring exceptional circumstances.

The CFO's salary will increase by 2.41% (in line with the average increase for the UK workforce) from £295,000 to £302,100.

The second increase in remuneration relates to a modest increase to the target level of annual bonus for the CEO and CFO, which has been increased from 60% of salary in 2019, to 62.5% in 2020 (which is half of the maximum bonus opportunity). The maximum annual bonus opportunity will be 125% of base salary, with 50% of any bonus payable in cash and 50% in shares deferred for three years. Performance measures will again be based 75% on a range of underlying PBT from continuing operations targets and 25% on operational, risk and strategic targets. In setting the targets for FY20 we have ensured that the level of PBT required to be achieved is significantly higher than the FY19 underlying continuing operations PBT outturn, is appropriately stretching and commensurate with the slight additional reward opportunity under our new policy at a target performance level. There will be clear retrospective disclosure for all targets that have been set.

The third and final step in the planned increase to remuneration relates to the PSP awards for FY20. Again, the Committee has assessed the performance of the Company and both Executive Directors, and is comfortable to proceed with the increase to the grant level from 150% of salary to the proposed policy maximum of 200%of salary.

75% of the award will be based on underlying diluted EPS and 25% on TSR versus the companies in the FTSE 250 Index. The underlying diluted EPS range for the 2019 awards will require compound annual EPS growth, based on underlying continuous operations, over three years to be between 7.5% and 18% for 25% and 100% of an award to vest. The Committee is comfortable that the underlying diluted EPS and TSR performance conditions are appropriately stretching for the higher incentive opportunity and the EPS growth targets are significantly higher than those set in similar incentive plans in most other FTSE 250 companies.

Chairman's fee

Following a review of the current fee level for the Chairman and taking into account increased time commitment and comparable market rates we have increased the fee from £160,000 to £180,000 with effect from 1 January 2020.

Approach to new Corporate Governance Code and new reporting requirements for Directors' pay

We believe that we have complied with the remuneration matters contained within the 2018 Code during FY19 and we have looked at broader stakeholder engagement carefully. Just after the year end, in January, I had a very constructive and informative session with our Workforce Advisory Panel to discuss our Remuneration Policy and how our executive pay policy aligns to the policy for the broader workforce.

Closing remarks

Following changes to Committee membership in FY18, the Nominations and Governance Committee has considered the membership of the Remuneration Committee in line with Provision 32 of the UK Corporate Governance Code and is satisfied that the current membership comprises independent directors with a good balance of skills and experience.

The Committee believes that following a period of significant transition the Remuneration Policy is now settled and provides sufficient flexibility for the business to continue to grow and evolve. We will continue to apply the policy robustly to ensure that there is a strong link between reward and performance, and that our remuneration processes remain thorough, transparent and accountable to shareholders.

On behalf of the Board, I look forward to your support at the 2020 AGM.

Nicola Palios
Chair of the Remuneration Committee
18 March 2020

CONTINUED

Remuneration Committee Report

Regulatory regime for disclosure and voting on Directors' remuneration

The UK remuneration reporting regulations contain provisions which make shareholder approval of the policy of UK-incorporated companies binding. As the Company is not UK-incorporated those provisions have no legal effect. However, the Company has taken steps to limit the power of the Remuneration Committee so that, with effect from the date on which the policy on remuneration was approved by shareholders, the Committee can only authorise payments to Directors that are consistent with the policy as approved by shareholders. In that way the Company considers the vote of shareholders on the policy to be binding in its application.

The Remuneration Policy set out below was approved by shareholders at the AGM on 16 May 2019 and became effective from that date. All remuneration and contractual payments will only be made if they are consistent with the approved policy. Specific details on how the Company will implement the policy in 2020 are provided in the Annual Report on Remuneration.

Directors' Remuneration Policy

The Committee's objective is to ensure remuneration encourages, reinforces and rewards the growth of shareholder value and promotes the long-term success of the Company. The Committee agreed that executive remuneration should have the following aims:

- be set with regard to pay levels and personal tax rates in the various jurisdictions in which the Company operates, whilst complying with UK plc structural norms and good practice;
- attract, retain and motivate high calibre senior management through a significant weighting on performance-related pay;
- be simple and understandable, both externally and to colleagues;
- achieve consistency of approach across the senior management population to the extent appropriate, informed by relevant local market benchmarks;
- encourage widespread share ownership across the executive team to ensure a long-term focus and alignment of interest with shareholders;
- be consistent with regulatory and corporate governance requirements; and
- not reward behaviour that inappropriately increases the Company's exposure to risks outside of the Company's risk appetite.

The UK Corporate Governance Code sets out principles against which the remuneration Committee should determine the policy for executives; as follows:

Principle	Committee approach
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	We comply with the UK disclosure and voting requirements even though, as a non-UK incorporated company, we aren't required to We have consulted our Workforce Advisory Panel on our remuneration policy
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand	We have a simple policy offering pension at the same rate as employees, an annual bonus plan consistent with most employees and performance shares for longer term performance. There is more complexity for Executive Director packages to ensure a robust link to performance and avoid reward for failure and to comply with investor and Code requirements
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	We have mitigated these risks through careful plan design, including long term performance measurement, deferral and shareholding requirements (including post cessation of employment) and discretion and clawback provisions
Predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy	We look carefully at the range of likely performance outcomes when setting performance target ranges from threshold, target and maximum pay outs and would use discretion where necessary where this leads to an inappropriate pay outcome
Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance	Incentive plans are determined based on a proportion of base salary so there is a sensible balance between fixed pay and performance-linked elements There are provisions to override the formula driven outcome of incentive plans, deferral and clawbacks to ensure that poor performance is not rewarded
Alignment to culture –incentive schemes should drive behaviours consistent with company purpose, values and strategy	Bonus plans operate widely throughout the Company and are all approved by the Committee to ensure consistency with Company purpose, values and strategy

Remuneration for Executive Directors

The Remuneration Policy for Executive Directors is summarised in the following table, explaining how each element operates and how each part links to the corporate strategy.

Remuneration Policy table

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Salary	Essential to recruit and retain Executive Directors. Reflects an individual's experience, role, competency and performance.	Salaries are paid monthly. They are normally reviewed annually with changes effective from 1 January but may be reviewed more frequently. Decisions on changes to salaries are influenced by a variety of factors including: • the commercial need to do so; • the role, experience, responsibility and performance (of both the individual and Company); • increases applied to the broader workforce; and • market pay levels of similar roles in broadly similar UK-listed companies of a similar size and in the Channel Islands.	There is no maximum limit to the level of base salaries. Increases will generally be in line with the workforce average increase but may be higher if the scope of complexity of an executive's role changes materially or if an Executive Director's starting salary has been set at lower than typical market salary to allow for growth in the role and further experience to be gained.	Individual and Company performance is taken into account when determining the annual increase.
Benefits	Operate competitive and cost-effective benefits. Certain benefits such as medical cover are provided to minimise disruption to the day-to-day operation of the business.	A range of benefits are provided by the Company to Executive Directors that may include Group income protection insurance, life assurance and family private medical cover. Relocation assistance (or other relocation related expenses), disturbance allowances and tax equalisation arrangements in relation to additional international tax and social security contributions may be offered, as required. Secondment fees may be offered where an Executive Director is asked to work temporarily in a different location. Other reasonable benefits may be introduced to reflect typical practice and the individual's country of residence. Executive Directors may participate in all-employee, tax-efficient share plans subject to prescribed limits.	The cost of providing market competitive benefits may vary from year-to-year depending on the cost to the Company from third party providers.	No performance measures apply.
Pension	To provide a market-competitive, cost-effective contribution towards post-retirement benefits.	Executive Directors may receive a company contribution into a pension plan or a cash allowance in lieu of pension.	The Company contribution to defined contribution plans or salary supplement will be in line with the workforce pension in the relevant jurisdiction	No performance metrics apply.

CONTINUED

> Remuneration Committee Report

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Annual bonus	To motivate Executive Directors and incentivise the achievement of annual financial and/or strategic targets. Bonus deferral in shares provides retention and alignment with longer-term performance and shareholder interests.	Targets are reviewed annually at the start of the financial year. Bonus payment is determined by the Committee after the year end, based on performance against the pre-determined targets set. Bonus is payable in a mix of cash and deferred shares which vest after a deferred period. 50% of any bonus earned will be deferred into shares for three years. Recovery and withholding provisions apply for three years following the payment of a bonus and/or grant of a deferred bonus award in circumstances including (but not limited to) error in calculation, gross misconduct, fraud, corporate failure, reputational damage or misstatement. An additional payment (in the form of shares) may be made in respect of shares that vest to reflect the value of dividends that would have been paid on deferred shares during the deferral period.	The maximum opportunity is 150% of base salary. At the threshold for payment up to 20% of the maximum may be payable.	The bonus will be based on the achievement of an appropriate mix of challenging financial, strategic or individual targets. Financial measures will typically account for the majority of the bonus. A range of targets is set by the Committee, taking into account factors such as the business outlook for the year. If non-financial or individual measures are included, where possible a performance range will be set. The detail of the measures, targets and weightings may be varied by the Committee year on year based on the Company's strategic goals.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Performance Share Plan	Incentivises selected employees and Executive Directors to achieve demanding financial and superior long-term Shareholder returns. Retains key employees over the long-term. Aligns the interests of the participants and shareholders through the requirement to build and maintain a substantial shareholding.	Awards are normally granted annually in the form of either conditional awards, nominal or nil-cost options and vest after three years. Participation and award levels are reviewed annually taking into account matters such as market practice, overall remuneration, the prevailing share price at the date of grant, the performance of the Company and the recipients of the award. There will be a two-year holding period on shares acquired from vested awards. There is general discretion for the Committee to override any formula driven outturn to determine a different level of vesting, taking into account wider circumstances. An additional payment (in the form of shares) may be made in respect of shares that vest to reflect the value of dividends that would have been paid on deferred shares during the vesting period. Recovery and withholding provisions apply for three years following the vesting of an award in circumstances including (but not limited to) error in calculation, gross misconduct, fraud, corporate failure, reputational damage or misstatement.	The maximum annual award under the PSP that may be granted to an individual in any financial year is 200% of base salary.	The exercise of awards is conditional upon the achievement of one or more performance targets set by the Remuneration Committee at the time of grant and measured over a three-year period. In determining the target range for any financial measures that may apply, the Committee ensures they are challenging by taking into account current and anticipated trading conditions, the long-term business plan and external expectations. Performance periods will usually commence from the start of the financial year in which the award is made. No more than 25% of the relevant part of the award would vest for achieving the threshold level of performance. The Committee retains the flexibility to vary the mix of metrics for each year's award in light of the business priorities at the time or to introduce new measures to support the long-term business strategy.

CONTINUED

> Remuneration Committee Report

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Non-executive Directors' fees	To attract and retain high quality and experienced Non-executive Directors.	The fees of the Non-executive Directors are set by the Board and the Chairman's fee is set by the Committee (the Chairman and the Non-executive Directors do not take part in any discussion of their own fees). Fees are reviewed periodically by reference to market levels and likely time commitment. The Chairman receives a basic fee covering all his responsibilities. Non-executive Directors receive a fee for carrying out their duties, together with additional fees for membership of committees, or for those who chair the primary Board committees and the Senior Independent Director. There may also be an additional allowance paid for overseas based Directors. The level of fees of the Chairman and other Non-executive Directors reflect the time commitment and responsibility of their respective roles. Their fees are reviewed from time to time against broadly similar UK-listed companies and companies of a similar size. The Chairman and other Non- executive Directors do not participate in any incentive arrangements and they do not receive a pension contribution. They do not receive any benefits. They may be reimbursed for the cost of travel or overnight accommodation and related expenses incurred in carrying out their duties which are deemed taxable by the relevant tax authority (including any personal tax due on such expenses).	Details of current fees are set out in the Annual Report on Remuneration.	No performance measures apply.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Share ownership policy	To align interests of management and shareholders and promote a long-term approach to performance and risk management.	Executive Directors are required to build up and maintain a shareholding in the Company equal to at least 250% of salary. Shares owned outright by Executive Directors are included in the guideline together with the net of tax value of deferred bonus share awards. The Committee will review progress annually with an expectation that Executive Directors will make progress towards the achievement of the shareholding policy guideline each year. At least half of vested PSP and deferred share bonus awards (after the sale of shares to cover associated personal tax liabilities) are expected be retained until the guideline is met. Following cessation of employment an executive must retain shares at a level of 200% of base salary (or the actual shareholding value, if lower) for at least two years.	Not applicable.	No performance measures apply.

Notes to the policy table:

ANNUAL BONUS AND PERFORMANCE SHARE PLAN PERFORMANCE METRICS

The annual bonus and PSP measures are reviewed annually and reflect the key financial, strategic and operational priorities of the Group. Stretching targets are set by the Committee taking account of the Company's business plan and external expectations. Further information on the measures chosen for the FY20 incentive plans and their link to the business strategy are explained in the 'Application of the Remuneration Policy' section.

MAXIMUM OPPORTUNITY UNDER REMUNERATION ELEMENTS

The Committee would normally consult with major shareholders prior to making any material increases to remuneration within the policy.

NON-EXECUTIVE DIRECTOR FEES

Increases to these fees will be in line with the average UK workforce salary increase, excluding promotions.

CONTINUED

> Remuneration Committee Report

Remuneration Committee scope for discretion

The policy may be adjusted to take account of external legal, tax or regulatory changes in the jurisdictions in which the Company operates, to ensure that it may operate as intended.

The Committee will operate the Annual Bonus Plan (ABP) and the PSP according to their respective plan rules and the policy set out above. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include, but are not limited to, the following:

- who participates in the plan;
- the timing of grant and/or payment;
- the size of an award and/or a payment;
- the choice of performance measures and targets for each incentive plan in accordance with the policy set out above and the rules of each plan;
- the ability to vary any performance conditions if circumstances occur which cause the Remuneration Committee to determine that the original conditions have ceased to be appropriate provided that any change is fair and reasonable and in the Committee's opinion, not materially less difficult to satisfy than the original condition;
- discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- the ability to adjust where the formulaic outcome does not reflect underlying corporate performance, the investor experience or employee reward outcome;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment under the plan rules; and
- recovery and withholding of any award within a three year period of the later of the grant date or vesting date.

Any use of discretion would (where relevant) be explained in the Chair's Statement and the Annual Report on Remuneration, and may be the subject of consultation with the Company's major shareholders.

Legacy arrangements

For the avoidance of doubt, any remuneration or payments for loss of office that are not in line with this policy may be made if the terms were agreed before the approval of this policy, including the release of ordinary shares, subject to an extended restricted sale period as set out in the IPO Prospectus. In addition, authority is given to the Company to honour any commitments entered into at a time when the relevant employee was not a Director of the Company.

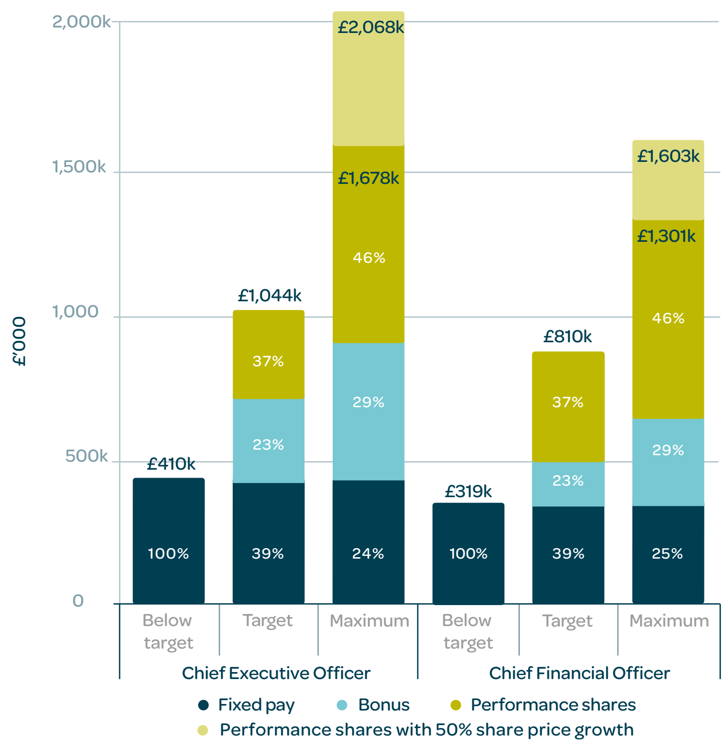
Remuneration scenarios for Executive Directors

The charts below give an indication of the level of total annual remuneration that would be received by each Executive Director in accordance with the new policy (as it will apply for the 2020 financial year) in respect of minimum pay (fixed pay), on-target and maximum performance based on assumptions set out below.

Minimum: Comprises fixed pay only using the salary rate on 1 January 2020, the value of benefits in 2019 and a 4% company pension contribution.

On-Target: A bonus of 62.5% of salary is payable (50% of maximum) for target performance and half the PSP awards vest (based on a grant value of 200% of salary).

Maximum: Comprises fixed pay and assumes that the maximum annual bonus is paid (125% of salary) and the 2020 PSP grant (200% of salary) vests in full. The maximum scenario includes an additional element to represent 50% share price growth on the PSP award from the date of grant to vesting.



Executive Directors' service contracts

	Date of appointment	Expiry date of current service agreement or letter of appointment, or date of resignation
Executive Directors		
James Ireland	1 July 2018	N/A (rolling six month notice period)
Martin Schnaier	23 January 2019	N/A (rolling six month notice period)
Chairman and Non-executive Directors		
Rupert Robson	1 March 2015 Re-appointed 30 January 2018	27 February 2021
Andy Pomfret	24 March 2015 Re-appointed 30 January 2018	23 March 2021
Nicola Palios	26 March 2015 Re-appointed 30 January 2018	25 March 2021
Mel Carvill	1 January 2018	2021 AGM
Julia Chapman	1 July 2018	2021 AGM
Yves Stein	1 October 2018	2021 AGM

The Committee's policy is for Executive Directors' service agreements contracts to be terminable on no more than six months' notice. The details of existing Executive Directors' service contracts are summarised in the table.

Executive Director	Date of service contract	Notice period
Martin Schnaier	23 January 2019	Six months' notice from either party
James Ireland	1 July 2018	

Executive Directors' contracts contain provisions for payment in lieu of notice. The Committee will take into consideration the circumstances and reasons for departure, including the individual's performance, in every case.

In the event of an Executive Director's departure the Company may, at its discretion, pay base salary in lieu of any unexpired part of an Executive Director's notice period, either in equal monthly instalments until the end of the notice period or as a lump sum.

Service contracts may be terminated without notice and without any payment in lieu of notice in certain circumstances, such as gross misconduct or gross negligence.

If the Executive Director is put on garden leave, then he remains in employment and may continue to receive base salary and benefits during that period.

In addition, the Committee may agree to payment of outplacement counselling costs and disbursements (such as legal costs) if considered to be appropriate and dependent on the circumstances of departure.

CONTINUED

> Remuneration Committee Report

Treatment of incentives on loss of office

Normally, the opportunity to receive a bonus in respect of the relevant bonus year will lapse upon a participant ceasing to hold employment or to be an Executive Director. However, where the individual is considered a 'good leaver' (in the event of death, injury, disability, or sale of employing company or business out of the Group or for any other reason at the discretion of the Committee) the Committee may determine that such individual shall remain eligible for consideration for the payment of a pro-rated bonus on the normal payment date (or such earlier date the Committee determines). No bonus will be payable for any period of notice not worked.

Any outstanding share awards held by a departing Executive Director will be treated in accordance with the relevant share plan rules. The default treatment under the deferred element of the ABP and PSP is that any outstanding awards will lapse on cessation of employment.

However, in certain prescribed 'good leaver' circumstances (as set out earlier) and in other circumstances at the discretion of the Committee:

- deferred ABP awards will vest at the normal time (unless earlier in exceptional circumstances if the Committee so determines); and
- PSP awards will vest at the normal vesting date unless, in exceptional circumstances, the Committee determines that they may vest earlier. In either case, the number of awards capable of being exercised will be determined by reference to the satisfaction of performance criteria and reduced pro rata for time (unless the Committee determines that prorating should apply to a lesser extent or not at all). Where awards are subject to a post vest holding period this would continue unaffected.

Non-executive Directors

All Non-executive Directors have letters of appointment with the Company for an initial three-year term and, in line with market practice, there is typically an expectation for Non-executives to serve two three-year terms but they may be invited by the Board to serve an additional period, subject to annual re-appointment at the AGM. Appointments are terminable by either party on three months' written notice. The appointment letters for the Non-executive Directors provide that no compensation is payable on termination, other than accrued fees and expenses.

All Executive Directors' service agreements and Non-executive Directors' letters of appointment are available for inspection at the Company's registered office at IFC5, St Helier, Jersey, JE1 1ST.

Recruitment policy

The Company may agree, on the appointment of a new Executive Director, that any notice given by the Company will not expire prior to the first anniversary of the commencement date of the Executive Director's appointment.

In setting the remuneration for a new Executive Director, the Remuneration Committee will take account of the calibre of the individual, market data and the remuneration arrangements for current Executive Directors.

Base salary, benefits, annual bonus and long-term incentives would be set in accordance with the Remuneration Policy in place at the time of appointment. Base salaries are set to take into account the experience of the candidate subject to the Committee's judgement that the level of remuneration is in the Company's best interests.

In the case of an external hire, if it is necessary to buy out incentive pay or benefit arrangements which would be forfeited on leaving the previous employer, this would be provided for taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. The principle will be that any replacement awards will be of broadly comparable value to the value the Executive Director has left behind. Replacement share awards, if used, may be granted using the Company's existing share plans to the extent possible, although awards may also be granted outside of these schemes.

In the case of an internal hire, any legacy variable pay award in relation to the previous role will be allowed to pay out according to its terms of grant even if not awarded under the terms of this policy. Similarly, if an Executive Director is appointed following a merger or acquisition of another company, any legacy pay arrangements may be honoured.

Consideration of shareholder views

The Committee considers an open and constructive dialogue with investors to be important to establishing a successful Remuneration Policy which is considered fair and transparent by both Executive Directors and shareholders. Therefore, the Committee engaged pro-actively and extensively with major shareholders and shareholder bodies prior to proposing the changes to the policy, and will continue to do so in future whenever any material changes are being considered. The Committee also welcomes investor feedback and will consider views raised at the AGM and at other times throughout the year. In the recent consultation regarding the new policy, a number of adjustments were made to reflect shareholder comments, including the phasing of the increase in PSP grants and changes to the post-cessation shareholding requirements.

Consideration of employment conditions elsewhere in the Group

The Committee is aware of the disconnect which can be created if Executive Director remuneration is set in isolation and therefore is updated during the year with details of the pay and employment conditions in the wider workforce. In particular, the Committee is made aware of general salary increases, general benefit provision and the proposed level of annual bonuses. The Committee is also responsible for reviewing the proposed participants of the PSP.

Just after the year end, in January 2020, the Chairman of the Committee met with the Workforce Advisory Panel to discuss our Remuneration Policy and how executive pay aligns to the pay policy for the broader workforce.

