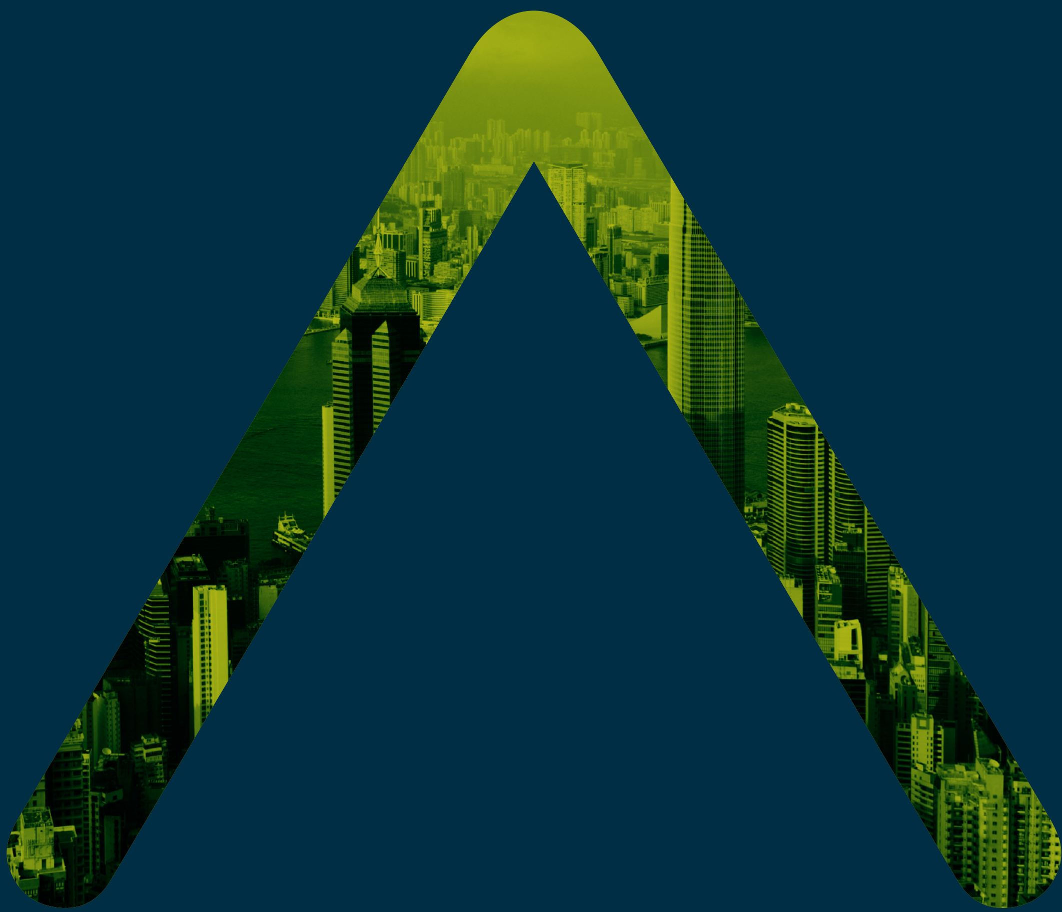
SANNE

Annual Report and Accounts for the year ended 31 December 2018

sannegroup.com



THE DIFFERENCE

Welcome to Sanne Group plc's 2018 Annual Report and Accounts

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

We provide high quality administration, reporting and fiduciary services to the leading alternative asset managers, financial institutions, family offices and corporates. We service clients from 18 locations spread across the Americas, Europe, Africa and Asia-Pacific. Our dedicated asset class and market experts are supported by the latest industry technology, systems and accredited business processes.

SANNE

What you'll find inside this report

SANNE operates across global markets and in a highly specialised industry, serving a wide range of alternative asset managers, financial institutions, family offices and corporates.

We have evolved, grown and established ourselves over the past 30 years to be one of the leading global fund administrators and our professionally qualified people enable us to continue to grow in a highly fragmented market.

Read more on pages 4 and 5

Understand how our business strategy, accredited business processes and platforms provide high quality outsourced business services.

Read more on pages 14 – 43

Understand how our corporate governance principles are evolving in line with the revised UK Corporate Governance Code.

Read more on pages 44 – 100

Understand the numbers behind our global performance.

Read more on pages 110 – 154

Introduction

"I would absolutely recommend SANNE. Any questions we have on the rules and regulations of the industry are answered quickly."

Taken from our Client Survey 2018

Investment Proposition

1 Our focus remains firmly on the alternatives high growth markets globally

- We operate in highly regulated markets
- Clients are of a high quality institutional nature
- Our services are highly bespoke and by their very nature create high barriers to entry, as does the professional expertise of our people
- We operate in highly regulated market environments which again create barriers to market entry

2 Well positioned business in our industry to take advantage of market opportunities

- We are present across the key international financial centres and jurisdictions, this means:
  - We are exposed to the largest markets
  - We have the ability to service clients at a local level and globally cross-border
- Our position and market growth has enabled us to broaden our strategic capabilities, this means:
  - We are able to service global asset managers through our office network
  - We have added complementary products and services to our clients so that our business is fully diversified and not reliant on one revenue stream
- We offer clients a fully integrated service offering:
  - This captures more of the clients share-of-wallet
  - Establishes SANNE as a higher value service provider to clients
- Proven M&A capability to deliver value to the business and ultimately client offering

3 Attractive financial model

- Our client relationships and contracts are long-term which means we have high recurring revenues
- We deliver attractive margins
- We are a highly cash-generative business

4 Robust and consistently invested-into operating platform

- Our business is built on a well-established and robust compliance and risk management framework, accredited business processes and policies
- We employ the best people in the industry – they are professionally qualified, experienced and knowledgeable across a wide range of asset-classes and global markets
- We continually invest into industry recognised applications and systems alongside our own in-house development platforms to drive efficiency and support our client service teams, so they can focus their efforts on servicing clients and nurturing relationships

Our history timeline

1988 –
Inception, private client focused fiduciary services business
-
Jersey

2003 –
Divisional structure built around asset specialisms, particularly alternatives. Operational focus away from single jurisdiction
-
Jersey, Isle of Man, Dublin & Luxembourg

2003 –
Business re-focused to develop a corporate and funds offering
-
Jersey & Isle of Man

2010 –
International expansion to grow new markets
-
Hong Kong, Shanghai & Dubai

2012 –
Inflexion partnership
Dean Godwin joins as CEO
-
London

2013/14 –
State Street acquisition (May 2013)
State Street acquisition (April 2014)
Investment in senior management team
-
Guernsey & Singapore

2015 –
Listed on Main Market of LSE (April 2015)
-
London

2016 –
CCS acquisition
IDS acquisition
Sorato acquisition
FLSV FAS acquisition
-
Dublin, South Africa, Malta, Netherlands, US & Belgrade

2017 –
IFS Group acquisition
-
Mauritius

2017 –
SANNE enters FTSE 250

Our journey has seen us grow significantly

- 1 April 2015
- 1 January 2019

LIS & CP acquisition
-
Luxembourg
Dublin

2018
–

Luxembourg Investment Solutions (LIS) & Compliance Partners (CP)

- Leading 3rd party AIFM authorised to deliver management company services to both alternative investment funds & open-ended mutual funds within EU
- 80 staff
- Enhanced SANNE's fund offering enabling business to now offer integrated administration, AIFM ManCo services & AIFMD Depositary Service

2018
–

AgenSynd acquisition
-
Madrid, London & Paris

AgenSynd

- Leading providers of specialist agency services within the European Private Debt market
- Deal adds new strategically important locations within Europe to SANNE
- 21 staff
- Brings further strength and depth to existing agency expertise
- Opportunity to take service into North America, largest direct lending market in the world

Operational Highlights

- Group revenue growth of 27.2%[1] with organic revenue growth of 12.3%[1]
- Record new business wins with annualised revenue of approximately £24.5 million secured in 2018 (2017: £20.9 million)
- Strong performance for the year within the Group's closed-ended Alternatives and Corporate Businesses (86% of Group revenues):
  - EMEA and North America Alternatives segments delivered organic growth of 16.3%[1] and 16.1%[1] respectively
  - Momentum continues to build in the Group's Asia-Pac & Mauritius business with organic growth in the period of 12.2%[1]
- Targeted investment across the Group's people, processes and systems strengthening the Group's scalable global platform
- Underlying operating profit margin of 31.1% (2017: 34.3%) following the targeted investment, with the second half increasing by more than 100bps versus the first half
- Increased jurisdictional footprint in the year with the addition of Spain and France as well as Japan shortly after the year-end
- Integration of the acquisitions of LIS[2], CP[2] and AgenSynd are progressing well
- Successful refinancing of the Group's debt facilities increasing total committed facility to £150 million with a £70 million accordion facility

1. Constant currency represents the 2018 performance based on 2017 FX rates to eliminate movements due to FX
2. Luxembourg Investment Solutions S.A. (LIS) and Compliance Partners (CP)

Key financial highlights

Group revenue

£143m

+26.4% from 2017

2017[1] £113.2m

Underlying operating profit[2]

£44.4m

+14.5% from 2017

2017[1] £38.8m

Underlying profit before tax[2]

£42.6m

+11.8% from 2017

2017[1] £38.1m

Underlying diluted EPS[2,3]

24.1p

+8.6% from 2017

2017[1] 22.2p

Operating profit

£25.6m

+10.8% from 2017

2017[1] £23.1m

Profit before tax

£23.7m

+5.8% from 2017

2017[1] £22.4m

Diluted earnings per share

12.6p

-0.8% from 2017

2017[1] 12.7p

Dividend[3]

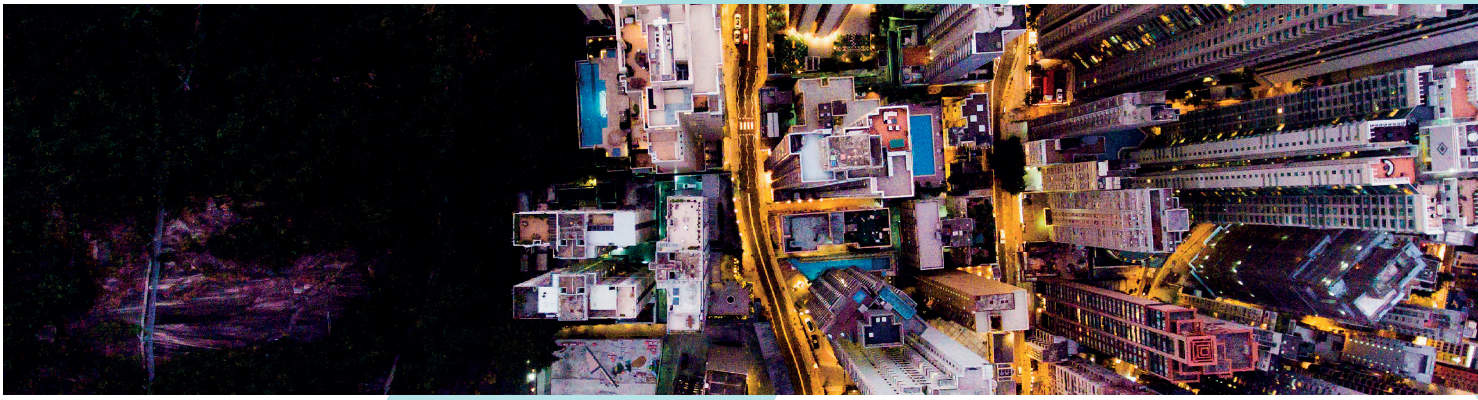
13.8p

+9.5% from 2017

2017[1] 12.6p

1. Restated for prior year adjustments detailed in note 15 of the financial statements and note 3 below
2. Underlying results for the year have been presented after the exclusion of non underlying items. Within operating profit and profit before tax, these items include, amongst other costs, acquisition and integration costs (2018: £1.2m), share based payments where linked to acquisitions (2018: £1.8m) and amortisation of intangible assets (2018: £15.7m). Further details can be found in note 9 of the consolidated financial statements
3. Underlying diluted earnings per share is presented with an adjustment to the tax charge for non-underlying items which is different to prior years (see the CFO Report and note 11 of the financial statements)

Chairman's Statement



Performance

SANNE has delivered another strong set of results in 2018. We are benefiting from having a truly global platform focused on attractive, fast-growing asset classes and jurisdictions.

Revenues for the year increased by 26.4% to £143.0 million (2017: £113.2m), driven by strong new business wins and growth in the Group's core Alternatives and Corporate businesses, more than offsetting headwinds in Hedge and Private Client. The Group's operating profit increased by 10.8% to £25.6 million (2017: £23.1m) whilst underlying operating profit grew by 14.4% to £44.4 million (2017: £38.8m). Underlying profit before tax increased by 11.8% to £42.6 million (2017: £38.1m). Profit before tax was £23.7 million (2017: £22.4m). The Group's underlying operating profit margin for the full year was 31.1%, compared to 34.3% last year as a result of the investments made during the year. The margin in the second half of the year of 31.6% was an improvement on the 30.3% reported for the first half of the year. Underlying diluted EPS was 24.1 pence (2017: 22.2 pence) and reported diluted EPS was 12.6 pence (2017: 12.7 pence).

Following the strong performance delivered in 2018, the Board is recommending a final dividend of 9.2 pence per ordinary share (2017: 8.4 pence) taking the total dividend for the year, including the interim dividend of 4.6 pence per share, to 13.8 pence per share (2017: 12.6 pence in total).

Building a sustainable, global platform

The continued growth in the alternative assets sector, increasing and changing regulations and the growing desire to outsource remain key drivers of the Group's performance and strong future prospects.

Clients are increasingly seeking an outsourcing provider with a well-invested and sustainable global platform across key jurisdictions, as well as specialist capabilities across asset classes. Our strategy in recent years has been centred on meeting these needs.

SANNE added two new jurisdictions to the Group's geographic footprint during 2018 as well as increasing scale in existing locations. This expansion has been both organic and inorganic, with the acquisitions of Luxembourg Investment Solutions S.A. (LIS) and Compliance Partners S.A. (CP) in Luxembourg and AgenSynd S.L. (AgenSynd), headquartered in Spain, completing during the year. These acquisitions have further strengthened our global offering as well as increasing our revenue diversification. The integration of both businesses into the Group is progressing well. After the year-end, SANNE opened a new office in Japan to further capitalise on the opportunities in the fast-growing Asia-Pacific market.

SANNE has managed a targeted programme of investment through 2017 and 2018 to support a broad and sustainable platform capable of delivering long-term growth. Investment has been focused on three main areas – our people, processes and business systems – and involved enhancing our sales function, compliance and risk infrastructure and technology capability.

Our people

SANNE's people are core to the success of the Group. 2018's strong performance is testament to the hard work and commitment of our employees throughout the organisation across all of our jurisdictions. I would like to take this opportunity to thank each one of them for their efforts in 2018.

SANNE's senior team continues to grow, with a number of key appointments made during the year. Today the Group has a team of experienced leaders driving growth in each of its global jurisdictions, in addition to the large team of asset specialists working closely with our clients.

Proactive employee engagement remains a key initiative for the Group. As part of this process, the Board have worked towards the creation of an employee engagement panel that from 2019 will 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.

Our culture

SANNE has a strong collegiate culture, which encourages entrepreneurial drive whilst focusing on both high levels of client service and a keen commitment to compliance. The investment during the year has included significant additional capability in the Group's three lines of defence model across the global platform to enable a joined-up risk culture across all its regions.

Corporate governance

Strong corporate governance has been a key priority for the Group since the listing of the business in April 2015 and this continues to evolve to support the Group's growth. Having created separate Audit and Risk Committees at the start of 2018 and having added a Governance remit to the Nomination and Governance Committee, these changes have all been embedded during 2018.

The Board continues to undertake annual internal effectiveness reviews which assist in the development of the Group's governance.

Board membership

At Board level, in 2018 we welcomed three new Non-executive Directors – Mel Carvill, Julia Chapman and Yves Stein – together with the appointment of James Ireland as the Group's Chief Financial Officer (CFO). We also said farewell to Spencer Daley and I would like to extend my thanks to him for his work and efforts around the Board table since IPO.

Following the end of our 2018 financial year, we announced that our Chief Executive Officer (CEO), Dean Godwin, following a handover period, will step down from the Board and retire from SANNE at our AGM on 16 May 2019. We thank Dean for his immense contribution to the business over the last seven years having transformed SANNE from its origin as a Jersey based operation into a global business.

I am delighted to have welcomed Martin Schnaier to the Board and as CEO Designate. Martin has been with SANNE for over eight years and has played a crucial role throughout that time in the growth and development of the business. He joined SANNE to establish our London office, in which position he was key to building our leading debt administration division. At the time of the IPO, Martin was a key member of the senior leadership team helping form and execute our strategy. In recent years Martin has been responsible for all of the Group's client services activities. In this role, he has been instrumental in both building out our business lines and jurisdictions and also developing our strategic focus. He also played a significant role in the Group's two acquisitions in 2018.

Environmental, Social and Governance (ESG) - Our role in society

In 2018, SANNE's employees across its global office network contributed to various initiatives that focused on giving back to their local communities through charity focused activities. We also continued our drive to reduce SANNE's carbon footprint and consumption of single-use plastics.

Charitable activities

Employees have supported local community charitable initiatives as part of its ongoing Corporate Social Responsibility (CSR) programmes. SANNE's CSR strategy is orientated around three core themes:

- supporting initiatives that help to benefit and improve the lives of children;
- supporting initiatives that help in the fight against poverty; and
- supporting initiatives that give people a better education and start in life.

These themes were agreed by staff across the SANNE business following a dedicated staff survey. Examples of initiatives in which our staff have been involved in throughout 2018 can be found on pages 41 to 43 in our CSR section.

Environmental activities

In 2018 SANNE continued to invest in the working environments across our office network. During the period, SANNE has moved into new office space in Jersey, Malta, Singapore, Cape Town, Belgrade and Amsterdam as well as preparing for moves immediately after the year end in Luxembourg, Japan and Guernsey. With each new office move, the business has selected premises based on a series of qualifying criteria that includes location, open-plan space, natural light, building design and modern staff break-out areas.

We have reduced our carbon footprint by actively committing to undertake a series of environmentally friendly focused actions. Examples of these can be found on page 42 in our CSR section.

Outlook

SANNE has enjoyed a year of strong progress with good revenue growth across core markets and a step change in the scale of the global platform. The Group's future prospects remain very positive, underpinned by long-term, sticky contracts and driven by the strong structural growth of the addressable global alternatives market. We expect to continue to build on our success as a high growth sustainable business whilst benefiting from the investment we have made, and continue to make, in our people and infrastructure. Against this background, we expect to deliver a good performance in 2019 and remain confident in the medium and long-term prospects of the Group.

Rupert Robson

Chairman

21 March 2019

Chief Executive Officer's Statement

2018 performance

£'m	2018	2017	% Change	% constant currency change[2]
Revenue	143.0	113.2	26.4%	27.2%
Gross profit	88.3	72.5	21.9%	23.1%
Gross profit margin	61.8%	64.0%		
Overhead (ex-non-underlying items)	(44.1)	(34.0)		
Non-underlying items	(18.9)	(15.7)		
Operating profit	25.6	23.1	10.8%	11.0%
Operating profit margin	17.9%	20.4%		
Underlying operating profit[1]	44.4	38.8	14.5%	15.6%
Underlying operating profit margin[1]	31.1%	34.3%		

1. Underlying results for the year have been presented after the exclusion of non-underlying items. Further details can be found in note 9 of the consolidated financial statements

2. Constant currency represents the 2018 performance based on 2017 FX rates to eliminate movements due to FX

2018 saw strong revenue growth, driven by our closed ended Alternatives and Corporate businesses globally. This was delivered despite headwinds in our Hedge and Private Client businesses (9.3% of 2018 revenues) during the year. This result, combined with a part year contribution from the two acquisitions made in 2018, resulted in constant currency revenue growth of 27.2% (26.4% at actual currency). Organically, revenues saw constant currency growth of 12.3% (11.1% at actual currency). This encouraging performance was driven by our strong position in our core markets as well as global build out of our market-leading platform.

The Group continued to develop a good pipeline of new business opportunities, with the projected annualised revenues from new business won in the year of approximately £24.5 million (2017: £20.9m). This record performance provides significant growth momentum moving forward into 2019 and beyond.

Our growth is underpinned by the continued expansion of our addressable markets. This is happening on multiple levels and the increasing amount of global capital allocated to closed ended investment strategies increases the number of funds for us to serve. In addition, regulation is increasing the number of services in which our clients need support as well as leading to more onerous requirements for asset management groups and therefore to a growing desire on their part to outsource more services. The breadth of our capabilities across jurisdictions and asset classes gives us a significant competitive advantage and enables us to further strengthen our market position.

SANNE continued to expand its local expertise and jurisdictional coverage in 2018, with the completion of two acquisitions: Luxembourg Investment Solutions (LIS), the AIFMD management company business (including Compliance Partners), and AgenSynd, the Madrid-based market leader of loan agency services. Both acquisitions are already performing better than expected with the integration for both businesses progressing well. Acquisitions remain a core part of our strategy and we continue to review various potential opportunities to enhance our service offering and jurisdictional reach.

SANNE has evolved from being a predominantly Jersey-based business at IPO, operating regionally, to becoming a truly global company. A global platform requires investment to ensure it remains effective and, crucially, scalable. During the year we have continued to focus on enhancing our platform for future growth through a programme of targeted investment, focused on people, processes and systems, which has increased the Group's overheads in 2018.

We have enhanced our Client Service teams, in the form of a dedicated new business sales function and the centralisation of certain non-client facing services. We have invested significantly in our risk and compliance infrastructure to scale both functions and bring consistency across our global presence. We have also invested in our technology, processes and physical infrastructure to ensure that we have the capacity in our business to support growth across our asset classes and jurisdictions. Our technology improvements included our preparations for GDPR as well as further investment into cyber security and threat protection.

We continue to invest in our three lines of defence model, ensuring that we have specialist personnel working with the business in conjunction with the checks and balances from the second line of defence in Risk and Compliance and, thereafter, Internal Audit as the third line. Details of our approach to controls can be found in the Risk Management Report and in the Report of the Risk Committee of the Group's Annual Report and Accounts.

Despite the step up in investment in 2018, the Group saw good constant currency underlying operating profit growth of 15.6% (14.5% at actual currency). The additional investment resulted in the underlying operating profit margin declining to 31.1% in 2018 (34.3% in 2017) and the reported operating profit margin reducing to 17.9% (20.4% in 2017). However, we saw an improvement in margin during the second half compared to the first half as the benefits of these investments started to come through. This trend would have been stronger were it not for both additional costs incurred in the second half in relation to the stabilisation of the Private Client business and also costs incurred in 2018 relating to the acceleration of certain 2019 growth initiatives. The latter included the opening of a new jurisdictional office in Japan in January 2019 and the moving of all of our Luxembourg operations to a single location in February 2019, to support the exciting growth opportunities in these markets.

Our vision

SANNE's vision is to be one of the world's leading providers of alternative asset and corporate services. We strive to achieve this through building a sustainable global business and a relentless focus on the highest quality service, integrity, ambition, enthusiasm, professionalism, engagement and accountability.

Our approach is to build long term partnerships with our clients by offering a premium service offering and always putting the client at the centre of our objectives, whilst effectively managing risk and compliance across our business. We deliver solutions to a range of global asset managers, financial institutions, global corporates and family offices.

Our markets

Our business operates across EMEA, North America and Asia Pacific-Mauritius and our focus is to build scale and market leadership so that we can continue to deliver the highest quality service to our clients. The opportunities in these fast-growing markets are all underpinned by the trend towards the outsourcing of administration activity from institutions, asset managers and family offices to ease their administration burden and to ensure their stakeholders gain independent oversight. As a result of a changing regulatory environment in many markets around the globe, demand for our services continues to grow.

Acquisitions

Acquisitions have helped the Group grow historically and remain an area of management focus in order to further strengthen and expand our offering to our clients.

Brexit

Since the 2016 Referendum, we have continued to monitor the Brexit process closely and to explore the potential consequences thereof. The impact of Brexit itself in the global alternatives market is unlikely to damage overall demand for services. We have, however, seen that our offices located across the EU have benefited from an increase in demand, in particular Luxembourg. Our recent acquisitions of LIS, CP and AgenSynd have further expanded our EU footprint and the Group remains agnostic as to the location in which we support our customers. We therefore believe we are well protected against uncertainty in this regard.

In the longer term, our business is largely aligned to the flow of capital, both on-shore and internationally. Therefore, any change in demand from ultimate investors in funds investing within the UK economy could have an impact in the growth rates of our jurisdictions such as the Channel Islands through which a large amount of international investment in the UK flows. However, the long-term and committed capital nature of our client funds means we would expect any such change in demand to take some time to impact our financial performance. Our growing international diversification should also mitigate any negative change in demand.

Chief Executive Officer's Statement

Senior Management

There were a number of key appointments to our senior management team in 2018 and since the year-end that have significantly strengthened SANNE. These build on the growth of the global team seen over the last four years:

- Martin Schnaier was appointed CEO Designate in January 2019;
- James Ireland was appointed as the CFO;
- Martin Pearson was appointed Chief Risk and Compliance Officer (CRCO), having been Chief Risk Officer;
- Jonathan Ferrara was appointed as the Managing Director for the Channel Islands;
- Wendy Cooper was appointed the Head of Internal Audit;
- Andrew Jones was appointed as Head of First Line of Defence; and
- Peter Nagle was appointed as the Managing Director for Mauritius.

Training

As an organisation of professionals, we continue to promote a culture of learning and development of our staff. We are proud that there is continued investment in training with support for staff to complete professional qualifications. Focus on training, mentoring and staff development will continue to be an important theme in years to come.

Dean Godwin

Chief Executive Officer

21 March 2019

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

The strategic focus of the Group is to be one of the world's leading providers of outsourced alternative asset and corporate services by continuing to build scale in established and emerging markets. The Group will continue to focus on developing its client base of alternative asset managers, financial institutions, global corporates and family offices.

The Group continues to be successful in growing both organically and inorganically. New business is sourced from our strong relationships with market intermediaries, cross-selling to existing clients and from developing new client relationships.

Organic growth

The key drivers of the Group's organic growth strategy include:

- building out SANNE's presence in existing asset classes, with a particular focus on the alternative assets space;
- development of core bespoke asset-led offerings to drive increased revenue opportunities;
- market share development through the deepening of existing client relationships by offering the most comprehensive product and jurisdictional range;
- development of our technology platforms and solutions to both increase the efficiency of our processes as well as enhance our service levels to clients;
- cross-selling to existing clients between product offerings, geographies and delivering new client wins through direct referrals, intermediary referrals and direct targeting. This includes inter-product initiatives to sell ancillary corporate services to existing clients;
- expansion of the global network by building scale in key jurisdictions to support operational growth and diversification and to capitalise on high growth markets; and
- expansion of existing services to ensure that the Group can continue to provide a one-stop shop solution to clients in each asset class, as well as continuing to differentiate SANNE from its competitors across the globe.

Inorganic growth

The Group's acquisition strategy is underpinned by management's track record in sourcing, executing and integrating acquisitions. The Group has a highly selective and disciplined approach to acquisitions, seeking to add value to SANNE without an adverse impact on the existing business.

Assessments are made as to the long-term strategic rationale of acquisition opportunities based on a number of factors, including the ability to:

- build operational scale in existing and/or complementary jurisdictions;
- strengthen SANNE's existing service delivery platform and deliver operational capability to support SANNE's growth story;
- acquire a skilled workforce to support SANNE's people-led approach;
- benefit from cost synergies (rationalisation of systems and central functions) and cross-selling opportunities within the combined business;
- deliver an alternative, lower cost outsourced platform; and
- further strengthen client relationships in cases where there are common clients

The Group continued to be active in the year, with the completion of two deals during 2018, LIS in February and AgenSynd in September. These acquisitions have delivered greater geographic diversity and a more comprehensive product offering in the Group's more established markets.

LIS and CP acquisition (together 'LIS')

LIS is a leading third party Alternative Investment Fund Manager (AIFM) with assets under administration in excess of €8.3 billion. It is authorised to deliver management company services to both alternative investment funds and open-ended mutual funds within the EU. It provides alternative asset and corporate focused administration services to more than 60 clients and administers in excess of 100 fund structures. LIS is regulated under the supervision of Commission de Surveillance du Secteur Financier. Founded in 2011, together LIS and CP employ more than 80 people, the majority of whom are based in Luxembourg with a small operation in Dublin.

