SANNE

Annual Report for the year ended **31 December 2016**

Stock code: **SNN** **www.sannegroupplc.com**

THE DIFFERENCE

SANNE

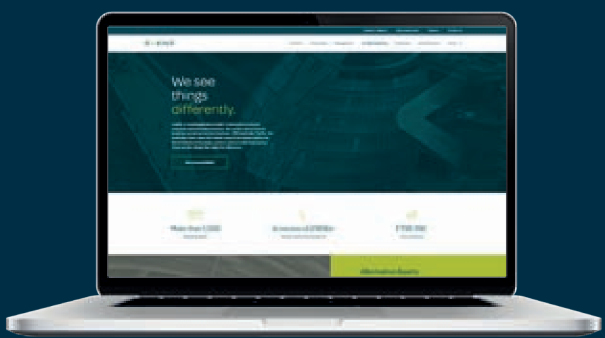
Welcome to Sanne Group plc's 2016 Annual Report

Sanne is a leading provider of alternative asset and corporate administration services.

The Group employs more than 1,000 people.

Sanne operates from 15 locations:

Belgrade; Cape Town; Dubai; Dublin; Guernsey; Hong Kong; Jersey; London; Luxembourg; Malta; Mauritius; New York; Netherlands; Shanghai and Singapore.



For more information, see our website
www.sannegroupplc.com

Performance highlights

Revenue
+40%

2016 £63.8 million 2015 £45.6 million

Underlying[1] operating profit
+31%

2016 £22.7 million 2015 £17.3 million

Underlying[1] profit before tax
+37%

2016 £22.0 million 2015 £16.1 million

Operating profit

2016 £14.7 million 2015 £5.9 million

Profit before tax

2016 £15.0 million 2015 £2.4 million

Financial highlights

- Group revenue increased 40% to £63.8 million (2015: £45.6 million)
- Underlying operating profit up 31% to £22.7 million (2015: £17.3 million)
- Underlying profit before tax up 37% to £22.0 million (2015: £16.1 million)
- Operating profit up to £14.7 million (2015: £5.9 million)
- Profit before tax up to £15.0 million (2015: £2.4 million)
- Diluted Earnings per share (EPS) at 11.3 pence (2015: 1.4 pence), underlying diluted EPS 17.4 pence (2015: 13.9 pence)
- Recommending final dividend per share (DPS) of 6.4 pence, bringing total dividend for the year to 9.6 pence, inclusive of the previously paid 3.2 pence interim dividend (2015: 7.0 pence in total)

Operational highlights

- Strong pipeline of new business within Sanne's core alternatives focused business divisions (Debt, Real Estate, Private Equity and Hedge)
- Projected annualised value of new business won in the year of approximately £13.8 million (2015: £13.0 million)
- Acquisitions completed in United States, Mauritius (2017), South Africa, Ireland and the Netherlands broadening capabilities and geographic footprint.

1. Underlying results for the year have been presented after the add back of non-underlying items. Within operating profit these items include acquisition and integrations costs (£3.9m), share based payments (£1.4m) and amortisation of intangible assets (£2.7m). Underlying profit before tax has been further adjusted for non-underlying acquisition related FX gains (£1.2m) and acquisition related loan restructuring costs (£0.2m). Further details can be found in Note 8 of the consolidated financial statements.

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Introduction

Chairman's Statement


Rupert Robson
Chairman

"The Board has worked closely with the Executive team to develop and deliver on a corporate strategy which seeks to establish the Group as one of the world's leading providers of alternative asset and corporate administration services."

2016 was a significant year for Sanne Group plc with strong underlying growth achieved alongside a number of strategic acquisitions which will assist in the development of a global service platform.

2016 overview

During the period Sanne Group plc ("the Company"), together with its subsidiaries ("the Group" or "Sanne"), continued to deliver strong organic revenue and profit growth across its existing core asset-focused business divisions while also successfully completing a number of acquisitions which will help to create a global platform to address service opportunities in high growth markets.

Dividend

The Board continues to adopt a progressive dividend policy. It still expects to retain sufficient capital to fund ongoing operating requirements, to provide an appropriate level of dividend cover and to invest in the Group's long-term growth.

The Board is recommending a final dividend of 6.4 pence per ordinary share (2015: 5.6 pence). The final dividend will be payable on 23 May 2017 to Shareholders on the register at close of business on 7 April 2017.