> Annual Report on Remuneration

Implementation of the Remuneration Policy for 2020

BASIC ANNUAL SALARY

As set out in last year's report, and in this year's Chair's Statement, Martin Schnaier's base salary will be £390,000 with effect from 1 January 2020 as the last stage of the planned salary increases to achieve the desired positioning. The CFO's salary has been increased by 2.41% with effect from 1 January 2020.

	2019	2020 (from 1 January)
Chief Executive Officer	£360,000 (from AGM)	£390,000
Chief Financial Officer	£295,000	£302,100

Pension

An employer contribution of 4% of salary, in line with the UK workforce.

Benefits

Executive Directors will be provided benefits as outlined in the policy.

Annual bonus

The annual bonus opportunity for Executive Directors for 2020 shall be 125% of salary, and bonuses will be based on a sliding scale of challenging underlying profit before tax from continuing operations targets for 75% of the bonus and strategic targets for 25%. The amount payable at threshold will be 20% of salary and the amount payable at a target level or performance will be 62.5% of base salary (50% of the maximum).

The profit component will be based on underlying profit before tax. Underlying profit before tax is the most important financial metric at SANNE and the targets have been set by the Committee after taking account of the Company's business plan and external expectations, with full payment being made only in the case of exceptionally strong performance.

Non-financial objectives will be based on short-term operational and strategic priorities of the business. For Martin Schnaier, a summary of these is disclosed below.

Individual Strategic measure	Link to business strategy
Growth	Stronger revenue and earnings growth in core markets
Target Operating Model	Service delivery and operational transformation
Risk and Compliance	Risk and compliance culture strengthened further
Executive Team	Embedding the new team to deliver the strategic agenda
Technology	Focus on data and innovation to support the strategy
Human Resources	Redefined development strategy and a reduction in "own volition" employee turnover
Group Development	Ensure corporate culture, Group structure and operations are fit for purpose for next stage of evolution
COVID-19	Ensuring a proportionate and balanced approach acting in the interests of all stakeholders

For James Ireland, these will focus on similar areas to 2019:

Individual Strategic measure	Link to business strategy
Investor Relations	Proactive stakeholder management to enhance investor engagement
Financial Performance	Improve further financial reporting, billing processes and cost control
Acquisition Growth	Deliver on growth through targeted acquisitions
Risk and Compliance	Support the enhanced risk culture across the Group
Management	Attract, retain and embed a high performing finance team
COVID-19	Ensuring a proportionate and balanced approach acting in the interests of all stakeholders

The Committee considers that the profit and non-financial targets are commercially sensitive, which means that they cannot be disclosed in advance. However, we will disclose the underlying profit targets, the non-financial objectives and performance against these targets in next year's remuneration report, together with the use of any discretion.

Half of any bonus will be payable in cash and the other half will be deferred in shares for a period of three years.

Performance Share Plan

PSP awards with a face value of 200% of salary will be granted to Executive Directors.

75% of an award will be determined by an EPS performance condition. A stretching range of underlying diluted EPS growth targets has been set, as set out below:

Compound annual growth over three years from 2019 (underlying diluted EPS from continuing operations)	Proportion of this part of the award vesting (75%)
Less than 7.5%	Zero
7.5%	25%
18%	100%

Awards vest on a straight line basis for performance between minimum and maximum payment thresholds.

25% of an award will be determined by a Total Shareholder Return (TSR) performance condition, comparing SANNE's TSR (share price and dividend performance) over the performance period, against the constituents of the FTSE 250 Index (excluding Investment Trusts) at the start of the performance period. Vesting will be in line with the table below:

SANNE's TSR performance against the FTSE 250 Index constituents (excluding Investment Trusts)	Proportion of this part of the award vesting (25%)
Below median	0%
Median	25%
Upper quartile	100%
Between median and upper quartile	Between 25% and 100%

A two-year post-vest holding period will apply, creating a five-year period between the grant of an award and the first opportunity to sell (the net of tax) vested shares.

Non-executive Directors' fees

Following a review of the current fee level for the Chairman and taking into account increased time commitment and comparable market rates we have increased the fee from £160,000 to £180,000.

Following a review in 2018 there are no changes to the fee structure for NEDs for 2020, although the actual fees will increase by 2.41% in line with the average increase for the UK workforce. The changes are summarised as follows:

Position	2019 fee	2020 fee
Chairman	£160,000	£180,000
Base fee	£58,000	£59,396
Committee Chair (Remuneration, Risk and Audit)	£15,000	£15,361
SID	£5,000	£5,120
Committee member	£2,000	£2,048
Workforce liaison Non-executive Directors	£3,000	£3,072
Overseas allowance (Mel Carvill, Julia Chapman and Yves Stein)	£5,000	£5,120

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> Annual Report on Remuneration

Annual Report on Remuneration

The information contained in this section of the Remuneration Report is audited, unless otherwise stated.

Remuneration payable to each Director for service in 2019

The table below sets out the remuneration for each Director in 2019 and in the prior year. The disclosures are in respect of qualifying services and are based on full financial years (1 January to 31 December) and show actual remuneration paid, rather than annualised figures, for joiners and leavers for their period of service.

		Fees/ salary £	Benefits[2] £	Pension[3] £	Bonus[4] £	PSP[6] £	Other £	Total £
Executive Directors								
Dean Godwin (until 16 May 2019)	**2019**	**119,538**	**14,370**	**0**	**0[5]**	**0**		**133,908**
	2018	292,000	4,915	0	133,424	380,025	–	810,364
Martin Schnaier (from 23 January 2019)[1]	**2019**	**320,273**	**2,317**	**12,236**	**72,061**	**0**		**406,887**
	2018	–	–	–	–	–	–	–
James Ireland (from 1 July 2018)	**2019**	**295,000**	**2,623**	**11,062**	**66,375**	**0**		**375,060**
	2018	147,500	3,182	4,425	76,700	–	99,432[7]	331,239
Non-executive Directors[8]								
Rupert Robson	**2019**	**160,000**	**–**	**–**	**–**	**–**	**–**	**160,000**
	2018	160,000	–	–	–	–	–	160,000
Andy Pomfret	**2019**	**83,000**	**–**	**–**	**–**	**–**	**–**	**83,000**
	2018	75,000	–	–	–	–	–	75,000
Nicola Palios	**2019**	**75,000**	**–**	**–**	**–**	**–**	**–**	**75,000**
	2018	70,000	–	–	–	–	–	70,000
Mel Carvill	**2019**	**80,000**	**–**	**–**	**–**	**–**	**–**	**80,000**
	2018	70,000	–	–	–	–		70,000
Julia Chapman (from 1 July 2018)	**2019**	**68,000**	**–**	**–**	**–**	**–**	**–**	**68,000**
	2018	30,000	–	–	–	–	–	30,000
Yves Stein (from 1 October 2018)	**2019**	**68,000**	**–**	**–**	**–**	**–**	**–**	**68,000**
	2018	15,000	–	–	–	–	–	15,000

1. Martin Schnaier's base salary and pension payments relate to the time he was a Director from 23 January 2019. The bonus amount shown has been pro-rated for the period of service as a Director.
2. Benefits comprise the value of Group income protection insurance, life assurance, private medical cover. For Dean Godwin, 2019 benefits include the value of accrued but untaken holiday on cessation of employment (£12,721).
3. The CEO and CFO received pension contributions of 3% of base salary until 30 March 2019. From 1 April 2019, their pension contributions increased to 4% of salary, in line with the UK workforce.
4. 50% bonus is payable in shares, deferred for two years subject to service in relation to the 2018 bonus payment and deferred for three years subject to service in relation to the 2019 bonus.
5. Dean Godwin waived his right to receive a bonus in relation to the period of FY19 worked.
6. The 2018 PSP value for Dean Godwin was estimated based on a three month average share price over Q4 2018 of 588.8p and includes dividends equivalents. The value of the PSP has been restated this year to show the actual value on vesting, as required by the regulations. This has changed the total remuneration figure slightly compared to last year.
7. The table sets out James Ireland's grant of 15,227 deferred shares on joining, to replace awards forfeited at his previous employer. The awards will vest on a phased basis up to April 2022. Full details of the vesting schedule were set out in last year's report and the above is enhanced disclosure.
8. Non-executive Directors did not receive any benefits, including pension, or incentive payments during 2018 or 2019.

2019 Annual Bonus out-turn

Bonuses paid in respect of the year-ended 31 December 2019 were based 75% on underlying profit before tax targets and 25% on non-financial targets. The assessment of performance and resultant pay outs is set out below:

PBT targets (75%)

Performance measure	Weighting %	Threshold £'000 (16% of maximum	Target £'000 (48% of maximum)	Maximum £'000 (100% of maximum)	Actual £'000	(% of maximum)
Underlying PBT targets	75%	£47,882	£51,160	£54,820	£42,415	0%

Performance against non-financial strategic targets (25% weighting)

The Committee carefully evaluated the performance of the Executive Directors against a range of strategic measures.

Details of Martin Schnaier's achievements against key objectives set are as follows:

Theme	Objective	Assessment Factors	Score
Growth	Maintain double digit growth in revenue and earnings	• Very good revenue growth in legacy business, earnings were flat overall	1 out of 2
Group Services	Functional / operational transformation	• Outsourcing and rightshoring models further developed	1 out of 2
Risk and Compliance	Risk culture embedded across Group	• Successful delivery of internal risk projects • Consistent risk and control procedures in place	6 out of 7
Senior Management Team	Attract, retain and embed a high performing senior management team and reduce "own volition" turnover	• New business model embedded • Key appointments made at ExCo	3 out of 5
Personal Development	Grow into CEO role	• Demonstrably strong performance around the Board table • Effective interactions with investors	3 out of 4
Group Development	Preparing SANNE for the next stage in the Group's development	• Further M&A opportunities • Integration of recently acquired businesses	4 out of 5
		Total	18 out of 25

Details of James Ireland's achievements against objectives set are as follows:

Theme	Objective	Assessment Factors	Score
Investor Relations	Proactive stakeholder management	• Managed difficult and complicated messaging around financial performance • Has fully supported CEO during transition year • Proactively engaged with investors	1 out of 3
Financial Performance	Drive behaviours to deliver financial targets	• New debtor collection and reporting processes in place • H2 significantly improved cost management • Improved financial reporting	2 out of 4
Acquisition Growth	Strategic synergy and targeted acquisitions	• Successfully delivered minority investment and acquisition	3 out of 4
Risk and Compliance	Support the risk culture implementation	• Core role of finance function in supporting the management and control of risk • Managed ongoing engagement with regulators	4 out of 4
Management	Attract, retain and embed a high performing function	• High degree of retention of key personnel • Development of services provided	6 out of 7
Personal Development	Growing into CFO role	• Provided excellent support for CEO in transition year • Strong relationship with Board	2 out of 3
		Total	18 out of 25

Although Dean Godwin was eligible to participate in the FY19 bonus plan in relation to the proportion of FY19 that he worked, he has waived his right to any bonus in respect of the financial and non-financial strategic targets element.

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> Annual Report on Remuneration

2019 bonus out-turn

Based on the performance conditions described above the total bonus payable for each executive is therefore:

	Maximum bonus payable (% of salary)	Actual bonus payable (% of maximum)	Total bonus payable (50% into cash and 50% into shares deferred for three years)
Martin Schnaier	125%	18%	£72,061
James Ireland	125%	18%	£66,375

Deferred bonus shares granted in the year in respect of the 2018 bonus

The table below sets out the deferred shares granted in 2019 in respect of the 2018 bonus. The deferred shares will vest three years from the date of grant.

	Date of grant	Shares awarded	Face value of award*
James Ireland	13 June 2019	5,588	£38,350

*Calculated using the average of the five dealing days prior to and including the date of grant of 686p.

Performance Share Plan awards granted in 2017 with performance period ending during the year

The 2017 award under the PSP was based on performance for the financial year ending 31 December 2019.

Measure	Threshold (25%)	Maximum (100% vests)	Actual performance	% of award achieved
Underlying total group diluted earnings per share in 2019	32.5p	36.5p	23.6p	0%

Performance Share Plan grants in year under review

	Date of grant	% salary grant	Shares awarded	Share price on date of grant	Face value of award	% vesting at threshold performance	Vesting date	Performance conditions
Martin Schnaier	13 June 2019	150%	78,511	683p	£536,230	25%	13 June 2022	EPS in 2021 and TSR over three years
James Ireland	13 June 2019	150%	64,336	683p	£439,415	25%	13 June 2022	

The PSP awards will vest subject to performance against underlying diluted EPS CAGR targets (75% of the award) and total shareholder return versus the FTSE 250 (25% of the award).

The EPS targets are as follows:

Compound annual growth from 2018 underlying diluted EPS from continuing operations	Proportion of this part of the award vesting (75%)
Less than 7.5%	Zero
7.5%	25%
18%	100%

25% of an award will be determined by a Total Shareholder Return (TSR) performance condition, comparing SANNE's TSR (share price and dividend performance) over the performance period, against the constituents of the FTSE 250 Index (excluding Investment Trusts) at the start of the performance period. Vesting will be in line with the table below:

SANNE's TSR performance against the FTSE 250 Index constituents (excluding Investment Trusts)	Proportion of this part of the award vesting (25%)
Below median	0%
Median	25%
Upper quartile	100%
Between median and upper quartile	Between 25% and 100%

Payments to past Directors and loss of office

There were no payments to past Directors including any payments for loss of office. As explained in last year's report Dean Godwin continued to be paid salary and benefits up to his cessation of employment. He waived his entitlement to a bonus for the part of FY19 worked and all outstanding deferred bonus and PSP awards lapsed.

Directors' interests in shares

Directors' shareholdings (including those of their connected persons) are summarised in the table below:

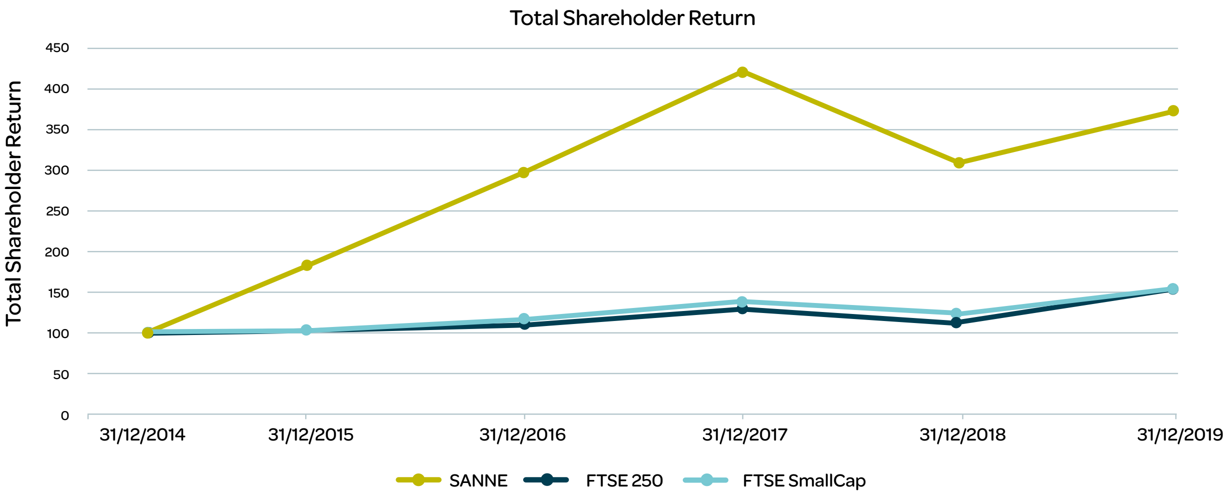
	Legally owned (as at 31 December 2019 or date of leaving)	Legally owned (as at 31 December 2018)	Unvested shares subject to performance conditions	Unvested shares not subject to performance conditions (e.g. deferred bonus awards)	% of salary held under share ownership policy[1]
Executive Directors					
Martin Schnaier	272,104	246,829	112,960	–	512%
James Ireland	16,816	2,520	114,706	13,519	302%
Dean Godwin[2]	1,144,278	1,064,383	–	–	–
Non-executive Directors					
Rupert Robson	52,189	14,582	n/a	n/a	n/a
Andy Pomfret	53,333	53,333	n/a	n/a	n/a
Nicola Palios	5,499	5,499	n/a	n/a	n/a
Mel Carvill	–	–	n/a	n/a	n/a
Julia Chapman	2,862	–	n/a	n/a	n/a
Yves Stein	–	–	n/a	n/a	n/a

1. Calculated as legally owned shares held on 31 December 2019 multiplied by the share price on that date divided by 2019 base salary. The share ownership guideline, set out in the Remuneration Policy on page 85, requires Executive Directors to build and maintain a shareholding worth the equivalent of 250% of base salary.
2. All of Dean Godwin's unvested deferred bonus shares and PSP awards lapsed on cessation of employment, as set out in his leaving arrangements.

There are no share options held by any Directors. During the period 31 December 2019 to 18 March 2020, being the latest practicable date prior to the publication of this Annual Report and Accounts, there have been no changes in the Directors' share interests.

Performance graph and Chief Executive Officer's total remuneration history (unaudited)

The graph below illustrates the Company's TSR performance relative to the FTSE Small Cap Index and FTSE 250 indices. Performance is shown from Admission on 1 April 2015 (using the 200p offer price as the base) to 31 December 2019. The graph shows the value of £100 invested in the Company and £100 invested in the FTSE Small Cap and FTSE 250 indices and their respective performance over that period. These indices have been chosen and are considered the most relevant comparator indices as SANNE has been a constituent of both indices since Admission; the FTSE Small Cap from Admission and more recently, the FTSE 250 in 2017.



The table below details the history of the CEO's remuneration since IPO. In subsequent reports the table will expand until it shows ten years of data:

	2015	2016	2017	2018	**2019[1]**	**2019[2]**
Total remuneration	£227,162	£239,453	£366,002	£810,364	**£133,908**	**286,691**
Annual bonus outcome (% of max)	n/a	0%	38%	46%[2]	**0%**	**18%**
PSP vesting (% of max)	n/a	n/a	n/a	100%	**0%**	**0%**

1. Total remuneration for Dean Godwin for the period 1 January to 2019 to 16 May 2019 on the cessation of his employment.
2. Martin Schnaier's remuneration from the date he was appointed CEO, 16 May 2019.

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> Annual Report on Remuneration

Percentage change in the remuneration of the Chief Executive Officer (unaudited)

The table below shows the change in the CEO's remuneration compared to the change in remuneration of all full-time employees across the Group, pay-rises granted within the businesses acquired in 2018 and 2019 have been excluded to ensure a better like-for-like comparison.

	Base salary % change	Benefits % change	Annual bonus % change
CEO	16.7%	-52.9%	-42.5%
Employees	4.5%	15.8%	-3.7%

The CEO salary change is based on the annualised salary of Martin Schnaier for 2019 compared to the 2018 salary for Dean Godwin.

CEO pay ratios compared to the workforce (unaudited)

The calculation of the pay ratios has been made in accordance with Option A under the regulations. The Committee considers that the relatively low ratios are a result of restraint on senior executive remuneration and competitive pay for the workforce generally, in what is a relatively highly paid sector. In future years we will highlight year-on-year changes with supporting narrative.

	Ratio of CEO pay to employee pay in 2018	Employee total salary in 2019	Employee total pay in 2019	Ratio of CEO pay to employee pay in 2019
CEO pay to the 25th percentile employee pay	28.1:1	£30,500	£33,128	12.7 : 1
CEO pay to the 50th percentile employee pay	15.7:1	£50,000	£53,614	7.8 : 1
CEO pay to the 75th percentile employee pay	8.5:1	£76,900	£83,593	5.0 : 1

The table above sets out the CEO pay ratio for 2019. The CEO pay used for the ratio comprises the pay of Dean Godwin for the period 1 January 2019 to 16 May 2019 when he stepped down from the role as Chief Executive, and the pay of Martin Schnaier for the period 16 May 2019, when he was appointed as Chief Executive, to 31 December 2019. The combined total CEO pay is compared to the pay of our UK employees at the 25th, 50th and 75th percentile, calculated based on full-time equivalent base pay data as at October 2019. Leavers and joiners are included and have been converted to full-time equivalents. Total pay for the ratios includes salary, benefits, pension and bonus. No LTIP awards with performance periods ending in 2019 vested as a result of performance. The ratio has decreased this year in part due to the bonus payout as a % of maximum decreasing as a result of 2019 performance and due to Dean Godwin waiving his 2019 bonus. Furthermore, the 2017 PSP awards lapsed in full, whereas the PSP awards with performance periods ending in 2018 vested in full. The Committee is satisfied the reward policies and practices for our employees are aligned to those set for the Executive Directors, and that the median pay ratio is consistent with the pay, reward and progression policies across all of the Sanne employees.

Relative importance of spend on pay (unaudited)

The following table sets out the percentage change in overall spend on pay, distributions to shareholders and profit in 2019 compared to 2018:

	2019	2018	% change
Staff costs	**£84.5m**	£70.7m	19.5%
Distributions to shareholders	**£20.7m**	£20.1m	3.0%
Underlying profit before tax	**£42.4m**	£42.6m	-0.5%

The 2018 figures for the staff costs have been adjusted from those reported in the Annual Report as advised by the newly appointed auditors to include the cost of Share Based Payments. The dividends for 2018 have been corrected to reflect distributions relating to the financial year rather than those paid during the financial year. The percentage change in underlying profit before tax has been shown as this is the most important financial KPI used to monitor Sanne's performance.

Membership of the Remuneration Committee (unaudited)

The Company's Remuneration Committee is constituted in accordance with the recommendations of the UK Corporate Governance Code. The Committee is a committee of the Board which determines the Group's policy on the remuneration of the Executive Directors, the Chairman and other relevant members of senior management. The Committee's terms of reference can be found on the Company's website, www.sannegroup.com. Membership and attendance at the scheduled Committee meetings during the year was as follows:

Current Committee members	Eligible to attend	Attended
Nicola Palios (Committee Chair)	4	4
Julia Chapman	4	4
Rupert Robson	4	4

None of the Committee has any personal financial interest (other than as a shareholder), conflicts of interest from cross-directorships or day-to-day involvement in the running of the business.

The Chairman, CEO, CFO, Group Company Secretary and Head of Human Resources are invited to attend selected meetings, although they are not present when matters affecting their own remuneration are being discussed. The Group Company Secretary acts as secretary to the Committee. In addition, the Committee's advisers, Korn Ferry, may be invited to attend.

The role of the Committee (unaudited)

The key responsibilities of the Committee are:

- to determine and agree with the Board the framework and policy for remuneration of the Chairman, the Executive Directors and senior management;
- review the Remuneration Policy for all employees and have regard to pay and employment conditions across the Group, especially when determining changes to senior executive remuneration;
- to determine the total individual remuneration package of each Executive Director, the Chairman and senior management including bonuses and share awards;
- review and take into account wider workforce remuneration, pension arrangements, related policies and align the incentives and rewards with culture;
- ensure appropriate engagement with the wider workforce to explain the alignment between the executive remuneration pay policy and the wider workforce pay policy;
- ensure share incentive plans promote long-term shareholdings by Executive Directors that support long-term shareholder interests;
- develop a policy for post-employment shareholding requirements encompassing both vested and unvested shares;
- obtain accurate information about remuneration in other companies of comparable scale and use such information carefully;
- to appoint remuneration consultants;
- approve the design of any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- ensure that contractual terms on termination, and any payments made, are appropriate;
- oversee any major changes in employee benefits structures throughout the Company or Group;
- agree the policy for authorising claims for expenses from the Directors; and
- work and liaise as necessary with all other Board committees.