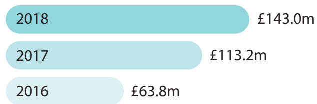
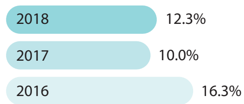
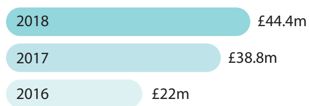
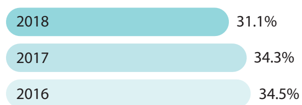
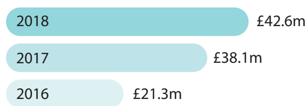
The acquisition completed on 6 February 2018. The integration of LIS and CP continues to progress.

AgenSynd acquisition

AgenSynd is one of the leading loan agency businesses in Europe. It employs around 20 people across Madrid and London and in its representative sales office in Paris. The acquisition of AgenSynd has been a great opportunity for SANNE to augment our existing book of loan agency work and increase the strength and depth of the management team tackling the agency market. It has also allowed the Group to expand our Continental European footprint. The transaction completed on 1 September 2018.

KPIs

Key performance indicators (KPIs) are used to monitor the Group's performance and to measure the financial impact of the Group's strategy.

	KPI	Why we use this measure	2018 Performance
01.	Revenue (absolute £)	Revenue growth measures how well the Group has expanded it's business	 **+£29.8m** raise in 2018
02.	Constant currency organic revenue growth[1] (a relative %)	Organic revenue growth provides a measure of how well the Group is expanding outside the impact of acquired revenue streams	 **+2.3%** increase in 2018
03.	Underlying operating profit[2] (absolute £)	This KPI helps the business measure profitability	 **+£5.6m** raise in 2018
04.	Underlying operating profit margin (%)[2]	This measures profitability and the efficiency of the Group	 **-3.2%** decrease in 2018
05.	Underlying PBT[2]	This measures the profitability of the Group	 **+£4.5m** raise in 2018

	KPI	Why we use this measure	2018 Performance
06.	Underlying diluted EPS[2, 3, 4] (absolute pence)	The key measure of value creation of the Board and Shareholders	2018: 24.1p 2017: 22.2p 2016: 16.9p **+1.9p** raise in 2018
07.	Annualised new business wins	The annualised revenue of new business wins are used to gauge growth and performance	2018: £24.5m 2017: £20.9m 2016: £13.8m **+3.6m** raise in 2018
08.	Underlying operating cash conversion[2]	This KPI measures the ability of the Group to convert profits into cash	2018: 82% 2017: 100% 2016: 103% **-18%** decrease in 2018
09.	Number of Jurisdictions[5]	This KPI is used by the Board to review the Group's international footprint	2018: 17 2017: 15 2016: 14 **+2** increase in 2018

1. 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 revenue from that acquisition is grossed up to a full year contribution as if it had been owned for the entirety of both periods
2. Underlying results for the year have been presented after the exclusion of non-underlying items. These items include, amongst other costs, acquisition and integration costs, share based payments where linked to acquisitions and amortisation of intangible assets. Further details can be found in note 9 of the consolidated financial statements
3. Figures for 2016 and 2017 have been restated to reflect the underlying effective tax rate rather than the reported tax rate in arriving at underlying diluted EPS
4. Figures for 2017 have been presented after adjusting for the restatement correcting the prior period errors detailed in note 15 of the financial statements
5. This KPI reflects the position as at 31 December 2018 and the result therefore excludes the new jurisdiction of Japan, which opened in January 2019

Segmental Reporting

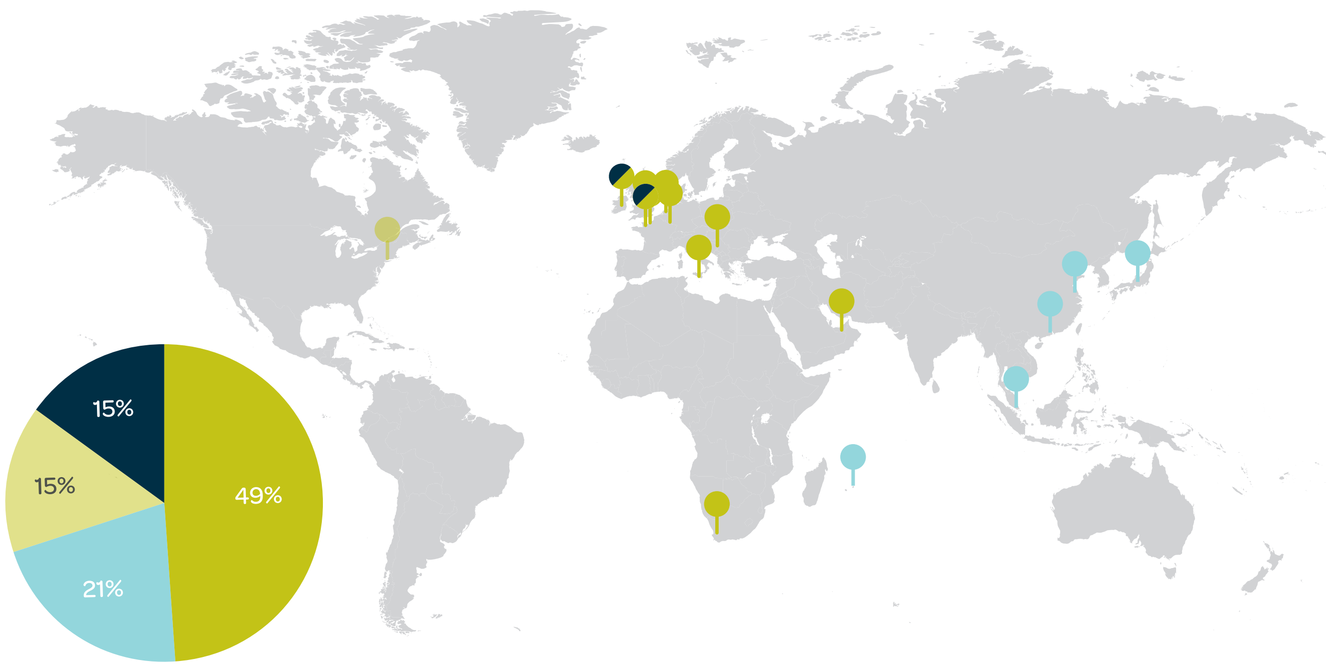
SANNE operates across four segments.

ALTERNATIVE ASSETS SERVICES – split by global regions

EMEA	APM	NA
Closed-ended strategies – Private Debt & Capital Markets – Real Estate – Private Equity	Closed-ended strategies – Private Debt & Capital Markets – Real Estate – Private Equity	Closed-ended strategies – Private Debt & Capital Markets – Real Estate – Private Equity
Open-ended strategies – Hedge funds services	Open-ended strategies – Hedge funds services	

CORPORATE & PRIVATE CLIENT SERVICES

CPC
Global offering of corporate services
Private Wealth & Family Office Services



EMEA

REVENUES:
£71.8m

GROSS MARGIN:
£43.7m

APM

REVENUES:
£30.4m

GROSS MARGIN:
£22.2m

NA

REVENUES:
£21.6m

GROSS MARGIN:
£10.6m

CPC

REVENUES:
£19.2m

GROSS MARGIN:
£11.9m

Segmental Review

SANNE operates across four segments. Three segments cover the performance of SANNE's Alternatives business across the Group's three regions (Europe, Middle East and Africa (EMEA), Asia-Pacific & Mauritius (APM) and North America (NA)) whilst the fourth segment covers the global reporting of Corporate and Private Client services (CPC).

EMEA Alternatives

EMEA Alternatives (£'m)	2018	2017	% Change	% constant currency change
Revenue	71.8	46.8	53.4%	52.4%
Gross profit	43.7	29.0	50.4%	43.8%
Gross profit margin	60.8%	62.0%		

SANNE's EMEA Alternatives business includes our services across the Channel Islands, Luxembourg, Ireland, the United Kingdom, Spain, France, the Netherlands, Malta and South Africa to alternative asset managers and financial institutions and structures. 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 business.

The division has seen strong performance in 2018 with constant currency revenue growth of 52.4% (53.4% at actual currency) and overall organic revenue growth at constant currency of 16.3% (16.6% at actual currency). There have been similar increases at the gross profit level, with constant currency growth of 43.8% (50.4% at actual currency) and overall organic growth at constant currency of 15.8% (16.4% at actual currency).

The organic revenue performance has been the result of continued buoyant markets and strong demand across all the closed ended investment strategies that SANNE supports. Having a large, scaled capability across all key jurisdictions, across all asset classes and with a focus on high quality, bespoke service continues to pay dividends. The organic growth was particularly pronounced across SANNE's closed ended alternatives businesses. The South African Hedge business experienced headwinds in the year as a result of high levels of redemptions seen across the South African hedge fund market.

When considered by themselves, the closed ended alternatives businesses (Private Debt & Capital Markets, Private Equity, Real Estate, Loan Agency, including Depositary) saw constant currency organic revenue growth of 20.1% (20.7% at actual currency). By contrast the revenues of the Hedge business, which represented 9.6% of the EMEA's 2018 revenues, declined by 4.0% at constant currency (5.9% at actual currency).

The gross margin for the division has improved slightly in the second half but remains down on the prior year. As indicated, part of the investment in people and processes in 2018 involved the creation of centralised teams across specific functions, in particular in sales, payments and on-boarding. This had a dilutive effect on gross margins as the cost was introduced while the efficiencies these teams bring in client service staff utilisation takes time to materialise. These teams in 2018 were largely focused on supporting EMEA Alternatives and CPC as they are embedded in the business. The second half improvement was a result of the efficiencies of these teams starting to be realised.

The two acquisitions completed during 2018 were within EMEA Alternatives. Both acquisitions performed well in the year and better than had been previously anticipated as they saw continued good demand for their services. The strong performance in Luxembourg has been in part a result of initial revenue synergies. These arose from the LIS AIFM Management Company service and SANNE's traditional fund administration offerings being sold together as a one-stop-shop solution for clients. Likewise, AgenSynd performed well. The integration of the business into SANNE's existing book of agency business has begun in early 2019 and is expected to be complete during the first half of 2019.

Segmental Review

APM Alternatives

APM Alternatives (£'m)	2018	2017	% Change	% constant currency change
Revenue	30.4	27.9	9.2%	12.2%
Gross profit	22.2	21.5	3.3%	5.0%
Gross profit margin	72.8%	77.0%		

SANNE's APM Alternatives business includes our services across Shanghai, Singapore, Hong Kong and Mauritius to alternative asset managers, financial institutions and structures. The Mauritius platform within the division was acquired at the start of 2017 whilst the other offices, forming the Asia-Pacific platform, have grown organically since SANNE was listed in 2015.

It has been pleasing to see investment in the region start to pay off with APM having a good performance in 2018. Full-year constant currency organic revenue growth was 12.2% (9.2% at actual currency) which is significantly improved on the first half performance of 5.2% (-2.0% at actual currency). We saw a similar result at the gross profit level with constant currency organic gross profit growth of 5.0% (3.3% at actual currency). The improving growth rates within this division set it up well as we enter 2019.

Within the division, the Mauritian book of business showed constant currency organic revenue growth of 6.9% (3.2% at actual currency). This is a notable increase from the performance in the first half. Compared with the business's historic flat revenue profile, this result is testament to significant efforts made within the jurisdiction since the acquisition of IFS to start driving revenue growth. The business has achieved this through additional investment in growth initiatives and marketing efforts. 2018 also saw the appointment of Peter Nagle, who was previously Global Head of Trust & Fiduciary Services at Standard Chartered, as Country Head in Mauritius.

Supported by the additional scale provided by the Mauritian business, the book of business across Asia-Pacific saw exceptionally strong growth in 2018. The full year constant currency organic revenue growth rate in Asia-Pacific was 29.9% (29.7% at actual currency). Our Asia-Pacific business now has the scale and critical mass to compete across all key jurisdictions in the region which is having a corresponding effect in new business wins. The region has also been successful in winning several large new clients in the year. We continue to see significant growth in new funds across the region.

The period has seen the gross profit margin decline from 77.0% in 2017 to 72.8% in 2018. A large part of this decline is a result of the changing mix of gross profit in the segment between Mauritius and Asia-Pacific. The average margin for the region has reduced as the higher gross margin contribution from Mauritius becomes a relatively smaller part of the whole due to the faster growth of Asia-Pacific. Our Asia-Pacific business has also seen a decline in gross margin as it scales up the team to manage its high levels of growth. Our Asia-Pacific business has experienced gross margins in line with the EMEA Alternatives business in 2018 having benefited from higher historic gross margins in prior years.

The APM business anticipates continued growth in 2019 as it opens new offices in Japan and India to capture increased flows from alternative asset managers in the region.

NA Alternatives

NA Alternatives (£'m)	2018	2017	% Change	% constant currency change
Revenue	21.6	19.1	12.9%	16.1%
Gross profit	10.6	9.7	9.6%	9.8%
Gross profit margin	49.1%	50.6%		

SANNE's NA Alternatives business primarily services Private Equity clients in North America. Further progress was made during 2018 in developing a local client base across debt and real estate investment strategies. The business originated with the acquisition of FLSV Fund Administration Services LLC (FAS) in late 2016.

NA experienced another year of double digit organic growth in 2018. Full year constant currency organic revenue growth was 16.1% (12.9% at actual currency) and constant currency organic gross profit growth was 9.8% (9.6% at actual currency). The increase in the full year growth rates versus those reported in the first half were largely as a result of the atypical H1 / H2 split seen in the comparator year, as mentioned in the interim results.

Growth in the year was driven by continued strong demand from the existing customer base as it expanded both domestically and internationally. The growth covered different asset products and also some new American clients outsourcing services to SANNE for the first time in 2018. We continue to see a lower rate of administration outsourcing in North America compared with other regions around the globe. However, there is an increasing trend from asset managers seeking a third-party administrator to increase internal efficiencies and service the funds from an independent standpoint. There is also very positive momentum in new funds coming to market across all asset classes.

Gross margins for the year have been broadly flat compared to the prior period. We have always seen lower margins in our NA business compared with other markets, largely reflecting structurally different market conditions in North America where the penetration of outsourcing of fund administration with closed-ended fund managers is notably lower.

Segmental Review

CPC

CPC (£'m)	2018	2017	% Change	% constant currency change
Revenue	19.2	19.4	-1.1%	-1.2%
Gross profit	11.9	12.3	-3.0%	-5.4%
Gross profit margin	62.3%	63.5%		

SANNE's CPC business encompasses both our Corporate Services and our Private Client operations.

Overall, CPC has seen a small reduction in both revenues and gross profit versus the prior year, with constant currency revenue and gross profit declining -1.2% and -5.4% respectively (-1.1% and -3.0% respectively at actual currency).

Our Corporate services business, which represented two thirds of CPC's total 2018 revenue, had a positive year with constant currency organic revenue growth of 5.7% (5.9% at actual currency). The business benefited from good levels of new client wins and the development of new product and service lines across the tax compliance and regulatory reporting space. The full integration of the previous business lines of Corporate & Institutional, Executive Incentives and Treasury has also contributed to the performance with increased cross-selling opportunities across the common client base.

2018 was a difficult year for our Private Client business (4.5% of 2018 Group revenues). The division was impacted by the loss of a small number of large clients in the prior year creating a headwind coming into 2018. As a result, revenues in the business declined through the year with a full-year decline of 12.6% (at both constant and actual currency). Following the outturn in the first half, we undertook a detailed review of performance across the team and client book which resulted in some changes to the senior team leading this business, as well as the augmentation of the overall team. The client book is now stable with no further material client losses expected. With the strengthened leadership team and increased business development activities, this should set the team up to return to growth during 2019.

CPC saw a small decline in its gross margin, from 63.5% to 62.3%, driven by the increased costs brought into the business to support the centralised functions in sales, on-boarding and payments. There was also a small impact from a reduction in the Private Client gross margin as a result of the stabilisation exercise referred to above.

Chief Financial Officer's Review

We are focused on delivering on the large growth opportunity that we continue to see across our markets.

2018 has seen the business once again deliver strong growth across Alternatives and Corporate clients. The record level of annualised new business wins sets the Group up well to continue delivering on this growth into 2019.

The step-up in investment made in the Group's people, processes and systems that started in the second half of 2017 has reduced the Group's profit margins, albeit that the profit margin in the second half of the year improved on the first half as the business began to see the benefits of some efficiencies and some operating leverage come through.

The Board has also decided to amend how we present our alternative profit measure of diluted underlying earnings per share as a Group. The change has no impact on the Group's cash flow or cash position and applies to the underlying earnings per share presented for both years-ended 31 December 2017 and 2018. Under the new presentation, the Group's underlying tax charge will be used in arriving at diluted underlying earnings per share whereas under the previous presentation, the Group's reported tax charge was used. The difference between the reported and underlying tax charge arises principally from the amortisation of acquired intangibles that are not deductible for tax purposes. In prior years, the difference between the reported and underlying tax charge was not considered to be material, however, following determination of the prior period errors for the 2017 accounts, the difference between the Group's reported and underlying tax charge is now sufficiently large that the Board feels it appropriate to change the presentation. A reconciliation of the difference is provided below under the heading of "Diluted underlying earnings per share" and further detail is included in note 11 of the financial statements.

Revenue

The Group delivered another strong year of growth, with the traditional second half weighting resulting in revenues rising 27.2% on a constant currency basis (26.4% on an actual currency basis) to £143.0 million (2017: £113.2m). Organic revenue growth also remained strong at 12.3% on a constant currency basis (11.1% at actual currency) driven by a strong performance across our closed-ended alternative funds and corporate businesses.

£'m	2018	2017	% Change	% constant currency change
EMEA Alternatives	71.8	46.8	53.4%	52.4%
Acquisitions	*17.2*	-		
Organic revenue	*54.6*	*46.8*	*16.6%*	*16.3%*
APM Alternatives	30.4	27.9	9.2%	12.2%
NA Alternatives	21.6	19.1	12.9%	16.1%
CPC	19.2	19.4	-1.1%	-1.2%
Total	**143.0**	113.2	26.4%	27.2%
Organic revenue	*125.8*	*113.2*	*11.1%*	*12.3%*

We saw good double-digit constant currency revenue growth across all of our Alternatives businesses both on an organic and an actual basis. The Private Client business, which represents around a third of the CPC business and 4.5% of Group revenues, had a difficult year which resulted in CPC posting a marginal decline in year-on-year revenues, despite the Corporate business within the segment delivering constant currency growth of 5.7% (5.9% at actual currency). The first half/second half revenue weighting in 2018 was 46% : 54%, which is broadly in line with the traditional split for the Group. This weighting is driven by the period-on-period growth being delivered by the Group rather than by any seasonal trends.

In 2018, revenues from our Alternatives businesses increased to 86.6% of the Group's total (2017: 82.9%) as we saw stronger organic growth and contribution from acquisitions. Within this, our Hedge business, which is our open-ended alternatives platform, accounted for 4.8% of the Group's total. This was down from 6.5% in 2017 and results from the market headwinds seen in the South African Hedge industry. Revenues from our Corporate services client base represented 8.9% compared with 10.7% in 2017. This reduction in relative contribution was purely down to the business's lower growth rate than seen in Alternatives. Finally, revenues from Private Clients represented 4.5% of Group sales, down from 6.5% in 2017 with the reduction in overall revenues from Private Client causing this relative fall. Acquisitions accounted for 12.1% of the Group's revenues.

Gross Profit

£'m	2018	2017	% Change	% constant currency change
Revenue	143.0	113.2	26.4%	27.2%
Direct costs	(54.7)	(40.7)	34.3%	34.3%
Gross profit	88.3	72.5	21.8%	23.1%
Gross margin	61.8%	64.0%		

Gross profit in 2018 was £88.3 million (2017: £72.5m), representing constant currency organic growth of 23.1% (21.8% at actual currency). This reflected the strong organic and inorganic revenue growth and a small decline in the gross profit margin in the year. The full-year gross profit margin was 61.8%, down 2 percentage points from the prior year. This reduction was a result of additional costs being introduced into the client services side of the Group in the form of centralised teams dedicated to processing payments and client on-boarding as well as a Group sales team. We have seen the efficiencies from centralising these functions start to come through. The second half gross margin was 62.1%, representing a 0.8 percentage point improvement of the margin seen in the first half.

Overheads performance

The Group's overhead represents all costs for supporting the business including information technology, risk and compliance, human resources, premises, finance and the Group's head office costs. Overheads in 2018 were £44.1 million (2017: £33.8m), which represented 31.9% constant currency growth (30.5% at actual currency). The growth in overhead was a result of the increase in investment made in the Group's people, processes and systems in creating a global platform. Overheads represented 30.7% of Group revenues for the year, up from 29.5% in 2017.

Non-underlying costs

Non-underlying items within operating profit include share-based payments where they relate to acquisitions, acquisition and integrations costs and amortisation of intangible assets totalling £18.9 million (2017: £15.7m). For further details on non-underlying items see note 9 in the Notes to the Consolidated Financial Statements.

Underlying Operating profit

Underlying operating profit for 2018 was £44.4 million, which represented constant currency growth of 11.0% (11.5% at actual currency) on £38.8 million in 2017. Underlying operating profit margin declined from 34.3% in 2017 to 31.1% in 2018. The full-year underlying operating profit margin was an improvement on the first half result of 30.4% largely as a result of the slight improvement in operating efficiency as seen in the gross margin. Following the investment made over the last two years, we expect underlying operating profit margins reported in 2018 to be at the bottom of the range that the business is capable of producing going forward. In 2019 we expect to see underlying operating profit margins to continue to improve slightly on the prior year.

Net finance expense

Net finance expense was £1.8 million (2017: £1.1m). The increase in the year was driven by the increase in leverage as a result of the acquisitions undertaken in the year. Despite these acquisitions, the Group continues to maintain a low gearing ratio.

Other Comprehensive Income

An unrealised gain in Other Comprehensive Income of £8.8 million for the year relates mostly to a strengthening of sterling against the US dollar given the non-sterling acquisitions made in recent years.

Taxation

The Group's reported effective tax rate for the year was 23.3% (2017: 19.1%). 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 was 18.2% (2017: 16.9%). The increase in effective tax rate in the year is a result of a greater proportion of the Group's profits being made in higher corporate tax jurisdictions such as North America and Luxembourg.

At the start of 2019 the Group has taken the decision to move the plc's tax residency from Jersey to the United Kingdom. This move is not expected to have any material impact on the Group's effective tax rate going forward. This has been deemed appropriate given that the Executive Directors on the Board, following the CEO handover process, are both based in the UK.

Chief Financial Officer's Review

Diluted underlying earnings per share

Underlying diluted earnings per share were 24.1 pence (2017: 22.2 pence) and reported diluted earnings per share were 12.6 pence (2017: 12.7 pence).

The Group has changed how it presents the alternative profit measure of underlying earnings per share for 2018 and restates the 2017 result on the new accounting treatment. Had the Group not changed the presentation of underlying diluted earnings per share, the result for 2018 would have been 25.7 pence (2017: 23.7 pence).

The change is presentational only and has no cash impact.

In prior years, the Group calculated underlying earnings per share using the reported tax charge, not adjusting for non-underlying costs, such as amortisation of intangibles. Historically, the difference between the reported and underlying tax charge was not considered to be material. However, the correction resulting from the prior period errors increases the tax impact of non-underlying items. In 2017 the impact increases from approximately £1.6 million to £2.2 million.

The table below shows the tax charge used in arriving at diluted underlying earnings per share both under the old calculation and the revised calculation. The Board believes that this calculation of EPS is more relevant as it takes into account the tax impact of non-underlying items.

	Previous calculation of APM		Revised calculation of APM		Variance	
£'000	2018	2017	2018	2017	2018	2017
Underlying profit before tax	**42,562**	**38,077**	**42,562**	**38,077**		
Reported tax charge	(5,506)	(4,274)	(5,506)	(4,274)		
Adjustment for non-underlying items	-	-	(2,227)	(2,173)		
Underlying profit after tax	**37,056**	**33,803**	**34,829**	**31,630**	**(2,227)**	**(2,173)**
Implied effective tax rate	12.9%	11.2%	18.2%	16.9%		
Underlying earnings per share (p)	**25.7**	**23.7**	**24.1**	**22.2**	**(1.6)**	**(1.5)**

Cash flow and funding

The acquisitions of LIS, CP and AgenSynd completed within the year have led to the carrying value of goodwill and other intangible assets rising to £255.1 million (2017: £167.3m). This value represents the assets of the acquired companies that are not separately identifiable and the value attributed to the acquired customer relationships and underlying contracts. The Board have established key controls for monitoring the carrying value of these assets.

The cash position of the Group remains strong with cash generated by operations, before taxation, of £34.9 million (2017: £37.6m). This enables the Board to maintain its progressive dividend policy as the Group continues to grow. The acquisitions in the year resulted in a total cash outflow of £43.7 million (2017: £74.3m), which was funded through a combination of existing cash resources and a draw down on existing facilities.

SANNE's trading working capital (TWC) on the balance sheet at the year-end (defined as the aggregate of trade debtors and accrued income less deferred revenue) rose to £33 million (2017: £16.2m). This increase was partly a result of the strong growth in revenues in the year. However, TWC as a proportion of the year's revenue also increased from 14.3% in 2017 to 22.5% as at 31 December 2018. Of this increase, around a third was attributable to LIS and CP. The billing cycle for the LIS AIFMD "ManCo" platform carries a higher level of accrued income at period ends compared with SANNE's traditional administration businesses. As such, the acquisition of LIS has increased both the amount of accrued income recognised at period ends and also the TWC balance. The remaining increase in the proportion of TWC was a result of growth in the trade debtors in the year as average cash collection times (trade debtor days) increased from historically very low levels. This increase was seen most acutely in the Group's highest growth jurisdictions such as Asia-Pacific and Luxembourg where exceptionally strong double-digit growth has resulted in a focus on the delivery of new clients at the expense of cash collection. Trade and other payables rose to £34.5 million (2017: £8.5m). The increase relates in the main to the increase in deferred consideration payments for the LIS, CP and AgenSynd acquisitions.

Underlying operating cash conversion (calculated as cash generated from operations adjusted for non-underlying cash items compared with underlying operating profit) in the period was 81.7% (2017: 100.3%). Whilst we saw the reversal of the cash flow issue in Mauritius that was highlighted at the half year, the increase in the average trade debtor days across the Group and the mix effect of LIS's working capital cycle has driven the underlying cash conversion down for 2018. We expect this to improve in future years as the cash collection cycle is maintained or improved.

The Group's net debt stood at £53.0 million at 31 December 2018 (2017: £13.5 million), £61.9 million (2017: £20.4 million) when adjusting for trapped cash, representing leverage of 1.14 x EBITDA and 1.33 x EBITDA respectively. This included gross cash balances of £32.4 million (2017: £50.8 million).

Post year-end refinancing of debt facilities

After the year end, SANNE successfully refinanced its debt facilities. The new debt facility is a multi-currency committed £150 million revolving credit facility with an uncommitted accordion facility of £70 million which replaces the existing £90 million committed term loan and revolving credit facility and £10 million accordion. The new facility is on attractive terms and brings together Bank of Ireland, Lloyds, Royal Bank of Canada and Santander to join HSBC, SANNE's existing lender. The new facility has a maturity of February 2023 with extension options of up to two years.

The new facility provides SANNE with significant flexibility and increased capacity to support the continued growth of the Group, particularly in support of the Group's acquisition strategy, as well as extending the maturity of the Group's borrowings.

Foreign Exchange

The Group's results are exposed to translation risk from the movement in currencies. During 2018 key individual exchange rates have moved, as shown in the table below. Overall, the average headwinds from both our major non-sterling currencies have reduced reported revenue, gross profit and underlying operating profit by £0.9 million, £0.5 million and £0.4 million respectively.

	At 31 December			Annual average		
Per £ sterling	2018	2017	%	2018	2017	%
Euro	1.113	1.125	-1.2%	1.130	1.142	-1.05%
US Dollar	1.275	1.352	-5.7%	1.334	1.289	3.5%

Prior period restatements

The Group has restated its financial statements for the year-ended 31 December 2017 to correct prior period errors in recognising the value of intangible assets on the acquisition of IFS in Mauritius and deferred tax on goodwill for the FAS acquisition in the US. The correction results in an increase of goodwill and the creation of a deferred tax liability against the intangibles of IFS and the recognition of a deferred tax liability with the corresponding tax charge for FAS. Further details are provided in note 15.

Adoption of new accounting standards

The new leasing standard IFRS 16 is effective from 1 January 2019 and will be adopted from that date. The Group expects to adopt the modified retrospective approach and not restate prior year financial statements. This will result in the Group's property leases that were previously accounted for as operating leases (expensed as incurred) now being capitalised as Right of Use (ROU) Assets within fixed assets and depreciated over the lease term with a corresponding lease liability and interest charge.