Together with the previously paid 2016 interim dividend of 3.2 pence per share, this gives a total dividend for the year of 9.6 pence per share (2015: 7.0 pence).

Strategy

The Board has worked closely with the Executive team to develop and deliver on a corporate strategy which seeks to establish the Group as one of the world's leading providers of alternative asset and corporate administration services. This strategy supports the individual business divisions' objectives to continue to deliver strong organic growth by deepening service capability and market coverage to an increasingly international client base.

In support of this, there is a key focus on the integration of the recently completed acquisitions to deliver the operational and revenue synergies each business offers the combined Group.

There is further evidence of sector consolidation and external investment, demonstrated through recent activity from peer group companies. As such, we will continue to support the Executive team in the identification and execution of further acquisitions which support the strategy.

The Executive team demonstrates a clear understanding of the administration sector and we are pleased to see the progression of the next tier of management as they take greater responsibility for strategic decision making. With the addition of some recent external senior management appointments we believe that the team is well placed to deliver the Group's strategic objectives.

Outlook

The Board considers that the growth prospects for the Group remain positive, despite market uncertainty resulting from wider geo-political events, and that the increasing asset and geographic revenue diversity delivered by recent investments means that Sanne is well placed to continue to deliver strong growth.

Rupert Robson
Chairman

Introduction

Chief Executive Officer's Statement

Dean Godwin
Chief Executive Officer

"With more than 1,000 staff globally providing professional services to our clients, people remain the single most important asset in the Group."

Sanne has continued to grow the business by increasing the breadth and depth of its service offering as well as delivering further jurisdictional growth through strategic acquisitions to build a truly global service platform for existing and new clients.

Summary of 2016 financial performance

A strong focus on revenue growth coupled with continued cost control resulted in revenues increasing to £63.8 million (2015: £45.6 million) and underlying profit before tax increasing to £22.0 million (2015: £16.1 million) during the period. Profit before tax was £15.0 million (2015: £2.4 million). The Group's core business lines have seen good organic growth driven by strong momentum from new business opportunities delivered in the latter part of 2015 and throughout 2016.

During the year the Group secured new business totalling approximately £13.8 million on a projected annualised value basis (2015: £13.0 million).

The strong underlying operating profit margin reflects a continued focus on efficient staff utilisation both through forward planning and by beginning to drive capacity through lower cost operational centres. This has allowed the Group to continue to invest in central operational capacity to support platform growth.

Key events in 2016

The result of the EU referendum in June was felt across the financial markets. While the final outcome of the UK's negotiations with the EU will not be known for some time, with operational centres both inside and outside the EU, the Group continues to invest in the development of its client proposition across a range of jurisdictions.

The Group has continued expanding its service provision through the development of new reporting services and the roll-out of capabilities across the existing global network and operating platform. Examples of this include the further development of regulatory reporting services in response to the Common Reporting Standard ("CRS") and the European Alternative Investment Fund Managers Directive ("AIFMD") requirements where Sanne is working with clients to deliver multijurisdictional reporting solutions.

The Group has been acquisitive, completing four deals in 2016 with a further deal completed in January 2017. These acquisitions have delivered geographic diversity with operational capabilities in the US, South Africa and Mauritius as well as offering a more comprehensive product offering in the Group's more established markets through smaller acquisitions in Ireland and the Netherlands. This wider operational footprint provides the Group with a global service platform for existing and new clients to drive future growth.

With a number of these acquisitions operating in lower cost jurisdictions we are now able to utilise highly skilled labour pools to support client service and operational initiatives while maintaining margins.

Employees

With more than 1,000 staff globally providing professional services to our clients, people remain the single most important asset in the Group. We are committed to ensuring that we continue to recruit the highest calibre staff at every level, providing the necessary support and development framework for them to develop a long-term professional career with the Group.

The senior management team continues to be strengthened so as to deliver the necessary strategic capacity to drive the business forward for the next phase of growth. This has included both senior front office and back office hires and the recent appointment of a new Chief Operating Officer in January 2017.

The communication to all staff about a consistent corporate culture is of great importance and remains a key priority as we progress with the integration of the recent acquisitions onto a common global platform. There will be opportunities for employees across the Group to move between offices to assist with this as well as the sharing of best practice.