Remuneration Committee activities in 2019 (unaudited)

The Committee's activities, carried out during the year and subsequently, covered, but was not limited to, the following topics:

STRATEGY AND POLICY

- Final stages of the approval of the new Directors' Remuneration Policy prior to submission for shareholders' approval
- Consult with key shareholders and proxy agencies in relation to the new policy
- Review gender pay and talent pipeline

ANNUAL SALARY

- Review of salaries for Executive Directors including salary progression for existing CEO
- Approval of the increase to the Chairman's fee

ANNUAL BONUS

- Review of executives' personal objectives
- Review of personal performance
- Determining bonus outcomes
- Setting measures and targets, including appropriate non-financial metrics

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Annual Report on Remuneration

PSP

- Determine vesting levels
- Share ownership/retention guidelines
- Setting measures and targets for FY19 award
- Considering adjustments to EPS targets for new accounting basis for awards

REPORTS FROM ADVISERS

- Briefings (including governance)
- Benchmark data and market practice

CORPORATE GOVERNANCE

- Review 2018 UK Corporate Governance Code and new pay disclosure regulations
- Review of the Committee's terms of reference
- Regulatory updates
- Committee evaluation

Advisers (unaudited)

Korn Ferry have been advising the Committee since August 2018, when they were appointed by the Committee following a competitive tender process. Additionally, in the year under review Korn Ferry were retained to provide Executive Search services for one specific appointment. There are processes in place to ensure the advice received by the Committee is independent of any other services provided by Korn Ferry to management.

Korn Ferry are founder members of the Remuneration Consultants Group and adhere to the Code of Conduct in relation to executive remuneration consulting in the UK.

In 2019, the fees paid to Korn Ferry in respect of remuneration advice amounted to £37,613 (2018: £40,184). Charges were based upon time spent on the services and the seniority of staff performing the work.

Statement of voting at the Annual General Meeting (unaudited)

The Committee is directly accountable to shareholders and, in this context, is committed to an open and transparent dialogue with Shareholders on the issue of executive remuneration and the Committee Chairman is available to answer questions at each AGM.

At the 2019 AGM, the Directors' Remuneration Policy and the Annual Report on Remuneration received the following votes from shareholders:

Directors' Remuneration Policy (binding vote)	Total number of votes	% of votes cast
For	110.8m	97.88%
Against	2.40m	2.12%
Abstentions	0m	0%
Total	**113.2m**	**100%**
Annual Report on Remuneration		
For	112.9m	99.80%
Against	0.23m	0.20%
Abstentions	0m	0%
Total	**113.2m**	**100%**

Votes for include those registered as "Discretion".

For and on behalf of the Board.

Nicola Palios
Chair of the Remuneration Committee
18 March 2020

> Directors' Responsibility Statement

Martin Schnaier

CHIEF EXECUTIVE OFFICER

James Ireland

CHIEF FINANCIAL OFFICER

The Directors are responsible for keeping proper accounting records that disclose, with reasonable accuracy, at any time, the financial position of the Company. The Directors are responsible for preparing 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 the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report and Consolidated Financial Statements, taken as a whole, are fair and balanced and understandable and provide the information necessary for Shareholders to assess the Company's position, performance, business model and strategy.

The Directors confirm that they have complied with the above in preparing these financial statements.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement as a result of the Disclosure and Transparency Rules of the Financial Conduct Authority:

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the parent Company and its undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair view of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This responsibility statement has been approved by the Board of Directors of Sanne Group plc on 18 March 2020 and is signed on its behalf by:.

Martin Schnaier
Chief Executive Officer
18 March 2020

James Ireland
Chief Financial Officer
18 March 2020

> Independent auditors' report
to the members of Sanne Group plc

Report on the audit of the financial statements

Opinion

In our opinion, Sanne Group plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991 and Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report 2019 (the "Annual Report"), which comprise: the Consolidated Balance Sheet as at 31 December 2019; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated Statement of Changes in Equity for the year then ended; and the notes to the consolidated financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group.

Other than those disclosed in the Audit Committee Report and Note 13, we have provided no non-audit services to the group in the period from 1 January 2019 to 31 December 2019.

Our audit approach

CONTEXT

Sanne Group plc is a FTSE 350 listed company. Sanne's business comprises the delivery of fund administration and fiduciary trust and related services principally to institutional markets. Sanne operates in a number of overseas territories, in particular Jersey, South Africa, Mauritius, Luxembourg and the United States of America.

Overview

- Overall group materiality of £1.0 million: 5% of adjusted profit before tax, with adjustments for the South Africa and Netherlands impairment of intangibles of £2.4 million, earn-out payment in respect of the LIS acquisition of £4.2 million and the Jersey Financial Services Commission fine and associated legal costs of £0.4 million.

- We performed an audit of the complete financial information of 5 financially significant components' profit before tax across a number of jurisdictions, as each represents more than 15% of absolute adjusted profit before tax.
- We also performed audit procedures on selected other balances, components, the Group consolidation adjustments and the financial statement disclosures.
- Taken together, our audit work accounted for more than 90% coverage over revenue, more than 85% coverage over direct costs and operating expenses and more than 70% coverage over adjusted profit before tax.

- Revenue recognition
- Impairment of goodwill and intangible assets

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to global regulatory principals in the jurisdictions in which Sanne Group plc operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies (Jersey) Law 1991 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journals to increase revenue or reduce expenses, and management bias in accounting estimates and judgemental areas of the financial statements such as the impairment of goodwill and intangibles, as described below in our key audit matters. The group engagement team shared their documented fraud risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with group and local management, including, for example, Internal Audit, Risk, Compliance and, where relevant, General Counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud impacting the Group and/or the component;
- Reviewing governance committee minutes for the plc Board, Audit Committee, Risk Committee and local Board meetings;
- Assessing executive and finance management remuneration structures and how closely relevant financial metric thresholds have been met (or not met) and how bias could therefore have occurred;
- Assessment of any matters reported on the Group's whistleblowing helpline and the Audit Committee's investigation of such matters, and testing the whistleblowing processes;
- Reviewing correspondence with regulators in relation to compliance with laws and regulations;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Procedures relating to judgemental areas of accounting and significant estimation, described in the related key audit matters below; and
- Identifying and testing journal entries, in particular any journal entries posted by key decision makers of the business, journal entries posted by unexpected users who were outside of the finance team or administrative and accounting teams, as well as journal entries posted after the ledgers had been closed.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

CONTINUED

Independent auditors' report
to the members of Sanne Group plc

Key audit matter	How our audit addressed the key audit matter
Revenue recognition Refer to Note 6: Revenue and Note 3: Significant accounting policies Auditing standards state that there is a rebuttable presumption that the auditor will identify the risk of fraud in revenue recognition as a significant risk. For the Sanne Group, we have identified three main revenue streams, being fixed fee based, Net Asset Value ('NAV') based and time and expenses based. Due to the number of contracts held across the Group and the importance of the revenue balance in the Consolidated financial statements, the risk has not been rebutted and we have assessed revenue to be a Key Audit Matter. Contract assets and debtor balances include an element of judgement in respect of the level of provisions existing at each reporting date. Without applying an appropriate level of provision for irrecoverable balances, amounts may exist that are not fully recoverable leading to overstatement in account receivables and revenue. We therefore performed audit work on such year end balances.	We understood and evaluated management's internal controls over fixed, time and expense and NAV based fees, including reviewing the receivables cycle, time capturing, the work-in-progress cycle and controls surrounding time and expense recording, NAV fees and fixed fees to identify key controls. We also understood and evaluated the IT systems in place that support revenue and billing in the business, utilising our IT specialists. We performed the following procedures over revenue: • Utilised Computer Assisted Audit Techniques (CAATs) for certain jurisdictions to ensure that revenue from fixed and time and expense based fees was recognised in accordance with the accounting policies and relevant frameworks. On a sample basis, we tested invoices for time and fixed fees to invoices raised and by agreeing these to respective supporting information and client contracts; • For NAV based fees, on a sample basis we agreed inputs to supporting documentation, including NAV reports and relevant signed service agreements. We performed back testing over a sample of NAVs to audited information, or reviewed the judgements in arriving at the NAV where unaudited; • Reviewed management models for compliance with International Financial Reporting Standards ('IFRS'), including the assumptions therein; and • Performed substantive testing over credit notes issued after year end and assessed whether they related to the current financial year. With regards to contract assets and debtor balances, we understood and evaluated the controls in place at Sanne in respect to the contract assets and debtors cycle and reviewed management's policy for contract asset recognition and policies applied for assessing recoverability. We obtained and reviewed management's policy for assessing bad debts, focusing on how the more significant and longest outstanding balances are being addressed. We obtained management's detailed assessment of contract assets and debtor recoverability as at 31 December 2019 and reviewed and challenged management, receiving appropriate supporting evidence and explanations on a sample basis. We assessed the existence of debtors by circularising closing balances on a sample basis. We reviewed and assessed management's IFRS 9 paper and related disclosures within the financial statements. No material issues were identified.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and intangible assets **Goodwill** Refer to the Audit Committee Report, Note 16: Goodwill, Note 4: Critical accounting judgements and key sources of estimation uncertainty and Note 3: Significant accounting policies In previous years and during the current year there have been a number of acquisitions by the group resulting in a goodwill balance of £180.4 million (2018: £188.8 million) relating to 7 cash generating unit as at the year-end. An annual impairment assessment for goodwill was performed by management, as required by International Accounting Standards ('IAS') 36. Management uses an income approach (discounted cash flow model) to determine the value in use of each cash generating unit (CGU) to which goodwill is allocated. The annual impairment assessment performed by management was considered a Key Audit Matter to our current year audit due to the complexity of the assessment process and significant judgements applied by management when determining the assumptions included in the discounted cash flow model. For example, recovery of these non-financial assets largely depends on the ability to achieve sufficiently profitable business in the respective CGU. The performance of financial markets and the general economic conditions in the geographical region and division within which a particular CGU operates, are determining factors in the recoverability of the asset value. Management also makes use of assumptions regarding the revenue growth rates (including the terminal growth rate), cost margins and discount rates, including the weighted average cost of capital in the discounted cash flow model. **Intangible assets** Refer to the Audit Committee Report, Note 17: Other intangible assets, Note 4: Critical accounting judgements and key sources of estimation uncertainty and Note 3: Significant accounting policies The group has recognised contract and customer intangible assets amounting to £36.9 million (2018: £54.9 million) and £8.2 million (2018: £11.2 million) respectively. These contract and customer intangibles were acquired as part of past business combinations. An impairment assessment was performed on the contract and customer intangible assets where there was objective evidence of impairment as required by IAS 36. There were no customer intangible assets with impairment indicators, however, the following contract intangible assets did have impairment indicators: Delorian, Ariel, IDS Group (Cape), Sorato (Tulip), IFS Group (Kestrel), and AgenSynd Group (Stream). For these contract intangible assets with impairment indicators, management determined the recoverable amount based on the fair value less costs to sell, in order to assess whether this was lower than the carrying value, and whether an impairment would be required. The results of the fair value less costs to sell calculations determined that two contract intangibles, IDS Group and Sorato had fair values less costs to sell that were lower than the current carrying values of these intangible assets. This resulted in an impairment on the IDS Group and Sorato contract intangibles as disclosed in Note 17 of the financial statements.	**Goodwill** We have evaluated the design and implementation of controls around the preparation and review of impairment models. Our audit procedures on the discounted cash flow model used by management in determining the value-in-use of these assets, included: • Testing the projected cash flows used in the discounted cash flow models to determine whether they are reasonable and supportable; • Comparing the projected cash flows for the next financial period with the latest approved budgets for consistency; • Comparing the projected cash flows against historical performance; • Testing the mathematical accuracy of the discounted cash flow model; • Considering the appropriateness of the terminal growth rate used, with the assistance of our valuation experts; • Comparing the risk-free rate and discount rates used by management in their discounted cash flows (as disclosed in Note 16 to the consolidated financial statements) to our internally developed benchmarks, with the assistance of our valuation experts; and • Performing sensitivity analysis to determine which key assumptions are the most sensitive to determine the extent to which a reduction in these key assumptions, both individually or in aggregate, would result in goodwill impairment, and considered the likelihood of such events occurring. We concluded that no impairment was required for the year ended 31 December 2019. We also considered the adequacy of the disclosures in the financial statements. **Intangible assets** The fair value less costs to sell was determined by management using the multi-period earnings excess method. This model makes use of the following key assumptions: Projected contract revenue after attrition, cost margins and discount rates. We performed the following testing on the fair value less costs to sell calculation: • Comparing the projected contract revenue for the next financial period against historical performance, adjusted for contracted clients that have been lost during the year; • Assessing the reasonability of the 5% general attrition rate used in the model for the remaining forecast period by comparing the actual contract revenue of the immediate past financial period to the projected contract revenue for the same period as per the 'at acquisition purchase price' allocation calculation; • Assessing the reasonability of the cost margins used in the model by comparing these against the historical performance; • Testing the mathematical accuracy of the model; • Comparing the risk-free rate and discount rates used by management in their model to our internally developed benchmarks, with the assistance of our valuation experts; and • Performing sensitivity analysis to determine the extent to which a reduction in these key assumptions, both individually or in aggregate, would result in impairment, and considered the likelihood of such events occurring. No material issues were identified.

CONTINUED

Independent auditors' report
to the members of Sanne Group plc

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which it operates.

The Group is structured on a jurisdictional basis, with significant components identified in Jersey, Luxembourg, Mauritius and the United States of America, and with significant centralised group processes and accounting functions operating out of Jersey, South Africa and Mauritius.

For the 5 significant components identified, we have instructed component auditors to perform an audit of the profit before tax for the component. We have also scoped in additional components that did not meet the significant component threshold, with either an audit of the profit before tax for the component or testing specific financial statement line items to obtain the required coverage over the Group financial statements. We have also tested centralised group processes performed in Jersey and South Africa to obtain further coverage of financial statement line items.

As the group audit team, we determined the level of involvement required at those components to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole. In our role as group auditors, we exercised oversight over the work performed by auditors of the components including performing the following procedures:

- Maintained an active dialogue with reporting component audit teams since our appointment, including regular group wide audit team conference calls and specific conference calls/meetings for each reporting territory covering scope, status and results prior to inter-office reporting;
- Visited reporting components in Jersey, Mauritius, Luxembourg and South Africa during the year;
- Attended meetings with local management in Jersey, Mauritius, Luxembourg and South Africa; and
- Reviewed component auditor's audit files.

Based on the scoping procedures and detailed audit work performed across the group, we have obtained sufficient comfort across the individual account balances within the group financial statements, obtaining more than 90% coverage over revenue, more than 85% of direct costs and operating expenses and more than 70% coverage over adjusted profit before tax.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£1.0 million
How we determined it	5% of adjusted profit before tax. We adjusted profit before tax for the South Africa and Netherlands impairment of intangibles of £2.4 million, earn-out payment in respect of the LIS acquisition of £4.2 million and the Jersey Financial Services Commission fine and associated legal costs of £0.4 million.
Rationale for benchmark applied	Sanne Group plc has a track record of making acquisitions, in particular since its flotation in 2015, such that acquisition related accounting entries have been and continue to be made within the Group's financial results, including in particular to profit before tax in relation to intangibles and earn-outs. In determining our materiality, we considered financial metrics which we believed to be relevant to the users of the financial statements, and concluded that the Group adjusted profit before tax, after adding back impairments, the Jersey regulatory fine and earn-outs to profit was the most appropriate. In arriving at this benchmark, we believe we have used a metric that is reflective of the on-going business of the Group, adjusting for items which may be considered as one-off either due to nature or size, while still providing an appropriate threshold for a robust audit.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £50,000 and £880,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £50,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies (Jersey) Law 1991 ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated.)

THE DIRECTORS' ASSESSMENT OF THE PROSPECTS OF THE GROUP AND OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 75 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on pages 72 and 73 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and its environment obtained in the course of the audit. (Listing Rules)

OTHER CODE PROVISIONS

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 69, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's position and performance, business model and strategy is materially inconsistent with our knowledge of the group obtained in the course of performing our audit.
- The section of the Annual Report on page 69 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

CONTINUED

Independent auditors' report

to the members of Sanne Group plc

Responsibilities for the financial statements and the audit

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Directors' Responsibility Statement set out on page 99, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

USE OF THIS REPORT

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

COMPANIES (JERSEY) LAW 1991 EXCEPTION REPORTING

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the group, or proper returns adequate for our audit have not been received from branches not visited by us.

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Following the recommendation of the Audit Committee, we were appointed by the directors on 1 August 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Other voluntary reporting

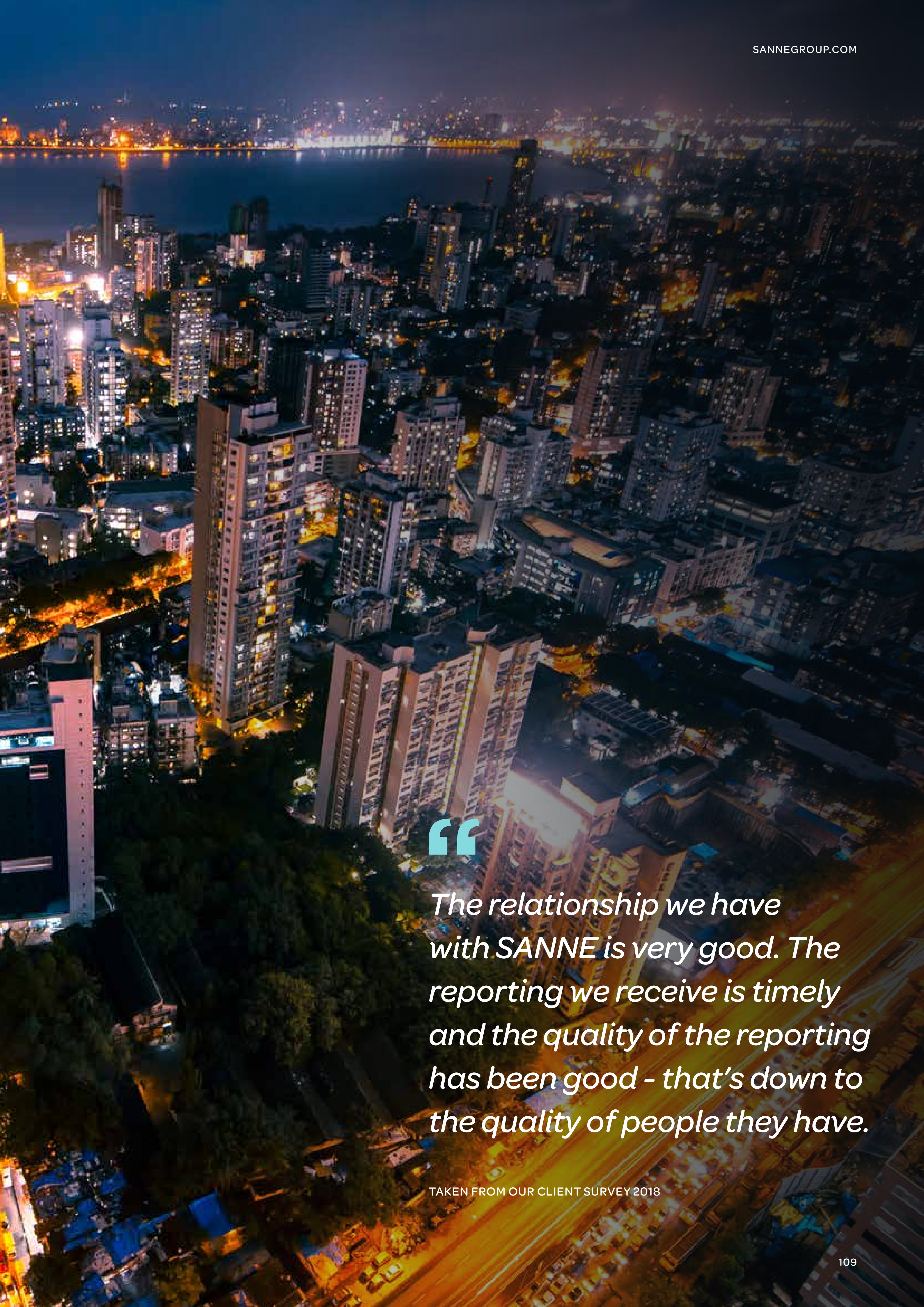
DIRECTORS REMUNERATION

The Company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the UK Companies Act 2006. The directors requested that we audit the part of the Directors' Remuneration Report specified by the UK Companies Act 2006 to be audited as if the Company were a quoted company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the UK Companies Act 2006.

Jeremy Jensen
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and
Recognized Auditor
London
18 March 2020

> FINANCIAL STATEMENTS



The relationship we have with SANNE is very good. The reporting we receive is timely and the quality of the reporting has been good - that's down to the quality of people they have.

TAKEN FROM OUR CLIENT SURVEY 2018

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019[1] £'000	2018[1] £'000
Total sales including those from discontinued operations		**165,443**	143,003
Continuing operations			
Revenue	6	**159,707**	136,242
Direct costs		**(66,870)**	(51,942)
Gross profit	5	**92,837**	84,300
Other operating income		**185**	158
Operating expenses		**(78,741)**	(62,941)
Operating profit		**14,281**	21,517
Comprising:			
Underlying operating profit from continuing operations		**42,988**	40,399
Non-underlying items within operating profit from continuing operations	9	**(28,707)**	(18,882)
		14,281	21,517
Other gains and losses		**(216)**	(132)
Finance costs	7	**(4,672)**	(1,909)
Finance income	8	**158**	156
Profit before tax		**9,551**	19,632
Comprising:			
Underlying profit before tax from continuing operations		**38,715**	38,514
Non-underlying items within profit from continuing operations	9	**(29,164)**	(18,882)
		9,551	19,632
Tax	10	**(4,007)**	(5,101)
Profit after tax from continuing operations		**5,544**	14,531
Discontinued operations	11	**3,330**	3,643
Profit for the year		**8,874**	18,174
Comprising:			
Underlying operating profit from continuing operations		**42,988**	40,399
Underlying operating profit from discontinued operations		**3,700**	4,048
Total underlying operating profit		**46,688**	44,447
Non-underlying items within operating profit from continuing operations		**(28,707)**	(18,882)
Other gains and losses from continuing operations		**(216)**	(132)
Finance costs from continuing operations		**(4,215)**	(1,909)
Finance income from continuing operations		**158**	156
Non-underlying items		**(457)**	-
Total tax		**(4,377)**	(5,506)
Profit for the year		**8,874**	18,174

> Consolidated Income Statement continued

FOR THE YEAR ENDED 31 DECEMBER 2019

Earnings per ordinary share ("EPS") from continuing operations (expressed in pence per ordinary share)			
Basic	12	**3.8**	10.3
Diluted	12	**3.8**	10.1
Underlying basic	12	**21.6**	22.1
Underlying diluted	12	**21.3**	21.6
Earnings per ordinary share ("EPS") from continuing and discontinued operations (expressed in pence per ordinary share)			
Basic	12	**6.2**	12.9
Diluted	12	**6.1**	12.6
Underlying basic	12	**23.9**	24.7
Underlying diluted	12	**23.6**	24.1

[1] Refer to note 11 for details relating to the discontinued operations.