The new standard is not expected to have any material impact on the underlying cash flows of the Group but will have a small, but not material, impact on the underlying profit before tax. The standard is expected to change the presentation of the profit and loss account, the cash flow statement and the balance sheet as follows:

- on transition, fixed assets are expected to increase by c. £40 million and liabilities to increase by c.£44.9 million;
- the operating lease charge will be replaced with depreciation of the ROU Assets and an interest charge on the lease liability. We currently estimate that this will result in a slightly higher operating profit offset by a higher interest charge with the net result being an expected c.£1 million reduction in underlying profit before tax in 2019 with this impact reducing in future years as the mismatch on historic leases reduces each year; and
- new operating leases will be treated as capital expenditure, which will impact the way depreciation, operating profit and capex are reported in the cash flow statement – underlying operating cash flow will be provided on both the old and new basis in 2019 to allow comparability.

The Group has also adopted the amendments and new interpretations of both IFRS 9 (accounting for financial instruments) and IFRS 15 (revenue recognition) from 1 January 2018. Neither has had any material impact on the disclosures or on amounts reported in the results for the year.

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. It still expects to retain sufficient capital to fund ongoing operating requirements and to invest in the Group's long-term growth.

The Board is recommending a final dividend of 9.2 pence per ordinary share (2017: 8.4 pence). The final dividend will be payable on 21 May 2019 to Shareholders on the register at close of business on 26 April 2019.

Together with the previously paid 2018 interim dividend of 4.6 pence per share, this gives a total dividend for the year of 13.8 pence per share (2017: 12.6 pence in total).

James Ireland

Chief Financial Officer

21 March 2019

Marketplace

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, corporates and private clients.

The diversified nature of the business provides a degree of hedging against macroeconomic volatility. Despite c.85% of the Group's revenues in 2018 arising from clients operating in the alternatives sector, within this sector SANNE serves a range of niches such as private equity funds, debt funds, capital markets structures, real estate funds and hedge funds. This broad mix of investment strategy along with a wide spread of this activity across many geographic regions means SANNE is not significantly impacted by strong trends in any one particular area. For instance, the emergence of specialist asset classes such as private debt offer new investment opportunities for institutional investors.

The global alternatives market continues to exhibit strong growth as investor bases have evolved, reacting to more choice, diversification and sustainable, longer-term returns. According to a recent report by Boston Consulting Group[1], growth is set to continue, with global alternative assets under management expected to reach US$17 trillion by 2022, compared to US$12 trillion in 2017, a compound annual growth rate of 8%. Even with this growth, the same report estimates that assets under administration in alternative investment strategies will still only represent 16% of global assets under administration versus 15% in 2017. PwC, in a separate report[2], attributes the expected growth in the industry to a government-incentivised shift to individual retirement plans, the increase of high-net-worth individuals from emerging markets, and new market entrants in the form of sovereign and public pension funds. In addition, a market report in 2018 from EY[3] note that private equity funds, as a sub-set of the alternatives space, are enjoying particular tailwinds with one-third of investors expecting to increase their allocations of funds to private equity in the coming years, while only 1 in 10 foresee reductions.

Against this backdrop, a material factor driving the increasing demand for the Group's services is the growing level of regulation being applied by authorities to the alternatives industry. Legislation and regulation such as AIFMD, CRS, FATCA and GDPR for example, create a considerable increase in workload for funds and asset managers that is complicated and costly to deal with in-house. Factoring in the evolving nature of the regulatory landscape, the rate of technological change, the substantial penalties for failing to comply, the added complexity brought about by different approaches and obligations across jurisdictions, and the option of outsourcing to specialist, regulated administrators with an international footprint and expertise, such as SANNE, becomes increasingly compelling.

Taking each geographic region in turn, SANNE continues to win business from new and existing clients in EMEA, supported by its increased operational capacity across Belgrade, Mauritius and Cape Town.

The North American region continues to grow in importance to the Group. The region continues to be the world's largest market for alternative asset management. At present, only a small proportion of services to administer North American private capital (AUM) is thought to be outsourced to third party administrators. Albeit the rate of outsourcing is thought to be rising all the time driven by regulatory change, evolving reporting requirements and the need for increased investment in technology infrastructure, providing a significant growth opportunity for SANNE.

The Group has also seen significant growth across Asia-Pacific, in part facilitated by the additional capacity brought in following the acquisition of IFS in Mauritius at the beginning of 2017. Emerging markets continue to see strong growth in allocations to alternative assets under management in recent years and the scale that SANNE now has in these markets will ensure that increasing market share is a key focus in this region. This increase has been driven by economic reform, increased freedom of trade and GDP growth in emerging markets.

Significant market drivers

Demand for alternative investment strategies	Regulation	Outsourcing	Globalisation	Wealth Creation	Consolidation
Higher returns driving sustainable long term growth in asset allocation	An increasing demand for services driven by greater regulation	Demand for specialists due to increasing operational complexity	Clients are increasingly global and demand a global provider	Continuing growth in GDP and middle classes in developing countries	The industry is still fragmented and there is still scope for further consolidation

Sources

1. Global Asset Management 2018, The Digital Metamorphosis; The Boston Consulting Group http://image-src.bcg.com/Images/BCG-The-Digital-Metamorphosis-July-2018-R_tcm30-197509.pdf
2. Alternative investments: It's time to pay attention: https://www.strategyand.pwc.com/media/fle/Alternativeinvestments.pdf
3. At the tipping point, Disruption and the pace of change in the alternative asset management industry, 2018 Global Alternative Fund Survey: https://www.ey.com/Publication/vwLUAssets/ey-2018-global-alternative-fund-survey/$File/ey-2018-global-alternative-fund-survey.pdf

Business Model

Our business model delivers a one-stop shop solution to clients in each asset class across the globe.

Clients	Specialisms	Services
Alternative asset managers and financial institutions **85%** of the SANNE global business	Closed-ended strategies – Capital Markets – Private Debt – Real Estate – Private Equity – Agency services – Management Company & Depositary services	– Asset class administration, SPV structuring services, transaction management, reporting and regulatory services – Loan agency services & Bond agency services – Management Company set-up and advisory services, hosting solutions, securitisation services
	Open-ended strategies – Hedge Funds	– Hedge fund administration, Middle office services, Investor servicing & transfer agency, reporting services
Financial institutions, listed and global corporate businesses **10%** of the SANNE global business	Corporate Services	– Governance, fiduciary & administration services, Executive Incentives, Investment & Treasury services, Regulatory, reporting & tax compliance services, TISE listing services
Ultra-high-net-worth clients & their family offices **5%** of the SANNE global business	Private Wealth & Family Office services	– Family & corporate governance services, Fiduciary & administration services, Co-investment & joint venture structures for direct investing, Philanthropy services, Treasury management & independent investment monitoring, Family office support services

Leveraging our platform...

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:

01. 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.

Read more about SANNE's segmental business operations on pages 20 – 24

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 (debt, real estate, private equity and hedge), corporates and private clients.

Revenue growth is generated by building long-term relationships and by cross-selling new services to our existing client base. As we have expanded, our revenue has increased to £143.0 million in 2018 (2017: £113.2 million). The projected annualised value of revenues for new business won during the year was approximately £24.5 million (2017: £20.9 million).

Global reach

Americas

New York

Europe, Middle East and Africa

Amsterdam
Belgrade
Cape Town
Dubai
Dublin
Guernsey
Jersey
London
Luxembourg
Madrid
Malta
Paris

Asia-Pacific & Mauritius

Hong Kong
Mauritius
Shanghai
Singapore
Tokyo

Investment in

Our people

Our information technology and systems

Our global office network

Corporate Social Responsibility initiatives through local community involvement

Ongoing change programmes, processes and procedures

Our risk and governance framework

...to add value.

02. 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.

03. 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.

Risk Management

As a regulated provider of fiduciary and administration services, risk management is at the core of the Group's day-to-day activities.

Overview

As a regulated provider of fiduciary and administration services, rigorous and consistent risk management is at the core of the Group's day-to-day activities. Whilst the Group recognises the need to take risks in order to achieve its corporate strategies, it does so in a controlled, efficient and well informed way, guided by the right level of risk expertise, adequate controls, meaningful data and robust business policies. SANNE's Enterprise-wide Risk Management Framework (ERMF) is designed to identify, measure, manage, monitor and report the key risks - the framework sets out SANNE's risk strategy, appetite and minimum standards for the Group's global operations.

This section of the report explains in more detail objectives and responsibilities for SANNE's risk management framework including how it has been strengthened over the past reporting period.

Risk management at SANNE

SANNE's risk management framework is in place to ensure that there is:

- a strong risk awareness culture where tone is set from the top, so that the Group is able to identify, assess and manage the key risks to the business and, by doing so, support the execution of business strategy;
- clearly defined risk responsibilities and accountabilities, promoting well-informed risk-taking behaviour;
- an appropriate balance between cost of control and risk management, whilst also operating within the defined risk appetite; and
- a suitable basis upon which the Board can validate the effectiveness of the Group's risk management and internal controls.

Responsibility

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, which in turn is responsible for:

- keeping under review the Company's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used; and
- reviewing regularly and approving the parameters used in these measures and the methodology adopted; and setting a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance.

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

The Group follows industry standards for risk management and governance arrangements and it adopts the 'three lines of defence' model, which sees the business split into three defined control areas: First, Second and Third Lines of Defence.

1st Line of Defence: the operational management of the business

SANNE's First Line teams retain the responsibility for the identification, management, monitoring and reporting of all risks across all of their processes as well as operating an effective control environment that takes into account Group policy requirements and adheres to minimum agreed standards.

1st Line of Defence is owned and led by the Chief Commercial Officer and the Chief Operating Officer.

2nd Line of Defence: minimum standards, compliance and oversight

The 2nd Line of Defence has the responsibility for, on a global basis, defining minimum control requirements, setting and monitoring adherence to Group policies and for overseeing how the business is controlling its operations within the risk appetite set by the Group. 2nd Line also retains the responsibility for local compliance teams, conducting independent assurance work, horizon scanning and delivering risk education to all staff.

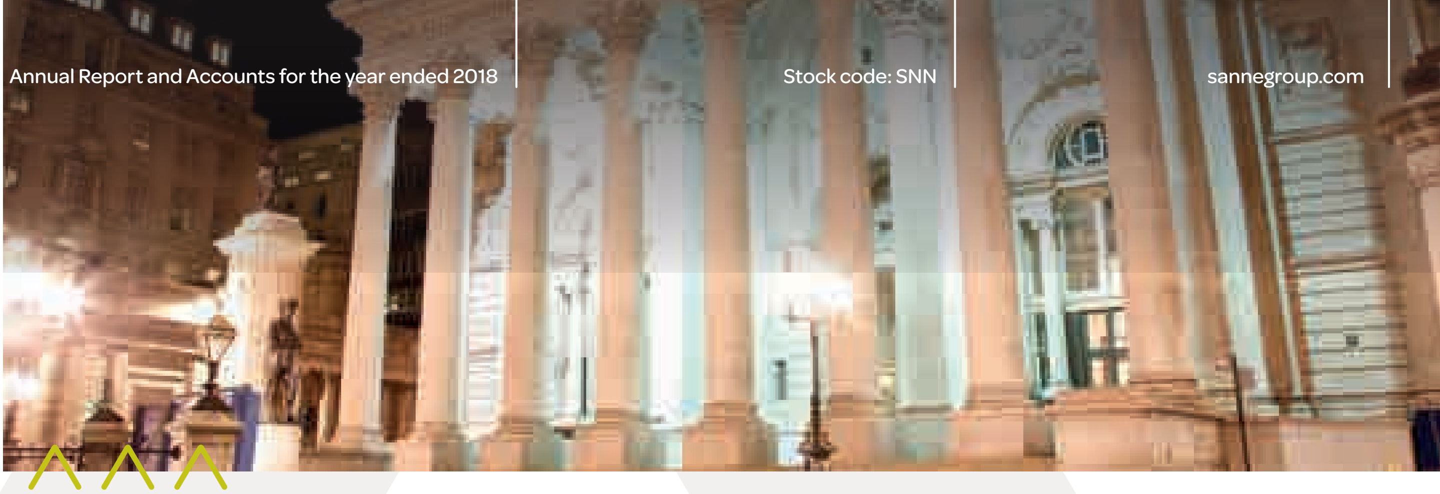
2nd Line of Defence is owned and led by the CRCO.

3rd Line of Defence: internal audit

The 3rd Line of Defence is independent from day-to-day business operations and has the responsibility for providing assurance of the effectiveness of governance arrangements, policies and internal controls being operated by both the 1st and 2nd Lines.

3rd Line of Defence is owned and led by the Head of Internal Audit, with oversight from the Chair of the Audit Committee.

Notwithstanding the above framework, all employees have responsibility for quality control and general risk management activities, including the need to understand and adhere to policies and procedures.



Improvements to the risk management approach

There was a strong focus throughout 2018 on strengthening SANNE's internal controls framework following the Group's rapid organic and inorganic growth seen in recent years, whilst recognising the benefits in operating a risk management framework that is responsive to business priorities. Highlights from the work undertaken in this area include:

- ongoing focus on promoting and cultivating a stronger risk-aware culture;
- standardisation of minimum requirements across the Group;
- focus on developing risk appetite and risk tolerance levels in alignment with SANNE's corporate strategies;
- significant extension of resource and capability across all 3 Lines of Defence, increasing oversight and control activities; and
- more integrated risk reporting through enhanced management information, insight and trend analysis; and through a combination of qualitative and quantitative measures.

Risk assessment

The Group reviews and monitors risk exposures closely, considering the potential impact and any management actions required to mitigate the impact of emerging issues and potential future events. The Group Risk Register is the principal tool for monitoring risks which are classified in a strict hierarchy (see table on the next page). The highest level (Level 1) identifies five risk categories: Business Model & Strategy, Operational, People, Regulatory and Financial. The next level (Level 2) contains 27 risk categories and the final level (Level 3) carries the detailed risks themselves which are captured and maintained across the Group.

Each Level 2 and Level 3 risk is rated by assessing the likelihood of its occurrence over the next three years and the potential associated impact. A scoring is given to each risk which is then used in conjunction with an assessment of the internal control environment or other mitigations to derive a residual risk score.

Risk appetite

In determining its risk appetite, the Group has defined the levels of risk it is willing to take in the pursuit of its strategic objectives.

This has been articulated as a Risk Appetite Statement with appetite set for each of the Level 2 categories within the Group Risk Register. For each Level 2 risk category, the risk appetite is compared against the associated residual risk to identify areas of focus.

Principal Risks

The risks from the Group Risk Register 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.

Assessment of Principal Risks and uncertainties

Using the described approach, the Board is able to confirm that they have carried out a robust assessment of the Principal Risks and uncertainties facing the Group including those that would threaten its business model, future performance, solvency or liquidity. Included on page 71 is the viability statement, which has been prepared with the assessment of these Principal Risks and uncertainties in mind.

Business Risk Assessments – global and jurisdictional targets

SANNE's Business Risk Assessment Framework is a key tool within the Group's risk management framework. Underpinned by SANNE's risk appetite, the framework evaluates the adequacy and effectiveness of SANNE's internal controls. Global, and a number of jurisdictional, assessments were completed in 2018 and the outcome included a consolidated view of existing risk exposures supported by agreed risk appetite statements and any remediation work required to strengthen existing control environments. SANNE's jurisdictional Business Risk Assessments will continue into 2019.

Risk Management

Level 1 Risk Category	Level 2 Risk Category	Principal Risk
Business Model & Strategy	Strategy	Yes
	Corporate Governance	
	Risk Management	
	Acquisition Due Diligence	Yes
	Acquisition Integration	
	Competitor	Yes
	Client Concentration	
	Fiduciary	
Operational	Process	Yes
	Business Change	Yes
	Business Continuity	
	Technology	
	Insurance	
	Outsourcing & Third Parties	
	Physical Security	
	Property Security	
	Cyber Security	Yes
	Data Management	Yes
	Legal	
People	Staff Culture, Ethics & Behaviour	
	Staff Resources	Yes
Regulatory	Regulatory Change	Yes
	Listing Rules	
	Compliance	Yes
	Financial Crime	Yes
Financial	Working Capital	
	Impairment	Yes
	Accounting & Reporting Errors	
	Income	

Business Model & Strategy

Direction of change: During the period the Group has seen steady progress with the integration of more recent acquisitions. SANNE has experienced a number of years of strong growth, both organically and inorganically, and therefore a number of projects (including strengthening the 3 Lines of Defence model and enhancing minimum internal standards) as mentioned on pages 34 and 35, have continued throughout 2018 to enhance the business model and keep on building stronger foundations for future sustainable growth.

Risk Description	Key Mitigants and Controls
Acquisition Due Diligence Risk The risk that inadequate due diligence of future acquisitions made by the Group give rise to unidentified liabilities or unintended consequences and/or acquisitions made by the Group are poorly integrated, due to inadequate planning, lack of management oversight or lack of resources.	> Robust due diligence process including 3rd party assessments by top accounting and law firms, prior to recommendations to the Board. > Governance and challenge from independent Non-executive Directors. > Committees set up to manage integration processes in line with SANNE's acquisition integration framework.
Competitor Risk Risk of declining business revenue or margins by failing to invest in SANNE's infrastructure or innovate to react to external market conditions.	> Strong pricing and bespoke business offerings driven by expert industry and client base knowledge. > Investment in product development capability. > Overarching Executive Committee and Board review of digital/technology investment.
Strategy Risk Risk of poor strategic business decisions, and/or poor execution, including poor communication, inadequate resources or a failure to respond to changing market conditions.	> Regular review of business strategy. > Governance framework to escalate strategy and appetite issues. > Executive Committee and Board review and governance, including monthly financial and risk reporting.

Risk Management

Operational

Direction of change: Continued acquisitions and strong growth in client numbers and staffing has meant increased inherent operational risk exposures for the Group, as anticipated in the 2017 Annual Report and Accounts. These risks have been mitigated, and a number of operational projects and business change initiatives continue to further strengthen the control environment in this respect.

Risk Description	Key Mitigants and Controls
Business Change Risk Risk of failure to effectively plan, design, communicate or execute internal change in a timely manner, leading to resistance, saturation and fatigue.	> Dedicated and skilled change management resource. > Overarching governance of business critical change programmes by Executive Committee and Change & Investment Committee. > Documented change administration processes. > Horizon Scanning enabling early identification of upstream changes which may impact business operations.
Cyber Security Risk Risk that SANNE's systems, data or services are not protected from a cyber-attack leading to confidential data being obtained or services being unavailable.	> Dedicated team responsible for Information Security. > Staff Training & Awareness programme schedule, with mandatory training to all staff. > Policies and procedures in place. > Third Party Management Assessments and contract reviews. > InfoSec and cyber tools to support staff in managing exposure to cyber risk.
Process Risk Risk of errors, inconsistent or untimely application of critical processes leading to customer dissatisfaction or failure to meet statutory or regulatory requirements.	> Enhanced governance, structure and awareness through a Group framework that supports the creation and implementation of minimum standards. > Continued development and documenting of procedures. > First Line of Defence Control Testing programme. > Continued centralisation of critical processes, enabling standardisation and improving effectiveness.
Data Management Risk Risk of an inability to identify, maintain and protect data within agreed quality parameters, impacting delivery against strategic objectives and regulatory and legal obligations.	> Dedicated team in place responsible for Data Protection, including a Global Data Protection Officer (DPO). > Staff Training & Awareness programme schedule, with mandatory training to all staff. > Policies and procedures in place . > Data Protection Data Flow Mapping. > Third Party Management Assessments and contract reviews. > Mapping and understanding of applicable regulatory and legal obligations.

People

Direction of change: In key jurisdictions in which the Group operates, the fund and corporate administration employment market is increasingly competitive, which, along with the Group's continuing organic growth, can lead to difficulties in attracting and retaining the best resources. Initiatives to create and develop knowledge hubs across the organisation are ongoing, and will help to mitigate this risk over the medium-term. With a new senior leadership team now in place, we continue to progress towards developing more centres of excellence to support our staff.

Risk Description	Key Mitigants and Controls
Staff Resourcing Risk Risk of failure to attract, retain or engage staff, leading to insufficient capacity and / or capability, undermining business performance and delivery.	> Investment in training with established industry bodies such as ACCA, ICAEW and ICSA, alongside regulatory training, coaching and mentoring. > Established Remuneration Committee for Executive Directors. > Enhanced Employee Value proposition through market monitoring, remuneration benchmarking and performance management and bonus structure. > Increased focus on succession planning.

Risk Management

Regulatory

Direction of change: The Group remains exposed to the political/regulatory risks associated with Brexit and continues to monitor ongoing developments as the 2019 deadline approaches. Regulatory Compliance risk is in part correlated to business model, operational and staff risk, recognising that as the Group becomes larger and more diverse, the risk of an omission or error increases leading to possible regulatory sanction. This increasing risk is being mitigated by various projects, in particular the strengthening of the 3 Lines of Defence model and including an increase in assurance and oversight activity.

Risk Description	Key Mitigants and Controls
Regulatory Change Risk Risk of failure to identify, assess, communicate and execute mandatory regulatory changes to our policies, processes and technology in a timely manner.	> Brexit Committee in place to consider, assess and monitor risks and opportunities. > Active dialogue with regulators, governmental and industry bodies supported by a regulatory liaison policy framework. > Horizon scanning process enabling early identification of upstream regulatory and legislative changes which may impact SANNE. > Jurisdictional oversight by Compliance and increased level of monitoring activity.
Compliance Risk Risk of failure to identify non-compliance to mandatory regulatory requirements and/ or provide timely, accurate and complete reports and required disclosures.	> Compliance monitoring plans established in each jurisdiction assessing compliance with local requirements. > Issues management policy established requiring incidents to be escalated to jurisdictional and Group governance committees on a materiality basis. > Regulatory liaison policy detailing the requirements of notification of material events to local regulators/ licensees. > Employee awareness campaigns embedding knowledge relating to timely escalation of incidents, breaches and errors.
Financial Crime Risk Risk of inadequate policies, procedures, controls and technology to identify, assess and manage Financial Crime Risks, leading to SANNE being exposed to, and used for, criminal activity.	> Financial Crime controls and procedures in place. > Manual and automated name screening for sanctions, Politically Exposed Persons (PEPs) and adverse information. > Financial Crime Risk governance structure with Group and jurisdictional subject matter expert support. > Centralised KYC Data to manage and identify risks. > All transactions subject to approval process and subject to sign-off.

Financial

Direction of change: Given the number of acquisitions made by the Group in recent years, there are significant intangible assets (including goodwill) on the balance sheet.

Risk Description	Key Mitigants and Controls
Impairment Risk Risk of recoverable amounts being below the value of assets, including intangible assets (e.g. goodwill), due to a decline in value following acquisition.	> Director led due diligence with 3rd party assessments by top accounting and law firms. > Impairment testing and attestations per accountancy rules. > Six monthly value assessments. > Ongoing monitoring against performance expectations and targets. > Focus on delivering strategic and financial benefits from acquired businesses.

Corporate Social Responsibility

Our communities

We believe in helping and influencing the communities where we operate. In 2018, we continued to engage with the communities in jurisdictions in which we operate.

Our CSR strategy is orientated around three core themes:

- supporting initiatives that help to benefit and improve the lives of children;
- supporting initiatives that help in the fight against poverty; and
- supporting initiatives that give people a better education and start in life.

These themes were agreed by staff across the SANNE business following a dedicated staff survey.

Modern slavery

SANNE is committed to preventing modern slavery and human trafficking. We have an annual statement on our website at www.sannegroup.com and we will review that approach annually and put in additional safeguards with our suppliers to reduce this risk.

Anti-bribery and corruption

There is a zero tolerance approach to bribery and corruption. SANNE has a Group Anti-Corruption Policy in place as part of our compliance programme.

Governance of corporate responsibility

We remain committed to corporate responsibility at all levels in our business. As part of our business and our culture we consider our stakeholders, clients and the communities where we operate. We consider that our strategy provides our people an opportunity to grow and develop their careers. We are looking to build a sustainable long-term business.

Our people want to be engaged with their communities and for us to be a socially responsible business. We are proud that our staff want to be involved in activities and to support our communities and have a positive impact on the environment. As our stakeholders cover a wide range of interests and considering our social obligations, we are focusing on how we can progress and fulfil more of our environmental, social and governance responsibilities.

Corporate Social Responsibility

Our colleagues share in our success

Sharing our success is something we value highly. We have implemented a number of specific initiatives that help to reward and recognise personal contribution and thereby deepen engagement with the Company and brand.

Employee survey 2018

In 2018, we engaged with an expert global survey provider, GLINT, to deliver our 2018 Employee Engagement Survey to our people around the world. We selected GLINT to conduct this survey due to their extensive experience in dealing with global businesses who have a large number of office locations and cultures. SANNE's management team wanted to provide everyone at SANNE with an opportunity to provide their thoughts and feedback on a wide range of important issues in a controlled and secure way. All feedback from staff was kept anonymous and confidential. More than 70% of staff engaged in this feedback process and as a result a series of initiatives are now being discussed within the business in order to evolve our working environment and continue to make SANNE a great business to work for.

New offices

Throughout 2018 SANNE has continued to invest into its office network. During the period, SANNE moved into new offices in:

- Jersey
- Malta
- Singapore
- Cape Town
- Belgrade
- Amsterdam
- Luxembourg *
- Japan **
- Guernsey**

* Moved into our new offices where our existing LIS-SANNE business is located in Luxembourg in February 2019

** Moved into our new Tokyo and Guernsey offices in March 2019

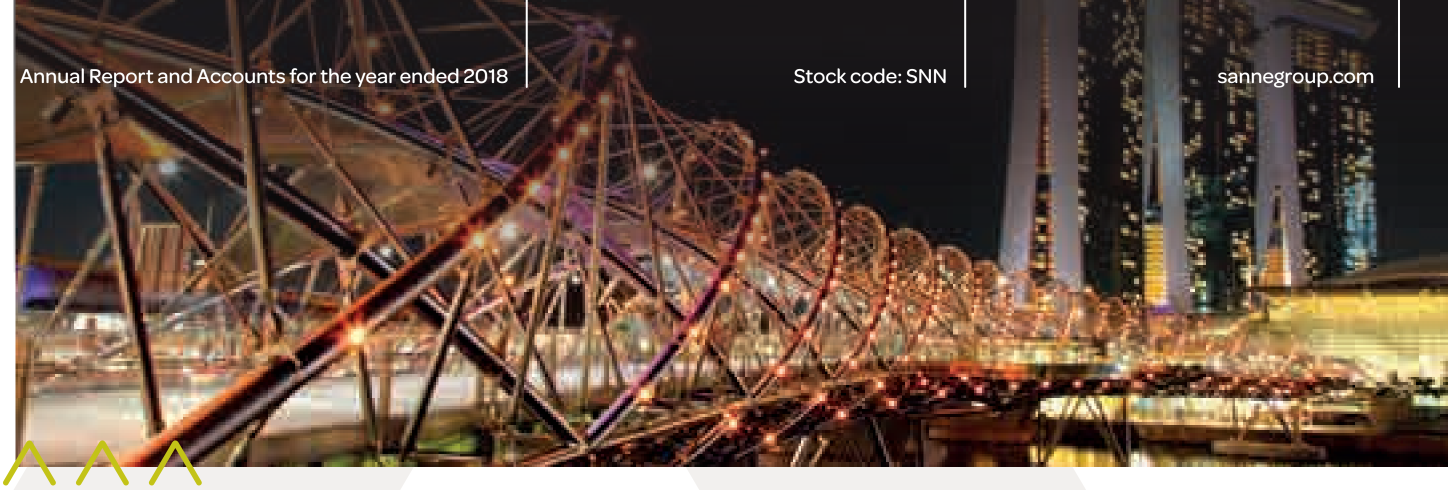
With each new office move, we have adopted a consistent approach to selecting the premises, which is based on the following criteria:

- **Location**
  Being in the right location to service our clients in the country is essential. We also carefully consider the location's accessibility by our clients, intermediaries and staff visiting that office from other locations.
- **Open plan space**
  Having an open space, which is adaptable to suit our corporate style, is an essential part of our culture. It allows our people to collaborate together.
- **Natural light**
  Giving our people a modern office building, which often is shrouded in glass, provides our teams with natural sunlight – something that increases productivity amongst other things.
- **Building design**
  Buildings that are designed with energy efficiency in mind and deliver good lighting levels and consistent temperature control (LED Lighting, BREEAM OR LEEAD - heating and Air conditioning, materials & equipment used) are better for the environment.
- **Staff rest break-out area**
  Enabling staff to take time-out away from their desk is another core criterion. This is part of our modern working culture.

Protecting our environment

We have implemented the following initiatives to protect and respect our environment:

- phasing out bottled water in all offices globally and installing bean-to-cup and fresh milk coffees machines
- PIR lighting and use of LED lights in all offices across the network;
- recycling points in all offices, for example plastics and paper etc.; and
- procurement of new furniture to be environmentally friendly, meeting criteria around production and transportation.