Focus

The Group's ongoing strategic focus is to continue building scale in established and emerging markets and thereby to be recognised as one of the world's leading providers of alternative asset and corporate administration services.

The Group is committed to continuing to invest in both people and infrastructure in support of its strategic objectives while maintaining the financial discipline required to sustain operating profit margin. This includes further leveraging of the technology platform in support of client service initiatives and an increasing demand for transparent, real time reporting.

While there is a continued focus on integration and delivering organic growth, the Group will evaluate acquisition opportunities that enable Sanne to deepen existing asset capabilities, broaden its product offering and deliver greater jurisdictional strength.

There will be an emphasis on ensuring the successful integration of the recent acquisitions in order to deliver operational and revenue synergies. This will be coupled with further investment in platform infrastructure to ensure there is a robust framework that supports the client service teams by delivering effective technology support.

We believe that there is a continuing trend towards the outsourcing of corporate and fund administration activities from asset managers and institutions driven by increasing regulation, cross-border investment and the growing expectation of independent oversight. Furthermore, there remain strong underlying growth trends within the alternatives sector, a particular area of focus for Sanne.

While the outcome of the EU referendum has created uncertainty in some markets, our strong momentum and diverse geographic presence, as well as the favourable underlying trends in our markets, give us confidence in the continued growth of the Group.

Dean Godwin
Chief Executive Officer

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Strategic Report

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"The strategic focus of the Group is to continue building scale in established and emerging markets and to be recognised as one of the world's leading providers of alternative asset and corporate administration services."

Strategic Report

Market

Sanne operates in a highly fragmented global sector covering a wide variety of end markets. This includes the defined alternatives space (debt, hedge, real estate and private equity) as well as the more general corporate and private client markets. The Group's multi-asset class focus and divisional diversity provides a degree of insulation from macroeconomic factors, particularly with the emergence of specialist asset classes, such as the private debt market, which provide other investment opportunities during periods of economic downturn.

The degree of fragmentation and the outsourcing service opportunities within the addressable markets (taking into account that many corporate entities and institutions could potentially outsource part or all of their administrative functions) makes it a difficult market to quantify.

Given the nature of the industry, there are varying publicly available datasets that seek to quantify its size and trends. According to the 2015 Strategy& report,[1] alternative assets under management ("AUM"), at a global level are estimated to grow from US$8.1 trillion in 2012 to US$18.1 trillion in 2020, representing a compound annual growth rate (CAGR) of 10.6%

As defined in the PwC Report "Alternative Asset Management 2020 Fast Forward to Centre Stage",[2] growth in the asset management industry is expected to be prevalent out to 2020, as the need for increased and sustainable long-term investment returns continues to place alternative asset management further into the mainstream.

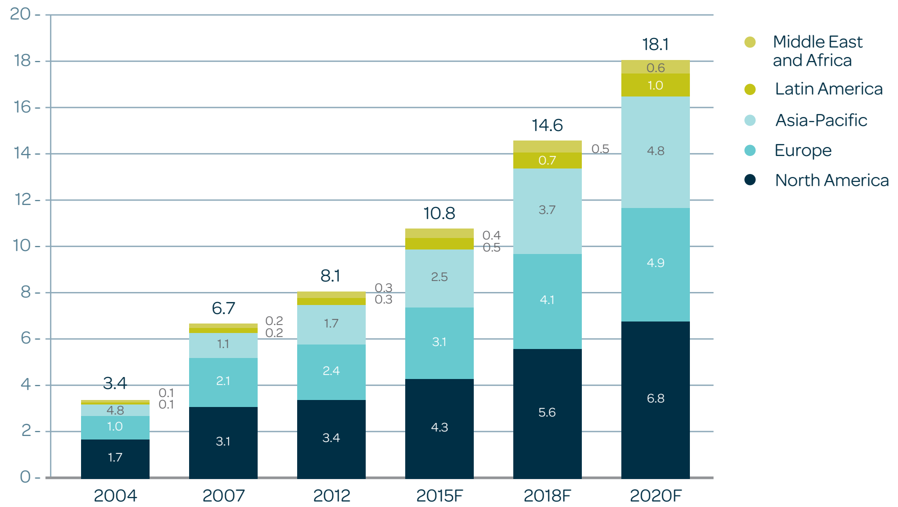
The PwC Report also indicates that growth will be driven by new entrants to the market including many sovereign and public pension funds. This is a continuation of a trend that first gained traction in the US and then globally.