The notes on pages 115 to 158 are an integral part of these Consolidated Financial Statements.

> Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**2019 £'000**	2018 £'000
Profit for the year		**8,874**	18,174
Other comprehensive (expense)/income:			
Items that will not be reclassified subsequently to profit and loss:			
Actuarial (loss) / gain on defined benefit retirement obligation	33	**(67)**	70
Income tax relating to items not reclassified		**10**	(11)
Revaluation of minority equity investment	20	**(715)**	-
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		**(10,663)**	8,756
Total other comprehensive (expenses)/income for the year		**(11,435)**	8,815
Total comprehensive (expenses)/income for the year		**(2,561)**	26,989
Comprising:			
Total comprehensive (expenses)/income for the year from continuing operations		**(5,891)**	23,346
Total comprehensive income for the year from discontinued operations		**3,330**	3,643
Total comprehensive (expenses)/income for the year		**(2,561)**	26,989

The notes on pages 115 to 158 are an integral part of these Consolidated Financial Statements.

> Consolidated Balance Sheet

AS AT 31 DECEMBER 2019

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Goodwill	16	**180,414**	188,928
Other intangible assets	17	**45,388**	66,122
Equipment	18	**9,984**	9,973
Minority equity investment	20	**8,632**	-
Deferred tax asset	28	**8,324**	2,082
Right-of-use asset	21	**32,733**	-
Total non-current assets		**285,475**	267,105
Current assets			
Trade and other receivables	22	**47,941**	44,772
Cash and bank balances		**51,454**	32,411
Contract assets	23	**6,460**	6,628
Disposal group held for sale	11	**2,979**	2,488
Total current assets		**108,834**	86,299
Total assets		**394,309**	353,404
Equity			
Share capital	25	**1,466**	1,460
Share premium		**203,423**	200,270
Own shares	26	**(1,166)**	(1,470)
Shares to be issued	32	**7,723**	12,278
Retranslation reserve		**(13,134)**	(2,471)
Accumulated losses		**(26,487)**	(17,399)
Total equity		**171,825**	192,668
Non-current liabilities			
Borrowings	27	**129,572**	85,364
Deferred tax liabilities	28	**15,931**	13,395
Defined benefit retirement obligation	33	**684**	701
Other liabilities	29	**-**	4,914
Provisions	30	**2,024**	1,198
Lease liability	21	**33,549**	-
Total non-current liabilities		**181,760**	105,572
Current liabilities			
Trade and other payables	29	**14,472**	34,467
Current tax liabilities		**3,301**	3,910
Provisions	30	**451**	452
Contract liabilities	31	**17,634**	16,085
Lease liability	21	**4,291**	-
Disposal group held for sale	11	**575**	250
Total current liabilities		**40,724**	55,164
Total equity and liabilities		**394,309**	353,404

The consolidated financial statements on pages 110 to 158 were approved by the Board of Directors on 18 March 2020 and signed on its behalf by:

Martin Schnaier
Chief Executive Officer

James Ireland
Chief Financial Officer

> Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Share capital £'000	Share premium £'000	Own shares £'000	Shares to be issued £'000	Retranslation reserve £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2018		**1,416**	**171,850**	**(1,141)**	**13,373**	**(11,227)**	**(17,583)**	**156,688**
Profit for the year		-	-	-	-	-	18,174	18,174
Other comprehensive income for the year								
Actuarial gain on the defined benefit retirement obligation		-	-	-	-	-	70	70
Income tax relating to items not reclassified		-	-	-	-	-	(11)	(11)
Exchange differences on translation of foreign operations		-	-	-	-	8,756	-	8,756
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**8,756**	**18,233**	**26,989**
Issue of share capital - acquisitions	25	44	28,420	-	(4,043)	-	-	24,421
Dividend payments	15	-	-	-	-	-	(18,376)	(18,376)
Share-based payments	32	-	-	-	2,948	-	327	3,275
Net buyback of own shares	26	-	-	(329)	-	-	-	(329)
Balance at 31 December 2018		**1,460**	**200,270**	**(1,470)**	**12,278**	**(2,471)**	**(17,399)**	**192,668**
Change in accounting policy[1]		-	-	-	-	-	(556)	(556)
Restated balance at 1 January 2019		**1,460**	**200,270**	**(1,470)**	**12,278**	**(2,471)**	**(17,955)**	**192,112**
Profit for the year		-	-	-	-	-	8,874	8,874
Other comprehensive expense for the year								
Actuarial loss on the defined benefit retirement obligation		-	-	-	-	-	(67)	(67)
Income tax relating to items not reclassified		-	-	-	-	-	10	10
Revaluation of equity investment		-	-	-	-	-	(715)	(715)
Exchange differences on translation of foreign operations		-	-	-	-	(10,663)	-	(10,663)
Total comprehensive expense for the year		**-**	**-**	**-**	**-**	**(10,663)**	**8,102**	**(2,561)**
Issue of share capital - acquisitions	25	6	3,153	-	(3,159)	-	-	-
Dividend payments	15	-	-	-	-	-	(20,029)	(20,029)
Share-based payments	32	-	-	-	2,337	-	-	2,337
Shares vesting		-	-	559	(3,733)	-	3,395	221
Net buyback of own shares	26	-	-	(255)	-	-	-	(255)
Balance at 31 December 2019		**1,466**	**203,423**	**(1,166)**	**7,723**	**(13,134)**	**(26,487)**	**171,825**

[1] Refer to note 36 for details relating to changes in accounting policy, transitioning in the new IFRS 16 accounting standard.

> Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £'000	2018 £'000
Operating profit from:			
Continuing operations		**14,281**	21,517
Discontinued operations		**3,700**	4,048
Operating profit including discontinued operations		**17,981**	25,565
Adjustments for:			
Depreciation of equipment	18	**2,867**	1,915
Depreciation of right-of-use asset	21	**5,313**	-
Lease liability interest	21	**(1,607)**	-
Amortisation of other intangible assets	17	**16,487**	15,730
Impairment of other intangible assets	17	**2,425**	55
Share-based payment expense	32	**2,377**	3,376
Disposal of equipment	18	**64**	257
(Decrease) / increase in provisions	30	**(147)**	1,144
Defined benefit retirement obligation	33	**(68)**	11
Deferred consideration adjustment		**4,242**	-
Other liabilities		**-**	1,267
Operating cash flows before movements in working capital		**49,934**	49,320
Increase in receivables		**(3,492)**	(16,241)
Increase in contract liabilities		**1,874**	2,552
Increase / (decrease) in payables		**4,769**	(701)
Cash generated by operations		**53,085**	34,930
Income taxes paid		**(7,641)**	(7,312)
Net cash from operating activities		**45,444**	27,618
Investing activities			
Interest received		**158**	156
Purchases of equipment	18	**(3,914)**	(4,221)
Software development costs paid		**(276)**	-
Payment of deferred consideration		**(28,638)**	(14,407)
Acquisition of subsidiaries		**-**	(29,279)
Acquisition of minority equity investment	20	**(9,347)**	-
Net cash used in investing activities		**(42,017)**	(47,751)
Financing activities			
Dividends paid	15	**(20,029)**	(18,376)
Interest on bank loan		**(2,293)**	(1,732)
Buyback of own shares		**(255)**	(329)
Capitalised loan costs	27	**(1,711)**	-
Redemption of bank loans	27	**(85,850)**	(4,000)
New bank loans raised	27	**132,060**	24,850
Lease liability payments		**(4,757)**	-
Net cash from financing activities		**17,165**	413
Net increase / (decrease) in cash and cash equivalents		**20,592**	(19,720)
Cash and cash equivalents at beginning of year		**32,411**	50,803
Effect of foreign exchange rate changes		**(1,549)**	1,328
Cash and cash equivalents at end of year		**51,454**	32,411
Cash flows from continuing operations		**17,029**	(24,041)
Cash flows from discontinued operations	11	**3,563**	4,321
Net increase / (decrease) in cash and cash equivalents		**20,592**	(19,720)

> Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

Sanne Group plc (the "Company"), incorporated in Jersey on 26 January 2015, is a registered public company limited by shares with a Premium Listing on the London Stock Exchange. The registered office and principal place of business is IFC 5, St. Helier, Jersey, JE1 1ST. The principal activity of the Company and its subsidiaries (collectively the "Group") is the provision of alternative asset and corporate administration services.

In the opinion of the Directors there is no ultimate controlling party.

These consolidated financial statements are presented in Pounds Sterling. Foreign operations are included in accordance with the policies set out in note 3.

The accounting policies have been applied consistently in the current and prior year, other than as set out below.

2. Adoption of new and revised Standards

STANDARDS IN ISSUE NOT YET EFFECTIVE

Certain new accounting standards and interpretations have been published which are not yet effective for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards, listed below, are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(a) Definition of Material - Amendments to IAS 1 and IAS 8

(b) IFRS 17 Insurance Contracts

(c) Revised Conceptual Framework for Financial Reporting. The Group does not rely on the Framework in determining its accounting policies for transactions. The IFRS standards sufficiently cover all transactions.

NEW AND REVISED STANDARDS EFFECTIVE FOR THE YEAR

The Group adopted the new IFRS 16 'Leases' accounting standard on 1 January 2019, replacing IAS 17. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. It introduced a single lessee accounting model whereby a lessee is required to recognise a right-of-use asset and a lease liability for all leases with a lease term exceeding 12 months. The Group assessed the impact of the new standard to be significant. Please refer to note 36 for further details relating to the adoption of the new standard. The depreciation on the right-of-use asset will be accounted for separately from the interest expense incurred on the lease liability in the consolidated income statement. The Group elected to make use of the modified retrospective approach for transition and have not restated comparative amounts. The lease liability is measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at transition date. Right-of-use assets will be measured as if the standard has always been applied. There is no significant impact on the net profit after implementing the new standard.

The Group adopted IFRIC 23 'Uncertainty over Income Tax Treatments' on 1 January 2019. The Group's historic approach to 'Uncertainty over Income Tax Treatments' is in line with the new IFRIC 23. Thus, there was no material impact on the amounts reported in the financial statements. Additional disclosure had been made in note 10 to address the disclosure requirements of the new IFRIC.

In the current year, the Group applied a number of amendments to IFRSs and new interpretations issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements. The most significant of these standards are set out below.

(a) Annual improvements 2015-2017 Cycle
(b) Prepayment Features with Negative Compensation – Amendments to IFRS 9
(c) Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28, and
(d) Plan Amendment, Curtailment or Settlement – Amendments to IAS 19

> Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. Significant accounting policies

BASIS OF ACCOUNTING

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The consolidated financial statements have also been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") to the extent that such standards have been endorsed by the European Union.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies adopted are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) during each year. Control is achieved where the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. Where necessary, adjustments are made to the financial results of the subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Under Article 105(11) of the Companies (Jersey) Law 1991, the Directors of a holding company need not prepare separate financial statements (i.e. Company only financial statements). Company only financial statements for the Company are not prepared unless required to so by the members of the Company by ordinary resolution. The members of the Company had not passed a resolution requiring separate financial statements and, in the Directors' opinion, the Company meets the definition of a Holding company. As permitted by law, the Directors have elected not to prepare separate financial statements.

GOING CONCERN

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of approval of these consolidated financial statements. The Directors have reviewed the Group's financial projections and cash flow forecasts and believe, based on those projections and forecasts, that it is appropriate to prepare the consolidated financial statements of the Group on the going concern basis. The Group has healthy cash inflow through a good pipeline of existing and new customers, the Group also has finance facilities available. Accordingly, they have adopted the going concern basis of accounting in preparing the consolidated financial statements. Further detail is contained in the viability statement included in the Audit Committee report on pages 68 to 73.

BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred and as non-underlying items within operating expenses.

The acquiree's identifiable assets and liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

When the consideration transferred by the Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement' period (which cannot exceed one year from the acquisition date) concerning the facts and circumstances that existed at the acquisition date.

3. Significant accounting policies continued

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with the corresponding gain or loss being recognised in profit or loss, as non-underlying items within operating expenses.

GOODWILL

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually or if indicators of impairment are identified. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. Refer to note 16.

INTANGIBLE ASSETS

Intangible assets acquired in a business combination are initially recognised at their fair value at the acquisition date (which is regarded as the cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and any impairment losses.

The Group performs assessments at the end of each reporting period, in order to identify any possible indicators of impairment, this is a separate assessment from the annual Goodwill impairment review. Should there be any indicators of impairment, the Group estimates the recoverable amount of the asset and if an impairment should be recognised.

Contract intangibles

Contract intangibles consist of the recognition of the legal relationships gained through acquisition. On initial recognition the values are determined by relevant factors such as business product life cycles, length of notice, ease of movement and general attrition. These intangibles are amortised over their useful lives using the straight-line method, which is estimated at four to eight years, based on management's expectations and client experience. The amortisation charge for the year is included in the consolidated income statement under 'operating expenses'.

Customer intangibles

Customer intangibles consist of the recognition of value attributed to the customer lists through acquisition. On initial recognition the values are determined by relevant factors such as the Group's growth pattern and ability to cross-sell to existing clients. Subsequently, these intangibles are amortised over their useful lives using the straight-line method, which is estimated at four to ten years, based on management's expectations and client experience. The amortisation charge for the year is included in the consolidated income statement under 'operating expenses'.

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the recognition criteria are met.

The costs related to software under development are categorised between research and development expenditure. Research expenditure and development expenditure that do not meet the recognition criteria are recognised as expenses when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortisation will commence once the asset is ready for use, as intended by management.

INTEREST INCOME

Interest income is recognised using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, unless the assets subsequently become credit impaired. In the latter case, the effective interest rate is applied to the amortised cost of the financial asset. Interest is recognised on an accruals basis.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. Significant accounting policies continued

REVENUE RECOGNITION

Revenue is measured at transaction price. The transaction price is the amount of consideration that the Group expects to receive in exchange for the services rendered.

Rendering of services

Revenue is based on and charged on three principal elements per the contracts with customers: 1) Assets under management (open ended funds) where revenue is charged as a percentage of the assets under management, 2) Assets under management (closed ended funds) where fees are also charged as a percentage of assets under management, 3) Service based fees where the revenue is charged based on an agreed fee structure for various services being provided. All revenue is recognised over time as the services are rendered and clients benefit from these services.

The Group provides a number of services to its customers, ranging from trust / fiduciary services, accounting and administrative activities. As the revenue recognition under IFRS 15's "five step model" is identical for all Sanne's services the five step approach is applied as follows:

Step 1 - Identify the contract;
Contractual agreements exist between Sanne and all clients which creates enforceable rights and obligations.

Step 2 - Identify performance obligations
The services to the customer set out in the agreement are separately identifiable. Each service set out in the contract is distinct as each component can be performed and delivered separately. The different services have been identified as separate and distinct services, thus being separate performance obligations.

Step 3 - Determine transaction price
Service based fees are based on either pre-set (fixed) fees which are based on the expected amount of work (time spent at the relevant charge-out rates) to be performed or on a variable agreement where it is based on the actual amount of work (time spent at the relevant charge-out rates) but only to be determined once the work is finalised.

Determining the transaction price for these fees will vary with the amount of time spent which is supported by time sheets.

Step 4 - Allocate transaction price
The transaction prices are allocated to the performance obligations (the provision of the services) based on the stand-alone selling prices. Sanne uses the best available data to determine a price for the services rendered which is based on time spent at a specific charge out rate.

Step 5 - Recognise revenue
Sanne has concluded that the obligations are satisfied over time. We recognise the revenue for these services on a time spent basis as the performance obligations are satisfied over time.

Contracts with customers do make provision for annual transaction price increases, generally in line with a relevant local inflation measures. These increases do not change the performance obligations, and the increased prices are applied prospectively when revenue is recognised.

Revenue is recognised in the subsidiary where the contract with customers is based. The segmental reporting is presented based on the jurisdiction in which the specific client relationships are owned and managed. Therefore, the revenue stated in the segmental reporting is presented based on the jurisdiction where revenue is generated but may not be the same as the contracted jurisdiction.

Contract assets

Contract assets represent the billable provision of services which have been rendered and where performance obligations have been met but clients have not been invoiced at the reporting date. These were previously called "accrued income" in Sanne's consolidated financial statements. Contract assets are recorded based on agreed fees to be billed in arrears and time spent as performance obligations are met, based on charge-out rates in force at the work date, less any specific provisions against the value of contract assets where recovery may not be made in full.

Contract liabilities

Contract liabilities represent fees billed in advance in respect of services under contract and give rise to a trade receivable when recognised. These were previously called "deferred income" in Sanne's consolidated financial statements. Contract liabilities are released to revenue on a time apportioned basis in the appropriate accounting period.

LEASES

Up to 31 December 2018, all leases were classified as operating leases. Rentals payable under operating leases were charged to expenses on a straight-line basis over the term of the relevant lease except where another more systematic basis was more representative of the time pattern in which economic benefits from the lease asset were consumed.

On 1 January 2019 the Group adopted IFRS 16 'Leases'. The Group assesses its contracts to determine if a contract is or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period, in exchange for consideration. At initial recognition of a new lease, the lease liability is recognised as the present value of future payments, discounted using the incremental local borrowing rate (unless the interest implicit to the lease is available for use). A corresponding right-of-use asset is recognised on initial recognition and is measured at an amount equal to the lease liability, less any lease incentives and lease payments made before the commencement date, plus any initial direct costs and dilapidation costs.

3. Significant accounting policies continued

Subsequently the Group accounts for lease payments by allocating them between finance costs and the lease liability. The finance cost is charged to profit or loss over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis.

The Group made use of the practical expedient whereby leases with a lease term of 12 months or less are accounted for as a short-term lease. Consequently, no lease liability or right-of-use asset is recognised thereon and the lease payments will be accounted for in the consolidated income statement on a straight-line basis.

The Group also made use of the 'low value asset' practical expedient and defines low value assets as those assets with a purchase price for a new and unused asset of £5,000 or lower.

FOREIGN CURRENCIES

The separate financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Pounds Sterling, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the separate financial statements of the subsidiary companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the Consolidated Income Statement in the year in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's operations with a functional currency other than Pounds Sterling are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the exchange rates at the date of the transactions. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity in the translation reserve.

On the disposal of a foreign operations (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income and accumulated in the translation reserve in the consolidated statement of changes in equity.

DEFINED CONTRIBUTION SCHEMES

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to contributions.

DEFINED BENEFIT RETIREMENT OBLIGATION

The Group has a defined benefit retirement obligation in Mauritius due to a regulatory requirement. The defined benefit retirement obligation is recognised in line with IAS 19.

The liability recognised in the consolidated balance sheet in respect of the defined benefit retirement obligation is the present value of the defined benefit retirement obligation at the end of the reporting period less the fair value of plan assets, however the Group has no plan assets.

The defined benefit retirement obligation is calculated at half year and year end by independent qualified actuaries using the projected unit credit method.

The present value of the defined benefit retirement obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related defined benefit retirement obligation.

Defined benefit costs are categorised as follows:

- service cost
- net interest expense or income; and
- re-measurement

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

> Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. Significant accounting policies continued

EARNINGS PER SHARE

The Group presents basic and diluted earnings per share. In calculating the weighted average number of shares outstanding during the period any share restructuring is adjusted by a factor to make it comparable with the other periods. For diluted EPS, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares.

Both basic and diluted EPS measures are shown for the statutory profit position. The Group has also presented an alternative version with profit adjusted for non-underlying items to provide an additional understanding of the financial performance of the Group (note 12).

TAXATION

Tax on the profit or loss for the period comprises current and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of comprehensive income as it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in the consolidated income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

EQUIPMENT

Equipment is stated at cost less accumulated depreciation and any recognised impairment loss. Software that forms an integral part of the related hardware, where the hardware cannot be operated without the specific software is treated as equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Computer equipment	3 to 5 years
Computer software	3 years
Fixtures and equipment	5 to 24 years

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS (EXCLUDING GOODWILL)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. Significant accounting policies continued

The recoverable amount of an asset is the higher of its fair value less costs to sell or the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

Call deposits held with the bank are redeemable to the group within 24 hours' notice, without early payment penalties or interest forfeits. These call deposits have a maturity of three months or less from the date of acquisition.

Trapped cash represents the minimum cash balance to be held to meet regulatory capital requirements, as set out by relevant laws and regulations in the different jurisdictions. The trapped cash is determined based on certain rules that are different in each jurisdiction. Trapped cash is recognised as cash and cash equivalents.

Financial assets at amortised costs

The Group's business model is to collect the contractual cash flows from its assets. The cash flows consist solely of interest and principal payments. Therefore, the financial assets are classified as carried at amortised cost. The assets are measured at amortised cost using the effective interest method, less the expected credit losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Refer to note 34 disclosing the financial assets categorised as financial assets at amortised costs.

Financial assets at fair value through other comprehensive income

The Group has made an equity investment, that is not held for trading purposes. The Group has made the irrevocable election to carry the investment at fair value through other comprehensive income. On initial recognition the investment was measured at fair value, plus transaction costs. Subsequently, this investment will be measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. Dividends on the investment in equity instruments are recognised in profit or loss. On disposal of the equity investment the cumulative gain or loss will not be reclassified to the consolidated statement of comprehensive income; instead, it is transferred to retained earnings.

Impairment of financial assets

The Group recognises a loss allowance, for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. When the expected credit loss for trade receivables is determined, the Group makes use of the simplified approach, whereby the loss recognised is equal to the lifetime expected credit losses. Lifetime expected credit losses represent the expected losses that may result from possible default events, and the probability of such an event occurring, over the lifetime of the financial asset. The expected lifetime credit losses of the trade receivables are estimated using a provision matrix. The matrix is based on the Group's historical credit loss experience, the most significant factor being the days past due. It is then adjusted for forward-looking factors, that are specific to the trade receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. Significant accounting policies continued

Financial liabilities

All financial liabilities are classified as measured at amortised cost. These liabilities are initially measured at fair value less transaction costs and subsequently using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the amortised cost of a financial liability. Where financial liabilities are short term and immaterial, no interest is levied.

Accrued interest is recorded separately from the associated borrowings within current liabilities.

EMPLOYEE SHARE TRUST/OWN SHARES

Own shares represent the shares of the Company that are held in treasury and by the Group's employee share ownership trust (which is consolidated in the Group consolidated financial statements). Own shares are recorded at cost and deducted from equity. When shares vest unconditionally, are cancelled or are reissued they are transferred from the own shares reserve at their weighted average cost. Any consideration paid or received by the Trust for the purchase or sale of the Company's own shares is shown as a movement in shareholders' equity.

PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are determined by the expected future cash flows at a pre-tax rate that reflects current market assessments of the risks specific to the liability. Onerous lease provisions are measured at the lower of the net cost to fulfil, or to exit the contract, discounted as appropriate.

FIDUCIARY ACTIVITIES

The assets and liabilities of trusts and companies under administration and held in a fiduciary capacity are not included in these consolidated financial statements.