Charitable engagement

Throughout 2018, SANNE's people have actively engaged in their local communities. Examples of initiatives undertaken in the year include the following:

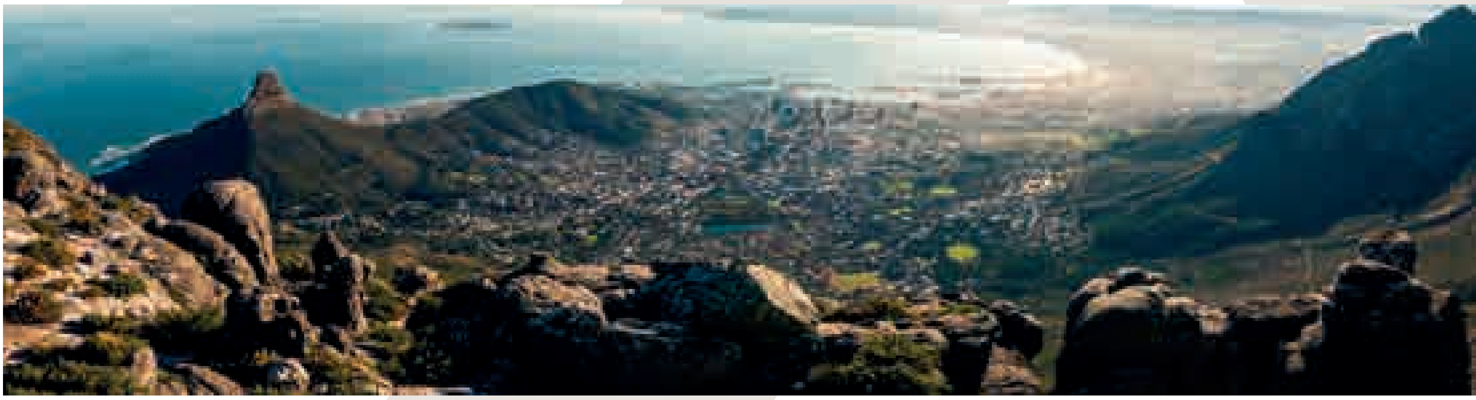
Location	Initiative
Mauritius	SANNE in Mauritius launched San'Rise, a learning centre for sustainable leadership in Mauritius. The centre is to empower woman and youth in the Beau-Bassin community with encouragement, education and life skills training. Together with local NGOs, trainers and policy makers are working to leverage the centre to facilitate workshops and training programmes that are aligned to the community's needs.
Mauritius	SANNE Companions, in our Mauritius business, surprised the children of Flamboyant Education Centre with an Easter egg hunt.
Mauritius	**San'Angels - Centre d'Eveil.** 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.
Cape Town	June charity drive to raise money for children with disabilities. The Cape Town offices raised funds to buy diapers for the children at Nazareth House.
Cape Town	Christmas charity drive to buy art supplies for the Red Cross Children's Cardiac Hospital.
Luxembourg	The team made 72 Christmas shoeboxes for children in need.
New York	SANNE's New York office gave back to its community by holding a team-building event to provide personal care kits for victims of abuse, supported by New York based charity, Safe Horizon.
Jersey	Staff in SANNE's Jersey office took part in a series of pub quizzes that raised money for the local charities Jersey Hospice and Jersey Cheshire Home. Staff also took part in Jersey's annual swimarathon which raised in excess of £120,000 and helped five local charities: Brighter Futures; Caring Cooks; Jersey Centre for Separated Families; Silkworth Lodge; and MIND Jersey.
Jersey & Cape Town	As part of moving offices in a number of our jurisdiction we donated a number of office furniture items to community led initiatives. Examples include: > In Jersey, we donated office desks, chairs and cabinets to Durrell (the Jersey Zoo). We also donated office furniture to new business start-ups on the island. > In Cape Town, we donated office furniture to community projects and initiatives.

Governance

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

Taken from our Client Survey 2018

Chairman's Introduction



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 April 2016.

SANNE complied with the Code throughout 2018.

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, which applies to our financial period beginning on 1 January 2019, 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 to liaise with the panel to assist in gathering the views of the workforce.

Furthermore, the Board has also 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.

Board changes

There have been a number of changes to the Board this year. James Ireland was appointed Chief Financial Officer (CFO) in July 2018, replacing Spencer Daley who took up the post of Head of Mergers & Acquisitions and subsequently resigned from the Board in October 2018. Phil Godley stepped down from the Board on 1 January 2018 and Mel Carvill joined the Board on the same day and was appointed Chairman of the newly formed Risk Committee. Julia Chapman and Yves Stein have both joined the Board as Non-executive Directors, in July and October 2018 respectively. In January 2019, Martin Schnaier was appointed to the Board and announced as the successor to Dean Godwin, Chief Executive Officer (CEO), who is due to retire at the close of the Annual General Meeting (AGM) on 16 May 2019. More information on these changes is available in the Nomination and Governance Committee Report on page 64.

Board committees

The main committees of the Board are Nomination & Governance, Audit, Risk, 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 64 to 100.

As reported in the 2017 Annual Report and Accounts, with effect from 1 January 2018, the remit of what was known as the Nomination Committee was expanded to include governance in order to review regulatory changes and to make necessary modifications to the application of SANNE's corporate governance systems and processes.

Furthermore, the Audit Committee and the Risk Committee separated with effect from 1 January 2018 to allow the Group to have an enhanced focus on risk reporting and monitoring.

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 100. During the year the Remuneration Committee has conducted an extensive review of our remuneration policy to assess whether it remains appropriate for our business strategy, the greater maturity of the business since IPO in 2015 and the current environment in which we operate. Following a shareholder consultation, the Board proposes a new remuneration policy, full details of which are contained within the Remuneration Committee Report, which will be submitted for shareholder approval at the AGM on 16 May 2019.

Board effectiveness

The external Board evaluation for 2017 was followed by an internal evaluation for 2018. 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 59.

Culture

Good governance is at the heart of our business. Our culture is one of transparency and openness and we constantly seek to develop our governance framework to take into account the Group's changing circumstances and developments in the wider governance environment. Communications have been delivered to the organisation to reinforce the required standards and professionalism throughout the business.

Diversity

SANNE's people are from wide and diverse backgrounds, nationalities, ages, 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. We respect cultural differences, and learn about and embrace these differences in each territory within which we operate. Details of our Board Diversity Statement can be found on our website at www.sannegroup.com.

In 2018, we have improved our overall position in the ranking of FTSE Women Leaders conducted by Hampton-Alexander. SANNE is now ranked in the top 10 best performers amongst FTSE 250 firms.

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

21 March 2019

Corporate Governance Report

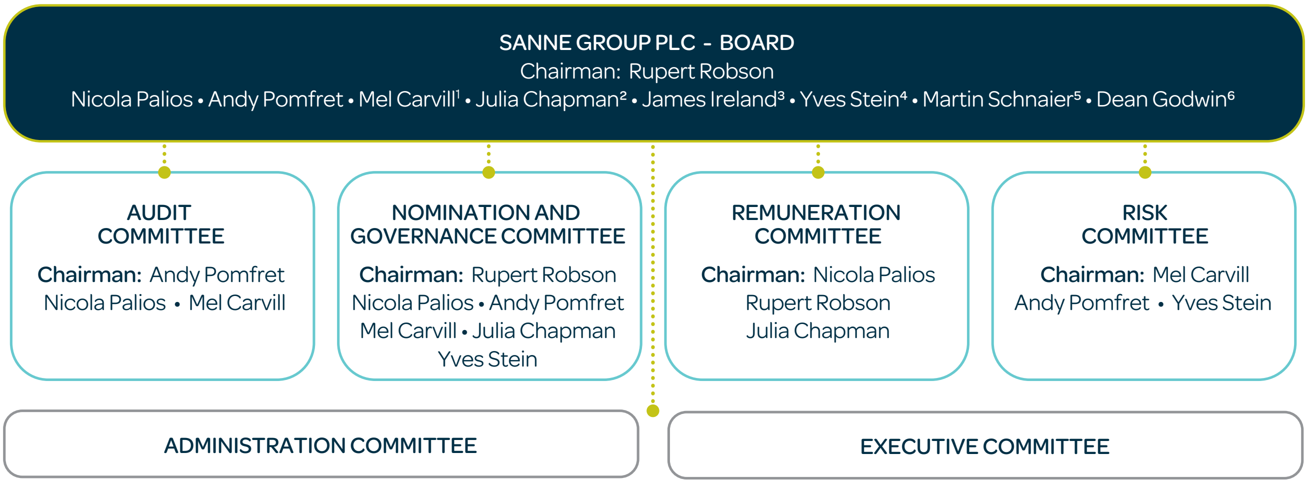
Governance framework and Group committees

The work of the Board is supported by its committees, and this financial year these consisted of the Audit Committee, the Remuneration Committee, the Risk Committee and the Nomination and Governance 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 64 to 100. 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 Group's Chief Executive Officer (CEO) and considered 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 52 and 53.

Governance structure at a glance

The structure chart below sets out the composition of the Board and its committees shown as at 28 February 2019, being the last practicable date prior to publication of the Report:



Further information about the Board committees is available on page 58 and in the committee reports on pages 64 to 100.

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. Mel Carvill was appointed to the Board on 1 January 2018.
2. Julia Chapman was appointed to the Board on 1 July 2018.
3. James Ireland was appointed to the Board on 1 July 2018.
4. Yves Stein was appointed to the Board on 1 October 2018.
5. Martin Schnaier was appointed to the Board on 23 January 2019.
6. Dean Godwin will be stepping down from the Board on 16 May 2019.

Composition of the Board

The Board sets the Group's strategy for achieving long-term success and is responsible to shareholders. It is also responsible for the management, governance, controls, risk management, direction and performance of the Group.

The Board as at 28 February 2019, being the last practicable date prior to the publication of the report,, consists of the Non-executive Chairman, three Executive Directors and five Non-executive Directors. In accordance with the Code, the Company considers the Non-executive Directors (with the exception of the Chairman) to be independent. The Chairman was independent at the time of his appointment.

Directors

Rupert Robson

Non-executive Chairman

Rupert Robson was appointed as a 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 Chairman of TP ICAP plc and 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 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.

Dean Godwin

Chief Executive Officer

Dean Godwin was appointed as Chief Executive Officer of Sanne Group plc on 26 January 2015.

As Chief Executive Officer, Dean is responsible for delivering business strategies that underpin the long-term development of the service and operations platform. He has over 15 years' experience in the international financial services industry and has extensive senior management experience having previously been Managing Director of State Street's Jersey business. Client service specialisms include capital markets transactions and corporate governance for multinational corporate institutions. He is a chartered secretary and holds an MSc in corporate governance. Dean Godwin will step down from the Board at the end of the Company's AGM on 16 May 2019.

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.

Composition of the Board

Andy Pomfret

Non-executive Director

Andy Pomfret was appointed as an independent Non-executive Director of Sanne Group plc on 26 March 2015 and is Senior Independent Director and Chair of the Audit Committee.

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

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 and the Group's company secretarial function. He 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 lead 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.

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 B.V., where he is responsible for governance, investor and public relations, 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.

Yves Stein

Non-executive Director

Yves Stein was appointed as an independent Non-executive Director of Sanne Group plc on 1 October 2018.

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.

He most recently served as Group Chief Executive of KBL European Private Bankers headquartered in Luxembourg. Prior to that he was CEO of Union Bancaire Privée (Europe) SA and CEO Wealth Management of BNP Paribas in Switzerland. He serves also a Non-executive Director of Merck Finck Privatbankiers in Germany and of Edmond de Rothschild (Europe) SA in Luxembourg.

Julia Chapman

Non-executive Director

Julia Chapman was appointed as an independent Non-executive Director of Sanne Group plc on 1 July 2018.

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. 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.

Martin Schnaier

Chief Executive Officer Designate

Martin Schnaier was appointed as an Executive Director on 23 January 2019 and will take over the role of Chief Executive Officer at the end of the Company's AGM on 16 May 2019.

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, with senior roles at Babson Capital (now Barings) and Advent Venture Partners prior to joining SANNE, and qualified as a Chartered Accountant (ICAEW) with KPMG.

SANNE's Executive Committee

SANNE is led by an experienced team of industry experts.

Dean Godwin

Chief Executive Officer

Based in Jersey, Dean is responsible for overseeing the running of the global business and delivering business strategies that underpin the long-term development of the service and operations platform.

James Ireland

Chief Financial Officer

Based in London, James is responsible for managing the financial operations strategy of the Group. He works closely with all areas of the global business and also oversees the Group's M&A and company secretarial teams.

Martin Schnaier

Chief Executive Officer Designate

Based in London, Martin was Chief Commercial Officer until January 2019, at which point he was successfully appointed as SANNE's Chief Executive Officer Designate. He is due to officially take up his post at the close of SANNE's AGM on 16 May 2019.

Jonathan Ferrara

Managing Director – Channel Islands

Based in Jersey, Jonathan is responsible for providing expert guidance and support to the client service leadership teams in SANNE's Channel Islands operations.

Mark Law

Chief Commercial Officer

Based in Hong Kong, Mark is responsible for overseeing the delivery of the client services business globally. He works closely with SANNE's regional Managing Directors based in North America, the Channel Islands, EMEA, APAC and Mauritius.

Sean Murray

Managing Director, Alternative Assets – EMEA

Based in Luxembourg, Sean is responsible for the management and strategic direction of SANNE's EMEA Alternatives business which includes Private Debt and Capital Markets, Real Estate, Private Equity and Hedge special business areas.

Zena Couppey

Managing Director –
Business Development

Based in Jersey, Zena is responsible for overseeing client relationship management, business development and service delivery matters.

Eric Watson

Chief Operating Officer

Based in Jersey, Eric is responsible for overseeing SANNE's group services functions that include information technology, human resources, business systems, change management, operations, legal and facilities.

Martin Pearson

Chief Risk & Compliance Officer

Based in London, Martin is responsible for SANNE's global risk and compliance functions, risk management framework and regulatory matters.

Fred Steinberg

Managing Director,
Alternative Assets – North America

Based in New York, Fred is responsible for the management and strategic direction of SANNE's EMEA Alternatives business which includes Private Debt and Capital Markets, Real Estate, Private Equity and Hedge special business areas.

Leadership

Directors

The Board of Directors have their profiles on pages 49 to 51. The Board comprises the Chairman, three Executive Directors and five independent Non-executive Directors.

Board changes

During 2018 there were a number of changes made to the composition of the Board. Phil Godley resigned from the Board on 1 January 2018. Spencer Daley resigned as CFO and took up the post of Head of Mergers & Acquisitions, James Ireland was appointed as CFO with effect from 1 July 2018. Thereafter, Spencer Daley resigned from the Board on the 2 October 2018. Dean Godwin notified the Board of his intention to retire at the close of the AGM on 16 May 2019 and Martin Schnaier was announced as his successor and appointed to the Board on 23 January 2019. Mel Carvill joined the Board on 1 January 2018 and was appointed Chairman of the newly formed Risk Committee. Julia Chapman was appointed as a Non-executive Director with effect from 1 July 2018, and has joined the Remuneration and Nomination & Governance Committees. Yves Stein was appointed as a Non-executive Director with effect from 1 October 2018 and has joined the Risk and Nomination & Governance Committees. On 31 October 2018, Andy Pomfret and Mel Carvill both came off the Remuneration Committee, Nicola Palios came off the Risk and Audit Committees and Rupert Robson came off the Risk Committee.

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 49, and concluded that he fully satisfied his obligations to the Group. There has been no change 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 helps by providing 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' election and re-election

In accordance with the requirements of the Code (B.7.1), newly appointed Directors and all existing Directors will submit themselves for election and re-election respectively, at the 2019 AGM. The Board recommends the election or re-election (as appropriate) 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

Mel Carvill, James Ireland, Julia Chapman, Yves Stein and Martin Schnaier, on appointment to the Board, were 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 their position.

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 2018

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

Topics discussed	January	March	May	June	September	October	December
Strategy	●	●	●	●	●	●	●
Budgets	●	●					●
Business update	●	●	●	●	●	●	●
Compliance	●	●	●	●	●	●	●
Governance matters	●	●	●	●	●	●	●
Committee reports	●	●	●	●	●	●	●
Divisional and regional plans	●	●	●	●	●	●	●
Announcements Annual Report and Accounts, Half Year Results, the AGM Notice and dividends		●			●		
Dividends and dividend policy		●			●		
Acquisitions and integration	●	●	●	●	●	●	●
Risk Management and internal controls	●	●	●	●	●	●	●
Conflicts of Interest	●	●	●	●	●	●	●
People matters including diversity	●		●		●	●	●
Staff survey		●					
Financial performance	●	●	●	●	●	●	●
Re-appointment and election of Directors at the AGM	●	●					
Updates on governance and legal matters	●	●	●	●	●	●	●
Succession planning and talent development	●	●	●	●	●	●	●
Board evaluation and effectiveness review	●		●			●	●
Investor/ major shareholder information		●	●	●	●	●	●

Board meeting attendance

The Board held 7 scheduled meetings during the year:

	Eligible to attend	Attended
Rupert Robson	7	7
Nicola Palios	7	7
Andy Pomfret	7	7
Dean Godwin	7	7
Mel Carvill	7	7
Spencer Daley[1]	5	5
James Ireland[2]	3	3
Julia Chapman[3]	3	2
Yves Stein[4]	2	2

1. Spencer Daley stepped down from the role as CFO on the 1 July 2018 and stepped down from the Board 1 October 2018.
2. James Ireland was appointed to the Board as CFO on the 1 July 2018.
3. Julia Chapman, an independent Non-executive, was appointed on 1 July 2018. Julia could not attend one Board meeting due to a commitment that was planned before she joined the Board.
4. Yves Stein, an independent Non-executive, was appointed on 1 October 2018.

The Directors attendance at committee meetings is disclosed in the separate reports of each committee on pages 64 to 100.

The Board held 7 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.

Board diversity

The Board supports the recommendations in the Code and ensures that diversity and gender are considered when making director appointments. The Board acknowledges the Hampton-Alexander Review on FTSE Women Leaders, which recommends a voluntary target of 33% female directors in FTSE 350 companies by 2020. As at the year-end, 25% of the Board are female. 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, and the recommendations of the McGregor-Smith Review. The Board seeks to ensure it has the right balance of independence, skills, and knowledge to enable it to meet its responsibilities. Candidates are selected irrespective of background. SANNE seeks to promote diversity.

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. The Board oversees a mentoring programme which was expanded in 2018 in order for two senior managers to be mentored by a Non-executive Director.

In 2018, the Board ran a thorough and vigorous succession process, helped by external consultants, which reviewed and assessed a strong field of internal and external candidates, following which Martin Schnaier, an internal candidate, was appointed to CEO Designate.

Directors' training

Members of the Board are provided with regular updates and training in order to keep them up to date with industry and regulatory developments. In order to assist the Directors, regulatory updates are provided at each meeting and professional advisers also provide 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.

Evaluation of Chairman and Directors

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

The Chairman met with each Director to discuss their contributions to Board and committees. 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 election or re-election of the Board at the forthcoming AGM in May 2019. 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 Effectiveness

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 www.sannegroup.com

Board visit

During the year, the Board visited SANNE's office in Luxembourg, and had the opportunity to formally 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.

Accountability

Risk management and internal controls

The Board is responsible for the review and assurance over the Group's systems of 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 makes an assessment of the maintenance of the systems of management and control. The Board during the year delegated part of the responsibility for the review of this to the Risk Committee, which then reported back to the Board. Further information can be found in the Strategic Report on pages 34 to 40 and in the Report of the Risk Committee on pages 74 to 77.

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 report of the Audit Committee on pages 67 to 72.

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. The Board has delegated the Group's strategic direction (which is considered and approved by the Board) to Dean Godwin, the CEO. Following Martin Schnaier' s appointment, Martin and Dean have been working closely together to ensure an orderly transition before Dean's retirement at the end of the AGM on 16 May 2019.

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 controls and risk management system.

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.

Administration Committee

The Administration Committee comprises any two Directors and deals with matters of a routine nature on behalf of the Board. The decisions of the Administration Committee are tabled at each Board meeting.

Culture and ethics

The Board understands the importance of promoting ethical conduct and integrity in its leadership. During the year the CEO has issued communications to all staff on the subject of culture and integrity. Culture and integrity is promoted in the staff handbook and reinforced through regular communication.

Board evaluation process

Following on from the first external Board evaluation last year, in accordance with B.6. of the Code, the Company conducted an internal Board evaluation for 2018.

The methodology and scope of the evaluation were discussed and agreed with the Chairman. Questionnaires were used to get the Directors' feedback on the Board and committee relationships, composition, effectiveness, leadership, roles, activities and development as well as considering other areas including culture, technology and the Board processes for developing strategy, dealing with acquisitions and managing risk.

Following the evaluation, a report was presented to the Board which included a year-on-year comparison showing to what extent the areas discussed had improved, the outcomes of specific improvement actions agreed at the start of 2018 and determined the areas for further development in 2019.

The Chairman also conducted private one to one conversations with individual Directors on the outcomes of the collective Board evaluation, and discussed with them their personal contributions and any areas for further learning and development. The Senior Independent Director, also reviewed the Chairman's leadership and management of the Board with each Director individually.

Overall, the Directors' feedback indicated a high level of satisfaction with the operation of the Board. The evaluation observed that the Board dynamics were good, the Board is led by a skilled Chairman, who is appreciated by the Directors and he has a good working relationship with the CEO.

Director's Report

The Directors present their report and audited financial statements for the Group for the year ended 31 December 2018 (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

Equality and diversity are fundamental values supported by SANNE. The Group is an equal opportunities employer and encourages diversity. 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. The Board recognises that diversity in our people brings a range of perspectives and skills that make the Company stronger and also reflects our customer base. SANNE considers applicants for all roles regardless of gender, ethnicity, religion and age. Applicants are all treated equally and there is a diverse workforce.

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 recognise the benefits of encouraging diversity throughout the business and believe that this will contribute to our continued success. All appointments are made based on merit and are measured against specific objective criteria including the skills and experience needed for the position. 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 Committee and senior management level.

In 2018, we have improved in this area and, importantly, in our overall ranking in the FTSE Women Leaders annual review conducted by Hampton-Alexander review. SANNE is now ranked in the top 10 best performers amongst FTSE 250 firms. The Board's diversity policy can be found on the Company's website at www.sannegroup.com.

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 101 of this Report.

Material interest in shares

Up to year-end, being 31 December 2018, and as at 28 February 2019, 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 28 February 2019 % interest in voting rights
Standard Life Aberdeen plc	13.84
Aviva plc and its subsidiaries	9.98
Wellington Management Group LLP[1]	4.99
Grandeur Peak Global Advisors, LLC	3.23

1. On 31 December 2018, Wellington Management Group's % interest in voting rights, as notified to the company, was 5.04%.

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

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 37 on page 154.

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 16 to 43) and
- risk management (pages 34 to 40).

Dividend

The Directors are recommending a final dividend of 9.2p per ordinary share which will be recommended for approval at the AGM be paid on 21 May 2019 to Shareholders on the register at the close of business on 26 April 2019. For more information on the dividend policy and its application, refer to the Chief Financial Officer's Review on page 29.

Share capital

The issued share capital of the Group and the details of movements in share capital during the year are shown in note 24 on page 141 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 2,622,846 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 2018.

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 2018 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 2018 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 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 will issue and allot the final batches of retained consideration shares on 1 November 2019 and 1 November 2020.

In 2017, SANNE agreed to acquire Luxembourg Investment Solutions S.A. and Compliance Partners S.A. and as part of the transaction, which completed on 6 February 2018, it agreed to pay part of the consideration in shares. The final consideration shares were issued and allotted on 28 August 2018.

As part of the AgenSynd S.L. acquisition, first announced with our Interim Results on 11 September 2018, SANNE agreed to pay part of the consideration in shares. The final consideration shares were issued and allotted on 13 September 2018.

Director's 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 earning 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 2018.

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. An extraordinary general meeting of the Company was held on 1 October 2018 during which a resolution was passed to amend the Articles of Association.

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 auditor is 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 138.

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 100
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 141
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 61
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholders' waiver of dividends	Disclosed on page 61
13	Shareholders' waiver of future dividends	Disclosed on page 61
14	Agreements with controlling shareholders	Not applicable

Constructive use of the Annual General Meeting

The Board uses the AGM to communicate with shareholders. The chair of each of the Board's committees 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 fourth AGM to be held on 16 May 2019 at 11.30am at One Birdcage Walk, Westminster, London, United Kingdom, SW1H 9JJ, 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 review the Board proposes that Deloitte LLP are reappointed as the SANNE's auditor. A resolution proposing this will be put to the AGM.

On behalf of the Board of Sanne Group plc

Dean Godwin

Chief Executive Officer

21 March 2019

Nomination and Governance Committee Report

Dear Shareholder

I am pleased to present the report of the Nomination and Governance Committee (the Committee) for the year ended 31 December 2018. 2018 was a busy year for the Committee, during which we oversaw the replacement of the CFO and appointed three additional Non-executive Directors in order to bring further skills to the business and enhance the diversity of the Board. Following year-end, the Company has announced the appointment of the CEO Designate following a recruitment selection process undertaken by the Committee.

Spencer Daley announced his intention to step down from his role as CFO in March 2018, taking up the role of Head of M&A and Strategy, and left SANNE in October 2018. James Ireland was appointed as Spencer's replacement in July 2018. I wish to thank Spencer for his contribution to the Board and welcome James who has extensive knowledge in the industry and has worked closely with SANNE for a number of years.

In addition to Mel Carvill's appointment to the Board on 1 January 2018, the Board decided to recruit two additional Non-executive Directors to strengthen the base of skills, experience and geographical knowledge on the Board. For the first appointee, it was deemed appropriate that a candidate should be Jersey-based with an understanding of the global alternative assets industry and listed experience of the Main Market of the London Stock Exchange. The Board concluded that SANNE's knowledge of the Channel Islands employment market was significantly greater than that possessed by search firms traditionally used for FTSE 250 board-level appointments. The Board, therefore, decided to use internal search resources to identify suitable candidates. It was agreed that there was no conflict of interest in using internal resources. A shortlist of candidates was generated and, following a series of interviews, Julia Chapman was identified as having the requisite financial services, listed company and legal experience to be a full contributor at the Board.

It was agreed that the second appointee would be Luxembourg based, very well networked in the Benelux fund environment and with fund administration experience across a variety of asset classes. An external executive search company was appointed to recommend a number of potential candidates and, following a rigorous process, Yves Stein, 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, was appointed.

As part of their selection process, Julia and Yves attended interviews with all the members of the Board and were appointed with effect from 1 July 2018 and 1 October 2018, respectively. Their biographies are set out on page 51. A resolution will be proposed at the forthcoming AGM for their election.

During the year, 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. Martin Schnaier will take over the role of CEO at the conclusion of the AGM on 16 May 2019.

Following the Board appointments made during the year, 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 elected or re-elected at the forthcoming AGM.

Succession planning was considered by the Committee and it has continued the talent programme for senior management development.

With effect from 1 January 2018, the Committee's remit has been expanded to specifically include Governance, which provided an opportunity to consider regulatory changes and the application of SANNE's corporate governance systems and processes as the Group has grown.

Following the publication of the revised UK Corporate Governance Code (the Code) in July 2018, the Committee has 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.

The Committee have also overseen the revision of the terms of reference of all Board committees to ensure that each is responsible for giving due consideration to the interests of, and the impacts on, the workforce and other key internal and external stakeholders when decision making.

Additionally, the Committee discussed 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. The Committee reviewed the five distinct themes discussed by the GC100, including our current status in respect to each of their considerations and recommendations, and approved a number of actions points to ensure the Company is fully compliant with the guidance.

During the year the Committee also reviewed its Diversity Policy and this is available on our website (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.

Membership and attendance of the Nomination and Governance Committee

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

Committee members	Eligible to attend	Attendance
Rupert Robson (Committee Chairman)	5	5
Mel Carvill[1]	5	4
Julia Chapman[2]	3	2
Nicola Palios	5	5
Andy Pomfret	5	5
Yves Stein[3]	2	2

1. Mel Carvill was appointed to the Board on 1 January 2018.
2. Julia Chapman was appointed to the Board on 1 July 2018.
3. Yves Stein was appointed to the Board on 1 October 2018.

The Committee's role and responsibilities include:

- reviewing and nominating candidates for both Executive and Non-executive roles;
- 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.

The terms of reference of the Nomination and Governance Committee are available on the Company's website (www.sannegroup.com).

Succession planning on the Board

The Committee annually reviews its effectiveness and composition and its long-term succession planning. The Committee considers the balance of skills, experience and independence. 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.