SHARE-BASED PAYMENTS

Employees of the Group receive bonus allocations in the form of share-based payments under Performance Share Plan, Restrictive Stock Awards and Annual Performance Bonuses, whereby eligible employees render services as consideration for equity instruments (shares).

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 32.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

The grant date fair value is estimated with reference to the market price of the company's shares. For share plans containing market-based vesting conditions, the fair value was determined using a valuation model that takes into account the share price at grant date, expected price volatility and a risk free rate.

OPERATING PROFIT

The operating profit reflects the profit earned from the Group's business operations. It includes revenue and other operating income less direct and indirect cost. Furthermore, the operating profit comprises of underlying and non-underlying items. Operating profit excludes finance costs, finance income and foreign exchange gains and losses.

NON-UNDERLYING ITEMS

Non-underlying items are disclosed and described separately in the consolidated financial statements where in the opinion of the directors it is appropriate to do so to provide further information of the financial performance of the Group.

The Group's core business is the administration, reporting and fiduciary services it provides in various jurisdictions. All acquisition and integration related costs are disclosed as non-underlying as these fall outside the core business of the Group. Restricted Share Awards form part of the non-underlying items as they are used as a tool to retain key personnel relating to the acquisitions and recruit senior management to support the acquisitions. Amortisation of contract and customer intangible assets recognised through the acquisitions is also included as non-underlying. These charges are based on judgements about the value and economic life of assets that, in the case of items such as customer relationships, would not be capitalised in normal operating practice. Therefore excluding the amortisation of intangible assets from underlying earnings allows the income and costs of both organically generated and acquired contracts to be presented on a like-for-like basis. Any impairment losses attributable to these intangible assets are also deemed to be outside of the course of ordinary business. Regulatory fines and the fees associated with these fines are also deemed to be one-off in nature and are classified as being non-underlying items.

3. Significant accounting policies continued

All the non-underlying items are regarded as expense items outside the normal course of business and disclosed separately to assist Shareholders to better analyse the performance of the core business. Changes to the subsequent contingent consideration arising from prior and current period business combinations are included in non-underlying items.

Further details of the nature of non-underlying items are given in note 9.

DIRECT COSTS

Direct costs are defined by management as the costs of the income generating divisions including staff payroll, marketing and travel attributable to the division in relation to the delivery of services and supporting growth.

DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

Disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of the disposal group, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the disposal group is recognised at the date of derecognition.

The disposal group includes trade receivables, contract assets and contract liabilities and consequently does not attract depreciation, amortisation or interest payable.

Assets that are part of the disposal group classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement.

PREPAYMENTS

Prepayments are treated as a current asset, and represents goods or services that the Group has paid for before the delivery thereof. The prepayment will be released to the relevant expense in the period to which the delivery of goods or services relate to.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The following are the critical judgements at the balance sheet date that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

CLASSIFICATION OF EQUITY INVESTMENT

The Group obtained an equity investment in Colmore A.G. The Group does not hold controlling voting rights in Colmore A.G. The Group tested the requirements for significant influence. Sanne has representation on the board of directors, however, due to a single board member holding the outright majority shares, Sanne is not able to direct the daily operations or participate in policy-making processes. Even though Sanne has entered into an agreement with Colmore A.G. to develop new software, Sanne does not deem this to be a material transaction. Sanne will also not be in a position to make changes to the managerial personnel of Colmore A.G. nor will it be providing essential technical information. Sanne cannot demonstrate significant influence. Subsequently the Group will carry the investment as an investment in equity rather than an investment in associate. Therefore equity accounting will not be applied, instead the investment is measured at fair value through other comprehensive income. Refer to note 20 for related disclosure on the fair value measurement methodology applied.

DISPOSAL GROUP HELD FOR SALE

During the year Sanne made a strategic decision to try and dispose of the private client business in Jersey. Judgement was applied to determine if the planned disposal falls within the scope of held for sale. In making the judgement Sanne considered the requirements set out in IFRS 5 Non-current assets held for sale and Discontinued Operations. It was concluded that the client agreements and employee group disposed of would make up a disposal group – the rationale being that the contracts, if externally acquired in a business combination, would have been recognised as an intangible asset. As these customer relationships were internally generated, the standard prohibited the recognition as assets. Subsequently the trade receivables, contract assets and contract liabilities recognised on these clients in the prior year have been reclassified on the consolidated balance sheet as a "Disposal group held for sale".

> Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. Critical accounting judgements and key sources of estimation uncertainty continued

KEY SOURCES OF ESTIMATION UNCERTAINTY

FAIR VALUE MEASUREMENT OF INVESTMENT IN EQUITY

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The key inputs in the fair value assessment is the weighted average growth rate, terminal growth rate and the WACC rate. Refer to note 20 for further disclosure relating to the fair value assessment.

IMPAIRMENT TESTING

Goodwill

In the assessment of the annual impairment tests on Goodwill, the following assumptions are deemed to be key sources of estimation: the revenue growth rate and the discount rate. Management has assessed that except, for Sanne South Africa, no other CGU's reasonably possible changes would cause the aggregate carrying amount to materially exceed the recoverable amount of the CGU. Note 16 sets out these rates and sensitivities.

Contract assets

The Group recognises contract assets within revenue and as a receivable for amounts that remain unbilled at the year end, recorded at the recoverable amount. The recoverable amount of contract assets is assessed on an individual basis using the judgement of management, and takes into account an assessment of the client's financial position, the aged profile of the contract assets and an assessment of historical recovery rates. The balance at year end is £6.5 million (2018: £6.6 million), the failure to recover 15% (based on an extreme worst case scenario) of this balance would result in an impairment of £970k (2018: £994k).

OTHER ESTIMATES

Probability of vesting of equity instruments granted in terms of share-based payment schemes

The cumulative expense recognised in terms of the Group's share-based payment schemes reflects, in the opinion of the Directors, the number of equity instruments granted that will ultimately vest. At each reporting date, management adjust the unvested equity instruments with the forfeited instruments. Management is of the opinion that this number, adjusted for future attrition rates, represents the most accurate estimate of the number of instruments that will ultimately vest.

IMPAIRMENT TESTING

Intangible assets

During the financial year an impairment was recognised on Sanne's South African contract intangibles. The recoverable amount was calculated using a Multi-Period Excess Earnings Method (MEEM) model, requiring the following inputs: post-tax weighted average cost of capital to discount the cash flows, a general attrition rate, a direct cost and an overhead cost margin and lastly the corporate tax rate. The discount rate was identified as being the most sensitive to change; however, Sanne does not consider that a change in the discount rate to result in material changes. Refer to note 17 relating for additional information on the assumptions used.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended. Exercising either the extension or termination option is case dependent and is an ongoing assessment. Therefore, should the Group apply the extension option, the lease liability and right-of-use asset will be increased. Should the Group terminate an agreement both the lease liability and right-of-use asset will be de-recognised.

5. Segmental reporting

The reporting segments engage in corporate, fund and private client administration, reporting and fiduciary services. Declared revenue is generated from external customers.

The chief operating decision-maker is considered to be the Executive Directors of Sanne. Each segment is defined as a set of business activities generating a revenue stream determined by segmental responsibility and the management information reviewed by the Executive Directors. The Executive Directors evaluate segmental performance on the basis of gross profit, after the deduction of the direct costs of staff, marketing and travel. No inter-segment sales are made.

The Group classified its private client contracts and employee group held in Jersey as a discontinued operation due to significant contracts having been designated as held for sale. This was regarded as a major business line in the past and forms part of the Channel Islands segment. Please refer to note 11 for additional details relating to the sale.

5. Segmental reporting continued

The Group's consolidated financial statements for the year ended 31 December 2018 had four reportable segments under IFRS 8, namely EMEA Alternatives, Asia-Pacific & Mauritius Alternatives, North American Alternatives and Corporate & Private Client. Given the continuing growth of the Group, these segments have been reorganised from 1 January 2019. The new segments are EMEA, Asia-Pacific & Mauritius, Channel Islands and North America. This change has been effective outside of the European regions in the Group for some time, but the scale of operations across the old EMEA Alternatives and CPC businesses meant it was necessary to change and split the European business between the Channel Islands (CI) and the rest of EMEA. This change brings with it a number of significant benefits, including a more robust governance and control framework at local levels, fostering local accountability, as well as bringing an improved focus on local employee requirements across our expanding jurisdictional footprint.

The comparative numbers for the segmental reporting have been restated to reflect the four segments created in the current reporting period, with effect from 1 January 2019.

For the year ended 31 December 2019	**Revenue £'000**	**Direct costs £'000**	**Gross profit £'000**
Segments			
EMEA	**60,561**	**(26,816)**	**33,745**
Asia-Pacific & Mauritius	**34,268**	**(11,107)**	**23,161**
North America	**26,925**	**(13,448)**	**13,477**
Channel Islands[1]	**43,689**	**(17,535)**	**26,154**
Total from continuing and discontinued operations	**165,443**	**(68,906)**	**96,537**
Other operating income			**185**
Operating expenses			**(78,741)**
Operating profit from continuing and discontinued operations			**17,981**

[1] Refer to note 11 for the total revenue and direct costs attributable to discontinued operations.

For the year ended 31 December 2018	Revenue £'000	Direct costs £'000	Gross profit £'000
Segments			
EMEA	48,100	(18,457)	29,643
Asia-Pacific & Mauritius	30,433	(8,330)	22,103
North America	21,702	(10,894)	10,808
Channel Islands	42,768	(16,974)	25,794
Total from continuing and discontinued operations	143,003	(54,655)	88,348
Other operating income			158
Operating expenses			(62,941)
Operating profit from continuing and discontinued operations			25,565

GEOGRAPHICAL INFORMATION

The Group's revenue from external customers by the geographical location of contracting the Group entity is detailed below:

	2019 £'000	2018 £'000
Jersey and Guernsey	**42,187**	42,629
Rest of Europe	**61,857**	47,016
Mauritius	**22,984**	22,198
Americas	**26,376**	21,374
South Africa	**4,852**	5,461
Asia-Pacific	**7,187**	4,325
Total revenue from continuing and discontinued operations	**165,443**	143,003

The geographical revenue is disclosed based on the jurisdiction in which the contracting legal entity is based and is not based on the location of the client or where the work is performed. The geographic revenue split is therefore very different to the segmental reporting split.

> Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

6. Revenue

Disaggregation of revenue from contracts with customers	2019 £'000	2018 £'000
Basis for fees charged		
EMEA		
– Assets under management - open ended funds	**6,350**	6,880
– Assets under management - closed ended funds	**19,734**	13,484
– Service based fees	**34,477**	27,736
Asia-Pacific & Mauritius		
– Service based fees	**34,268**	30,433
North America		
– Service based fees	**26,925**	21,702
Channel Islands		
– Service based fees	**37,953**	36,007
Total revenue from continuing operations	**159,707**	136,242

Timing of revenue recognition	2019 £'000	2018 £'000
Over time		
– EMEA	**60,561**	48,100
– Asia-Pacific & Mauritius	**34,268**	30,433
– North America	**26,925**	21,702
– Channel Islands	**37,953**	36,007
Total revenue over time	**159,707**	136,242
Total revenue from continuing operations	**159,707**	136,242

7. Finance costs

	2019 £'000	2018 £'000
Bank loan interest	**2,434**	1,732
Amortised loan fees	**174**	177
Loan fees written off	**457**	-
Interest on lease liabilities	**1,607**	-
Total finance costs	**4,672**	1,909

Details regarding the bank borrowings can be found in note 27.

8. Finance income

	2019 £'000	2018 £'000
Interest income on bank deposits	**158**	156
Total finance income	**158**	156

9. Non-underlying items

		2019 £'000	2018 £'000
Operating profit[1]		**17,981**	25,565
Non-underlying items within operating profit:			
Share based payment	(i)	**1,777**	1,791
Amortisation of intangible assets	(ii)	**16,487**	15,730
Acquisition cost earn-out charges	(iii)	**6,317**	564
Acquisition and integration cost	(iii)	**62**	629
Impairment of intangible assets	(iv)	**2,425**	-
Regulatory fine and fees	(v)	**1,039**	-
Other items		**600**	168
Total non-underlying items included in operating profit		**28,707**	18,882
Underlying operating profit[1]		**46,688**	44,447
Profit before tax[1]		**13,251**	23,680
Non-underlying items within other costs:		**28,707**	18,882
Refinancing cost	(vi)	**457**	-
Total non-underlying items		**29,164**	18,882
Underlying profit before tax[1]		**42,415**	42,562

[1] These amounts include the profits from both continuing and discontinued operations.

The above disclosure reflects expenses which are not representative of underlying performance and strategy of the Group in the opinion of the directors as explained below.

(i) Share based payments are detailed in note 32. All acquisition related share based payments ("RSA" plan) are awards granted as part of the mechanics of acquisitions to act as retention tools for key management and to recruit senior management to support the various acquisitions. These grants are thus not in the normal course of business and will be disclosed separately.

(ii) The amortisation charges relate to the amortisation of intangible assets acquired through acquisitions. The amortisation of intangibles is directly linked to the acquisitions and excluded from underlying cost because these charges are based on judgements about the value and economic life of assets that, in the case of items, for example customer relationships, would not be capitalised in normal operating practice.

(iii) During the year ended 31 December 2018, the Group completed the acquisition of the LIS and CP and Sanne AgenSynd. The Group expensed £62k of acquisition and integration expenditure during the current year and £629k in the prior year. The Group spent £6.3 million relating to earn-out payouts for the year, £4.2 million related to LIS and CP and £2.1 million to AgenSynd. These expenses include the crystallisation of earn-out payments in the period. With acquisition activities not being the core ongoing business of the Group, these costs are disclosed as non-underlying to enable Shareholders to assess the core ongoing performance of the business. The majority of acquisition and integration costs will be incurred in the first two years after acquisition; however, this could be longer depending on the nature of the costs.

(iv) The Group's South African hedge fund business, acquired in 2016, suffered a one-off loss of clients in the period. The Sorato business has also incurred an impairment. The source of the impairment relates to customer contracts that were entered into before the acquisition and that have terminated sooner than anticipated. As a result, the contract intangibles were impaired by £2.4 million in total. Refer to note 17 for further information. As with the amortisation of intangible assets this cost was excluded from underlying cost as it does not form part of the core business of the Group.

(v) Regulatory fine of £381k and related fees relates to a settlement and related costs with the Jersey Financial Services Commission. Also included are the legal fees for a case brought against former directors of a subsidiary which dates back to pre IPO.

(vi) Refinancing cost – on 1 March a new loan facility for £150 million was entered into with a consortium of five banks. The previous facility was paid off and the remaining capitalized facility fees were written off. The facility is mainly used to fund acquisitions. The write-off cost was recognised as non-underlying - £0.46 million.

> Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

10. Tax

	2019 £'000	2018 £'000
The tax charge comprises:		
Current period	**7,184**	7,398
Adjustments in respect of prior periods	**(32)**	153
Total current tax expense	**7,152**	7,551
Deferred tax (note 28)		
Increase in deferred tax assets	**(1,065)**	(1,040)
Decrease in deferred tax liabilities	**(1,710)**	(1,005)
Total deferred tax credit	**(2,775)**	(2,045)
Total tax charge for the year	**4,377**	5,506
The income tax expense is attributable to:		
Profit from continuing operations	**4,007**	5,101
Profit from discontinued operations	**370**	405
	4,377	5,506

In addition to the amount charged to the Consolidated Income Statement, the following amounts relating to tax have been recognised in other comprehensive income:

	2019 £'000	2018 £'000
Deferred tax:		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (loss)/gain on defined benefit retirement obligation	**(10)**	11
Total income tax (credited)/charged in other comprehensive (expense)/income	**(10)**	11

The difference between the total current tax shown above and the amount calculated by applying the UK (2018: Jersey) standard income tax rate to the profit before tax is as follows:

	2019 £'000	2018 £'000
Profit from continuing operations before tax	**9,551**	19,632
Profit from discontinued operations before tax	**3,700**	4,048
Profit on ordinary activities before tax	**13,251**	23,680
Tax on profit on ordinary activities at standard UK income tax rate of 19% (2018: Jersey income tax rate of 10%) [1]	**2,518**	2,368
Effects of amounts that are not deductible in calculating income tax:		
Expenses not deductible for tax purposes	**531**	266
Non-deductible amortisation	**153**	153
Depreciation in excess of capital allowances	**173**	143
Net foreign exchange income	**10**	14
Foreign taxes not at UK (2018: Jersey) rate [2]	**771**	2,159
Deferred tax not recognised – taxable losses [3]	**253**	250
Prior year tax adjustments	**(32)**	153
Total tax	**4,377**	5,506

1 At the start of the financial year, the Company engaged with the tax authorities of the UK and Jersey. Sanne Group Plc moved its tax residency from Jersey to the UK with effect from 1 January 2019. Consequently the income tax rate applied in 2019 is 19% (the UK standard income tax rate). This is an increase from the prior year's Jersey income tax rate of 10%.

2 With the UK tax rate at 19% (2018: Jersey rate of 10%) the impact of the 2017 and 2018 acquisitions on the tax expense is significant as all the acquired jurisdictions have higher tax rates than 19% (2018: 10%).

3 Deferred tax not recognised refers to jurisdictions where management is doubtful that future deferred tax assets would be able to be utilised through taxable profits being recognised.

10. Tax continued

Income tax expense computations are based on the jurisdictions in which profits were earned at prevailing rates in the respective jurisdictions.

The UK standard income tax rate is 19% (2018: Jersey rate of 10%); management has chosen to reconcile to this rate as the Company is a UK tax resident.

	2019 £'000	2018 £'000
Reconciliation of effective tax rates		
Tax charge	**4,377**	5,506
Profit before tax	**13,251**	23,680
Effective tax rate on continuing and discontinued operations	***33.0%***	*23.3%*
Effective tax rate on continuing operations	**42.0%**	26.0%
Effective tax rate on continuing and discontinued operations	**10%**	10%
Tax charge	**4,377**	5,506
Adjusted for:		
Prior period adjustments	**32**	(153)
Tax effect of non-underlying items	**4,512**	3,328
Deferred tax on US Goodwill amortisation	**(954)**	(948)
Total underlying tax charge	**7,967**	7,733
Profit before tax	**13,251**	23,680
Non-underlying items	**29,164**	18,882
Profit before tax and non-underlying items	**42,415**	42,562
Underlying effective tax rate on continuing and discontinued operations	***18.8%***	*18.2%*
Underlying effective tax rate on continuing operations	**19.6%**	19%
Underlying effective tax rate on discontinuing operations	**10%**	10%

The effective tax rate of 33.0% (2018: 23.3%) has increased due to a larger proportion of taxable profits being earned in higher tax jurisdictions. The increase in the underlying effective tax rate of 18.8% (2018: 18.2%) is also due to proportionally higher profits being earned in higher tax jurisdictions. This was calculated against the underlying profit before tax after having excluded the tax effect of non-underlying expenses and the deferred tax in relation to the tax allowance for the amortisation of goodwill in the US. The reduction in tax rates in Luxembourg to 24.93% (2018: 26.01%) mitigated the tax on profits generated in higher taxing jurisdictions.

	2019 £'000	2018 £'000
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**2,647**	2,500
Potential tax benefit @ 19% (2019: 10%)	**503**	250

The unused tax losses were incurred by loss making subsidiaries. These subsidiaries are not likely to generate taxable income in the foreseeable future, but can be carried forward indefinitely.

> Notes to the Consolidated Financial Statements

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11. Discontinued operations

During the year Sanne made a strategic decision to sell the private client business in Jersey, within the next twelve months after the Balance Sheet date for a cash consideration. The Group classified its private client book in Jersey as a discontinued operation, due to significant contracts having been designated as held for sale. This was regarded to be a major business line in the past. The disposal group consists of the trade receivables relating to the contracts. Due to the fact that internally generated customer relationships are prohibited from being recognised as assets, the Group did not account for these customer contracts as assets. Sanne deemed it necessary to reclassify the trade receivables stemming from these clients into a disposal group held for sale as these balances give a reasonable representation of the value that these customer contracts hold. The revenue and direct costs are included in the Channel Islands operating segment.

The financial information relating to the discontinued operations is set out below:

	2019 £'000	2018 £'000
Revenue	**5,736**	6,761
Expenses	**(2,036)**	(2,713)
Profit before income tax	**3,700**	4,048
Income tax expense	**(370)**	(405)
Profit from discontinued operations	**3,330**	3,643
The following disclosure relates to the cash flows from the discontinued operations:		
Net cash inflow from operating activities	**3,563**	4,321
Net increase in cash generated by the subsidiary	**3,563**	4,321

Assets of disposal group classified as held for sale	**2019 £'000**	2018 £'000
Assets classified as held for sale		
Contract assets	**334**	9
Trade receivables	**2,645**	2,479
Total assets of disposal group held for sale	**2,979**	2,488

Liabilities of disposal group classified as held for sale		
Liabilities classified as held for sale		
Contract liabilities	**(575)**	(250)
Total liabilities of disposal group held for sale	**(575)**	(250)

12. Earnings per share

	2019 £'000	2018 £'000
Profit for the year	**8,874**	18,174
Non-underlying items:		
Non-underlying expenses	**29,164**	18,882
Tax effect of non-underlying items	**(3,590)**	(2,227)
Underlying profit	**34,448**	34,829

	Shares	Shares
Weighted average numbers of ordinary shares in issue	**144,019,578**	141,269,560
Effect of dilutive potential ordinary shares:		
Deferred consideration shares	**636,652**	1,273,308
Restricted stock awards	**1,280,821**	1,288,585
Performance share plan	**49,501**	619,862
Weighted average number of ordinary shares for the purposes of diluted EPS	**145,986,552**	144,451,315

Earnings per share based on total operations	2019	2018
Basic EPS (pence)	**6.2**	12.9
Diluted EPS (pence)	**6.1**	12.6
Underlying basic EPS (pence)	**23.9**	24.7
Underlying diluted EPS (pence)	**23.6**	24.1

Earnings per share based on continuing operations	2019	2018
Basic EPS (pence)	**3.8**	10.3
Diluted EPS (pence)	**3.8**	10.1
Underlying basic EPS (pence)	**21.6**	22.1
Underlying diluted EPS (pence)	**21.3**	21.6

Earnings per share based on discontinued operations	2019	2018
Basic EPS (pence)	**2.3**	2.6
Diluted EPS (pence)	**2.3**	2.5
Underlying basic EPS (pence)	**2.3**	2.6
Underlying diluted EPS (pence)	**2.3**	2.5

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

Diluted EPS takes into consideration the Company's dilutive contingently issuable shares as disclosed above. These arrangements have no impact on the earnings or underlying earnings figures used to calculate diluted EPS. The weighted average number of ordinary shares used in the diluted calculation is inclusive of the number of shares which are expected to be issued to satisfy the awards when they become due and where the performance criteria, if any, have been deemed to have been met as at 31 December 2019.

Underlying basic EPS and underlying diluted EPS are calculated in the same way as basic EPS and diluted EPS with the only exception being that the earnings used are the underlying earnings, being the profit for the year adjusted for non-underlying items and the tax impact of non-underlying items. This is a change in approach from the prior year where the profit for the year was just adjusted for non-underlying items. The comparative numbers were also updated to reflect this approach.