Nomination and Governance Committee Report

Committee activities during the year

During the year, the Committee:

- recommended to the Board that Julia Chapman and Yves Stein be appointed as Non-executive Directors;
- recommended to the Board the appointment of James Ireland as CFO;
- 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;
- recommended to Board a revised composition of its committees;
- recommended members of the Committee to provide mentoring to some of the key Senior Executives;
- considered regulatory and legislative changes, including the revision of the Code;
- recommended to the Board the establishment of a workforce advisory panel and identified three designated Non-executive Directors to liaise with the panel; and
- updated the terms of reference of the Board committees.

Following year-end, the Committee also recommended to the Board the appointment of Martin Schnaier as CEO Designate.

Diversity and inclusion

It is the Company's policy to ensure that proposed appointments and succession to the Board as outlined by the Code, are based on merit and judged against objective criteria. In addition the Company seeks to ensure that it reflects differences in culture, gender, skills, background, regional and financial services experience and other qualities. With this in mind, the Committee reviewed its Diversity Policy. A copy of the Board's Diversity Statement is available on the company's website at www.sannegroup.com. At 31 December 2018, SANNE had two female Board members out of a Board of eight Directors. Shortlists of prospective clients contain male and female candidates and the Board is focused on seeking to increase diversity.

Committee effectiveness review

The Committee effectiveness review for 2018 was conducted internally and it reported that the Nomination and Governance Committee runs effectively. The Committee received a positive evaluation. The existing Board portal would be updated to include quicker access to the Company's policies and procedures as well as the materials used in the Board induction and on-going Director training. This would also be helpful for the existing members of the Committee and when new Non-executive Directors join in the future.

Director induction

An induction programme for the new Non-executive Directors was based upon the ICSA guidelines and tailored to SANNE. Further information on this is included in the Corporate Governance Report on page 55.

Mentoring and knowledge sharing

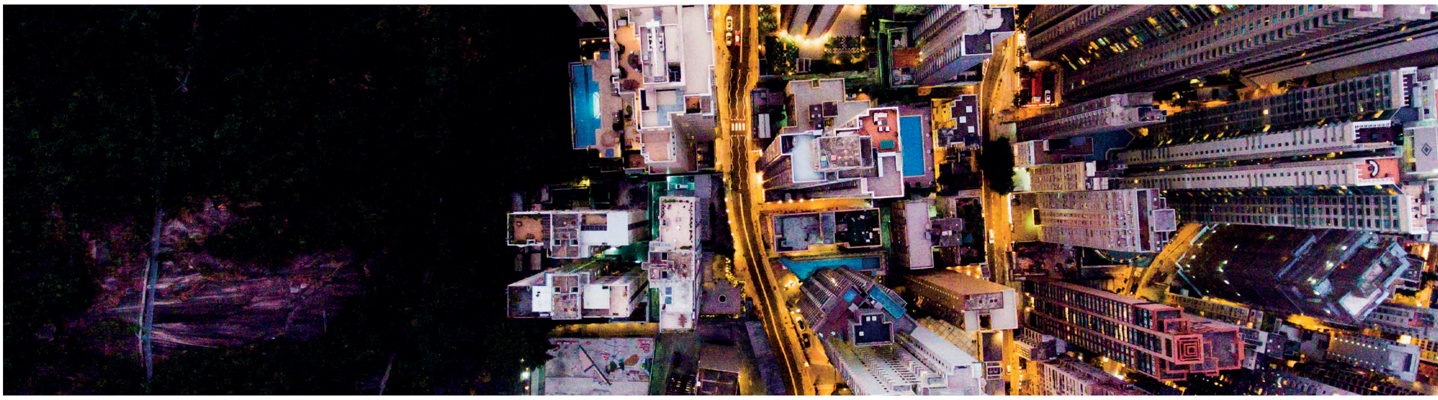
The Committee wants to help develop the future leaders of the business and is involved in providing guidance and expertise where appropriate. There have been a number of mentoring meetings between the Non-executive Directors and senior management.

Rupert Robson

Chairman of the Nomination and Governance Committee

21 March 2019

Audit Committee Report



Dear Shareholder

The report outlines the activities and responsibility of the Audit Committee (the Committee) for the year ended 31 December 2018.

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. As announced in our 2017 Annual Report and Accounts, the Audit and Risk Committee was separated into two separate committees with effect from 1 January 2018. The Risk Committee took ownership of duties with regard to risk management and compliance with effect from that date.

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 Groups financial performance, business model and strategy.

During the year the Committee's terms of reference were reviewed and updated. The new Audit Committee's terms of reference are available on the Company's website (www.sannegroup.com).

The work of the Committee in 2018, including advising the Board on the half-year results and the Annual Report and Accounts, is described in detail throughout 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 2019.

Committee membership

Committee members	Eligible to attend	Attendance
Andy Pomfret (Committee Chairman)	6	6
Mel Carvill	6	6
Nicola Palios	6	5

Past committee members	Eligible to attend	Attendance
Julia Chapman[1]	2	2

1 Julia Chapman joined the Board on 1 July and stepped down from the Committee on 31 October 2018.

Appropriate skills and experience

On 31 October 2018, the Board considered it appropriate to depart from the previous practice whereby each Non-executive Director sat on most of the Board committees. 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 now includes the Chairs of the Risk and the Remuneration Committees. The Committee to is composed entirely of independent Non-executive Directors and is in compliance with the UK Corporate Governance Code (the Code).

Audit Committee Report

Andy Pomfret and Mel Carvill have appropriate relevant financial 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 the Advanced Diploma in Corporate Finance and 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. 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 49 to 51.

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 internal and external auditors and key members of staff.

The timetable of the Committee is linked to the Group's reporting cycle, annual audit and financial reporting timetable. At the invitation of the Committee, the CEO, the CFO, the Chief Risk and Compliance Officer and the Internal Audit Director attended meetings. In addition, the Deloitte audit partner and senior manager attended all meetings held in the year 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 2018 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 for 2018. 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 2018 Annual Report and Accounts, taken as a whole is fair, balanced and understandable.

Topics discussed by the Committee during the year:

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

Financial Statements and Reports

- Full-year results 2017
- Half-year results 2018
- Impairment review

Finance

- Going concern assessment
- Other acquisitions
- Earnings before tax

External Audit

- External Audit Plan and regular reports
- Effectiveness review, audit quality
- Non-audit spend

Internal Audit

- Internal Audit Plan
- Internal Audit Reports
- Internal Audit Progress

Other

- Review of terms of reference
- Review of Whistleblowing Policy
- Whistleblowing Report
- Committee evaluation
- Regulatory update
- Review of Non-audit Spend Policy

Significant financial statement issues considered by the Committee

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 past experience of the client, client type and liquidity issues of the client. 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 acquisitions	We have reviewed the judgements made and used by management in the allocation of the purchase price of the acquisition completed during the year. We are satisfied that the overall allocations between goodwill and identifiable intangible assets are reasonable and also the estimated useful lives of customer and contract intangibles and attrition rates applied.

Audit Committee Report

External audit

Independence is vital for the integrity of the audit. The Committee is satisfied that Deloitte 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 appointment of Deloitte LLP as the Group's external auditor (incumbents prior to IPO in 2015) is kept under review. The Company is required to undertake a competitive tender for the role of external auditor every ten years.

During the year, an FRC Audit Quality Review Team (AQRT) reviewed Deloitte's audit of Sanne Group plc's financial statements for the year ended 31 December 2017. On completion of the review I received a copy of the AQRT's report and a summary of the findings, together with the letter from the FRC which were discussed by the Audit Committee in March 2019.

Effectiveness of external audit

A review was held by the Committee on the effectiveness of the external audit. 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;
- the FRC AQRT letter referred to above; and
- the identification of Prior Period Errors (PPEs), which are explained fully in the Chief Financial Officer's Review and note 15 to the accounts.

Following the review, the Committee has recommended to the Board that a competitive tender for the role of external auditor is conducted during 2019. For technical reasons the Board is recommending the re-appointment of Deloitte LLP at the AGM, but with the expectation that the tender process will be completed before the half year results are announced.

Audit and non-audit fees

The Committee provides approval for non-audit fee spend in accordance with the FRC Ethical Standard. 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 Deloitte's services. The Committee monitors expenditure on non-audit services and each item requires approval in advance.

The Group Audit Fee was £587,000. The fees paid for non-audit services to Deloitte were £181,000. The ratio of non-audit fee to audit fee is 31%. During the year the Group incurred non-audit fees for work on: Solvas Asset Management relating to client services business systems software; services in relation to FATCA and CRS; and capital adequacy work in South Africa for IDS Manco. 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 Deloitte's skill sets.

Internal Audit function

During the year the Group operated its own internal audit function supported by a co-source arrangement with PwC to supplement resources and provide capability in specialist areas. The Internal Audit Director is invited to attend the Committee. A new Internal Audit Director was appointed in January 2018 to lead the internal audit function and the Committee oversaw the selection and transition processes.

The internal audit plan was discussed and approved by the Committee. The Committee monitors the internal audit plan to ensure 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.

Risk management framework & governance

Throughout the year and up to the date of this report, SANNE has operated a system of internal controls. A review of the effectiveness of SANNE's risk management and internal control systems has been carried out through the work and operations of the Committee and the effectiveness of the operation of the material controls has been reported to the Board.

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 regular reporting on the operation of the Whistleblowing Policy.

Committee effectiveness review

The Committee effectiveness review for 2018 was conducted internally. The evaluation covered the operation and administration of the Committee. The Committee was reported as being run professionally and effectively under the Chairman's guidance. The separation of the Audit and the Risk Committees was considered to be a positive development. It was agreed that there was a need to improve upon last year's process for producing the Annual Report and Accounts.

Priorities for 2019

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

- to monitor the external auditor and 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.

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.

Viability statement

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. This is evidenced by past performance. Taking this into account as well as the Group having limited exposure to long-term financial commitments the Directors have determined that the three-year period is an appropriate period over which to provide its viability statement.

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

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

The assessment of the Group's viability over a three-year period is undertaken primarily based on its strategic and financial planning processes which are led by the Group's CEO, CFO and Executive Committee. The process involves extended sessions for the entire Board in relation to the strategic and financial planning process. This process results in detailed financial forecasts being prepared with the first year forming the Group's operating budget and subsequent years being extrapolated from the first year based on the 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.

Audit Committee Report

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 take into account of the Group's current position and the potential impact of the principal risks documented in the strategic report. These scenarios represent stresses which include:

- reduced market and client activity resulting in no growth for the business for a prolonged period of time;
- the loss of a significant client in a short period of time;
- a material one-time loss event suffered by the business not covered by insurance;
- dramatic regulatory change resulting in the winding up of one of the Group's service lines or asset classes;
- adverse movement of FX, driven by the on-going Brexit process or other macro-economic effects;
- a material acquisition which fails to deliver on its forecast plan contributing less income and requiring significant impairment within a year; and
- deteriorated trading conditions resulting in a sustained reduction in underlying operating profit margin to 20% and a reduction in cash collections by 5%.

The results of the stress testing, including a combination of the individual scenarios, 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. Mitigants considered as part of this stress testing included cost efficiency programmes and dividend reductions.

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

Andy Pomfret

Chairman of the Audit Committee

21 March 2019

SANNE

Risk Committee Report

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 2018.

As announced in our 2017 Annual Report and Accounts, with effect from 1 January 2018, the Risk Committee separated from the Audit Committee and during the year the Committee devoted its time to assessing SANNE's risk appetite, risk tolerances and risk management systems, in order that the Group was well placed to respond to changing risks and our business environment.

The work of the Committee in 2018, included advising the Board on risk management and compliance is described in detail 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 2019.

Committee membership

Membership and attendance at the 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[1]	1	1

Past committee members	Eligible to attend	Attendance
Nicola Palios[2]	5	4
Rupert Robson[3]	5	5

[1] Yves Stein joined the Board on 1 October 2018.

[2] Nicola Palios stepped down from the Committee on 31 October 2018.

[3] Rupert Robson stepped down from the Committee on 31 October 2018.

Appropriate skills and experience

On 31 October 2018, the Board considered it appropriate to depart from the previous practice whereby each Non-executive Director sat on most of the Board committees. 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 has remained a member of the Committee. The Committee is composed entirely of independent Non-executive Directors and is in compliance with the UK Corporate Governance Code (the Code).

Mel Carvill, Andy Pomfret and Yves Stein have appropriate relevant financial sector experience. Mel Carvill is a Chartered Accountant, holds the Advanced Diploma in Corporate Finance and worked across a range of sectors in the European financial services industry. Andy is a qualified Chartered Accountant, has held the positions of the Finance Director and CEO in Investment Banking 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 49 to 51.

On appointment to the Committee there is an appropriate induction, consisting of: an induction pack which contains relevant useful information to get the members up to speed 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 and Compliance Officer (CRCO) and key members of staff.

At the invitation of the Committee, the CEO, CFO, CRCO and Internal Audit Director attended meetings. In addition, the Deloitte 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 2018 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 processes under review and ensuring that both qualitative and quantitative metrics are used;
- 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 performance of the risk management function and the compliance function and ensuring they have adequate resources;
- keeping under review the performance of the CRCO; and
- working with management to enable, actively promote and oversee a risk-aware culture that sees Group-wide risk management as an integral part of the business, supported by transparency and consistency.

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

Risk Committee Report

Topics discussed by the Committee during the year:

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

Compliance

- Compliance reporting
- Policies and procedures
- Horizon scanning

Risk Management

- Risk management reporting
- Risk appetite assessment
- Risk mapping, risk matrix and scorecard
- Enterprise risk management

Other

- Review of terms of reference
- Committee evaluation
- Regulatory updates
- Internal audit updates

Risk management framework and governance

The Board is responsible for ensuring the maintenance of SANNE's risk management and internal control systems with regards to the Principal Risks facing SANNE in achieving its strategic objectives. The Board has delegated responsibility for monitoring the Company's risk management and internal controls systems to the Committee including the annual review and reporting to the Board.

To assist with the assessment of risk management and internal controls, the Committee received regular reporting on the Principal Risks and the adequacy of the control framework from the CRCO.

Principal risks and uncertainties

The Principal Risks and uncertainties facing the Company are set out in the risk management report section of the Strategic Report on pages 34 to 40.

Internal control and risk management

As part of its ongoing monitoring the Committee received written reports from the CRCO, on behalf of SANNE's combined Risk and Compliance functions across the three lines of defence, and monitors risk across the business. The Committee oversees the global risk matters for the business, in particular it has responsibility for identifying and assessing all risks across the Group. It ensures these risks are appropriately managed and controlled.

Controls were embedded within the business processes, forming part of the culture with emphasis on clear management accountabilities and responsibilities. The Committee responded quickly to emerging risks, both within the Group and the external business environment. The Committee introduced procedures for reporting any control failings, or weaknesses, together with the details of corrective action taken to improve the internal controls.

Three lines of defence

During the year the Committee oversaw the ongoing development of, and enhancements to, its three lines of defence operating model across the business. Effectively, the model splits the business into three functions - First, Second and Third Lines - each with specific responsibilities. Further information on the three lines of defence model can be found in the risk management report on page 34. The work being undertaken by the functions is reported via the Committee on a regular basis.

Group Policy Framework

The Group's Policy Framework ensures SANNE's policies set minimum standards that are fit for purpose and aligned to the risks SANNE is facing in its business activities. Policies are broken down into chapters and may include mandatory procedures and further training, where relevant.

During 2018, mandatory training on Anti-money Laundering and Data Security was delivered via e-learning to all staff. A Risk Education Programme which will deploy a comprehensive risk awareness and learning schedule for 2019 and beyond was defined and approved.

Cyber security

SANNE has a dedicated team in place responsible for Information Security and has a number of tools in place to prevent or detect the risks arising from Cyber Security. There are plans in place to further enhance and expand existing infrastructure in this area.

Data protection

Data Protection Officers (DPOs) provide the expertise and support to the business in relation to data protection risks; their work is supported by Group polices on this theme and associated procedures which help the business in the identification, management and reporting of such risks.

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.

Committee effectiveness review

The Committee effectiveness review for 2018 was conducted internally. The evaluation covered the operation and administration of the Committee. The Committee was reported as being run professionally and effectively under the Chairman's guidance. The separation of the Audit and the Risk Committees was considered to be a positive development, with the efficiency of the Committee continually improving during the year. It was also reported that opportunities for improvement within the Compliance function to support the growth and expanding geographical coverage of the Company were being addressed by the unification of the Chief Risk Officer and Chief Compliance Officer roles and the recruitment of key new hires.

Priorities for 2019

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

- to continue to embed and strengthen SANNE's three lines of defence model;
- to strengthen SANNE's risk culture;
- to monitor regulatory changes and the impact of external factors on the Group; and
- to liaise with the Audit Committee to ensure that any linked matters are fully understood.

Mel Carvill

Chairman of the Risk Committee

21 March 2019

Remuneration Committee Report

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

In light of a number of recent changes to the Executive Director team, we are proposing a new remuneration policy to strengthen the link between reward and performance and to align remuneration better to shareholders' long term interests.

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 2018. At this year's Annual General Meeting (AGM) there will be a binding vote on the remuneration policy which, if approved, will take formal effect from the date of the 2019 AGM. There will also be an advisory vote the Annual Report on Remuneration, which includes this Annual Statement. Finally, this year there will be a Resolution to amend our Performance Share Plan (PSP) to enable higher grants to be made, in line with the proposed new policy.

New remuneration policy

During the year the Committee has conducted an extensive review of our remuneration policy to assess whether it remains appropriate for our business strategy, given the maturity of the business since IPO in 2015 and the current environment in which we operate. As a result, and following shareholder consultation, the Committee proposes to make several changes to the policy.

Strategic context and rationale for the changes to our policy

Since the IPO the Company has grown significantly and its geographical footprint has expanded from 9 countries to 18 countries. The senior executive team has also changed significantly over that period, as we have recruited additional talent able to help us run a business of much larger scale and complexity and to replace some of the original executive team, who have either left the business or signalled their intention to do so.

Performance of the business since IPO has been strong, with underlying profit before tax growth from £8.1m in 2014 to £42.6m in 2018. We are confident that SANNE remains well placed to capture the exciting long-term opportunities in our markets. Whilst there are opportunities, there are also several new market entrants, both listed and unlisted, and the competition for executive talent in this area is particularly fierce.

A significant number of the senior executive team have been recruited post-IPO and do not have the same level of shareholdings as the original Executive Directors and the centre of gravity of the business has shifted away from Jersey to London, where several of the senior executives, including our new Chief Executive Officer (CEO) and Chief Financial Officer (CFO), are now permanently based. It is expected that further senior hires will be made outside Jersey, especially in London, reflecting the deeper talent pool in London.

Since IPO, our Executive Director remuneration packages have been considerably below market, but this has been workable given the lower personal tax rates in Jersey (where all of the original Executive Directors were based) and their considerable personal shareholdings. In considering how much to pay our executives going forward, and based on our experience with recent hires, we have concluded that we need to increase senior executive remuneration closer to a market competitive position. This will ensure that we can retain existing executives and attract new talent, especially outside Jersey. However, as we remain a relatively 'young' company with ambitious long-term growth prospects, we believe that it remains appropriate for the package to be balanced such that, compared to the market, salary and benefits represent a relatively small proportion of the overall package, with a significant weighting of incentive pay and share based long-term incentives.

It is against this backdrop that we make the following changes to our policy, subject to shareholder approval:

- We are reducing the pension opportunity in the policy from 15% to align it with the workforce average for the particular jurisdiction in which the relevant executive is based (in those jurisdictions where a pension is offered). Currently this equates to 0% in Jersey and 3% (rising to 4% on 1 January 2019) in the UK and remains significantly below market norms for senior executives. This approach complies with the 2018 UK Corporate Governance Code (the Code) requirement in relation to Executive Directors' pension being aligned to the workforce.
- For the annual bonus, currently there is no threshold level of payment stipulated. The new policy contains a maximum threshold payment of up to 20% of the maximum.
- For the PSP, the current policy maximum is 150% of base salary. In line with the sentiment expressed above, the Committee has concluded that the PSP does not sufficiently align executives' longer-term interests with those of shareholders , especially as the percentage is referenced off a below market salary level. Therefore, we propose to increase this policy maximum to 200% of base salary. Implementation will be done in two stages: in 2019 the grant levels will be 150% of salary, increasing to 200% of salary from 2020, subject to Company and individual performance. The policy will now include a two-year post-vest holding requirement for PSP share awards (this approach was applied to last year's PSP awards even though it was not required by the policy).
- To facilitate the higher PSP grant levels in line with the new policy, we will be seeking shareholder approval via an Ordinary Resolution to increase the individual limit in the PSP from 150% to 200% of base salary.

- Currently the shareholding guideline is 200% of base salary, to be built up over time and by requiring that at least 50% of vested awards must be retained until the threshold is achieved. We propose to increase the shareholding requirement to 250% of base salary.
- For both bonus and PSP we have broadened our clawback and malus provisions to ensure that these are in line with the guidance in the Code.
- The current discretion for the Committee to adjust variable pay and vesting levels will be broadened, so that it is in line with the Code and enables adjustment where the formulaic outcome does not reflect underlying corporate performance, the investor experience or employee reward outcome.

Overall, while remuneration for the new London-based Executive Directors under the new policy is higher than their Jersey-based predecessors, please be assured that we will act with restraint in relation to future base salary increases and believe that we can still pay base salaries which are below market for this policy period, recognising other aspects of the employment opportunity at SANNE.

Performance and reward for 2018

The 2018 annual bonus plan was based 75% on a range of PBT targets and 25% on strategic KPIs. Our 2018 underlying PBT of £42.6m was above the threshold, but just below the stretching target of £44m and, as a consequence, 40.9% of this element paid out. For the strategic element we set individual objectives for the CEO and for the CFO and, overall, paid out 60% and 84% respectively, of this element. Overall, total bonuses for the CEO and CFO were 46% and 52% of the maximum respectively. Half will be paid in cash and half in deferred shares (in the case of the CEO, the share element will be forfeit when he steps down). The Committee is comfortable that, in a year of strong profit growth and good performance generally, 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 first award granted in 2016 under our PSP is due to vest in March 2019, by reference to EPS performance in 2018. At grant, in early 2016, we set an EPS target range of 15p, 16.5p and 22.5p for 25%, 62.5% and 100% of the award to vest respectively. Our 2018 EPS was 24.1p, exceeding the top end of the range and so the shares under this award will vest in full. Over this period our underlying EPS will have grown by more than 70% since 2015 and our total shareholder return over the three-year period has also been substantial. Business performance against most other measures has been excellent and the Committee is comfortable that the full vesting of this award represents a strong link between reward and performance, and no discretion is needed to adjust the out-turn.

Board and management changes

As part of SANNE's Board succession planning, on 23 January 2019 the Company announced that Dean Godwin intended to take early retirement and cease employment at the 2019 AGM. Dean will remain CEO until the 2019 AGM to provide a smooth handover to his successor, Martin Schnaier. He will continue to be paid base salary and benefits up to the date of the AGM and there will be no further payments from this point. He will be eligible to participate in the cash element only of the FY19 annual bonus plan, pro-rated for the time in active service to the AGM. His deferred bonus shares and PSP awards outstanding after he ceases employment will lapse (including the deferred shares part of the FY18 annual bonus.)

Martin Schnaier joined the Board on 23 January 2019 as CEO Designate and details of his salary and the rest of his package are summarised in this report. He received no special payments in connection with his promotion to the Board.

Spencer Daley stepped down from his role as CFO on 27June 2018, resigned and stepped down from the Board on 1 October 2018 and went on garden leave effective 19 October 2018. He will remain an employee until 1 April 2019, when his six-month contractual notice period expires. Outstanding deferred bonus awards and unvested PSP awards after ceasing employment were forfeited.

James Ireland joined the Company on 14 May 2018 and was appointed to the Board as CFO effective from 1 July 2018. James Ireland's base salary in 2018 was £295,000 from appointment as CFO. He was eligible for a pro-rata bonus for the period of the 2018 year worked (for the first 47 days of his employment, he participated in the senior staff bonus scheme, and from 1 July 2018 in the Executive Director bonus scheme, each on a pro-rata basis) and received a PSP award for 2018. In addition, on appointment he was granted an award of 15,227 deferred shares (worth approximately £100,000 at the date of grant) recognising the forfeiture of deferred awards from his previous employer. The quantum and timing of vesting has been designed to match the awards that were forfeited and, as such, the awards will vest on a phased basis up to April 2022.

Application of the new policy in 2019

We are taking a staggered approach to increasing Martin Schnaier's base salary to the desired positioning for the role, given that this is his first CEO position. The salary from 23 January (the date of promotion to the plc Board and promotion to the role of CEO Designate) is £300,000 . Assuming he takes on the CEO role at the 2019 AGM, at this point the salary will increase to £360,000. From 1 January 2020 the salary will increase again to £390,000, assuming good performance and development in the role. We believe that this is the appropriate salary positioning for SANNE's CEO at this time, given the London base which means he will be paying UK tax. From this point onwards, for the remainder of the policy period, we anticipate that the salary increases will be in line with the workforce average, barring exceptional circumstances. The rest of Martin's package will be in line with the new policy.

Remuneration Committee Report

The CFO's salary will remain at £295,000.

The CEO and CFO will receive a pension contribution of 3% of base salary, rising to 4% from 1 April 2019, in line with the UK workforce.

The 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 targets and 25% on operational, risk and strategic targets. The target level of bonus payout is to be increased in a staggered manner and will be 60% of salary in 2019, rising to 62.5% in 2020. In setting the targets we have ensured that the level of PBT required to be achieved is significantly higher than the range set for the FY18 bonus and the FY18 PBT outturn, commensurate with the additional reward opportunity under our new policy. There will be clear retrospective disclosure for all targets that have been set.

PSP awards will be granted at 150% of base salary for 2019. It is anticipated that the grant level will be increased to the proposed policy maximum of 200% of salary from 2020 onwards, subject to Company and individual performance.

For the three PSP awards granted since IPO we have used an EPS target range to determine vesting for 100% of the award. To provide a more rounded assessment of performance, a Total Shareholder Return (TSR) measure has been incorporated, so that 75% of the award will be based on EPS and 25% on TSR versus the companies in the FTSE 250 Index. The EPS range for the 2019 awards will require EPS growth to be between 7.5% and 18% compound annual growth for a vesting between 25% and 100%. The Committee is comfortable that the 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.

Changes to Non-executive Directors' fees

We are making some adjustments to the fee structure and levels for Non-executive Directors, recognising the increased number of Non-executive Directorson the Board, increased workloads, changes to committee membership and the Non-executive Directors responsible for Employee Engagement (split between three Non-executive Directors). Also, recognising the additional time commitment for our overseas based Non-executive Directors now that Board meetings are held in London, there will be an overseas allowance for Mel Carvill, Julia Chapman and Yves Stein.

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

We aim to comply with the remuneration matters contained within the 2018 Code during FY19 and we are looking at broader stakeholder engagement carefully. We will report in line with the new legislative requirements for Directors' pay a year early, including publishing ratios of the CEO's total remuneration to the UK workforce. For 2018 the ratio between the CEO's remuneration and the median UK employee's remuneration is 15.7:1. While this ratio is likely to increase in the future under the new policy as the Chief Executive's overall pay will increase to a more market competitive level, we are comfortable that this ratio demonstrates a fair approach to pay in the workforce compared to the CEO.

Closing remarks

The Committee believes that the changes proposed to the policy provide 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.

I would like to thank my colleagues on the Committee for their time and support during what has been a busy year.

On behalf of the Board, I look forward to your support at the 2019 AGM.

Nicola Palios

Chair of the Remuneration Committee

21 March 2019

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 will be put forward for shareholder approval at the AGM on 16 May 2019 and, if approved, will become effective from that date. All remuneration and loss of office payments will only be made if they are consistent with the approved policy. Specific details on how the Company will implement the policy in 2019 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.

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. The changes to the policy, compared to the previous policy, are set out in the Chairman's Statement.

Remuneration Committee Report

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.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
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.
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, which 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.

Remuneration Committee Report

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.

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, 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.

Remuneration Committee Report

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.

Maximum opportunity under remuneration elements

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

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.

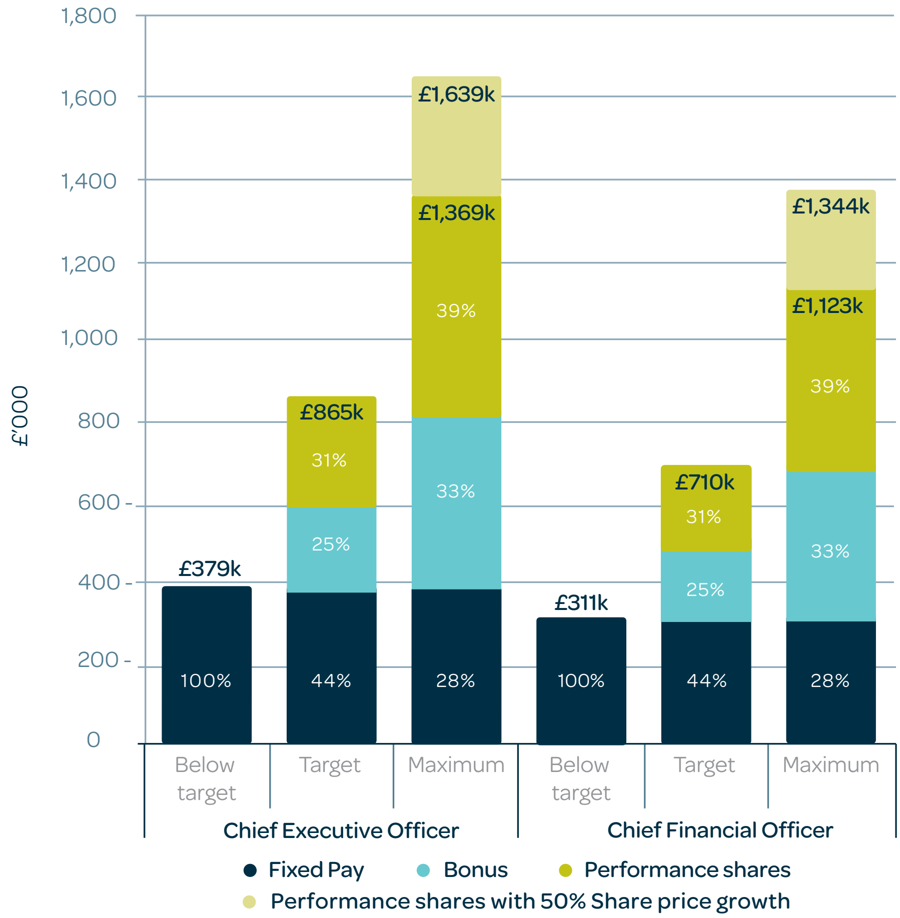
Legacy arrangements

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 Committee Report

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 2019 financial year) in respect of minimum pay (fixed pay), on-target and maximum performance based on assumptions set out below. In practice, in the case of the new CEO, his remuneration for 2019 will be part based on his previous package and part on his starting CEO package.



Minimum: Comprises fixed pay only using the salary rate on 16 May 2019, the value of benefits in 2018 and a 4% company pension contribution.

On-Target: A bonus of 60% of salary is payable (48% of maximum) for target performance and half the PSP awards vest (based on a grant value of 150% of salary).

Maximum: Comprises fixed pay and assumes that the maximum annual bonus is paid (125% of salary) and the 2019 PSP grant (150% 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		
Dean Godwin	26 January 2015	16 May 2019
Spencer Daley	26 January 2015	Resigned 1 October 2018
James Ireland	1 July 2018	N/A (Rolling 6 month notice period)
Martin Schnaier	23 January 2019	N/A (Rolling 6 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

* Spencer Daley remained an employee of the Company after stepping down from the Board and went on garden leave on 19 October 2018.

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
Dean Godwin	09/03/2015	Six months' notice from either party
James Ireland	01/07/2018	
Martin Schnaier	23/01/2019	

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.

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, retirement from an 'executive' career with the agreement of his or her employer, redundancy, 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 the 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 does not consult with employees directly on matters of Executive Director remuneration. However, 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.

During 2019 the Committee will consider the most appropriate approach to engage with employees to explain how executive remuneration aligns to broader workforce pay, in line with the new Code requirements.

Implementation of the Remuneration Policy for 2019

Basic annual salary

As set out in last year's report, as part of a previously disclosed programme of phased increases, Dean Godwin's base salary was increased by 7.9%, reflecting strong individual and Company performance. On appointment as CEO, Martin Schnaier's base salary will be £360,000, increasing from £300,000 payable as CEO Designate and, as mentioned in the Chair's Statement (subject to satisfactory corporate and personal performance) will increase to £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 will remain unchanged.

	2018	2019 (from AGM)
Chief Executive Officer	N/A	£360,000
Chief Financial Officer	£295,000	£295,000

Pension

An employer contribution of 3% of salary, rising to 4% from 1 April 2019, will be provided for the CEO and CFO, 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 2019 shall be 125% of salary and bonuses will be based on a sliding scale of very challenging underlying profit before tax 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 60% of base salary (48% of the maximum).

The profit component will be based on underlying profit before tax. Underlying profit before tax is one of the key financial metrics 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. It is expected that these will focus on areas similar to those for 2018, a summary of which is disclosed in the report.

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.

Remuneration Committee Report

Performance Share Plan

PSP awards with a face value of 150% 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, based on performance in the year ending 31 December 2021 as set out below:

Compound annual growth from 2018 EPS[1]	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.

1. The growth targets or the 2018 baseline for EPS measurement will be adjusted to neutralise the impact of IFRS16 and the change in method of calculation of diluted underlying EPS over the performance measurement period.

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

We are making some adjustments to the fee structure and levels for Non-executive Directors in light of the increased number of Non-executive Directors on the Board, changes to committee membership and the Non-executive Directors responsible for Employee Engagement (split between three Non-executive Directors). Recognising the additional time commitment for our overseas based Non-executive Directors (Mel Carvill, Julia Chapman and Yves Stein) there will be an additional allowance provided. The changes are summarised as follows:

Position	2018 fee	2019 fee
Base fee	£60,000	£58,000
Committee Chair (Remuneration, Risk and Audit)	£10,000	£15,000
SID	£5,000	£5,000
Committee member	-	£2,000
Workforce liaison Non-executive Directors	-	£3,000
Overseas allowance (Mel Carvill, Julia Chapman and Yves Stein)	-	£5,000

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 2018

The table below sets out the remuneration for each Director in 2018 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 fees paid, rather than annualised figures, for joiners and leavers for their period of service. Salary increases received during the year took effect from 1 January 2018.

		Fees/ salary	Benefits[1]	Pension[2]	Bonus[3]	PSP[4]	Total
Executive Directors							
Dean Godwin	**2018**	**292,000**	**4,915**	**-**	**133,424**	**411,167**	**841,506[5]**
	2017	257,530	4,871	-	103,601	-	366,002
Spencer Daley (until 2 October 2018)	**2018**	**157,500**	**3,112**	**-**	**-**	**288,690**	**449,302**
	2017	192,284	4,612	-	80,741	-	277,637
James Ireland (from 1 July 2018)	**2018**	**147,500**	**3,182**	**4,425**	**76,700**	**-**	**231,807**
	2017	-	-	-	-	-	-
Non-executive Directors							
Rupert Robson	**2018**	**160,000**	**-**	**-**	**-**	**-**	**160,000**
	2017	135,000	-	-	-	-	135,000
Andy Pomfret	**2018**	**75,000**	**-**	**-**	**-**	**-**	**75,000**
	2017	75,000	-	-	-	-	75,000
Nicola Palios	**2018**	**70,000**	**-**	**-**	**-**	**-**	**70,000**
	2017	65,000	-	-	-	-	65,000
Mel Carvill	**2018**	**70,000**	**-**	**-**	**-**	**-**	**70,000**
	2017	-	-	-	-	-	-
Julia Chapman (From 1 July 2018)	**2018**	**30,000**					**30,000**
	2017	-	-	-	-	-	-
Yves Stein (From 1 October 2018)	**2018**	**15,000**	**-**	**-**	**-**	**-**	**15,000**
	2017	-					-

1. Benefits comprise the value of Group income protection insurance, life assurance, private medical cover.
2. No pension contribution was provided by the Company in 2018 or 2017 to Dean Godwin. James Ireland received a pension contribution of 3% of base salary in line with the UK workforce.
3. 50% bonus is payable in deferred shares. In the case of Dean Godwin, his shares will lapse on cessation of employment.
4. LTIP value estimated based on a 3 month average share price over Q4 2018 of 588.8p and includes dividends equivalents. Approximately 38% of the value is attributable to share price increase over the period since grant (grant share price of 355p). The value of the PSP will be restated in next year's accounts to show the actual value on vesting, as required by the regulations.
5. 2018 was the first year in which a PSP award was payable, which accounts for most of Dean Godwin's increase in remuneration over 2017.

2018 Annual Bonus out-turn

Bonuses paid in respect of the year-ended 31 December 2018 were based 75% on underlying profit before tax targets and 25% on non-financial targets.

PBT targets (75%)

Performance measure	Weighting %	Threshold	Target	Maximum	Actual	(% of maximum)
Underlying PBT targets	75%	£36,078	£44,000	£51,147	£42,562	40.9%

Annual Report on Remuneration

Performance against non-financial strategic targets (25%)

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

Details of Dean Godwin's achievements against key objectives set are as follows:

Theme	Objective	Assessment Factors	Score
Growth	Maintain/initiate revenue growth across current group countries	– Another year of strong growth in most sectors.	2 out of 3
Group Services	Rationalise Group services	– Delivered new operating model – IT integration projects underway	2 out of 2
Risk and Compliance	Improving the risk and compliance framework and culture across the group and maintaining excellent relationships with all regulators	– Significant progress on redefining and implementing compliance and risk frameworks across the group	4 out of 6
Regulatory Status	Maintaining excellent regulatory status	– Historical issue in one jurisdiction requiring remediation	0 out of 4
Stakeholders (people/ clients/ investors)	Attract and retain a high performing senior management team to drive the strategic agenda, and reduce "own volition" turnover	– Significant succession of the Executive and Senior management team managed – Role definitions complete and committee/governance model in place – Turnover reduced by a small margin – Some key roles (especially in compliance and legal) took longer than desired to fill with appropriate quality candidates	3 out of 5
Group development	Prepare SANNE for the next stage in the Group's development	– Refined the strategic plan to prepare for further growth in 2018 and beyond – Identified further M&A opportunities – Delivered action planning from client satisfaction survey results	4 out of 5
		Total	15 out of 25

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

Theme	Objective	Assessment Factors	Score
Investor Relations	Proactive investor management	– Current investors engaged and SANNE story clearly articulated	2 out of 3
Personal Development	Embed successfully into new role	– Very good personal performance and development as evidenced by excellent impact on, and strong relationships built with, the Board and senior executives.	3 out of 4
Integration	Ensure 2017/18 business acquisitions are fully integrated into the group structure	– Risk & Compliance and IT frameworks have been reviewed and brought into line with group standards	3 out of 3
Organic Growth	Maintain/initiate organic revenue growth across current group countries	– Strong organic growth year-on-year in most sectors	1 out of 2
Financial Reporting	Deliver on Financial reporting targets	– Greatly enhanced reporting and performance measurement ranging from filings of financial statements with regulatory bodies to internal reporting that fosters accountability and measures progress towards key goals	2 out of 3
Risk Management & Compliance	Improving the risk and compliance framework and culture across the Group	– Significant progress on redefining and implementing Risk and Compliance frameworks across the group	3 out of 3

Theme	Objective	Assessment Factors	Score
Stakeholders (people/ clients/ investors)	Attract and retain a high performing senior management team, lead development of corporate culture and deliver new client satisfaction survey	– Defined and filled gaps within the Finance management team – Contributed and supported the evolution of the employee value proposition – Influenced the development of the corporate culture and alignment with SANNE's vision and values – New Customer Engagement Survey delivered and results acted upon	4 out of 4
Governance	Review and improve governance framework	– Chairman was better supported and the Board and its committees are more effectively serviced	3 out of 3
		Total	**21 out of 25**

2018 bonus out-turn

The total bonus payable for each executive is therefore:

	Maximum bonus payable (% of salary)	Actual bonus payable (% of maximum)	Total bonus payable (50% cash and 50% deferred shares)
Dean Godwin[1]	100%	46%	£133,424
Spencer Daley[2]	100% to 1 October 2018	0	£0
James Ireland	100% from 1 July 2018	52%	£76,874

1. For Dean Godwin, the deferred shares part of the bonus will lapse on cessation of employment
2. Considering his resignation, Spencer Daley was not eligible to receive a bonus

Performance Share Plan awards with performance period ending during the year

The first award under the PSP was granted in 2016 and is based on performance for the period ending 31 December 2018.

Measure	Performance Period	Threshold (25%)	Target (62.5%)	Maximum (100%)	Actual performance	% of award achieved
Underlying diluted Earnings per Share in 2018	3 years ending 31/12/18	15p	16.5p	22.5p	24.1p	100

Annual Report on Remuneration

2018 Performance Share Plan grants and one-off award to James Ireland (in respect of remuneration forfeited at his previous employer)

	Date of grant	% Salary grant	Shares awarded	Share price of 2018 grant	Face value of award	% vesting at threshold performance	Vesting Date	Performance condition
Dean Godwin	24 April 2018	100%	47,900	609.6p	£292,000	25%	24 April 2021	EPS in 2020
Spencer Daley[1]	24 April 2018	100%	34,449	609.6p	£210,000	25%	24 April 2021	EPS in 2020
James Ireland	28 June 2018	100%	36,851	678.4p	£250,000	25%	28 June 2021	EPS in 2020
James Ireland[2]	28 June 2018	–	15,227	678.4p	£103,300	N/A		None

The number of shares awarded is based on the average five day closing price immediately prior to the grant date.

1. Spencer Daley's unvested PSP awards will lapse on cessation of employment

2. As announced on 29 June 2018, James was awarded 15,227 share awards, worth c.£100,000 at the time of grant. Five tranches of these awards vest on December 2018 and then April 2019-22, matching the terms of deferred bonus share awards forfeited at his previous employer. These awards will vest on the following basis:

	No. of Shares under option	Vesting date
	2,520	30 December 2018
	4,776	30 April 2019
	4,027	30 April 2020
	1,952	30 April 2021
	1,952	30 April 2022
Total	15,277	

The PSP awards will vest subject to achievement against a sliding scale of underlying diluted EPS targets in 2020.

Underlying diluted EPS for FY 2020[1]	Proportion of award vesting
Less than 29.85 pence	Zero
29.85 pence	25%
37.85 pence or more	100%

Awards vest on a straight-line basis for performance between 29.85 pence and 37.85 pence.

1. The growth targets or the 2017 baseline for EPS measurements will be adjusted to neutralise the impact of IFRS16 and the change in method of calculation of diluted underlying EPS over performance measurement period. Consistent adjustments will also be made to the FY17 ESP award.

Leaving arrangements for Dean Godwin and Spencer Daley

As part of SANNE's Board succession planning, on 23 January 2019 the Company announced that Dean Godwin intended to take early retirement and cease employment at the 2019 AGM. Dean will remain CEO until the 2019 AGM to provide a smooth handover to his successor, Martin Schnaier. He will continue to be paid base salary and benefits up to the date of the AGM and there will be no further payments from this point. He will be eligible to participate in the FY19 ABP, pro-rated for the time in active service to the AGM. His deferred bonus shares and PSP awards outstanding after he ceases employment will lapse (including the deferred shares part of the FY18 and FY19 annual bonus).

Spencer Daley stepped down from his role as CFO on 27June 2018, resigned and stepped down from the Board on 1 October 2018 and was placed on garden leave effective 19 October 2018. He will remain an employee until 1 April 2019, when his six-month contractual notice period expires. He received no bonus for FY18 performance and nor will he be eligible to receive a bonus for FY19. Outstanding deferred bonus awards and unvested PSP awards after ceasing employment are forfeited.

Joining arrangements for James Ireland and Martin Schnaier

James Ireland joined the Company on 14 May 2018 and was appointed to the Board as CFO effective from 1 July 2018. James Ireland's base salary was £295,000 from appointment as CFO, he was eligible for a pro rata bonus for the period of the 2018 year worked and received a PSP award for 2018. In addition, on appointment he was granted an award of 15,227 deferred shares (worth approximately £100,000 at the date of grant) recognising the forfeiture of deferred awards from his previous employer. The quantum and timing of vesting has been designed to match the awards that were forfeited and, as such, the awards will vest on a phased basis up to April 2022.

Martin Schnaier joined the Board on 23 January as CEO Designate and details of his salary and the rest of his package are summarised later in this report. He received no special payments in connection with his promotion to the Board.

Directors' interests in shares

	Legally owned (as at 31 December 2018)	Legally owned (as at 31 December 2017)	Subject to Extended Restriction Period	Unvested PSP/ other awards	% of salary held under share ownership policy [1]
Executive Directors					
Dean Godwin	1,064,383	1,064,383	1,064,383	101,621	3,197%
James Ireland	-	-	-	52,078	0%
Martin Schnaier[2]	246,829	493,659	246,829	87,962	n/a
Non-executive Directors					
Rupert Robson	14,582	14,582	n/a	n/a	n/a
Andy Pomfret	53,333	54,483	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	-	-	n/a	n/a	n/a
Yves Stein	-	-	n/a	n/a	n/a

1. Calculated as legally owned shares held on 31 December 2018 multiplied by the share price on that date divided by 2018 base salary. The share ownership guideline is set out in the Remuneration Policy on page 86.

2. Martin Schnaier's legally owned shares are only subject to the Extended Restriction Period put in place at IPO.

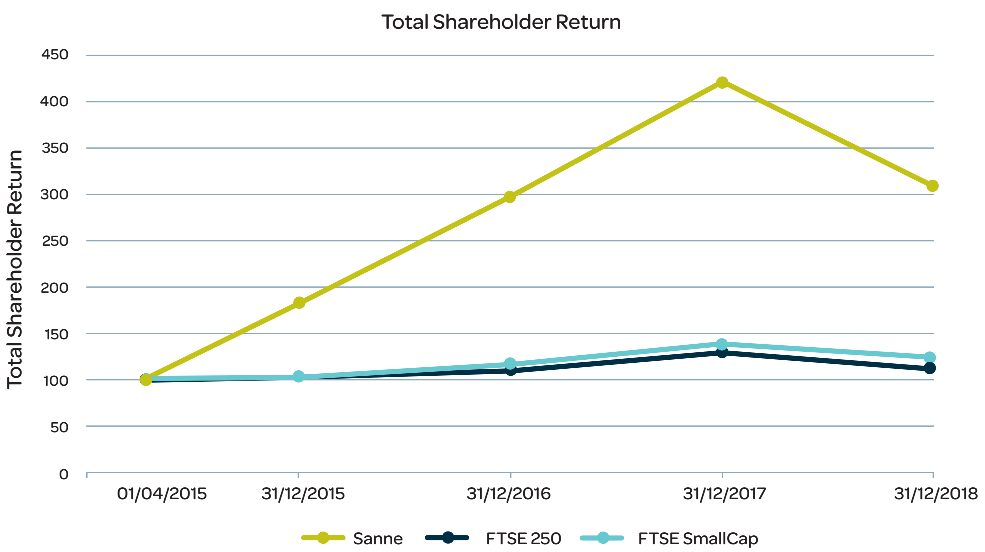
As part of the terms of the IPO, the Executive Directors agreed to a restricted sale agreement which permitted a maximum sale of 30% of the shareholding, with an extended restricted sale period that only allows 25% of the remaining shareholding to be sold on each anniversary of the listing over four years (ending 2019). In addition, there is further provision whereby should the Executive Director cease employment during this period all unreleased remaining shares, at the time of exit, will be restricted from sale until 72 months have elapsed from the listing date. Unreleased shares can be recovered in part or in full in the event of the Executive Director failing the 'capability' process or if he commits an act of gross misconduct.

During the period 31 December 2018 to 28 February 2019, 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 2018. 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. Both indices are shown as the Company moved from the FTSE Small Cap into the FTSE 250 during 2018.



Annual Report on Remuneration

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[1]**
Total remuneration	£227,162	£239,453	£366,002	**£841,506**
Annual bonus outcome (% of max)	n/a	0%	38%	**46%[2]**
PSP vesting (% of max)	n/a	n/a	n/a	**100%**

1. 2018 was the first year in which a PSP award was payable, which accounts for most of the increase to remuneration over 2017

2. The annual bonus paid was 50% on deferred shares, which will lapse on Dean Godwin's cessation of employment

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 2017 and 2018 have been excluded to ensure a better like for like comparison.

	Base salary % Change	Benefits % Change	Annual bonus % Change
CEO	+13.4%	+1.0%	+21.1%
Employees	+3.7%	+3.4%	-1.5%

CEO pay ratios compared to the workforce (unaudited)

The Committee has determined that there should be disclosure of the ratio of CEO pay compared to the pay of our UK employees, calculated in accordance with the new regulations. This disclosure is being made a year earlier than is required as a matter of good practice and transparency. The calculation 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.

	Employee pay	Ratio of CEO pay to employee pay
CEO pay to the 25th percentile employee pay	£29,978	28.1:1
CEO pay to the 50th percentile employee pay	£53,688	15.7:1
CEO pay to the 75th percentile employee pay	£98,612	8.5:1

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 2018 compared to 2017:

	2018	2017	% Change
Staff costs	**£67.3m**	£51.8m	30%
Distributions to shareholders	**£18.4m**	£14.7m	25%
Underlying profit before tax	**£42.6m**	£38.1m	11.8%

During the year the increase in staff costs reflects the increased headcount due to the organic growth and acquisitions made by the Group.

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)	5	5
Julia Chapman[1]	1	1
Rupert Robson[2]	1	1

Past Committee members	Eligible to attend	Attended
Mel Carvill[3]	4	4
Andy Pomfret[4]	4	4

1. Julia Chapman was appointed a member of the Committee on 31 October 2018
2. Rupert Robson was appointed a member of the Committee on 31 October 2018
3. Mel Carvill stepped down from the Committee on 31 October 2018
4. Andy Pomfret stepped down from the Committee on 31 October 2018

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 2018 (unaudited)

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

Strategy and Policy

- Approval of a new Directors' Remuneration Policy
- Setting remuneration levels for the new CFO
- Considering appropriate end of service arrangements for the former CFO
- Review and update the DRR, to be submitted for approval at the AGM, including compliance with new disclosure regulations
- Consult with key shareholders and proxy agencies in relation to new DRR
- Review gender pay and talent pipeline

Annual Report on Remuneration

Annual Salary
- Review of salaries for Executive Directors including salary progression for existing CEO and CEO Designate
- Approval of the Chairman's fees

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

PSP
- Determine vesting levels
- Share ownership/retention guidelines
- Setting measures and targets for FY18 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)

During 2018 the Committee reviewed its advisers and, following a competitive tender process, appointed Korn Ferry as advisor to the Committee from 2 August 2018. Korn Ferry did not provide any further services to the Group in the year under review.

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 2018 from appointment, the fees paid to Korn Ferry amounted to £40,184. Charges were based upon time spent on the services and the seniority of staff performing the work.

New Bridge Street (a trading name of Aon), the previous advisor, was paid fees of £17,198 during the year.

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 2018 AGM, the Directors' Annual Report on Remuneration received the following votes from shareholders:

Annual Report on Remuneration	Total number of votes	% of votes cast
For	115,385,460	98.78%
Against	1,341,159	1.15%
Abstentions	84,695	0.07%
Total	116,811,314	100%

At the 2016 AGM, the Directors' Remuneration Policy received the following votes from shareholders:

Directors' Remuneration Policy	Total number of votes	% of votes cast
For	89,438,678	99.66%
Against	305,104	0.34%
Abstentions	0	0.00%
Total	89,743,782	100%

Votes for include those registered as "Discretion".
For and on behalf of the Board.

Nicola Palios

Chair of the Remuneration Committee

21 March 2019

Directors' Responsibility Statement

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 performance, strategy and business model of the Company.

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

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 21 March 2019 and is signed on its behalf by:

Dean Godwin	James Ireland
Chief Executive Officer	Chief Financial Officer
21 March 2019	21 March 2019

Independent Auditor's Report

to the members of Sanne Group plc

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Sanne Group plc (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as issued by the International Accounting Standards Board (IASB);
- have been properly prepared in accordance with Companies (Jersey) Law, 1991.

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Balance Sheet;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- the related notes 1 to 37.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – revenue recognition – valuation of accrued income in Mauritius; – impairment of intangible assets, specifically goodwill; – accounting for acquisitions; and – valuation of trade receivables. Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year are identified with .
Materiality	The materiality that we used for the group financial statements was £1.1m which was determined on the basis of pre-tax profit.
Scoping	Included within our scope for the audit of the group financial statements were five financially significant components across four jurisdictions – Jersey, Luxembourg, the United States and Mauritius. Also included within our scope were 22 non-financially significant components.
Significant changes in our approach	Since the acquisition of the businesses in Luxembourg (LIS and CP) and Spain during 2018, the scope of our audit changed to also include these reporting components as significant components of the group. We also identified the valuation of trade receivables as a key audit matter in the current year. Other than these two matters, there were no other significant changes in our audit approach.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 3 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

We considered as part of our risk assessment the nature of the company, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

- the disclosures on pages 35 - 39 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 35 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; or
- the directors' explanation on page 74 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 are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified. These matters included 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 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.

In the current year we have referred to a new key audit matter in respect of trade receivables because in the overall context of the audit of the group as a whole, this area, together with the other areas reported, took up the most significant efforts or resources of the engagement team.

Independent Auditor's Report

to the members of Sanne Group plc

Revenue recognition – valuation of accrued income in Mauritius

Key audit matter description	At the year-end there is £6.6m (2017: £3.1m) of accrued income on the balance sheet. This comprises a combination of time which has been spent working on client matters which has not been billed as at the year-end date and amounts relating to fixed fees which are billed in arrears which have also not been billed at the year-end but which have been accrued. In our view the highest level of risk relates to those time based elements which have not yet been billed due to the level of judgement involved in determining the value of time which is recoverable. Out of the £6.6m, £3.2m relates to time based amounts and of this, £2.3m pertains to Sanne Mauritius Limited ("SML") which is where we have pinpointed our key audit matter. The accrued income is required to be stated at the amount which is recoverable and because SML is on a different billing cycle to the rest of the group and the accrued income is aged, there is a risk of material misstatement that accrued income is not recoverable. There is a high level of judgement applied by management in assessing and determining the value of the time based accrued income. The accounting policy is detailed in note 4 to the consolidated financial statements. The judgements are set out in the Audit Committee Report on page 69.
How the scope of our audit responded to the key audit matter	We have evaluated the design and implementation of controls around the quarterly billing and accrued income evaluation process specific to the valuation of accrued income in SML. For a sample of clients for which accrued income has been recognised, we have reviewed the level of bills raised and recovered post year end. For those amounts not billed or recovered post year end, we have challenged management's judgement and rationale around the recoverability of the amounts through reviewing fee agreements and communications with clients to verify the amounts which are able to be charged. We also reviewed historical billing and payment patterns in respect of those clients to support judgments to the extent required.
Key observations	We consider management's judgements around the valuation of the accrued income amounts in SML to be reasonable.

Impairment of intangible assets, specifically goodwill

Key audit matter description	In previous years and during the current year there have been a number of acquisitions by the group resulting in a goodwill balance of £188.8m (2017: £107.3m) as at the year-end. An acquisition was made in Mauritius in the prior year and further acquisitions were made in Luxembourg and Spain in the current year. The initial valuation of the intangible assets, including the allocation of goodwill, is determined in the year of acquisition, however continual judgement is applied by management in performing impairment reviews in respect of the carrying value of goodwill. The accounting policy is detailed in note 3 to the consolidated financial statements. The assumptions and judgements which are made in respect of these areas are set out in the Audit Committee Report on page 69 and in note 16.
How the scope of our audit responded to the key audit matter	We have evaluated the design and implementation of controls around the preparation and review of impairment models. We evaluated and challenged management's future cash flow forecasts and the process by which they were drawn up through assessing the reasonableness of the underlying assumptions applied based our understanding of the business. We compared management's forecast with the latest approved budgets for consistency and we tested the underlying value in use calculations. We performed sensitivity analysis and identified that the valuation was most sensitive to the key assumptions around growth rates, cost margins and discount rates. We challenged the key assumptions for short and long-term growth rates and the cost margins in the forecasts by comparing them with historical results. We also challenged the discount rate used in the calculations by assessing the cost of capital for the group and comparable organisations and assessing the specific risk premium applied to each cash generating unit ("CGU") in question. We ascertained the extent to which a reduction in these assumptions, both individually or in aggregate, would result in goodwill impairment, and considered the likelihood of such events occurring.
Key observations	As a result of the above procedures we considered the carrying value of goodwill to be materially reasonable.