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13. Profit for the year

	2019 £'000	2018 £'000
Profit for the year has been arrived at after charging/(crediting):		
Net foreign exchange losses	**216**	132
Depreciation of equipment	**2,867**	1,915
Depreciation of right-of-use asset (see note 21)	**5,313**	-
Gain on disposal of equipment	**36**	-
Auditors' remuneration for audit services (PwC: £695k (2019), Deloitte: £165k (2018))	**860**	587
Auditors' remuneration for other services, pre-appointment of new auditors[1] (2019 PwC, 2018 Deloitte)		
– FATCA	**-**	14
– ISAE 3402	**33**	-
– Software licence	**3**	167
– Other services	**102**	-
Auditors' remuneration for other services, post-appointment of new auditors[1]		
– ISAE 3402	**5**	-
Amortisation of intangible assets (see note 17)	**16,487**	15,730
Staff costs (see note 14)	**84,463**	70,713
Impairment loss recognised on trade receivables (see note 22)	**82**	575
Impairment loss recognised on intangible assets (see note 17)	**2,425**	55
Facilities expense	**2,726**	7,339

[1] Deloitte LLP resigned as the Group auditor on 5 August 2018. The Group has engaged the services of PricewaterhouseCoopers LLP as Group auditors, with their first engagement being the independent review of the interim financial statements 2019. The other services principally represented internal audit services which ceased at PricewaterhouseCoopers LLP's appointment.

14. Staff cost

The aggregate payroll costs were as follows:	2019 £'000	2018 £'000
Salaries and bonuses	**72,805**	60,753
Social security	**5,148**	3,815
Pension cost	**620**	547
Other benefits	**3,513**	2,222
Share based payments	**2,377**	3,376
	84,463	70,713

The average number of full time employees analysed by category and segment:	2019	2018
Client services		
– EMEA	**495**	374
– Asia-Pacific & Mauritius	**351**	266
– North America	**154**	122
– Channel Islands	**269**	268
Group services	**317**	254
	1,586	1,284

Information in relation to aggregate directors' remuneration is contained in the Directors' Remuneration Report which details the remuneration payable to each director for service in 2019.

15. Dividends

	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the prior year	**13,254**	11,816
Interim for the current year	**6,775**	6,560
Total dividends	**20,029**	18,376
Proposed final dividend	**13,784**	13,432

The proposed final dividend is subject to approval at the forthcoming AGM and has not been included as a liability in these consolidated financial statements. Dividends are declared in accordance with Jersey company law and can be distributed from all reserves.

	2019 Pence per share	2018 Pence per share
Dividend per share ("DPS"):		
Interim for the current year	**4.7**	4.6
Final proposed for the current year	**9.4**	9.2
Total dividend per share	**14.1**	13.8

	2019	2018
Weighted average number of ordinary shares in issue	**144,019,578**	141,269,560

16. Goodwill

Goodwill represents the excess of the cost of the acquisition over fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill movements	**£'000**
At 1 January 2018	107,271
LIS and CP acquisition	67,572
Sanne AgenSynd acquisition	8,404
Exchange differences	5,681
At 31 December 2018	188,928
Exchange differences	(8,514)
At 31 December 2019	**180,414**

In accordance with the Group's accounting policy, the carrying value of goodwill is not subject to systematic amortisation but is reviewed annually for impairment. The review assesses whether the carrying value of goodwill could be supported by the recoverable amount which is determined through value in use calculations of each cash-generating unit (CGU). The key assumptions applied in the value in use calculations are the discount rates and the projected cash flows.

The goodwill has been allocated to the CGUs as follows:

		2019 Carrying value £'000	2018 Carrying value £'000
Sanne South Africa		**8,177**	8,272
Sanne Netherlands		**1,649**	1,649
Sanne North Americas		**41,400**	43,079
Sanne Mauritius		**57,076**	59,391
Sanne Luxembourg	(i)	**-**	68,165
Luxembourg Investment Solutions S.A.	(i)	**58,307**	-
Compliance Partners S.A.	(i)	**5,917**	-
Sanne Spain		**7,888**	8,372
		180,414	188,928

(i) In the prior year the LIS and CP operations were managed as a single CGU. During the current year the CP and Sanne Group Luxembourg operations were merged. Therefore, the Group assessed the previous Sanne Luxembourg CGU to be two separate CGUs in the current year. Goodwill acquired in a business combination is allocated to each of the CGUs that is expected to benefit from the synergies of the combination. Thus when it was assessed that LIS and CP form two separate CGUs it was evident that the allocation of goodwill must be reallocated to the two new CGUs. The allocation was done based on the weighting of the purchase consideration between the two legal entities as at acquisition date. The combined total for LIS and CP in 2019 is £64.2 million (2018: £68.2 million), with the difference due to FX.

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16. Goodwill continued

The recoverable amounts of all CGUs are based on the same key assumptions and the values of those assumptions are specific to, and in some cases differ across, each CGU. The result of the goodwill impairment assessment undertaken is that the headroom on the total carrying value of the goodwill, across all CGUs, more than doubled compared with the same assessment performed in the prior year.

DISCOUNT RATES

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money. In assessing the discount rate applicable to the Group the following factors have been considered:

(i) Long-term treasury bond rate for the relevant jurisdiction

(ii) The cost of equity based on an adjusted Beta for the relevant jurisdiction

(iii) The risk premium to reflect the increased risk of investing in equities

The discount rate used to assess goodwill is a pre-tax WACC, as required by the accounting standards. The discount rate used in the assessment of the recoverable amount of intangible assets is a post-tax WACC, as per the Multi-Period Excess Earnings Method (MEEM), which is the method applied to determine the fair value less cost to sell. Refer to note 17 for details relating to the assessment performed on contract and customer intangible assets.

PROJECTED REVENUE AND COSTS

Projected revenue and costs are calculated with reference to each CGU's latest budget and business plan which are subject to a rigorous review and challenge process. Management prepares the budgets through an assessment of historic revenues from existing clients, the pipeline of new projects, historic pricing, and the required resource base needed to service new and existing clients, coupled with its knowledge of wider industry trends and the economic environment. Cash flows are projected over five years and a final terminal value is applied.

Projected revenue and costs are calculated using the prior period actual result and compounding these results by the budgeted numbers. The terminal growth rate is applied after five years. The rate used is unique to each jurisdiction and is based on the GDP and/or inflation rate.

Material movements have been seen in the weighted average revenue growth rates for Sanne Netherlands, Sanne Mauritius, Sanne Spain and LIS. For Sanne Netherlands the business has seen strong growth with continued new client wins from a small base. In the case of Mauritius, the revised growth rate reflects the recent increase in client attrition. For both Sanne Spain and LIS a conservative approach has been adopted with growth rates significantly below historic rates. Refer to the key assumptions.

KEY ASSUMPTIONS

The following discount rates (pre-tax WACC rates), weighted average revenue growth rates and terminal growth rates have been used in the assessments. No material movements were identified in the WACC rates used between 2019 and 2018. The only material movements identified in the terminal growth rates, between 2019 and 2018, is the rate for Sanne South Africa and Sanne Mauritius. In 2018 the Group used long-term market consensus for terminal growth on all CGUs. In the current year the Group used the average between long-term inflation and GDP for each specific jurisdiction. This resulted in a material change in terminal growth for the South Africa and Mauritius CGUs. Where the terminal growth exceeds the weighted average revenue growth rate, the Group made use of a conservative approach to the mid-term growth rate, whereas the terminal growth rate was based on external observable sources.

	2019 Discount rate	2018 Discount rate	2019 Weighted average revenue growth rate	2018 Weighted average revenue growth rate	2019 Terminal growth rate	2018 Terminal growth rate
Sanne South Africa	19%	21%	4%	4%	6%	2%
Sanne Netherlands	9%	9%	19%	6%	3%	2%
Sanne North Americas	10%	12%	12%	11%	3%	2%
Sanne Mauritius	11%	13%	3%	6%	5%	2%
Luxembourg Investment Solutions S.A.	6%	8%	7%	14%	3%	2%
Compliance Partners S.A.	6%	8%	14%	14%	3%	2%
Sanne Spain	9%	10%	7%	14%	3%	2%

Based on the value-in-use calculations none of the CGUs require impairment.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

Management believes that any reasonably possible change in the key assumptions, on which the recoverable amount per CGU is based, would not cause the aggregate carrying amount to materially exceed the recoverable amount of the CGUs, except for Sanne South Africa. If the expected terminal growth used in the value-in-use calculation had been 1% lower than management's estimate made at 31 December 2019 (5.4% instead of 6.4%) and if the discount rate increased from 18.82% to 20.56% the goodwill would be impaired by £1.2 million. Management does not expect an increase in the discount rate. Part of the acquisition rationale was to create a "rightshoring centre" for talent and expertise which has proven to have significant value for the wider Group. Refer to note 17 for the outcome of the intangible assets' impairment assessments and the key assumptions made.

17. Other intangible assets

	Contract £'000	Customer £'000	Software under development £'000	Total £'000
Cost				
At 1 January 2018	66,574	12,841	-	79,415
Acquired during the year	16,621	3,176	-	19,797
Impairments	(55)	-	-	(55)
Exchange difference	2,562	455	-	3,017
At 31 December 2018	85,702	16,472	-	102,174
Additions due to software development	-	-	276	276
Impairments	(2,425)	-	-	(2,425)
Exchange difference	(3,110)	(635)	-	(3,745)
At 31 December 2019	80,167	15,837	276	96,280

	Contract £'000	Customer £'000	Software under development £'000	Total £'000
Accumulated amortisation				
At 1 January 2018	16,732	2,685	-	19,417
Charge for the year	13,282	2,448	-	15,730
Exchange difference	767	138	-	905
At 31 December 2018	30,781	5,271	-	36,052
Charge for the year	13,870	2,617	-	16,487
Exchange difference	(1,378)	(269)	-	(1,647)
At 31 December 2019	43,273	7,619	-	50,892
Carrying amount				
At 31 December 2019	**36,894**	**8,218**	**276**	**45,388**
At 31 December 2018	54,921	11,201	**-**	66,122

Due to a one-off loss of clients in Sanne South Africa, an indicator for impairment was triggered. Sanne's South African contract intangibles were impaired by £2.3 million. This was included in the operating expenses line item on the consolidated income statement. The recoverable amount was determined using a Multi-Period Excess Earnings Method (MEEM) model, requiring the following inputs: post-tax weighted average cost of capital to discount the cash flows, a general attrition rate, a direct cost and an overhead cost margin and lastly the corporate tax rate. The discount rate was identified as being the most sensitive to change. Should the discount rate increase by 1%, the impairment would have been £52k higher. Sanne does not consider this to be a material increase.

The method of valuation and subsequent review of the carrying value of intangible assets is outlined in note 3. As part of that subsequent review, triggers for impairment were detected and impairment assessments performed for the intangible assets relating to the Delorean, Ariel, CCS, IDS Group, Sorato and IFS Group acquisitions. An £84k impairment was recognised in operating expenses for the Sorato intangibles. The source of the impairment relates to customer contracts that were entered into before the acquisition and that have terminated sooner than anticipated. The Netherlands acquired a large client during the year and have exceeded expectations in the 2019 financial year showing a healthy growth with promising client relationships. The Group determined the recoverable amount with reference to the fair value less cost to sell per asset. The multi-period-excess-earnings method (MEEM) model was used to determine the fair value less cost to sell of each asset. This model requires the use of a post-tax discount rate. The WACC rates used to discount the post-tax cash flows are post-tax WACC rates. The recoverable amounts for all other assets with indicators of impairment exceeded their current carrying value.

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17. Other Intangible assets continued

The post-tax weighted average cost of capital was used to discount the cash flows. The rates and remaining useful lives used in the assessment of the recoverable amounts for assets with indicators were:

	2019 Discount rate	2018 Discount rate	**2019 Remaining useful life**	2018 Remaining useful life
Ariel (various jurisdictions)	**7%**	7%	**1 year**	2 years
Delorean (various jurisdictions)	**7%**	7%	**1 year**	2 years
CCS (Sanne Ireland)	**7%**	7%	**3 years**	4 years
IDS Group (Sanne South Africa)	**13%**	15%	**4 years**	5 years
Sorato (Sanne Netherlands)	**7%**	7%	**0 years**	5 years
IFS Group (Sanne Mauritius)	**10%**	11%	**4 years**	4 years
AgenSynd Group (Sanne Spain)	**7%**	8%	**6 years**	7 years

Annual amortisation on the contract and customer intangibles is recognised in operating expenses and are regarded to be non-underlying items.

Sanne has entered into an agreement with Colmore A.G., whereby Colmore A.G. will be developing new software for Sanne's exclusive use. This agreement is classified as "software under development".

Sanne has applied its judgement to determine that the software under development is an intangible asset and that the development costs can be capitalised. The software is identifiable, as it is separable from the entity due to the willingness of the investee to grant Sanne exclusive usage of the software. Furthermore, Sanne's exclusive rights to usage are legally enforceable. Due to the exclusive right to use the asset, Sanne has control over it and will be receiving the future economic benefits from the asset in the form of improved production processes by applying the intellectual property. The software is still under development at year end, and is not yet ready for its intended use. The development costs will be capitalised until the software is ready for use.

Costs incurred during the planning phase of the project have been assessed to be research costs and have consequently been expensed. The total research costs amounted to £78k (2018: £nil).

Once the software under development is ready for use, as intended by management, cost capitalisation will cease and amortisation will commence.

Analyses of the carrying amounts of the intangible assets acquired can be found below:

Acquisition	Acquisition date	Amortisation period end	**2019 Carrying amount £'000**	2018 Carrying amount £'000
Contract intangible				
Delorean (Various Jurisdictions)	1 June 2013	31 May 2020	**540**	1,849
Ariel (Various Jurisdictions)	1 May 2014	30 April 2021	**301**	526
CCS (Sanne Ireland)	1 March 2016	28 February 2023	**388**	543
IDS Group (Sanne South Africa)	1 June 2016	31 May 2024	**1,188**	4,071
FAS (Sanne North Americas)	1 November 2016	31 October 2022	**4,614**	6,494
Sorato (Sanne Netherlands)	1 December 2016	30 November 2023	**-**	114
IFS Group (Sanne Mauritius)	1 January 2017	31 December 2022	**19,666**	27,285
LIS Group (Sanne Luxembourg)	6 February 2018	31 January 2025	**8,318**	11,692
AgenSynd Group (Sanne Spain)	3 September 2018	31 August 2025	**1,879**	2,347
Total			**36,894**	54,921

The IDS Group and Sorato are shown after impairment, at their recoverable amount.

17. Other Intangible assets continued

Acquisition	Acquisition date	Amortisation period end	2019 Carrying amount £'000	2018 Carrying amount £'000
Customer intangible				
Delorean (Various Jurisdictions)	1 June 2013	31 May 2023	**409**	525
Ariel (Various Jurisdictions)	1 May 2014	30 April 2024	**29**	44
CCS (Sanne Ireland)	1 March 2016	28 February 2023	**317**	443
IDS Group (Sanne South Africa)	1 June 2016	31 May 2024	**809**	1,004
FAS (Sanne North America)	1 November 2016	31 October 2022	**880**	1,236
Sorato (Sanne Netherlands)	1 December 2016	30 November 2023	**34**	43
IFS Group (Sanne Mauritius)	1 January 2017	31 December 2022	**3,736**	5,184
LIS Group (Sanne Luxembourg)	6 February 2018	31 January 2023	**1,400**	1,968
AgenSynd Group (Sanne Spain)	3 September 2018	31 August 2025	**604**	754
Total			**8,218**	11,201

18. Equipment

	Computer equipment £'000	Computer software £'000	Fixtures and equipment £'000	Total £'000
Cost				
At 1 January 2018	4,181	2,586	4,715	11,482
Additions	1,555	143	6,170	7,868
Additions through acquisitions	67	306	818	1,191
Disposals	(881)	(26)	(1,331)	(2,238)
Exchange differences	(44)	25	57	38
At 31 December 2018	4,878	3,034	10,429	18,341
Additions	1,428	395	2,091	3,914
Change in accounting policy	-	-	(924)	(924)
Disposals	(212)	(359)	(291)	(862)
Exchange differences	(89)	(35)	(164)	(288)
At 31 December 2019	**6,005**	**3,035**	**11,141**	**20,181**

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18. Equipment continued

	Computer equipment £'000	Computer software £'000	Fixtures and equipment £'000	Total £'000
Accumulated depreciation				
At 1 January 2018	2,512	2,436	2,721	7,669
Charge for the year	406	110	1,399	1,915
Reclassification within equipment[1]	660	-	(660)	-
Additions through acquisitions	38	203	468	709
Disposals	(724)	(26)	(1,231)	(1,981)
Exchange differences	47	(49)	58	56
At 31 December 2018	2,939	2,674	2,755	8,368
Charge for the year	1,383	239	1,245	2,867
Disposals	(204)	(359)	(233)	(796)
Exchange differences	(84)	(34)	(124)	(242)
At 31 December 2019	**4,034**	**2,520**	**3,643**	**10,197**
Carrying amount:				
At 31 December 2019	**1,971**	**515**	**7,498**	**9,984**
At 31 December 2018	1,939	360	7,674	9,973

As at 31 December 2019 £5.8 million (2018: £5.5 million) of fixed assets are fully depreciated and still in use.

In 2018 Sanne reported equipment additions of £7.9 million. Sanne funded £4.2 million of these additions. The remaining £3.6 million was for fit out works in new rented premises. These additions were funded by the landlord as part of the rental agreement and have been included in the right-of-use asset balance.

[1] The Group reclassified accumulated depreciation between the asset classes in the prior year between computer equipment and fixtures and equipment to the value of £660k; this had no impact on the profit and loss. In the prior year this was classified in the incorrect asset class.

19. Subsidiaries

Detailed below is a list of subsidiaries of the Company as at 31 December 2019 which, in the opinion of the Directors, principally affects the profit and/or the net assets of the Group. All of these subsidiaries are 100% owned by the Group, with 100% of voting power held. They all engage in the provision of alternative asset and corporate administration and fiduciary services. Each subsidiary only has ordinary shares.

Subsidiaries	Country of incorporation
Sanne Capital Markets Ireland Limited	Republic of Ireland
Sanne Fiduciary Services (UK) Limited	England and Wales
Sanne Fiduciary Services Limited	Jersey
Sanne Finance Limited	Jersey
Sanne Financial Management Consulting (Shanghai) Co Ltd	People's Republic of China
Sanne Fund Administration Limited	Jersey
Sanne Group (Guernsey) Limited	Guernsey
Sanne Group (Luxembourg) SA	Luxembourg
Sanne Group (UK) Limited	England and Wales
Sanne Group Administration Services (UK) Limited	England and Wales
Sanne Group Asia Limited	Hong Kong
Sanne Holdings Limited	Jersey
Sanne International Limited	Jersey
Sanne (Singapore) PTE. Limited	Singapore
Sanne Trustee Company UK Limited	England and Wales
Sanne Trustee Services Limited	Jersey
Sanne Corporate Administration Services Ireland Limited	Republic of Ireland
Sanne Group U.S. LLC	United States of America
Sanne Group d.o.o. Beograd	Serbia
Sanne Management Company RF (PTY) Limited	Republic of South Africa
Sanne Fund Services SA (PTY) Limited	Republic of South Africa
Sanne Fund Services Malta Limited	Republic of Malta
Sanne Group Delaware Inc.	United States of America
Sanne Group South Africa (PTY) Limited	Republic of South Africa
Sanne (Mauritius) Limited	Mauritius
Sanne Group (Netherlands) B.V.	Netherlands
SANNE Mauritius	Mauritius
SANNE Trustees (Mauritius)	Mauritius
Sanne (Luxembourg) Holdings Sarl	Luxembourg
Sanne Group Funding Limited	Jersey
Luxembourg Investment Solutions S.A. ("LIS")	Luxembourg
Compliance Partners S.A. ("CP")	Luxembourg
Sanne (Luxembourg) Holdings 2 Sarl	Luxembourg
Sanne AgenSynd S.L.U.	Spain
AgenSynd Limited	England and Wales
AgenSynd France SAS	France
Sanne Group Services (UK) Limited	England and Wales
Sanne Group Japan KK	Japan

On 22 November 2019 the Group disposed of its Dubai operations. The Dubai operations are not considered as a separate major line of business and were immaterial.

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20. Minority equity investment

During the year the Group acquired a minority interest in Colmore A.G. The shares are not held for trading and at initial measurement the Group made the irrevocable election to carry the investment at fair value through other comprehensive income. The Group regards the transaction to be a strategic investment and the classification to be the most relevant, based on the Group's business model.

Non-current assets	2019 £'000	2018 £'000
Unlisted securities		
Colmore A.G.	8,632	-

Reconciliation of Level 3 fair value measurements of financial instruments (other than trade and other receivables):

	2019 £'000	2018 £'000
Balance at 1 January	-	-
Additions	9,347	-
Foreign exchange losses	(715)	-
Balance at 31 December	8,632	-

The fair value was based on a combination of the income approach (discounted cash flow model) and the market approach. The discounted cash flow provides an estimation of the fair value based on the cash flows that a business can be expected to generate in the future. The market approach provides an estimation of the fair value based on market prices on actual transactions and asking prices for businesses. The process is a comparison between the subject business and other similar businesses.

In the income approach, the revenue was forecasted over a ten year period. The following unobservable inputs were used: weighted average growth in revenue between 15% and 25%, terminal growth rate of 2% and WACC of 18% which was used to discount the cash flows. The discount rate and the terminal growth rate have been identified to be the assumptions that are the most sensitive to change.

In the market approach a list of broadly comparable listed companies was identified through public sources. Since there are a limited number of public companies offering technology solutions to fund administration businesses services, the Group considered comparable companies offering technology and software services to companies engaged in the broader financial services industry. The valuation was based on a revenue multiple. A revenue multiple of 7.5x was used in the estimate. The Group performed a sensitivity analysis on the fair value. Because a combined approach is used for the valuation, the Group assessed the combined effect of changes in key assumptions. Should WACC increase to 19% and the long-term growth rate only yield 1.5% in the income approach and on the market approach a multiple of 6.7 is used instead of 7.5, the value would have been £866k lower.

21. Leases

This note provides information for leases where the Group is a lessee. The Group leases office space in various jurisdictions. The Group only applied the IFRS 16 lease accounting to its qualifying leases.

	31 Dec 2019 £'000	1 Jan 2019[1] £'000
Right-of-use assets	32,733	30,828
Lease liabilities		
Current	4,291	3,902
Non-current	33,549	31,926
Total	37,840	35,828

[1] In the previous year, the Group recognised its operating leases in profit and loss on the straight-line basis, under IAS 17 Leases. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 36.

During the 2019 financial year the Group made £7.5 million in additions to the right-of-use assets.

The consolidated income statement included the following amounts relating to leases:

	2019 £'000	2018 £'000
Depreciation on right-of-use assets	5,313	-
Interest expense (included in finance costs)	1,607	-
Expenses relating to short-term leases	706	-
Expenses relating to premises rent recognised on a straight-line basis	-	5,502

In the prior period the Group expensed £5.5 million for premises rent based on the previous IAS 17 straight-line accounting policy.