Accounting for acquisitions

Key audit matter description	The accounting for business combinations is complex. There have been two acquisitions during the year of the Luxembourg and Spanish businesses which have been subject to this accounting as set out in note 31. Furthermore there is a significant amount of judgement involved in the determination of the fair value of the acquired assets and the allocation of the purchase price, resulting in a risk that the associated valuations may not be accurate. The judgement arises from the fact that there are a number of assumptions which are included in the model used to determine the fair value and allocation of the value between goodwill and intangible assets such as estimation of useful economic lives of the assets, growth rates, attrition rates and the discount rate. The accounting policy is detailed in note 3 to the consolidated financial statements. The initial recognition of intangible assets related to this acquisition is disclosed as a critical judgement in note 4 of the annual report. The judgements are also set out in the Audit Committee report on page 69.
How the scope of our audit responded to the key audit matter	We have evaluated the design and implementation of controls around the accounting for acquisitions. We have challenged the judgements applied in the valuation models and purchase price allocation through reviewing comparable data and the most significant challenges were around attrition rates, overhead and direct cost allocations and contributory asset charges included within the model. In addition we challenged management around certain methodology matters relating to the models including the exclusion of brand value. Our challenges were made with reference to cumulatively acquired knowledge of the group, the acquired entity and other market and industry factors.
Key observations	We considered management's overall estimate in respect of the purchase price allocation to be reasonable.

Independent Auditor's Report

to the members of Sanne Group plc

Valuation of trade receivables

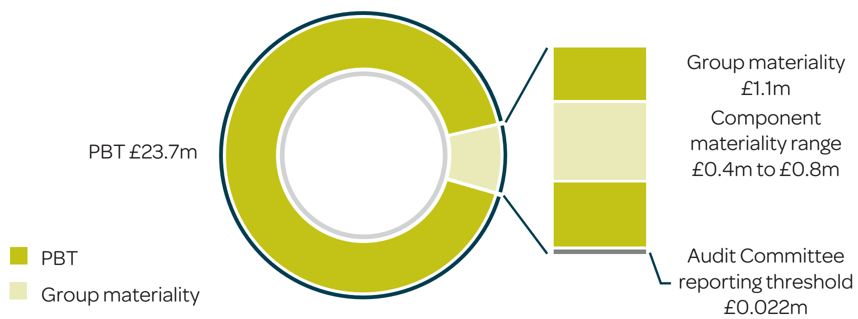
Key audit matter description	The value of trade receivables at the year-end, net of the allowance for doubtful receivables, is £42.7m (2017: £26.0m). There is a significant level of judgement involved in determining the valuation of trade receivables, specifically those outside their standard payment period, based on management's expectation of recoverability which takes into consideration a range of factors. The value of the trade receivables considered to be outside their standard payment period was £10.7m (2017: £4.4m). Given the increase in the value of the trade receivables since the prior period and the change in the ageing profile, this was considered to be a new key audit matter in the current year.
How the scope of our audit responded to the key audit matter	We have evaluated the design and implementation of controls around the quarterly billing process specific to the valuation of trade receivables. For a sample of trade receivables, we have reviewed the post year-end bank statements to test the recoverability of the amounts stated at the year-end. From that sample, for the amounts not recovered post-year end, we have challenged management's judgement and rationale around the recoverability of the amounts and obtained evidence to support the judgement to the extent required, including an assessment of specific client circumstances. We have also reviewed the level of credit notes raised post year-end.
Key observations	We considered the judgements made by management in respect of the valuation of trade receivables to be reasonable.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£1.1m (2017: £1.1m)
Basis for determining materiality	5% of pre-tax profit (2017: 5% of pre-tax profit)
Rationale for the benchmark applied	Based on our professional judgement, we determined materiality by applying a benchmark of 5% of group profit before tax. We believe that underlying profit before tax is the most appropriate measure as it eliminates any disproportionate effect of adjustments for non-underlying items and provides a consistent year-on year basis for our work.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £22,000 (2017: £22,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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 geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.

The group's accounting process is structured around a local finance function in each of the territories in which the group operates which maintain their own accounting records and controls and report to a Head Office finance team in Jersey, supported by South Africa, through submission of management reporting packs.

At a group level, the head office finance team consolidates the reporting packs of all reporting components. In our view, due to their financial significance and/or risk characteristics, those businesses in Mauritius, the United States and certain entities in Jersey and Luxembourg, required an audit of their complete financial information. We used component auditors from Deloitte network firms and one firm outside the Deloitte network, all of whom are familiar with the local laws and regulations in each of the identified territories outside the UK to perform this audit work. The component materialities used were between 40% and 80% of group materiality based on the percentage of the group benchmark represented by each component. Specific risk-based audit procedures were performed by local teams in Luxembourg, South Africa and Mauritius.

The work on the valuation of accrued income was performed by Deloitte Mauritius as the component auditor and senior members of the group engagement team performed a detailed review of the component's working papers as well as having detailed discussions with local client management and staff to obtain a thorough understanding of the accounting treatment applied.

Based upon group materiality, we did not carry out detailed audit procedures on all components within the group. Local audit teams perform statutory audits of subsidiary companies where required by local legislation. In order to direct and supervise the group audit, the group engagement team sent detailed instructions to significant component audit teams. This included communication of the areas of focus above and other required communications. The group engagement team held regular meetings with component auditors throughout the year and visited the audit teams located in South Africa, Mauritius and Luxembourg at various stages of the audit. This ensured that we had a comprehensive understanding of the results of their work, particularly insofar as it related to the identified areas of focus. The group consolidation, financial statement disclosures and certain other items were audited by the group engagement team in Jersey. This included share based payments which is not covered by the work performed by component auditors.

Taken together, these procedures gave us the evidence we needed for our opinion on the financial statements as a whole.

Independent Auditor's Report

to the members of Sanne Group plc

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

– *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
– *Audit Committee reporting* – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
– *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 auditor's report.

Report on other legal and regulatory requirements

Opinion on other matter prescribed by our engagement letter

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the UK Companies Act 2006 as if that Act had applied to the company.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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 parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or

– the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and those matters we have expressly agreed to report to them on in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Gale
for and on behalf of Deloitte LLP
Recognized Auditor
St Helier, Jersey
21 March 2019

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 the people they have."

Taken from our Client Survey 2018

Consolidated Income Statement

For the year ended 31 December 2018

	Notes	2018 £'000	2017[1] Restated £'000
Revenue	6	143,003	113,168
Direct costs		(54,655)	(40,711)
Gross profit	5	88,348	72,457
Other operating income		158	179
Operating expenses		(62,941)	(49,494)
Operating profit		25,565	23,142
Comprising:			
Underlying operating profit		44,447	38,812
Non-underlying items within operating expenses	9	(18,882)	(15,670)
		25,565	23,142
Other gains and losses		(132)	348
Finance costs	7	(1,909)	(1,194)
Finance income	8	156	111
Profit before tax		23,680	22,407
Comprising:			
Underlying profit before tax		42,562	38,077
Non-underlying items	9	(18,882)	(15,670)
		23,680	22,407
Tax	10	(5,506)	(4,274)
Profit for the year		18,174	18,133
Earnings per ordinary share ("EPS") (expressed in pence per ordinary share)			
Basic	11	12.9	13.1
Diluted	11	12.6	12.7
Underlying basic	11	24.7	22.8
Underlying diluted	11	24.1	22.2

All profits in the current and preceding year are derived from continuing operations.

The notes on pages 107 to 144 are an integral part of these Consolidated Financial Statements.

[1] Refer to note 15 for details of the prior year restatement.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 £'000	2017[1] Restated £'000
Profit for the year		18,174	18,133
Other comprehensive income:			
Items that will not be reclassified subsequently to profit and loss:			
Actuarial loss on pension scheme	33	70	(83)
Income tax relating to items not reclassified		(11)	12
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		8,756	(14,324)
Total comprehensive income for the year		26,989	3,738

The notes on pages 107 to 144 are an integral part of these Consolidated Financial Statements.

[1] Refer to note 15 for details of the prior year restatement.

Consolidated Balance Sheet

As at 31 December 2018

	Notes	2018 £'000	2017[1] Restated £'000
Assets			
Non-current assets			
Goodwill	16	188,928	107,271
Other intangible assets	17	66,122	59,998
Equipment	18	9,973	3,813
Deferred tax asset	27	2,082	1,042
Total non-current assets		267,105	172,124
Current assets			
Trade and other receivables	20	47,251	28,874
Cash and bank balances		32,411	50,803
Accrued income	21	6,637	3,096
Total current assets		86,299	82,773
Total assets		353,404	254,897
Equity			
Share capital	24	1,460	1,416
Share premium		200,270	171,850
Own shares	25	(1,470)	(1,141)
Shares to be issued	32	12,278	13,373
Retranslation reserve		(2,471)	(11,227)
Retained losses		(17,399)	(17,583)
Total equity		192,668	156,688
Non-current liabilities			
Borrowings	26	85,364	64,335
Deferred tax liabilities	27	13,395	8,972
Retirement gratuity liability	33	701	718
Other liabilities	28	4,914	–
Total non-current liabilities		104,374	74,025
Current liabilities			
Trade and other payables	28	34,467	8,522
Current tax liabilities		3,910	2,306
Provisions	29	1,650	506
Deferred revenue	30	16,335	12,850
Total current liabilities		56,362	24,184
Total equity and liabilities		353,404	254,897

[1] Refer to note 15 for details of the prior year restatement.

The financial statements were approved by the board of directors and authorised for issue on 21 March 2019.
They were signed on its behalf by:

Dean Godwin

Chief Executive Officer

21 March 2019

James Ireland

Chief Financial Officer

Consolidated Statement of Changes in Equity

As at 31 December 2018

	Notes	Share capital £'000	Share premium £'000	Own shares £'000	Shares to be issued £'000	Retranslation reserve £'000	Retained losses[1] £'000	Total equity £'000
Balance at 1 January 2017		**1,353**	**135,354**	**(562)**	**13,867**	**3,097**	**(21,745)**	**131,364**
Profit for the year as previously presented		–	–	–	–	–	18,130	18,130
Correction of prior period error[1]		–	–	–	–	53	3	56
Other comprehensive income for the year		–	–	–	–	–	–	–
Actuarial loss on pension scheme		–	–	–	–	–	(83)	(83)
Income tax relating to items not reclassified		–	–	–	–	–	12	12
Exchange differences on translation of foreign operations		–	–	–	–	(14,377)	–	(14,377)
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(14,324)**	**18,062**	**3,738**
Issue of share capital - acquisitions	24	63	36,590	–	(2,463)	–	–	34,190
Cost of share issuance	24	–	(94)	–	–	–	–	(94)
Dividend payments	14	–	–	–	–	–	(14,669)	(14,669)
Share-based payment	32	–	–	–	1,969	–	769	2,738
Net buyback of own shares	25	–	–	(579)	–	–	–	(579)
Balance at 31 December 2017		**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 pension scheme		–	–	–	–	–	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	24	44	28,420	–	(4,043)	–	–	24,421
Dividend payments	14	–	–	–	–	–	(18,376)	(18,376)
Share-based payment	32	–	–	–	2,948	–	327	3,275
Net buyback of own shares	25	–	–	(329)	–	–	–	(329)
Balance at 31 December 2018		**1,460**	**200,270**	**(1,470)**	**12,278**	**(2,471)**	**(17,399)**	**192,668**

The notes on pages 107 to 144 are an integral part of these Consolidated Financial Statements.

[1] Refer to note 15 for details of the prior year restatement.

Consolidated Cash Flow Statement

For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Operating profit		25,565	23,142
Adjustments for:			
Depreciation of equipment	18	1,915	1,742
Amortisation of intangible assets	17	15,730	12,972
Impairment of intangible assets	17	55	20
Share-based payment expense	32	3,376	2,927
Disposal of equipment	18	257	15
Increase in provisions	29	1,144	153
Retirement gratuity reserve movement	33	11	99
Lease incentives received		1,267	–
Operating cash flows before movements in working capital		49,320	41,070
Increase in receivables		(16,241)	(4,262)
Decrease in deferred revenue		2,552	1,441
Decrease in payables		(701)	(698)
Cash generated by operations		34,930	37,551
Income taxes paid		(7,312)	(6,301)
Net cash from operating activities		27,618	31,250
Investing activities			
Interest received		156	111
Purchases of equipment	18	(4,221)	(2,454)
Decrease in deferred consideration		(14,407)	(5,757)
Acquisition of subsidiaries	31	(29,279)	(68,543)
Net cash used in investing activities		(47,751)	(76,643)
Financing activities			
Dividends paid	14	(18,376)	(14,669)
Interest on bank loan		(1,732)	(1,069)
Costs of share issuance		–	(94)
Buyback of own shares		(329)	(579)
Capitalised loan costs	26	–	(308)
Redemption of bank loans	26	(4,000)	(19,000)
New bank loans raised	26	24,850	24,000
Net cash from/(used in) financing activities		413	(11,719)
Net decrease in cash and cash equivalents		(19,720)	(57,112)
Cash and cash equivalents at beginning of year		50,803	108,673
Effect of foreign exchange rate changes		1,328	(758)
Cash and cash equivalents at end of year		32,411	50,803

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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 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

The following standard, amendment and interpretation is relevant to the Group, but was not yet effective. This standard has not been early adopted by the Group.

IFRS 16 'Leases' (effective for periods beginning on or after 1 January 2019). This is a new standard which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard eliminates the classification of leases as either operating or finance leases as required by IAS 17 and instead introduces a single lessee accounting model. A lessee will be required to recognise a right-of-use asset and a lease liability for all leases with a term of more than 12 months. The depreciation on the right of use asset will be accounted for separately from the interest expense incurred on the lease liability in the income statement. The standard replaces IAS 17 'Leases'. The Group currently recognises operating lease payments as an expense on the straight line basis with a corresponding asset or liability in the Consolidated Balance Sheet for the straight line effect, this asset or liability is released over the lifetime of the lease. This will change with the new standard and the group has performed an assessment of the impact. It will apply the modified retrospective approach for transition and will not restate comparative amounts. The right of use assets will be measured as if the standard has always been applied. On the transition date, the lease liability is £44.9 million. This is equal to the remaining discounted lease commitments. Under IFRS 16 the full rental expense which was included as operating expense under IAS 17 will be split between depreciation and interest expense, there is no significant impact on the net profit due to the new standard.

New and revised standards effective for the year

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 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. The most significant of these standards are set out below.

IFRS 9 makes changes to accounting for financial instruments in the areas of classification and measurement, impairment and hedge accounting. There is no significant impact on the classification for the Group as a result of IFRS 9. IFRS 9 replaces the incurred credit loss impairment model for financial assets in IAS 39 with an expected credit loss model (ECL). Other than disclosure changes this has no significant impact on the Group financial statements due to the short term nature of the receivables on the Group's balance sheet. Refer to the financial instruments accounting policy for the new IFRS 9 policy (note 3).

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Group assessed the different revenue streams and grouped their recognition as either based on assets under management or service based fees, the timing of the revenue recognition was also assessed as point of time or over time and based on the delivering of service obligations, this resulted in no significant difference from how the Group recognised revenue under IAS 18 but additional disclosures were added. Refer to the revenue accounting policy for the new IFRS 15 policy (note 3).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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 financial statements have also been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on the historical cost basis. 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 do 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 at least for the next 12 months from the date of approval of these 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 flow 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 page 71.

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.

3. Significant accounting policies (continued)

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) about facts and circumstances that existed at the acquisition date.

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.

Intangible assets

Intangible assets acquired in a business combination are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, separately 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. 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' and further identified as non-underlying.

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' and further identified as non-underlying.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies (continued)

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 became 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.

Revenue recognition

The 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 through three different categories, 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.

Accrued income

Accrued income represents the billable provision of services which are rendered and where performance obligations have been met but clients have not been invoiced at the reporting date. Accrued income is recorded based on agreed fees billed in arrears and time-based charge-out rates in force at the work date, less any specific provisions against the value of accrued income where recovery will not be made in full.

Deferred revenue

Deferred revenue represents fees in advance and upfront fees in respect of services due under contract and are time apportioned to the respective accounting periods, and those fees billed but not yet earned. These are included in deferred revenue in the Consolidated Balance Sheet.

The new standard, IFRS 15 came into effect on 1 January 2018. For the transition process, the Group elected to apply the practical expedient consistently to all contracts. The Group found that during the transition phase, there was little to no difference in the revenue recognition from the previous standard. The most significant effect is the disclosure format of the prior period figures. There was no change in the amounts for each financial line item.

Leases

All leases are classified as operating leases.

Rentals payable under operating leases are charged to expenses on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

In the event that lease incentives are received on entering into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of the rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contractual rental increases are straight-lined over the lease term.

Foreign currencies

The individual 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 financial statements of the individual 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.

3. Significant accounting policies (continued)

Exchange differences are recognised in profit or loss 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.

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 schemes

The Group has a defined benefit retirement obligation in Mauritius due to a regulatory requirement. The defined benefit obligation is recognised in line with IAS 19.

The liability recognised in the statement of financial position in respect of the defined benefit retirement obligation is the present value of the defined benefit 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 obligation is calculated at half year and year end by qualified actuaries using the projected unit credit method.

The present value of the defined 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 pension 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.

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 better understanding of the financial performance of the Group (note 11).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies (continued)

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 income statement 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 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 deferred tax assets 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 profit or loss, 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.

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
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.

3. Significant accounting policies (continued)

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.

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 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 in hand and deposits held at call with banks.

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.

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 life time 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 debtors.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies (continued)

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.

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 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 and others providing similar services 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.

3. Significant accounting policies (continued)

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 costs. 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 it is necessary to do so to provide a better understanding 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 forms part of the non-underlying items as it is used as a tool to retain key personnel relating to the acquisitions and recruit senior management to support the acquisitions. Amortisation of 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. 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.

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 financial statements.

Initial recognition of intangible assets

On 6 February 2018, the Group acquired the LIS and CP. The business combination gave rise to the recognition of customer and contract intangibles. The valuation of these intangible assets requires various judgements of which the most significant is the number of years the customer base acquired would generate revenue for the Group. The valuation was performed using five years which is based on management's best judgement and historical evidence. The intangible assets recognised through the business acquisition amount to £16.5 million.

On 3 September 2018 the Group acquired AgenSynd S.L. The business combination gave rise to the recognition of customer and contract intangibles. The valuation of these intangible assets requires various judgements of which the most significant is the number of years the customer base acquired would generate revenue for the Group. The valuation was performed using seven years which is based on management's best judgement and historical evidence. The intangible assets recognised through the business acquisition amount to £3.3 million.

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4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Brexit

The Group continues to appraise the potential of the United Kingdom's referendum on EU membership ("Brexit"). Based on management's judgement the impact of Brexit itself in the global alternatives market is unlikely to damage the overall demand for services. The Group's presence in the EU have benefited from an increase in demand, the Group therefore believe that we are well protected against any uncertainty with regards to Brexit.

Key sources of estimation uncertainty

Impairment testing

Following the assessment of the recoverable amount of goodwill allocated to Sanne Netherlands, to which goodwill of £1.6 million is allocated, the directors consider the recoverable amount of goodwill allocated to Sanne Netherlands to be most sensitive to the achievement of the 2019 budget. Budgets comprise of forecasts of revenue, staff cost and overheads based on current and anticipated market conditions that have been considered and approved by the Board. Whilst the Group is able to manage most of Sanne Netherlands costs, the model is most sensitive to cost increase where an 8% increase in cost base will result in nil headroom.

Accrued income

The Group recognises accrued income within revenue and as a receivable for amounts that remain unbilled at the year end, recorded at the recoverable amount. The recoverable amount of accrued income 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 accrued income and an assessment of historical recovery rates. The balance at year end is £6.6 million, the irrecoverability of 15% of this balance will result in an impairment charge of £990k.

Other estimates

Probability of vesting of equity instruments granted in terms of share based 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. Based on current performance, management estimates the future performance of the Group will have an annual growth rate of 12%. The current year share based payment charge for the performance share plan is £1.2 million, should the performance of the Group exceed the 12% growth assumption and have 20% growth, then the 2018 financial statements will have an additional charge of £185k in respect of share based payment catch-up with regards to 2018 and prior financial periods.

5. Segmental reporting

The reporting units 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 Board of Directors of Sanne Group plc. Each segment is defined as a set of business activities generating a revenue stream determined by divisional responsibility and the management information reviewed by the Board of Directors. The board evaluates 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.

For the year ended 31 December 2018	Revenue £'000	Direct costs £'000	Gross profit £'000
Segments			
EMEA Alternatives	71,821	(28,169)	43,652
Asia-Pacific & Mauritius Alternatives	30,430	(8,271)	22,159
North America Alternatives	21,584	(10,980)	10,604
Corporate & Private Client	19,168	(7,235)	11,933
Total	143,003	(54,655)	88,348
Other operating income			158
Operating expenses			(62,941)
Operating profit			25,565

For the year ended 31 December 2017	Revenue £'000	Direct costs £'000	Gross profit £'000
Segments			
EMEA Alternatives	46,822	(17,795)	29,027
Asia-Pacific & Mauritius Alternatives	27,857	(6,398)	21,459
North America Alternatives	19,112	(9,440)	9,672
Corporate & Private Client	19,377	(7,078)	12,299
Total	113,168	(40,711)	72,457
Other operating income			179
Operating expenses			(49,494)
Operating profit			23,142

Geographical information

The Group's revenue from external customers by geographical location of contracting Group entity is detailed below:

	2018 £'000	2017 £'000
Jersey	39,440	38,882
Rest of Europe	50,205	25,005
Mauritius	22,198	21,503
Americas	21,374	19,140
South Africa	5,461	6,110
Asia-Pacific	4,325	2,528
Total revenue	143,003	113,168

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.

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6. Revenue

Disaggregation of revenue from contracts with customers	2018 £'000	2017 £'000
Basis for fees charged		
EMEA Alternatives		
– Assets under management – open ended funds	6,880	7,312
– Assets under management – closed ended funds	13,484	–
– Service based fees	51,457	39,510
Asia - Pacific & Mauritius Alternatives		
– Service based fees	30,430	27,857
North America Alternatives		
– Service based fees	21,584	19,112
Corporate & Private Client		
– Service based fees	19,168	19,377
Total revenue	143,003	113,168

Timing of revenue recognition	2018 £'000	2017 £'000
Over time		
– EMEA Alternatives	71,821	46,822
– Asia - Pacific & Mauritius Alternatives	30,430	27,857
– North America Alternatives	21,584	19,112
– Corporate & Private Client	19,168	19,377
Total revenue over time	143,003	113,168
Total revenue	143,003	113,168

7. Finance costs

	2018 £'000	2017 £'000
HSBC interest	1,732	1,069
HSBC amortised loan fees	177	125
Total finance costs	1,909	1,194

Details regarding the borrowings can be found in note 26.

8. Finance income

	2018 £'000	2017 £'000
Interest income on bank deposits	156	111
Total finance income	156	111

9. Non-underlying items

	Notes	2018 £'000	2017 £'000
Operating profit		25,565	23,142
Non-underlying items within operating expenses:			
Share based payment	(i)	1,791	1,323
Acquisition and integration cost:			
Chartered Corporate Services ("CCS")	(ii)	86	430
IDS Fund Services ("IDS")	(ii)	–	16
FLSV Fund Administration Services ("FAS")	(ii)	18	131
Sorato Trust B.V ("Sorato")	(ii)	–	16
International Financial Services Limited ("IFS Group")	(ii)	1	152
Luxembourg Investment Solution S.A. & Compliance Partners ("LIS and CP")	(ii)	117	610
AgenSynd S.L ("AgenSynd")	(ii)	971	–
Amortisation of intangible assets	(iii)	15,730	12,972
Other items		168	20
Total non-underlying items included in operating profit		18,882	15,670
Underlying operating profit		44,447	38,812
Profit before tax		23,680	22,407
Non-underlying items within other costs:		18,882	15,670
Total non-underlying items		18,882	15,670
Underlying profit before tax		42,562	38,077

The above reflect expenses which are not representative of underlying performance.

The Group makes acquisitions from time to time in order to continue to build scale in its chosen markets. In common with many other businesses which make acquisitions, which primarily involve acquiring staff and the intangible assets of client contracts and goodwill, the costs directly related to such acquisitions are treated as non-underlying as they are not part of the normal, ongoing cost of doing business.

(i) Share based payments are detailed in note 32, all acquisition related share based payments ("RSA" plan) are shares issued in the course of acquisition consideration that have retained employment conditions and are therefore required to be expensed through the profit and loss, these are all related to acquisition rather than the normal, ongoing cost of doing business.

(ii) During the year ended 31 December 2018, the Group completed the acquisition of LIS, CP and AgenSynd. (refer to note 31), the Group also completed one acquisition during the year ending 31 December 2017. The Group expensed £1.4 million of acquisition and integration expenditure during the current year and £1.4 million in the prior year. With acquisition activities not being part of the normal, ongoing cost of doing business, 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 cost will be incurred in the first 2 years after acquisition, however this could be longer depending on the nature of the cost.

(iii) The amortisation charges relates to the amortisation of intangible assets acquired through acquisitions. The amortisation of intangibles are directly linked to the acquisitions and excluded from underlying cost because these charges are based on judgements about the value and economic life of the asset that, in the case of items such as customer relationships, would not be capitalised in normal operating practice.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

10. Tax

	2018 £'000	2017[1] Restated £'000
The tax charge comprises:		
Current period:		
Jersey income tax	1,165	1,912
Other foreign tax	6,233	3,681
	7,398	5,593
Deferred tax (note 27)	(2,045)	(1,134)
Total tax charge for the year	5,353	4,459
Adjustments in respect of prior periods:		
Jersey income tax	(29)	(442)
Other foreign tax	182	257
Tax on profit on ordinary activities	5,506	4,274

1. Refer to note 15 for details of the prior year restatement.

In addition to the amount charged to the Consolidated Income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	2018 £'000	2017 £'000
Deferred tax:	£'000	£'000
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain/(loss) on pension scheme	11	(12)
Total income tax recognised in other comprehensive income	11	(12)

The difference between the total current tax shown above and the amount calculated by applying the standard rate of Jersey income tax to the profit before tax is as follows:

	2018 £'000	2017[1] Restated £'000
Profit on ordinary activities before tax	23,680	22,407
Tax on profit on ordinary activities at standard Jersey income tax rate of 10% (2017: 10%)	2,368	2,241
Effects of:		
Expenses not deductible for tax purposes	266	51
Non-deductible amortisation	153	209
Depreciation in excess of capital allowances	143	130
Net foreign exchange income	14	18
Foreign taxes not at Jersey rate[2]	2,159	926
Deferred tax not recognised - taxable losses[3]	250	884
Prior year adjustments	153	(185)
Total tax	5,506	4,274

2. Refer to note 15 for details of the prior year restatement.

3. With the Jersey tax rate at 10% the impact of the 2017 and 2018 acquisitions is significant on the tax expense as all the acquired jurisdictions have higher tax rates than 10%.

4. 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 Jersey standard income tax rate is 10%, management reconcile to this rate as the Company is a Jersey registered entity.

	2018 £'000	2017[1] Restated £'000
Reconciliation of effective tax rates		
As per Consolidated income statement:		
Tax charge	5,506	4,274
Profit before tax	23,680	22,407
Effective tax rate	*23.3%*	*19.1%*
Tax charge	5,506	4,274
Adjusted for:		
Prior period adjustments	(153)	185
Tax effect of non-underlying items	3,328	3,133
Deferred tax on US Goodwill amortisation	(948)	(1,145)
Underlying tax charge	7,733	6,447
Profit before tax	23,680	22,407
Non-underlying items	18,882	15,670
Profit before tax and non-underlying items	42,562	38,077
Underlying effective tax rate	*18.2%*	*16.9%*

5. Refer to note 15 for details of the prior year restatement.

The effective tax rate of 23.3% (2017: 19.1%) has increased due to a larger percentage of taxable profits being earned in higher tax jurisdictions. The increase in the underlying effective tax rate of 18.2% (2017: 16.9%) 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.

11. Earnings per share

	2018 £'000	2017[1] Restated £'000
Profit for the year	18,174	18,133
Non-underlying items:		
Non-underlying operating expenses	18,882	15,670
Tax effect of non-underlying items and prior year adjustments	(2,227)	(2,173)
Underlying profit after tax	34,829	31,630

	Shares	Shares
Weighted average numbers of ordinary shares in issue	141,269,560	138,433,199
Effect of dilutive potential ordinary shares:		
Deferred consideration shares	1,273,308	2,387,219
Restricted stock awards	1,288,585	1,102,475
Performance share plan	619,862	484,130
Weighted average number of ordinary shares for the purposes of diluted EPS	144,451,315	142,407,023
Basic EPS (pence)	12.9	13.1
Diluted EPS (pence)	12.6	12.7
Underlying basic EPS (pence)	24.7	22.8
Underlying diluted EPS (pence)	24.1	22.2

1. Refer to note 15 for details of the prior year restatement.

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11. Earnings per share (continued)

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 2018.

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. In previous years profit for the year was adjusted for non-underlying items but the applicable tax charge was not. The Board have changed the presentation of this alternative profit measure in 2018 so that the applicable tax charge reflects the tax impact of non-underlying items. The tax impact of non-underlying items arises principally on the amortisation of acquired intangibles that are not deductible for tax purposes. The comparative numbers were also updated to reflect this approach. Further detail and a reconciliation of this change is provided in the Chief Financial Officers Review in the Annual Report and Accounts.

12. Profit for the year

	2018 £'000	2017 £'000
Profit for the year has been arrived at after charging/(crediting):		
Net foreign exchange losses/(gains)	132	(348)
Depreciation of equipment	1,915	1,742
Gain on disposal of equipment	–	(25)
Auditor's remuneration for audit services	587	493
Auditor's remuneration for other services:		
– FATCA	14	17
– ISAE 3402	–	30
– Software	167	195
– Other assurance services	–	64
Amortisation of intangible assets (see note 17)	15,730	12,972
Staff costs	67,337	51,842
Impairment loss recognised on trade receivables (see note 20)	575	453
Facilities expense	7,339	5,424

13. Staff costs

	2018 £'000	2017 £'000
The aggregate payroll costs were as follows		
Salaries and bonuses	60,753	46,952
Social security	3,815	2,539
Pension cost	547	452
Other benefits	2,222	1,899
	67,337	51,842

The average number of full time employees analysed by category and segment:	2018	2017
Client services		
– EMEA Alternatives	527	360
– Asia - Pacific & Mauritius Alternatives	266	226
– North America Alternatives	122	103
– Corporate & Private Client	115	108
Group services	254	206
	1,284	1,003

14. Dividends

Amounts recognised as distributions to equity holders in the year:

	2018 £'000	2017 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the prior year	11,816	8,858
Interim for the current year	6,560	5,811
Total dividends	18,376	14,669
Proposed final dividend	13,432	11,364

The proposed final dividend is subject to approval at the forthcoming AGM and has not been included as a liability in these financial statements.

	2018 Pence per share	2017 Pence per share
Dividend per share ("DPS"):		
Interim for the current year	4.6	4.2
Final proposed for the current year	9.2	8.4
Total dividend per share	13.8	12.6
Weighted average numbers of ordinary shares in issue	141,269,560	138,433,199

15. Correction of prior period error

On 1 January 2017 the Group acquired the IFS Group in Mauritius, and consolidated the business into the 2017 Group accounts. In consolidating IFS Group into the Group, an error was made in the interpretation and application of Mauritius tax legislation in respect of the deductibility of amortisation on intangible assets arising from a business combination. The impact of correcting this error is to recognise a deferred tax liability and a corresponding increase of goodwill on the balance sheet at the acquisition date. The deferred tax liability will release as a credit through the Group's reported tax charge as the acquired intangibles in IFS are amortised.

On 1 November 2016 the Group acquired FAS, in the US. Goodwill was recognised at acquisition and the business was consolidated into the 2016 Group accounts. Goodwill is amortised for tax purposes in the US and in line with IFRS the goodwill on the balance sheet is not amortised. This difference in tax and accounting treatment was incorrectly identified as a permanent difference and accordingly there was no deferred tax impact reflected in the periods following the acquisition. On subsequent review it was identified that under IAS 12 the difference must be classified as temporary and a deferred tax liability recognised over the 15 year period the Group benefits from the tax deductibility of the goodwill. The impact of correcting this error is to recognise a deferred tax liability, a corresponding increase of deferred tax charge through the Group's reported tax charge and exchange differences arising on translation of foreign operations.

The errors have been corrected by restating each of the affected financial statement line items for the prior period as follows:

Consolidated Income Statement (extract)	(Audited) 12 Months to 31 Dec 2017 £'000	Increase/ (Decrease) £'000	(Restated) 12 Months to 31 Dec 2017 £'000
Tax	4,277	(3)	4,274
Basic EPS (p)	13.1	-	13.1
Diluted EPS (p)	12.7	-	12.7
Underlying basic EPS[1] (p)	24.4	(1.6)	22.8
Underlying diluted basic EPS[1] (p)	23.7	(1.5)	22.2
Consolidated Balance Sheet (extract)			
Goodwill	100,387	6,884	107,271
Deferred tax liabilities	(2,144)	(6,828)	(8,972)
Consolidated Statement of Changes in Equity (extract)			
Retranslation reserve	(14,377)	53	(14,324)

1. As the reported tax impact of the prior period errors largely net off there is a nill effect on any EPS measures as a result of the prior period errors. As a result of the change of approach with regards to the tax impact of non-underlying items, as highlighted in Note 11, the underlying basic EPS and underlying diluted basic EPS have decreased by 1.6 pence and 1.5 pence respectively.

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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 2017	55,094
IFS Group acquisition	61,343
Exchange differences	(9,166)
At 31 December 2017[1]	107,271
LIS and CP acquisition[2]	67,572
AgenSynd acquisition[2]	8,404
Exchange differences	5,681
At 31 December 2018	**188,928**

1. Refer to note 15 for the prior year restatement.
2. Refer to note 31 for further detail.

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 revenue and costs.

The goodwill has been allocated to the CGUs as follows:

Goodwill	Carrying value £'000
Sanne South Africa	8,272
Sanne Netherlands	1,649
Sanne North Americas	43,079
Sanne Mauritius	59,391
Sanne Luxembourg	68,165
Sanne Spain	8,372
	188,928

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.

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

Using the above assumptions have resulted in weighted average cost of capital of 21% for Sanne South Africa, 8.6% for Sanne Netherlands, 11.7% for Sanne North America and 12.6% for Sanne Mauritius, 7.9% for Sanne Luxembourg and 10.3% for Sanne Spain.

16. Goodwill (continued)

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 prepare 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 their knowledge of wider industry trends and the economic environment.

Projected revenue and costs are calculated using the prior period actual result and compounding these results by the budgeted numbers. Growth rates used are specific to the cash generating units and varies between 3% to 36%. The terminal growth rate used is 2.1% and is applied after five years.

Based on the value in use calculations none of the CGUs show indicators of impairment.

Sensitivity to changes in assumptions

Management believes that any reasonably possible change in the key assumptions, on which recoverable amount per CGU is based, would not cause the aggregate carrying amount to materially exceed the recoverable amount on the CGUs.

17. Intangible assets

	Contract £'000	Customer £'000	Total £'000
Cost			
At 1 January 2017	28,765	5,632	34,397
Acquired during the year	42,275	8,031	50,306
Impairments	(20)	–	(20)
Exchange difference	(4,446)	(822)	(5,268)
At 31 December 2017	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**
Amortisation			
At 1 January 2017	6,109	701	6,810
Charge for the year	10,931	2,041	12,972
Exchange difference	(308)	(57)	(365)
At 31 December 2017	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**
Carrying amount			
At 31 December 2018	**54,921**	**11,201**	**66,122**
At 31 December 2017	49,842	10,156	59,998

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17. Intangible assets (continued)

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 value in use calculations were performed for the intangible assets relating to the Delorean, IDS Group and Sorato acquisitions. A £55k impairment was recognised in operating expenses, for the Sorato intangibles, stemming from the loss of a small number of existing contracts acquired in the Dutch acquisition. The Delorean and IDS Group intangibles had a value in use which is higher than the current carrying value. The value in use calculations were performed by using the weighted average cost of capital to discount the cash flows. The rates used were 6.7% (2017: 7.7%) for Sanne UK, 15.1% (2017: 14.28%) for Sanne South Africa, 6.9% (2017: 10.43%) for Sanne Netherlands, 7.7% (2017: 8%) for Sanne North America and 10.7% (2017: 13.3%) for Sanne Mauritius, 6.4% for Sanne Luxembourg and 8% for Sanne Spain.

Annual amortisation is recognised in operating expenses.

Analyses of the carrying amount of the intangible assets acquired can be found below:

Acquisition	Acquisition date	Amortisation period end	Carrying amount £'000
Contract Intangible			
Delorean	1 June 2013	31 May 2020	1,849
Ariel	1 May 2014	30 April 2021	526
CCS	1 March 2016	28 February 2023	543
IDS Group	1 June 2016	31 May 2024	4,071
FAS	1 November 2016	31 October 2022	6,494
Sorato	1 December 2016	30 November 2023	114
IFS Group	1 January 2017	31 December 2022	27,285
LIS and CP	6 February 2018	31 January 2025	11,692
AgenSynd	3 September 2018	31 August 2025	2,347
Total			**54,921**

Acquisition	Acquisition date	Amortisation period end	Carrying amount £'000
Customer Intangible			
Delorean	1 June 2013	31 May 2023	525
Ariel	1 May 2014	30 April 2024	44
CCS	1 March 2016	28 February 2023	443
IDS Group	1 June 2016	31 May 2024	1,004
FAS	1 November 2016	31 October 2022	1,236
Sorato	1 December 2016	30 November 2023	43
IFS Group	1 January 2017	31 December 2022	5,184
LIS and CP	6 February 2018	31 January 2023	1,968
AgenSynd	3 September 2018	31 August 2025	754
Total			**11,201**

18. Equipment

	Computer equipment £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 1 January 2017	4,705	3,061	7,766
Additions	1,397	1,057	2,454
Additions through acquisitions	858	1,232	2,090
Disposals	(100)	(489)	(589)
Exchange differences	(93)	(146)	(239)
At 31 December 2017	6,767	4,715	11,482
Additions	1,698	6,170	7,868
Additions through acquisitions	373	818	1,191
Disposals	(907)	(1,331)	(2,238)
Exchange differences	(19)	57	38
At 31 December 2018	**7,912**	**10,429**	**18,341**
Accumulated depreciation			
At 1 January 2017	3,400	1,534	4,934
Charge for the year	1,058	684	1,742
Additions through acquisitions	665	1,115	1,780
Disposals	(88)	(486)	(574)
Exchange differences	(87)	(126)	(213)
At 31 December 2017	4,948	2,721	7,669
Charge for the year	516	1,399	1,915
Additions through acquisitions	241	468	709
Disposals	(750)	(1,231)	(1,981)
Exchange differences	(2)	58	56
At 31 December 2018	**4,953**	**3,415**	**8,368**
Carrying amount:			
At 31 December 2018	**2,959**	**7,014**	**9,973**
At 31 December 2017	1,819	1,994	3,813

As at 31 December 2018 £5.5 million (2017: £4.1 million) of fixed assets is fully depreciated and still in use.

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19. Subsidiaries

Detailed below is a list of subsidiaries of the Company as at 31 December 2018 which, in the opinion of the Directors, principally affects the profit 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 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	Peoples 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[1]	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
Acquired or incorporated during the year	
Luxembourg Investment Solutions S.A	Luxembourg
Compliance Partners S.A.	Luxembourg
Sanne (Luxembourg) Holdings 2 Sarl	Luxembourg
AgenSynd S.L.	Spain
AgenSynd Limited	England and Wales
AgenSynd France SAS	France
Sanne Group Services (UK) Limited	England and Wales

1. Sanne Group U.S. LLC was formerly known as FLSV Fund Administration Services LLC.

20. Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	44,155	26,911
Allowance for doubtful receivables	(1,408)	(945)
	42,747	25,966
Other debtors and prepayments	4,504	2,908
Total trade and other receivables	47,251	28,874

Trade receivables

Trade receivables disclosed above are amounts due from services rendered in the ordinary course of business.
At initial measurement, they 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.

Receivables as disclosed above include amounts which are past due at the reporting date but against which the Group has not recognised an allowance for doubtful receivables because there are no significant indicators of their irrecoverability.

Two customers across multiple contracting entities represents more than five per cent of the total balance of trade receivables.

Institutional Clients	13.1%	(2017: 7.6%)

The Directors consider that the carrying value of trade and other receivables is approximately equal to their fair value.

Movement in the allowance for doubtful receivables:	2018 £'000	2017 £'000
Balance at the beginning of the year	945	522
Recognised through acquisitions	138	292
Impairment losses recognised	901	453
Amounts written off during the year as uncollectable	(261)	(193)
Amounts recovered during the year	(326)	(129)
FX losses	11	–
Total allowance for doubtful receivables	1,408	945

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. All impairment losses related to receivables arising from contracts with customers.

	Expected loss rate	2018 £'000
<31 days	0%	–
31-60 days	0%	–
61-90 days	0%	–
91-120 days	1%	57
121-180 days	0%	–
180+ days	40%	1,351
Estimated carrying amount at default		1,408

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20. Trade and other receivables (continued)

Ageing of past due but not impaired receivables:	2018 £'000	2017 £'000
61-90 days	2,478	1,325
91-120 days	5,717	2,529
121-180 days	483	387
180+ days	1,994	197
Total	10,672	4,438

Ageing of impaired receivables:	2018 £'000	2017 £'000
<31 days	–	4
31–60 days	–	3
61–90 days	–	–
91–120 days	57	6
121–180 days	–	–
180+ days	1,351	932
Total	1,408	945

21. Accrued income

	2018 £'000	2017 £'000
EMEA Alternatives	3,105	509
Asia - Pacific & Mauritius Alternatives	2,559	2,029
North America Alternatives	593	361
Corporate & Private Client	380	197
Balance at 31 December	6,637	3,096

22. Net (debt)/cash

		2018 £'000	2017 £'000
Bank loan (see note 26)		(85,364)	(64,335)
Trapped cash	(i)	(8,936)	(6,867)
Less: Cash and cash equivalents		32,411	50,803
Total net (debt)/cash		(61,889)	(20,399)

The Group had undrawn borrowings at 31 December 2018 of £14.2 million (2017: £35 million). See note 26.

(i) Trapped cash represents the minimum cash balance to be held to meet regulatory capital requirements.

23. Operating lease arrangements

	2018 £'000	2017 £'000
The Group as lessee:		
Total lease payments under operating leases recognised as an expense	5,528	4,056

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £'000	2017 £'000
Within one year	5,642	4,050
In the second to fifth years inclusive	18,504	13,556
After five years	36,119	34,896
	60,265	52,502

Operating lease payments represent rentals payable by the Group for office properties. 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. Any lease incentives are spread over the term of the lease. The break dates for the lease agreements vary.

24. Share capital

	2018 £'000	2017 £'000
Authorised		
500,000,000 ordinary shares of £0.01 each	5,000	5,000
Called up, issued and fully paid		
145,996,512 (2017: 141,608,934) ordinary shares of £0.01 each	1,460	1,416

2,622,846 Ordinary shares (2% of the issued share capital) are held by Sanne Group Employees' Share Trust ("EBT") (2017: 2,610,246) and have been treated as treasury shares in accordance with IAS 32 Financial Instruments.

At 31 December 2018 the Company held 98,533 (2017: 98,533) treasury shares.

Movements in share capital during the year ended 31 December 2018	£'000
Balance at 1 January 2018	1,416
Issue of shares:	
FAS deferred consideration	8
LIS acquisition	30
AgenSynd acquisition	6
Balance at 31 December 2018	**1,460**

(1) The Company issued 795,751 shares as part of the deferred consideration of the FAS acquisition. The Company issued 3,022,841 shares for the LIS and CP acquisition and 568,986 shares for the AgenSynd acquisition.

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For the year ended 31 December 2018

25. Own shares

	Shares		£'000	
	2018	2017	2018	2017
EBT	2,622,846	2,610,246	1,470	1,141
Treasury	98,533	98,533	–	–
Total	2,721,379	2,708,779	1,470	1,141

Sanne Group Employees' Share Trust ("EBT")

During the year, the EBT settled commitments under share based payments of 43,281 shares. The EBT also repurchased 55,881 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 (2017: 98,533) shares in treasury resulting from the repurchases under Restrictive sale Agreements at a total cost of £2.

26. Borrowings

At the year end the Group had a loan facility of £100m with HSBC Bank Plc with a final repayment date for any drawn balances of 30 September 2021. This was sub-divided into three sections, a long term loan, a revolving credit facility, that could be drawn down and repaid by the Group at any time, and an accordion facility which was not immediately available but which could be reclassified into the revolving credit facility with the agreement of HSBC.

Covenants, attached to the loan, related to interest cover and leverage. Undrawn funds in the revolving credit facility were charged at 40% of the interest margin whilst undrawn funds in the accordion facility attracted no interest.

Under the terms of the facility, HSBC held a charge against the shares of Sanne Fiduciary Services Limited, Sanne Group (Luxembourg) SA and Luxembourg Investment Solutions SA and in the event of default, could place charges against specific assets of other Group subsidiaries that are party to the facility by virtue of being deemed a Material Company.

The balances available and drawn at the year end were as follows:

	2018 £'000	2017 £'000
Available		
Term loan	46,000	46,000
Revolving credit facility	44,000	14,000
Accordion	10,000	40,000
	100,000	100,000
Drawn		
Term loan	46,000	46,000
Revolving credit facility	39,850	19,000
Accordion	–	–
	85,850	65,000
Capitalised loan fees	(486)	(665)
Total borrowings	85,364	64,335

26. Borrowings (continued)

	2018 £'000	2017 £'000
Balance at 1 January	64,335	59,518
Redemption of bank loans	(4,000)	(19,000)
New bank loans raised	24,850	24,000
Amortisation for the year	179	125
Capitalised loan fees	–	(308)
Balance at 31 December	85,364	64,335

During the year to 31 December 2018, the Group drew down from the revolving credit facility a total of £19.85m relating to acquisitions and £5.0m relating to operating cash flows and also made repayments totalling £4.0m.

£524k of capitalised loan costs were being amortised over the term from 1 November 2016 until the repayment date of 30 September 2021, whilst £283k of capitalised loan costs were being amortised from 28 September 2017 to the same repayment date. Subsequent to the year end the capitalised loan costs will be reassessed in accordance to IFRS 9, as the facility was settled in full as part of the refinancing disclosed in note 37, post balance sheet events.

27. Deferred taxation

The deferred taxation recognised in the financial statements is set out below:

	2018 £'000	2017[1] Restated £'000
Deferred tax asset	2,082	1,042
Deferred tax liability	(13,395)	(8,972)
	(11,313)	(7,930)

The deferred tax at year end is made up as follows:

	2018 £'000	2017[1] Restated £'000
Intangible assets	(10,692)	(2,642)
Other timing differences	(621)	(5,288)
	(11,313)	(7,930)

The movement in the year is analysed as follows:

	2018 £'000	2017[1] Restated £'000
Balance at 1 January	(7,930)	(2,288)
Recognised through acquisitions	(5,162)	(6,793)
Income statement	2,045	1,134
Other comprehensive income	(11)	12
Foreign exchange	(255)	5
Balance at 31 December	(11,313)	(7,930)

1. Refer to note 15 for details of the prior year restatement.

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

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28. Trade and other payables

		2018 £'000	2017 £'000
Trade creditors		287	555
Other payables		1,482	1,320
Other taxes and social security		2,834	1,610
Accruals		5,536	4,878
Deferred consideration	(i)	24,328	159
Total trade and other payables		34,467	8,522
Other liabilities	(ii)	4,914	–
Total other liabilities		4,914	–

Trade creditors, other payables and accruals principally comprise of amounts outstanding for trade purchases and ongoing costs. The Directors consider the carrying value of the trade and other payables to approximate to their fair value.

(i) Deferred consideration relates to the LIS acquisition.

(ii) Other liabilities relate to the non-current liability recognised for lease incentives received.

29. Provisions

		2018 £'000	2017 £'000
Balance at 1 January		506	353
Provisions utilised during the year		(60)	–
Recognised through acquisitions		180	–
Provisions grossed up	(i)	1,030	–
Movement through profit and loss		–	153
Foreign exchange (gain) / loss		(6)	–
Balance at 31 December		1,650	506

The provision carried relates to dilapidations for the 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 a rental agreement. The rental agreements span anywhere 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.

(i) The provision was previously raised over the life of the lease, this was changed in the current year to recognise the full provision at the start of the lease with a corresponding asset which is then released to the profit and loss during the life of the lease.

30. Deferred revenue

	2018 £'000	2017 £'000
EMEA Alternatives	9,935	6,903
Asia - Pacific & Mauritius Alternatives	4,469	4,009
North America Alternatives	42	10
Corporate & Private Client	1,889	1,928
Balance at 31 December	16,335	12,850

31. Business combinations

Luxembourg Investment 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.

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 is satisfied through a total payment of approximately £60.2 million (€67 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 (5,844,507 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**

Fair value of consideration

The shares were valued based on the closing share price the day before re-issuance with this amount appropriately allocated between share capital and share premium.

Included in the deferred consideration is contingent consideration of £24.3 million (€27 million). The contingent consideration is payable in 2019 and based on a multiple 2018 EBITDA for the acquired entities.

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31. Business combinations (continued)

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.

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.

Trade and other receivables

The fair value of the financial assets acquired includes trade and other receivables with a fair value of £1.88 million. The gross amount receivable is £1.6 million of which £0.02 million is expected to be uncollectible.

Effect on the results

Luxembourg Investment Solutions and Compliance Partners 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 (£0.4 million higher).

AgenSynd S.L

On 14 August 2018, the Group entered into a conditional agreement to acquire 100% of the issued share capital of AgenSynd S.L. AgenSynd has entities in Spain, the United Kingdom and France. The acquisition provides 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 (EUR 7.4 million) in cash, and the issuance of 568,986 consideration shares.

31. Business combinations (continued)

		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

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 financial period, these have been 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 is 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.

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31. Business combinations (continued)

Effect on the results

AgenSynd contributed £1.1 million of revenue and a profit for the year of £0.4 million, 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).

32. Share based payments

	2018 £'000	2017 £'000
Sanne Group plc		
Employee Share Gift award	-	-
Performance Share Plan	1,192	912
Restricted Stock Awards	2,184	2,015
Total share based payments	3,376	2,927
Employee Shares settled from Employee Benefit Trust	(23)	(35)
Net share based payments	3,353	2,892

Sanne Group plc

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.

Management estimate 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.

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.

The number and weighted average exercise prices of share based payment awards are as follows:

	Number of shares 2018	Number of shares 2017
Performance share plan		
Outstanding at 1 January	1,229,280	757,787
Granted during the year	326,289	535,413
Forfeited during the year	(142,539)	(63,920)
Outstanding at 31 December	1,413,030	1,229,280
Restricted Stock Awards		
Outstanding at 1 January	1,355,554	935,302
Granted during the year	386,138	544,210
Forfeited during the year	(151,413)	(32,862)
Vested during the year	(43,281)	(91,096)
Outstanding at 31 December	1,546,998	1,355,554

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.

32. Share based payments (continued)

Shares to be issued comprised of the following:

	2018 £'000	2017 £'000
Balance at 1 January	13,373	13,867
New share plans for employees	2,948	1,969
FAS acquisition – deferred consideration settled	(4,043)	(2,463)
Balance at 31 December	12,278	13,373

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 £451k (2017: £240k).

Defined benefit obligation

The Group has a defined benefit obligation in respect of the Mauritius Employment Rights Act 2008 ("the Act"). In terms of the act in Mauritius, 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 liability of £701k (2017: £718k) on the Balance sheet in respect of amounts that are expected to be paid out to employees under the Act.

The most recent actuarial valuation of the defined benefit liability was carried out at 31 December 2018 by the State Insurance Company of Mauritius.

	2018 £'000	2017 £'000
Present value of defined benefit at the beginning of the year	718	–
Liability at acquisition of IFS Group	–	560
Amounts recognised in Income Statement		
– Current service cost	48	66
– Net interest expense	48	33
Amounts recognised as Other Comprehensive Income		
– Actuarial (gain)/loss on defined benefit obligation	(70)	83
Direct benefits paid	(85)	–
FX gain	42	(24)
Present value of defined benefit obligation at 31 December	701	718

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:

	2018 £'000	2017 £'000
Discount rate[1]	6.6%	5.5%
Future salary increases	3%	3%
Future pension increases	3%	3%
Withdrawal rate	17%	15%
Retirement age	65 years	60 years

1. The discount rate is determined by reference to market yields on bonds.

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33. Long term employee benefits (continued)

Significant actuarial assumptions for determination of the defined benefit obligation are 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.

	2018 £'000	2017 £'000
Increase due to 1% decrease in discount rate	115	124
Decrease due to 1% increase in discount rate	89	99
Increase due to 1% increase in future salary increases	157	158
Decrease due to 1% decrease in future salary increases	123	127
Weighted average duration of the defined benefit obligation (years)	16.3 years	17.3 years

34. Financial instruments

The Group's financial instruments comprise of bank loans, cash and cash equivalents, trade payables, other payables, trade receivables and other receivables.

Categories of financial instruments		Level	2018 £'000	2017 £'000
Financial assets				
Financial assets recorded at amortised cost				
Cash and bank balances		1	32,411	50,803
Trade and other receivables	(i)	3	49,384	29,062
Financial liabilities				
Financial liabilities recorded at amortised cost				
Bank loan		1	85,364	64,335
Trade and other payables	(ii)	3	7,305	6,753

(i) Includes Accrued income but excludes Other debtors and prepayments.
(ii) 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.

As disclosed in note 26, the Group has a loan which requires it to meet cash flow, leverage and interest cover covenants. In order to achieve the Group's capital risk management objective, the Group aims to ensure that it meets financial covenants attached to 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.

34. Financial instruments (continued)

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 for speculative purposes.

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.

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'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 2018 would decrease/increase by £229k (2017: £172k).

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 appraise the potential impacts of the United Kingdom's referendum on EU membership ("Brexit"), the volatility of the 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	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Euro[1]	**29,846**	30,931	**324**	256
United States Dollar	**18,261**	16,442	**8**	1,130
South African Rand	**2,410**	2,106	**(2)**	1,031
	50,517	49,479	**330**	2,417

1. Included in the Euro exposure at 31 December 2017 is £21.2 million cash for the LIS Group acquisition which completed on 6 February 2018 (note 31).

Where considered necessary the Group will manage its foreign currency risk through hedging arrangements. A foreign currency contract was entered into during the prior year to buy Euro for the LIS acquisition, this contract was closed during the year.

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34. Financial instruments (continued)

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 on the foreign currency impact on the year-end balance sheet and presents the possible impact on 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.

	Strengthening / (weakening) of Sterling	Effect on Group comprehensive income and net assets 2018 £'000	2017 £'000
Euro	+20%	(5,904)	(6,135)
United States Dollar	+20%	(3,650)	(3,062)
South African Rand	+20%	(482)	(215)
Euro	(20%)	4,920	5,113
United States Dollar	(20%)	3,042	2,552
South African Rand	(20%)	402	179

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.

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.

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.

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.

34. Financial instruments(continued)

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 rate, 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 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**
31 December 2017					
Bank loans (i)	325	969	68,553	–	69,847
Trade payables and accruals (ii)	8,251	–	–	–	8,251
Provisions	353	–	–	–	353
	8,929	969	68,553	–	78,451

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

The directors consider that the carrying amounts of financial assets and financial liabilities in the historical financial information approximate their fair values.

35. Contingent liability

The Group operates in a number of jurisdictions and enjoys a close working relationship with all of its regulators. The Group is continuing in discussions with the regulator of one of its subsidiaries in relation to past events. With any such discussions there is inherent uncertainty in the ultimate outcome but the Board currently believe these discussions are unlikely to result in any outcome that would have a material impact on the Group.

36. Related party transactions

The Group's significant 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.

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:

	2018 £'000	2017 £'000
Consulting services – 10PA Solutions Limited	**337**	–
Consulting services – 10PA Investments Limited	**100**	–
	437	–

10PA Solutions Limited and 10PA Investments Limited are related parties of the Group as these entities are owned by one of the key management personnel. During the first quarter of the year the member of key management personnel was remunerated through 10PA Investments Limited for consultancy services provided and 10PA Solutions Limited was engaged with a Group company for the provision of temporary consultancy services at arm's length basis. The Group terminated its trading relationship with both companies on the individual ceasing to work with the Group as a consultant and becoming a full-time member of staff from April 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

36. Related party transactions (continued)

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.

	2018 £'000	2017 £'000
Short-term employee benefits	2,789	2,278
Share based payments (see note 32)	573	549
Total short term payments	3,362	2,827

Key management personnel in their capacity as shareholders also receive dividends from the Group when declared, this is the same for all shareholders.

Other than the items listed above, the Group has not entered into any material transactions with related parties since the last annual report.

37. Post balance sheet events

On 1 March 2019, the Group refinanced the loan facility and repaid the existing loan in full. The balance of the unamortised loan costs were also written off.

The new loan facility is for £150m with a consortium of five banks, headed by HSBC Bank Plc as agent, and has a final repayment date of 28 February 2023. 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. On 1 March 2019, £88m was drawn down against this new facility to repay the existing facility and the banks' fees.

There has been no change in the definitions of the covenants that monitor interest cover and leverage and no change to the charges held by HSBC against the shares of certain group companies as described in note 26.

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:
22 March 2019

Dividend record date:
26 April 2019

Annual General Meeting:
16 May 2019 - 11.30am

Dividend payment date:
21 May 2019

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London Stock Exchange, Symbol:
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