The total cash outflow for leases was £6.4 million.

21. Leases continued

Leases are negotiated for a variety of terms over which rentals are fixed with break clauses and options to extend for a further period at the then prevailing market rate. Rental agreements which qualify for IFRS 16 span from 13 months to 24 years. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Judgement was applied in assessing the lease term over which the lease liability should be recognised. The fixed duration per the rental agreement was used as a starting point. Thereafter the term is adjusted based on the contract clauses, should the Group assess it will make use of a break clause, the lease term is adjusted for the break clause and should the Group consider it highly probable that it will extend the agreement per the extension clauses, the lease term is lengthened.

The Group is exposed to potential future increases in variable lease payments based on consumer price indexes, which are not included in the lease liability until they take effect. When adjustments to lease payments based on the consumer price index take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

On initial recognition of a new lease, the lease liability is recognised as the present value of future payments, discounted using the incremental borrowing rate (unless the interest implicit to the lease is available for use). The incremental borrowing rate was determined by making reference to the operating jurisdiction's risk-free rate, adjusted for credit risk, using the interest rate premium as per Group's current borrowings and the liquidity premium, by adjusting the interest rate up or down based on the remaining duration of the rental agreement. Judgement was applied to determine the point where the upward or downward adjustment is made to the interest rate. The Group applied a different incremental borrowing rate to each lease in each jurisdiction as stated here. The unique discount rate best represents the monetary environment, in which the subsidiary operates, at commencement (or transition date). This approach best reflects what the Group would have to pay to obtain a similar asset in the economic environment in which the subsidiary operates. The incremental borrowing rates ranged between 0.81% and 9.77%.

The right-of-use asset for lease agreements entered into after transition date is measured on initial recognition as the amount equal to the lease liability on initial measurement, less any lease incentives and lease payments made before the commencement date, plus any initial direct costs and dilapidation costs.

The Group accounts for lease payments by allocating them between finance costs and the lease liability. The finance cost is charged to profit or loss over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

22. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	**43,457**	41,034
Allowance for doubtful receivables	**(862)**	(766)
	42,595	40,268
Prepayments	**4,089**	3,141
Other debtors	**1,257**	1,363
Total trade and other receivables	**47,941**	44,772

TRADE RECEIVABLES

Trade receivables disclosed above are amounts due to services rendered in the ordinary course of business. At initial measurement, they are recognised at fair value and subsequently at amortised cost, using the effective interest method.

The Group considers all receivables over 60 days to be past due.

In the year no customer represented more than five per cent of the total balance of trade receivables. In the prior year two customers, across multiple contracting entities, represented 13.1% of the 2018 debtors balance.

The Directors consider the carrying value of trade and other receivables as approximately equal to their fair value.

Movement in the allowance for doubtful receivables:	**2019 £'000**	2018 £'000
Balance at the beginning of the year	**766**	639
Recognised through acquisitions	**-**	138
Impairment losses recognised	**656**	468
Amounts written off during the year as uncollectable	**(52)**	(261)
Amounts recovered during the year	**(504)**	(229)
FX losses	**(4)**	11
Total allowance for doubtful receivables	**862**	766

The expected credit losses were measured by grouping the trade receivables in a manner that reflects shared credit risk characteristics and days past due. The expected loss rates are based on the payment profiles of the respective trade receivable groups. In assessing the payment profiles the Group considers the expected future economic changes in the operating jurisdiction, specific client relationships and the expected future client and fund liquidity. This is then adjusted for forward-looking evidence that the Group will not be able to collect the debts or bill the customer. All impairment losses are related to receivables arising from contracts with customers.

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22. Trade and other receivables continued

The following table provides information about expected credit losses for trade receivables, from individual customers as at 31 December 2019 and 31 December 2018:

31 December 2019	2019 Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
<31 days	0%	31,313	-	31,313
31-60 days	0%	1,214	-	1,214
61-90 days	0%	1,441	1	1,440
91-120 days	0%	4,129	-	4,129
121-180 days	1%	805	7	798
180+ days	19%	4,555	854	3,701
Total		**43,457**	**862**	**42,595**

31 December 2018	2018 Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
<31 days	0%	27,740	-	27,740
31-60 days	0%	2,527	-	2,527
61-90 days	0%	2,423	–	2,423
91-120 days	1%	5,399	32	5,367
121-180 days	0%	470	–	470
180+ days	30%	2,475	734	1,741
Total		41,034	766	40,268

The age buckets disclosed above have expected credit losses applied. Where the expected credit loss rate is 0%, the buckets have immaterial expected credit losses.

23. Contract assets

	2019 £'000	2018 £'000
EMEA	2,856	2,942
Asia-Pacific & Mauritius	2,644	2,559
North America	527	593
Channel Islands	433	534
Balance at 31 December	**6,460**	6,628

The prior year comparative figures were restated, due to the change in segments. Please refer to note 5 for more information relating to the change.

	2019 £'000	2018 £'000
Contract assets relating to contracts with customers 1 January	6,628	3,096
Increase in contract assets for the period	7,003	6,306
Contract assets released	(6,334)	(3,127)
Disposal group held for sale	(325)	(9)
Exchange differences	(512)	362
Balance at 31 December	**6,460**	6,628

Contract assets are all classified as current based on expected recoverability. The contract assets are subject to the impairment requirements of IFRS 9. The contract assets relate to unbilled work recognised on time spend basis as performance obligations are met and substantially have the same risk characteristics as the trade receivables and the simplified approach was also applied to contract assets. The Group has therefore concluded that the expected loss rates applied to trade receivables <31 days, are an appropriate estimation of the expected credit losses.

Payments are due as soon as invoices are raised.

24. Net (debt)/cash

		2019 £'000	2018 £'000
Bank loan (see note 27)		**(129,572)**	(85,364)
Trapped cash	(i)	**(10,065)**	(8,936)
Less: Cash and cash equivalents		**51,454**	32,411
Total net (debt)/cash		**(88,183)**	(61,889)

The Group had undrawn borrowings at 31 December 2019 of £88 million (2018: £14.2 million) and an accordion of £70 million. See note 27.

(i) Trapped cash is the aggregate of the minimum amounts of cash our legal entities are required to hold in order to maintain compliance with any regulatory or legal capital or liquidity requirements that apply to them. The balance of trapped cash is somewhat fluid and will depend on the other assets of the respective entities, it is not specifically held in segregated accounts. Trapped cash can be used by the business; however, it could lead to a breach of the regulatory compliance requirements. Refer to note 34 for additional information on capital management.

25. Share capital

	2019 £'000	2018 £'000
Authorised		
500,000,000 (2018: 500,000,000) ordinary shares of £0.01 each	5,000	5,000
Called up, issued and fully paid		
146,633,168 (2018: 145,996,512) ordinary shares of £0.01 each	1,466	1,460

1,730,901 Ordinary shares (1.2% of the issued share capital) are held by Sanne Group Employees' Share Trust ("EBT") (2018: 2,622,846) and have been treated as treasury shares in accordance with IAS 32 Financial Instruments.

At 31 December 2019 the Company held 98,533 (2018: 98,533) treasury shares.

Movements in share capital during the year ended 31 December	2019 £'000	2018 £'000
Balance at 1 January	**1,460**	1,416
Issue of shares:		
FAS deferred consideration	**6**	8
LIS acquisition	**-**	30
Sanne AgenSynd acquisition	**-**	6
Balance at 31 December	**1,466**	1,460

Movements in share premium during the year ended 31 December	2019 £'000	2018 £'000
Balance at 1 January	**200,270**	171,850
Issue of shares:		
FAS deferred consideration	**3,153**	4,036
LIS acquisition	**-**	20,885
Sanne AgenSynd acquisition	**-**	3,499
Balance at 31 December	**203,423**	200,270

Shares to the value of £3.2 million (2018: £4.0 million) were issued from the "shares to be issued" reserve rather than raised through the issuance of ordinary shares.

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26. Own shares

	Shares		£'000	
	2019	2018	**2019**	2018
EBT	**1,730,901**	2,622,846	**1,166**	1,470
Treasury	**98,533**	98,533	**-**	-
Total	**1,829,434**	2,721,379	**1,166**	1,470

SANNE GROUP EMPLOYEES' SHARE TRUST ("EBT")

During the year, the EBT settled commitments under share based payments of 936,892 shares. The EBT also repurchased 44,947 shares during the year from employees.

The remaining shares and cash are held by the Trust to fulfil the Group's future obligations under share plans.

TREASURY SHARES

The Company held 98,533 (2018: 98,533) shares in treasury resulting from repurchases of shares which are held under restrictive sale agreements, at a total cost of £2.

27. Borrowings

On 1 March 2019, the Group refinanced its loan facility and repaid the existing loan in full. The facility has a maturity of February 2023 with extension options of up to two years. Interest is charged at LIBOR plus a variable margin. The balance of the unamortised loan costs was written off.

The new loan facility is for £150 million plus an accordion facility of £70 million with a consortium of five banks namely HSBC, Bank of Ireland, Lloyds, Royal Bank of Canada and Santander. The new loan is now structured solely as a revolving credit facility that can be drawn down and repaid by the Group at any time. The loan and accordion have a maturity of February 2023 and pay commercial rates.

Covenants attached to the loan relate to interest cover and leverage. Undrawn funds in the revolving credit facility are charged at 40% of the interest margin while the accordion facility attracts no interest until drawn.

The balances available and drawn at the year-end were as follows:

	2019 £'000	2018 £'000
Available		
Term loan	**-**	46,000
Revolving credit facility	**150,000**	44,000
Accordion facility	**70,000**	10,000
	220,000	100,000
Drawn		
Term loan	**-**	46,000
Revolving credit facility	**131,175**	39,850
	131,175	85,850
Capitalised loan fees	**(1,603)**	(486)
Total borrowings	**129,572**	85,364

Reconciliation of loan balance	**2019 £'000**	2018 £'000
Balance at 1 January	**85,364**	64,335
Redemption of bank loans	**(85,850)**	(4,000)
New bank loans raised	**131,175**	24,850
Amortisation for the year	**174**	179
Loan fees accrued	**(37)**	-
Loan fees paid	**(1,711)**	-
Loan fees written off	**457**	-
Balance at 31 December	**129,572**	85,364

During the year to 31 December 2019, the Group drew down from the revolving credit facility a net total of £131.2 million with £85.9 million used to repay the previous facility.

28. Deferred taxation

The deferred taxation recognised in the consolidated financial statements is set out below:

	2019 £'000	2018 £'000
Deferred tax asset	**8,324**	2,082
Deferred tax liability	**(15,931)**	(13,395)
	(7,607)	(11,313)

The deferred tax at year end is made up as follows:

	2019 £'000	2018 £'000
Intangible assets	**(9,063)**	(10,692)
Other timing differences	**1,456**	(621)
	(7,607)	(11,313)

The movement in the year is analysed as follows:

	2019 £'000	2018 £'000
Balance at 1 January	**(11,313)**	(7,930)
Recognised through acquisitions	**-**	(5,162)
Other comprehensive income	**10**	(11)
Income statement movements		
Intangible assets	**1,629**	(738)
Leases – right of use assets	**5,370**	-
Leases – lease liabilities	**(4,822)**	-
Tangible assets	**(122)**	(169)
Share based payments	**145**	1,052
Other timing differences – income statement	**1,122**	1,900
Foreign exchange	**374**	(255)
Balance at 31 December	**(7,607)**	(11,313)

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

The Group expects the deferred tax asset to be recovered as follows:

	2019 £'000	2018 £'000
Deferred tax asset		
recovered in no more than 12 months after the reporting period	**5,123**	771
recovered in more than 12 months after the reporting period	**3,201**	1,311
Balance at 31 December	**8,324**	2,082

The Group expects the deferred tax liability to be settled as follows:	2019 £'000	2018 £'000
Deferred tax liability		
settled in no more than 12 months after the reporting period	**(10,856)**	(9,303)
settled in more than 12 months after the reporting period	**(5,075)**	(4,092)
Balance at 31 December	**(15,931)**	(13,395)

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29. Trade and other payables

		2019 £'000	2018 £'000
Trade creditors		**1,320**	287
Other payables		**1,148**	1,482
Other taxes and social security		**3,139**	2,834
Accruals		**8,865**	5,536
Deferred consideration	(i)	**-**	24,328
Total trade and other payables		**14,472**	34,467
Other liabilities	(ii)	**-**	4,914
Total other liabilities		**-**	4,914

Trade creditors, other payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider the carrying value of the trade and other payables to approximate their fair value.

(i) The prior year deferred consideration relates to the LIS acquisition and was settled in cash in the current year.

(ii) In the prior year other liabilities relate to the non-current liability recognised for lease incentives received. In the current year the lease incentives decrease the right-of-use asset balances as set out in IFRS 16. Refer to note 21 for further information relating to the lease accounting.

30. Provisions

	2019 £'000	2018 £'000
Balance at 1 January	**1,650**	506
Provisions utilised during the year	**(546)**	(60)
Provisions recognised during the year	**1,352**	-
Recognised through acquisitions	**-**	180
Provisions grossed up	**-**	1,030
Foreign exchange loss/(gain)	**19**	(6)
Balance at 31 December	**2,475**	1,650
Of which are:		
Current lease liabilities	**451**	452
Non-current lease liabilities	**2,024**	1,198
Balance at 31 December	**2,475**	1,650

The provision carried principally relates to dilapidations for property leases and will be utilised upon the dismantling of the fixtures in the properties leased, which is expected to occur at the end of rental agreements. The rental agreements span from 1 year to 24 years. A best estimate of the dismantling costs was made; however, the final costs will be determined based on the state of the property and the work required. The Group expects the cash outflow to occur at the end of the lease term. In the prior year the Group incorrectly carried all of its provisions as current. This was split in the current year, as above, between current and non-current. The prior year balance moving from current liabilities to non-current liabilities is £1.2 million, because as at 31 December 2018 it was due after more than 12 months. There was no impact on the profit and loss.

31. Contract liabilities

	2019 £'000	2018 £'000
EMEA	**7,479**	5,910
Asia-Pacific & Mauritius	**4,302**	4,475
North America	**71**	119
Channel Islands	**5,782**	5,581
Balance at 31 December	**17,634**	16,085

The following disclosure indicates how much revenue, recognised in the current reporting period, relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

The prior year comparative figures were restated, due to the change in segments (the cumulative balance remained unchanged). Please refer to note 5 for more information relating to the change.

	2019 £'000	2018 £'000
Contract liabilities at 1 January	**16,085**	12,850
Revenue recognised in the current period that was included in the contract liability balance at the beginning of the period	**(16,195)**	(12,855)
Contract liabilities recognised during the year	**18,551**	16,098
Disposal group held for sale	**(325)**	(250)
Exchange differences	**(482)**	242
Balance at 31 December	**17,634**	16,085

Payments are due as soon as invoices are raised. Revenue is recognised over time, as the performance obligations are met.

32. Share-based payments

	2019 £'000	2018 £'000
Sanne Group plc		
Performance Share Plan	**(40)**	1,192
Restricted Stock Awards	**2,482**	2,184
Social security accrual	**(65)**	-
Total share based payments	**2,377**	3,376

PERFORMANCE SHARE PLAN

During the current and prior years the Group granted awards over its ordinary shares under the terms of its Performance Share Plan ("PSP"). The exercise of awards under the PSP is conditional upon the achievement of one or more challenging performance targets set at the time of the grant and measured over a three-year performance period from grant date. All the awards were granted for nil consideration.

The fair value for Performance Share Plans containing a market condition were valued on grant date using the Geometric Brownian Motion, which incorporated a Monte Carlo simulation. This was performed by determining the share price at grant date and applying the module under certain assumptions, for example the reinvesting of dividends and a risk free rate linked to a three-year UK government bond.

Management estimates the number of shares to be vested based on the performance targets set to be achieved and the current performance of the Group. This is then grown by 13% as per market expectation to determine the probable performance at vesting date. The fair value of share awards granted during the period amounted to £5.4 million.

A summary of the rules for this scheme and the related performance conditions are set out in the Remuneration report.

RESTRICTED STOCK AWARDS

During the current and prior years the Group granted awards over its ordinary shares in the form of Restrictive Stock Awards ("RSA"). The awards are granted as part of the mechanics of an acquisition to act as retentions for staff. The vesting of the awards is subject to continued employment over an agreed period. All the awards were granted for nil consideration.

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32. Share based payments continued

The number and weighted average exercise prices of share based payment awards are as follows:

	Number of shares 2019	Number of shares 2018
Performance share plan		
Outstanding at 1 January	**1,413,030**	1,229,280
Granted during the year	**376,783**	326,289
Forfeited during the year	**(197,726)**	(142,539)
Vested during the year	**(575,539)**	-
Outstanding at 31 December	**1,016,548**	1,413,030

The number and weighted average exercise prices of share based payment awards are as follows:

	Number of shares 2019	Number of shares 2018
Restricted Stock Awards		
Outstanding at 1 January	**1,546,998**	1,355,554
Granted during the year	**540,704**	386,138
Forfeited during the year	**(97,219)**	(151,413)
Vested during the year	**(311,419)**	(43,281)
Outstanding at 31 December	**1,679,064**	1,546,998

The fair value of services received in return for share awards granted are measured by reference to the fair value of the shares granted. The RSA scheme has vesting dates from 2019 to 2023. The PSP scheme has vesting dates between 2019 and 2021.

Shares to be issued comprise the following:	2019 £'000	2018 £'000
Balance at 1 January	**12,278**	13,373
New share plans for employees	**2,337**	2,948
FAS acquisition – deferred consideration settled	**(3,159)**	(4,043)
Shares vested	**(3,733)**	-
Balance at 31 December	**7,723**	12,278

33. Long-term employee benefits

DEFINED CONTRIBUTION PLAN

The Group participates in various defined contribution pension plans, to which it makes monthly contributions in specific jurisdictions. The total contributions during the year were £560k (2018: £451k), paid in full by the employer.

DEFINED BENEFIT RETIREMENT OBLIGATION

The Group has a defined benefit retirement obligation in respect of the Mauritius Employment Rights Act 2008 ("the Act"). In terms of the Act, an employer is obligated to pay a lump sum to the employee upon retirement in proportion to the years of service employed at the company.

The Group has no specific assets to cover the obligation as it is all self funded by the Group.

The Group recognised a net defined benefit retirement obligation of £684k (2018: £701k) on the consolidated balance sheet in respect of amounts that are expected to be paid out to employees under the Act. The Group does not expect a significant change in contributions for the following year.

The most recent actuarial valuation of the defined benefit retirement obligation was carried out at 31 December 2019 by the State Insurance Company of Mauritius.

33. Long-term employee benefits continued

Defined benefit retirement obligation	2019 £'000	2018 £'000
Present value of defined benefit retirement obligation at the beginning of the year	**701**	718
Amounts recognised in the Consolidated Income Statement		
– Current service cost	**54**	48
– Net interest expense	**42**	48
Amounts recognised in the Consolidated Statement of Other Comprehensive Income		
– Actuarial loss/(gain) on defined benefit retirement obligation	**67**	(70)
Direct benefits paid	**(118)**	(85)
FX gain	**(62)**	42
Present value of defined benefit retirement obligation at 31 December	**684**	701

The plan is exposed to actuarial risks such as interest rate risk and salary risk.

The cost of providing the benefits is determined using the Projected Unit Method. The principal assumptions used for the purpose of actuarial valuation were as follows:

	2019	2018
Discount rate[1]	**6.5%**	6.6%
Future salary increases	**3%**	3%
Future pension increases	**3%**	3%
Withdrawal rate	**17%**	17%
Retirement age	**65 years**	65 years

[1] The discount rate is determined by reference to market yields on bonds.

Significant actuarial assumptions for the determination of the defined benefit retirement obligation are the discount rate and expected salary increase. The sensitivity analyses below have been determined based reasonably on possible changes of the assumptions occurring at the end of the reporting period.

	2019 £'000	2018 £'000
– Increase due to 1% decrease in discount rate	**129**	115
– Decrease due to 1% increase in discount rate	**182**	89
– Increase due to 1% increase in future salary increases	**132**	157
– Decrease due to 1% decrease in future salary increases	**167**	123
Weighted average duration of the defined benefit obligation (years)	**22.7 years**	16.3 years

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34. Financial instruments

The Group's financial instruments comprise of bank loans, investments in equity, cash and cash equivalents, trade payables, other payables, trade receivables and other receivables.

Categories of financial instruments		Level	2019 £'000	2018 £'000
Financial assets				
Financial assets recorded at amortised cost				
Cash and bank balances			**51,454**	32,411
Trade and other receivables	(i)		**49,055**	46,896
Financial assets recorded at fair value				
Investment in equity	(ii)	3	**8,632**	-
Financial liabilities				
Financial liabilities recorded at amortised cost				
Bank loan			**129,572**	85,364
Deferred consideration	(iii)	3	-	24,328
Trade and other payables	(iv)		**11,333**	7,305

(i) Includes contract assets but excludes other debtors and prepayments.

(ii) Refer to note 20 for further information relating to the minority equity investment and the fair value thereof.

(iii) The deferred consideration relates to the acquisition of LIS and CP. The consideration had a contingent element where it was based on the 2018 multiple and payment was deferred until the 2018 audit of LIS and CP was finalised.

(iv) Excludes other taxes and social security and deferred consideration but includes accrued interest payable.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items;

Level 2: Observable direct or indirect inputs other than Level 1 inputs; and

Level 3: Unobservable inputs, thus not derived from market data.

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The managed capital refers to the Group's debt and equity balances. Refer to note 25 for the quantitative disclosure of the share capital.

As disclosed in note 27, the Group has a loan which requires it to meet cash flow, leverage and interest cover covenants. Refer to note 27 for the quantitative disclosure of the borrowings. In order to achieve the Group's capital risk management objective, the Group aims to ensure that it meets financial covenants attached to the borrowings. Breaches in meeting the financial covenants would permit the lender to immediately call the loan.

In line with the loan agreement, the Group tests compliance with the financial covenants on a quarterly basis and considers the results in making decisions affecting dividend payments to shareholders or issue of new shares.

Individual regulated entities within the Group are subject to regulatory requirements to ensure adequate capital and liquidity to meet local requirements in Jersey, UK, Guernsey, Ireland, Netherlands, Luxembourg and South Africa, which are monitored monthly to ensure compliance. There have been no breaches of applicable regulatory requirements during the year or at year end. These regulatory requirements of adequate capital are referred to by Sanne as "trapped cash", the quantitative balance of which can be observed in note 24.

FINANCIAL RISK MANAGEMENT OBJECTIVES

The financial risk management policies are discussed by the management of the Group on a regular basis to ensure that these are in line with the overall business strategies and its risk management philosophy. Management sets policies which seek to minimise the potential adverse effects affecting the financial performance of the Group. Management provides necessary guidance and instructions to the employees covering specific areas, such as market risk (foreign exchange and interest rate risk), credit risk, liquidity risk, and in investing excess cash. The Group does not hold or issue derivative financial instruments.

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

34. Financial instruments continued

INTEREST RATE RISK MANAGEMENT

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. The interest rates are directly linked to the LIBOR plus a margin based on the leverage ratio of the Group. The higher the leverage ratio the higher the margin on the LIBOR. The risk is managed by the Group maintaining an appropriate leverage ratio and through this ensuring that the interest rate is kept as low as possible. The Group is currently considering the proposed LIBOR reforms, but it does not expect a material impact on the financial results.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

INTEREST RATE SENSITIVITY ANALYSIS

The sensitivity analysis below has been determined based on the floating rate liabilities.

The Group considers a reasonable interest rate movement in LIBOR to be 25 basis points based on historical changes to interest rates. If interest rates had been higher/lower by 25 basis points and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would decrease/increase by £363k (2018: £229k).

FOREIGN CURRENCY RISK MANAGEMENT

The Group manages exposure to foreign exchange rates by carrying out the majority of its transactions in the functional currency of the Group company in the jurisdiction in which it operates. The Group entities maintain assets in foreign currencies sufficient for regulatory capital purposes in each jurisdiction. The Group continues to monitor the potential impacts of the United Kingdom's leaving EU membership ("Brexit"). The volatility of Sterling is due to the uncertainties around the effect it might have but the Group's strong momentum and diverse geographic presence, as well as the favourable underlying trends in the markets in which we operate, give the Directors confidence in the continued management of the possible Brexit effect. The carrying amounts of the Group's material foreign currency denominated monetary assets and monetary liabilities are as follows:

	Assets		Liabilities	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Euro	**35,051**	29,846	**168**	324
United States Dollar	**25,979**	18,261	**281**	8
South African Rand	**1,258**	2,410	**71**	(2)
	62,288	50,517	**520**	330

FOREIGN CURRENCY RISK MANAGEMENT SENSITIVITY ANALYSIS

The principal currency of the Group's financial assets and liabilities is Pounds Sterling. The Group, however, does own trading subsidiaries based in the United States of America, South Africa, Mauritius, Asia and Europe which are denominated in a currency other than the principal currency. The Group therefore faces currency exposures.

The following table illustrates management's assessment of the foreign currency impact on the year-end consolidated balance sheet and present the possible impact on the Group's total comprehensive income for the year and net assets arising from potential changes in the Euro, United States Dollar or South African Rand exchange rates, with all other variables remaining constant. A strengthening or weakening of Sterling by 20% is considered an appropriate variable for the sensitivity analysis given the scale of foreign exchange fluctuations over the last two years. This is based on the most volatile currency, namely the South African Rand for which it is not uncommon to see a 20% fluctuation.

		Effect on Group comprehensive income and net assets	
	Strengthening / (weakening) of Sterling	**2019 £'000**	2018 £'000
Euro	+20%	**(6,977)**	(5,904)
United States Dollar	+20%	**(5,140)**	(3,650)
South African Rand	+20%	**(237)**	(482)
Euro	(20%)	**5,814**	4,920
United States Dollar	(20%)	**4,283**	3,042
South African Rand	(20%)	**198**	402

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's principal exposure to credit risk arises from the Group's receivables from clients.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. The carrying amount of financial assets recorded in the historical financial information, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Cash and cash equivalents are subject to the impairment requirements of IFRS 9. As balances are mainly held with reputable international banking institutions, they were assessed to have low credit risk and no loss allowance is recognised. Cash and cash equivalents are held mainly with banks which are rated 'A-' or higher, with the exception of a few BBB rated institutions, by Standard & Poor's Rating Services.

> Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial instruments continued

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

The Group manages credit risk by review at take-on around:

- Risk of insolvency or closure of the customer's business;
- Customer liquidity issues; and
- General creditworthiness, including past default experience of the customer, and customer types.

Subsequently, customer credit risk is managed by each of the Group entities subject to the Group's policies, procedures and controls relating to customer credit risk management. Outstanding customer receivables are monitored and followed up continuously. Provisions are made when there is objective, forward-looking, evidence that the Group will not be able to collect the debts or bill the customer. This evidence can include the following: indication that the customer is experiencing significant financial difficulty or default, probability of the fund being liquidated, or similar factors. Analysis is done on a case by case basis in line with the Group policy. The ageing of trade receivables and loss allowance at the reporting date is disclosed in note 22. Note 23 sets out the expected credit loss of contract assets.

The Group has rebutted the presumption that there have been significant increases in credit risk since initial recognition of trade receivables by considering the payment profiles of the trade receivables past due on a case by case basis. Historically the Group has had immaterial debt write-offs, supporting the fact that the clients do not incur significant increases in their credit risk when becoming past due.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk to maintain adequate reserves by regular review around the working capital cycle using information on forecast and actual cash flows.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. Regulation in most jurisdictions also requires the Group to maintain a level of liquidity so the Group does not become exposed.

The Group manages liquidity risk to maintain adequate reserves by regular reporting around the working capital cycle using information on forecast and actual cash.

LIQUIDITY AND INTEREST RISK TABLES

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment years. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from interest rates at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	< 3 months £'000	3-12 months £'000	1-5 years £'000	> 5 years £'000	Total £'000
31 December 2019					
Bank loans (i)	**666**	**2,013**	**139,203**	**-**	**141,882**
Trade payables and accruals (ii)	**14,331**	**-**	**-**	**-**	**14,331**
Provisions	**-**	**451**	**500**	**1,524**	**2,475**
Lease liability	**1,084**	**3,287**	**11,195**	**22,274**	**37,840**
	16,081	**5,751**	**150,898**	**23,798**	**196,528**
31 December 2018					
Bank loans (i)	524	1,562	89,498	-	91,584
Trade payables and accruals (ii)	10,069	-	-	-	10,069
Provisions	506	-	-	-	506
	11,099	1,562	89,498	-	102,159

For the purpose of the above liquidity risk analysis the amortised value has been adjusted for:

(i) The future interest payments not yet accrued and the repayment of capital upon maturity.

(ii) The accrued bank loan interest payable at the balance sheet date.

FAIR VALUE OF FINANCIAL INSTRUMENTS

For all the financial instruments, excluding the instruments classified as carried at fair value through other comprehensive income, the directors consider that the carrying amounts of financial assets and financial liabilities in the historical financial information approximate their fair values.

35. Related party transactions

The Group's related parties are key management personnel, comprising all members of the plc Board and the Executive Committee who are responsible for planning and controlling the activities of the Group.

The remuneration of any employee who met the definition of key management personnel of the Group at the end of the period is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures for the period they served as key management personnel.

	2019 £'000	2018 £'000
Short-term employee benefits	**2,289**	2,789
Share based payments (see note 32)	**222**	573
Contracted through consultancy firm	**60**	-
Total short-term payments	**2,571**	3,362

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below:

	2019 £'000	2018 £'000
Consulting services – Arema Risk Limited	**70**	185

Arema Risk Limited is a related party of the Group as a member of the key management personnel is a shareholder of the entity. The Group engaged the entity for consultancy services at an arm's length basis.

Key management personnel in their capacity as shareholders also receive dividends from the Group when declared. This is standard for all shareholders.

Other than the items listed above, the Group has not entered into any material transactions with related parties.

36. Changes in accounting policies

On adoption of IFRS 16 'Leases', the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The incremental borrowing rate was determined on 1 January 2019 as set out in note 21. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.21%.

The Group made use of the practical expedient on transition whereby leases with a remaining lease term of less than 12 months, as at 1 January 2019, will be accounted for as a short-term lease. Consequently, no lease liability or right-of-use asset was calculated thereon. Initial direct costs were also excluded for the measurement of the right-of-use asset at initial application of the new standard.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 'Leases' and IFRIC 4 Determining whether an arrangement contains a Lease.

The Group defines low value assets as those assets with a purchase price, for a new and unused asset, of £5,000 or lower.

> Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

36. Changes in accounting policies continued

The discounted remaining lease payments are reconciled to the lease liability recognised on initial application as follows:

	1 Jan 2019 £'000
Operating lease commitments disclosed as at 31 December 2018	60,265
Discounted using the average incremental borrowing rate	40,243
Less: short-term leases recognised as an expense on a straight-line basis	(67)
Less: low value assets recognised as an expense on a straight-line basis	(15)
Plus: adjustment due to jurisdictional incremental borrowing rate used	327
Leases committed to in 2018 with a 1 January 2019 commencement date	(4,660)
Lease liability recognised as at 1 January 2019	**35,828**
Of which are:	
Current lease liabilities	3,902
Non-current lease liabilities	31,926
	35,828

The associated right-of-use assets for property leases were measured on a simplified retrospective basis, thereby recognising the right-of-use asset at the carrying value it would have been on 1 January, if the new standard was always in effect. Using the practical expedient, the Group only recognised a right-of-use-asset on property. The impact on 1 January 2019 is set out below. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The cumulative effect of initially applying IFRS 16 'Leases' was accounted for as an adjustment to the opening balance of retained earnings.

Right-of-use assets were only recognised on the rental properties.

	31 Dec 2019 £'000	1 Jan 2019 £'000
Right-of-use assets	**32,733**	30,828
Lease liabilities	**(37,840)**	(35,828)

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:		£'000
Right-of-use assets	Increase by	30,828
Lease liabilities	Increase by	35,828
Deferred tax liabilities	Increase by	4,426
Deferred tax assets	Increase by	4,976
Trade and other payables	Decrease by	5,403
Property, plant and equipment	Decrease by	1,109
Retained earnings	Decrease by	556
Provisions	Increase by	400
Basic EPS (pence)	Decrease by	0.40
Diluted EPS (pence)	Decrease by	0.39
Underlying basic EPS (pence)	Decrease by	0.40
Underlying diluted EPS (pence)	Decrease by	0.39

The lease liability disclosed in the 31 December 2018 consolidated financial statements included two leases with a 1 January 2019 commencement date. The two leases amounted to £ 4.7 million and were included in the consolidated financial statements to be prudent.

Refer to note 21 relating to the current year disclosure of the lease liabilities and right of use asset. Note 21 also details the Group's approach to the assessment of the lease terms, variable lease payments and the calculation of the incremental borrowing rates applied.

37. Business combinations

There have been no business combinations in the current year. In the prior year Sanne acquired 100% of the issued shares of Investment Solutions S.A., Compliance Partners S.A. and AgenSynd S.L. The following note sets out the impact of the prior year business combinations on the comparative period.

LUXEMBOURG INVESTMENTS SOLUTIONS S.A. AND COMPLIANCE PARTNERS S.A.

On 6 February 2018 the Group acquired 100% of the issued share capital of Luxembourg Investment Solutions S.A. and Compliance Partners S.A., these entities are incorporated in Luxembourg and together trade as LIS.

This acquisition provides the Group with an opportunity to expand its platform in Luxembourg, enhance the Group's new funds proposition in Dublin and grow its existing EMEA operations.

The consideration for the acquisition was satisfied by a total payment of approximately £60.2 million (€66.6 million) in cash during 2018 and 2019, and the issuance of 3,022,841 shares.

		EUR '000	GBP '000
Recognised amounts of identifiable net assets (at fair value):			
Non-current assets	**Useful economic life**		
Equipment	3 – 5 years	426	378
Customer & contract intangibles	5 years	18,616	16,527
		19,042	16,905
Current assets			
Trade and other receivables		2,117	1,879
Cash and cash equivalents		3,983	3,536
Accrued income		4,143	3,678
		10,243	9,093
Current liabilities			
Trade and other payables		2,425	2,153
Current tax liabilities		1,163	1,032
Deferred revenue		74	66
		3,662	3,251
Non-current liabilities			
Deferred tax liabilities		4,842	4,299
		4,842	4,299
Identifiable net assets		**20,781**	**18,448**
Goodwill		75,868	67,572
Total consideration		**96,649**	**86,020**
Total consideration satisfied by:			
Cash consideration – on acquisition		29,878	26,525
Equity instruments – ordinary shares (3,022,841 shares in Sanne Group plc)		13,923	12,361
Deferred consideration		52,848	47,134
Fair value of consideration payable at acquisition date		**96,649**	**86,020**
Net cash outflow arising on acquisition:			
Cash consideration		29,878	26,525
Less: cash and cash equivalent balances acquired		(3,983)	(3,536)
Net cash outflow arising on acquisition		**25,895**	**22,989**

> Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

37. Business combinations continued

FAIR VALUE OF CONSIDERATION

The shares were valued based on the closing share price the day before reissuance with this amount appropriately allocated between share capital and share premium.

Included in the prior year was deferred consideration of £24.3 million (€27.1 million). The deferred consideration was paid in 2019 and based on a multiple 2018 EBITDA for the LIS Group.

TRANSACTION COSTS

The Group incurred £117k of acquisition and integration expense in 2018; these costs have been expensed within operating expenses in this financial period and have further been identified as non-underlying as detailed in note 9.

TRADE AND OTHER RECEIVABLES

The fair value of the financial assets acquired is £119k, included in the balance is an amount of £170k, relating to the gross balance of trade receivables, of which £130k was expected to be uncollectible.

GOODWILL

Goodwill is represented by assets that do not qualify for separate recognition or other factors. These include the opportunities for new business wins from new customers, the effects of an assembled workforce and synergies from combining operations of the acquiree and the acquirer. Goodwill is not tax deductible.

EFFECT ON THE RESULTS

During 2018 the LIS Group contributed £16.1 million of revenue and a net profit for the year of £5.2 million to the Group's profit for the period between the date of acquisition and the balance sheet date. If the business had been acquired at 1 January 2018 on a pro rata basis the Group revenue for the period would have been £144.5 million (£1.5 million higher) and net profit for the year £19.8 million (£469k higher).

37. Business combinations continued

AGENSYND S.L ("STREAM GROUP")

On 14 August 2018, the Group entered into a conditional agreement to acquire 100% of the issued share capital of AgenSynd S.L. The Group has entities in Spain, the United Kingdom and France. The acquisition provided the Group with an opportunity to expand its platform in Spain and its existing EMEA operations and completed on 3 September 2018.

The consideration for the acquisitions was satisfied through payments of approximately £6.7 million (€ 7.4 million) in cash, and the issuance of 568,986 consideration shares.

		EUR '000	GBP '000
Recognised amounts of identifiable net assets (at fair value):			
Non-current assets	**Useful economic life**		
Equipment	3 – 7 years	115	104
Customer & contract intangibles	7 years	3,625	3,269
		3,740	3,373
Current assets			
Trade and other receivables		133	119
Cash and cash equivalents		460	415
		593	534
Current liabilities			
Trade and other payables		247	223
Current tax liabilities		165	150
Deferred revenue		961	867
		1,373	1,240
Non-current liabilities			
Deferred tax liability		960	863
		960	863
Identifiable net assets		**2,000**	**1,804**
Goodwill		9,318	8,404
Total consideration		**11,318**	**10,208**
Total consideration satisfied by:			
Cash consideration – on acquisition		7,434	6,705
Equity instruments – ordinary shares (568,986 shares in Sanne Group plc)		3,884	3,503
Fair value of consideration payable at acquisition date		**11,318**	**10,208**
Net cash outflow arising on acquisition:			
Cash consideration		7,434	6,705
Less: cash and cash equivalent balances acquired		(460)	(415)
Net cash outflow arising on acquisition		**6,974**	**6,290**

> Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

37. Business combinations continued

FAIR VALUE OF CONSIDERATION

The shares were valued based on the closing share price the day before issuance with this amount appropriately allocated between share capital and share premium.

TRANSACTION COSTS

The Group incurred £971k of acquisition and integration expense in 2018, these costs have been expensed within operating expenses in this financial period and have further been identified as non-underlying as detailed in note 9. Due to the legal form of the deferred consideration on this deal there are also additional payments to be made estimated at £3.2 million which are treated as ongoing remuneration of key management personnel and being expensed over this and future accounting periods; £564k has been expensed for this in the 2018 financial period, shown in operating expenses and further identified as non-underlying as detailed in note 9.

TRADE AND OTHER RECEIVABLES

The fair value of the financial assets acquired includes trade and other receivables with a fair value of £119k. The gross amount receivable is £170k, of which £130k was expected to be uncollectible.

GOODWILL

Goodwill is represented by assets that do not qualify for separate recognition or other factors. These include the opportunities for new business wins from new customers, the effects of an assembled workforce and synergies from combining operations of the acquiree and the acquirer. Goodwill is not tax deductible.

EFFECT ON THE RESULTS

During the 2018 period The AgenSynd Group contributed £1.1 million of revenue and a profit for the year of £528k, excluding acquisition costs regarded as non-underlying, for the period between the date of acquisition and the balance sheet date. If the business had been acquired at 1 January 2018 on a pro rata basis the Group revenue for the period would have been £145.3 million (£2.3 million higher) and net profit for the year of £20.2 million (£0.8 million higher, if non-underlying acquisition costs are excluded).

38. Contingent liabilities

In the ordinary course of business the Group could be subject to legal claims and/or proceedings. Should such an event arise, the Board would consider its best estimate of the amount required to settle the obligation and, where appropriate, establish a provision. While there can be no assurances that circumstances will not change, based upon information currently available, the Directors do not believe there is any such claim or proceeding that could have a material adverse effect on the Group's financial position.

39. Post balance sheet events

The Group has entered into an option agreement with Inbhear Management Services Limited and Inbhear Fund Services Limited whereby it will obtain control over the entities, subject to regulatory approvals, the upfront consideration is €6.6 million plus an earnout over the next three years capped at €7.8 million. Inbhear Management services Limited is incorporated in the Cayman Islands and Inbhear Fund Services Limited is incorporated in the Republic of Ireland. This acquisition provides the Group with the opportunity to expand and grow its platform in the Cayman Islands, enhance the Group's new funds proposition in Dublin and grow its existing EMEA operations. At year end Sanne had not yet obtained control over the entity, due to contractual requirements that have not yet been met at year end.

The Group is in the process of terminating its premises lease agreement in its UK jurisdiction. The Group has undertaken to enter into a new lease agreement whereby it will rent a larger office space for the next five years, starting in March 2020.

The world is currently experiencing a global outbreak of Coronavirus (COVID-19) which is having an unprecedented impact on global markets. Management is actively monitoring the situation and has assessed the expected impact on the financial results. While there can be no guarantees as to the future operations or performance, the most significant immediate impact is on the forward-looking assumptions made in the various impairment tests. The Sanne South Africa cash-generating unit was found to be the most sensitive to the current downturn in the markets due the nature of its revenue being linked to asset values and the small headroom available. Management further stretched the reasonable possible change scenario based on the current distressed market conditions and while this could potentially change in the future, there were no material differences from the current sensitivities disclosed in note 16 of the financial statements.

On 13 March 2020 Sanne reached an agreement to sell its Jersey based private client business to JTC plc. The consideration to be paid for the business is capped at a maximum of £12 million, to be paid in cash upon completion, and subject to the satisfactory migration of clients to JTC plc. Refer to note 11 for the discontinued operations disclosures.

Glossary of Terms

A

ABP
Annual Bonus Plan

ACT
Companies (Jersey) Law 1991

AGENSYND
AgenSynd S.L.

AGM
Annual General Meeting

AIFMD
The Alternative Investment Fund Managers Directive

APM
Asia Pacific and Mauritius

APMs
Alternative Performance Measures

APAC
Asia Pacific

B

BOARD
The Board of Directors of the Company

BREXIT
The withdrawal of the United Kingdom from membership in the European Union

C

CEO
Chief Executive Officer

CFO
Chief Financial Officer

CGU
Cash-generating unit

CHANNEL ISLANDS
Jersey and Guernsey

CHIEF OPERATING DECISION MAKER (CODM)
The Executive Directors of the Board

CI
Channel Islands reporting segment

CODE
UK Corporate Governance Code adopted by the Financial Reporting Council in 2018

COLMORE
Colmore A.G.

COMPANY
Sanne Group plc

COVID-19
Respiratory illness caused by a coronavirus

D

DESIGNATED NED
A NED designated to liaise with the WAP and feed back the views and experience of the workforce to the Board in line with the recommendations of the Code.

DEPS
Diluted earnings per share

DTR
The FCA's Disclosure Guidelines and Transparency Rules

E

EBITDA
Earnings before interest, tax, depreciation and amortisation

EBT
Employee benefit trust

EMEA
Europe, Middle East and Africa reporting segment (excludes Channel Islands and Mauritius)

EPS
Earnings per share

ESG
Environmental, Social and Governance

EU
The European Union

F

FRC
Financial Reporting Council

G

GAAP
Generally Accepted Accounting Principles

GDPR
General Data Provision Regulation

GROUP
The Company and all of its subsidiaries

I

IFRS
International Financial Reporting Standard(s)

INBHEAR
Inbhear Fund Services Limited and Inbhear Management Services Limited together

J

K

KPI
Key performance indicator

L

LIS
Luxembourg Investment Solutions S.A. and Compliance Partners S.A. together

LISTING
The Company's Listing on the London Stock Exchange (LSE)

LISTING RULES
Regulations subject to the oversight of the FCA applicable to the Company's Premium Listing on the LSE

LTIP
Long-term Incentive Plan

M

MIFID II
The second version of the Markets in Financial Instruments Directive as defined by EC Council Directive 2014/65/EU

N

NA
North American reporting segment

NED
A Non-executive Director of the Company

NORTH AMERICA
USA and Canada

O

OPERATING PLATFORM
The Group's global operating platform incorporates its technology systems, people, operating procedures and policies.

P

PBT
Profit before tax

PRIVATE CLIENT
The Group's Jersey based Private Client business

PSP
Performance Share Plan

R

RCF
Revolving credit facility

REGULATORS
Regulatory authorities impacting the Group including the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg, the UK's Financial Conduct Authority (FCA), the Jersey Financial Services Commission (JFSC) and the Mauritian Financial Services Commission (FSC), amongst others.

S

SECTION 172
Section 172(1) of the UK Companies Act 2006

T

TSR
Total shareholder return

U

V

W

WAP
A formal workforce advisory panel which collects the views of the workforce as a whole and acts as an advisory committee to the Board in line with the recommendations of the Code.

> Shareholder and Corporate Information

Shareholder enquiries

Any Shareholder with enquiries relating to their shareholding should in the first instance contact our Registrar, Equiniti, using the contact information provided on this page.

Electronic Shareholder communications

Shareholders who would prefer to view documentation electronically can elect to receive automatic notifications by email each time the Company distributes documents, instead of paper copies. Registering for electronic communications is very straightforward and can be done via Shareview, at www.shareview.co.uk. Shareview is Equiniti's suite of online services that helps Shareholders manage their holdings and gives access to useful information.

There is no fee for using this service and you will automatically receive confirmation that a request has been registered. The facility allows Shareholders to view details of their holdings, submit a proxy vote for Shareholder meetings, complete a change of address and provide dividend mandates online, so that dividends can be paid into a mandated bank account.

Share price information

Information on the Company's share price is available on the Company's website at www.sannegroup.com.

Investor relations

info@sannegroup.com

Financial calendar

YEAR END RESULTS:
19 March 2020

DIVIDEND RECORD DATE:
24 April 2020

ANNUAL GENERAL MEETING:
13 May 2020 – 11.30am

DIVIDEND PAYMENT DATE:
20 May 2020

Registered office

IFC 5
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Jersey
JE1 1ST

Registered Company Number:

LEI: 2138005UBLKEZRITH576
London Stock Exchange, Symbol: Lon: SNN
FTSE 250

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