More than 1,000 staff world-wide

15 locations

1 "Alternative Investments it's time to pay attention" available at **www.strategyand.pwc.com/reports/alternative-investment**
2 Available at **www.pwc.com/jg/en/publications/alternative-asset-management-2020.pdf**

Global alternative assets (US$ Trillions)



Source: Strategy & "Alternative investments, it's time to pay attention"

The demand for the Group's services and for outsourced services in the areas in which it operates is driven by global macroeconomic and regulatory trends. For fund and corporate structures regulated in financial centres such as Jersey and Guernsey, the administration of these structures requires a regulated business in the region. The Group benefits from the increasing level of work which these corporate entities and institutions are outsourcing to meet increasing regulatory obligations.

The growing regulatory framework applicable to fund and asset managers is creating revenue opportunities for specialist administrators like Sanne, along with the increasing demand for services provided by administrators due to more stringent controls and compliance processes being put in place in response to increasing transparency requirements. These include legislation such as AIFMD and the US Foreign Account Tax Compliance Act.

The greater regulatory and compliance demands on asset managers are serving to increase both the challenges of meeting such requirements and the costs of compliance. Failure to comply with the regulatory requirements may lead to both monetary fines and the intangible reputational harm of failing to do so. In the context of this environment and the growing transparency controls, specialist administrators play a vital and growing role. As well as the growing regulatory influence, there is an increasing level of regulatory differentiation as international centres are responding differently to onshore demands. The Group believes that its international footprint and expertise ensures it is well placed to provide services to multinational clients who require differentiated services across different markets.

As well as the alternatives space, the Group operates in the global corporate and private client markets which are subject to many of the same regulatory and legislative drivers. According to the Hays Legal and Company Secretarial Market Overview 2013, the governance requirements placed on global corporates has resulted in outsourced company secretarial services expanding, as companies look to external specialist partners to support their corporate governance function. The Group provides specialist trustee services and associated incentive plan administration, a market that remains positive given the ongoing impact of regulation and the broader trend towards improving the transparency of the link between incentive pay-outs and company performance.

Strategic Report

Business Model

By the end of 2016 operations were focused on nine principal divisions: Debt, Real Estate, Private Equity, Corporate and Institutional, Executive Incentives, Private Client, Treasury, Hedge and North America Alternatives. From 1 January 2017 the Group has reorganised into three core management and reporting areas.

These operations span the Group's international footprint with headquarters in Jersey. Core services include general administration, financial reporting, governance, regulatory services, investor services and treasury services.

Client teams are spread over geographies to ensure continuity of service and client relationships.

In the alternatives product space, the Group believes that its ability to win new work and retain existing clients is demonstrative of its ability to provide the high touch and customised services that alternative asset managers require. In addition, structures within the alternatives space tend to be more bespoke in nature which makes automation challenging and reinforces the need for the type of tailored solutions that the Group's qualified and experienced staff are able to provide.

Although Sanne's contracts with its clients are typically terminable by either party given three months' written notice, once an outsourced service provider is contracted to support and administer a structure it is rare that they are replaced before the end of the structure's life.

The Group has a predominantly institutional client base which is well diversified. Levels of client concentration are materially unchanged from 2015 with only two clients accounting for more than 5% each of revenue in 2016 (6.4% and 5.4% respectively). Furthermore, the top ten clients accounted for less than 30% of revenue in the financial year ended 31 December 2016. Following the acquisition of FLSV Fund Administration Services ("FAS") an additional institutional client is predicted to account for circa 10% of revenue in 2017.

Clients of the Debt, Real Estate, Private Equity, Hedge and North America divisions are typically institutions focused on alternative asset classes. Clients of the Private Client division are typically ultra-high net worth individuals and families; Executive Incentives and the Corporate and Institutional division covers the remaining corporate and institutional client base.

IDS Fund Services, the business acquired in South Africa, now forms the Hedge fund administration division.

The acquisition of Chartered Corporate Services in Ireland has been integrated in the Corporate and Institutional division and the acquisition of Sorato Trust B.V is included in the Debt division.

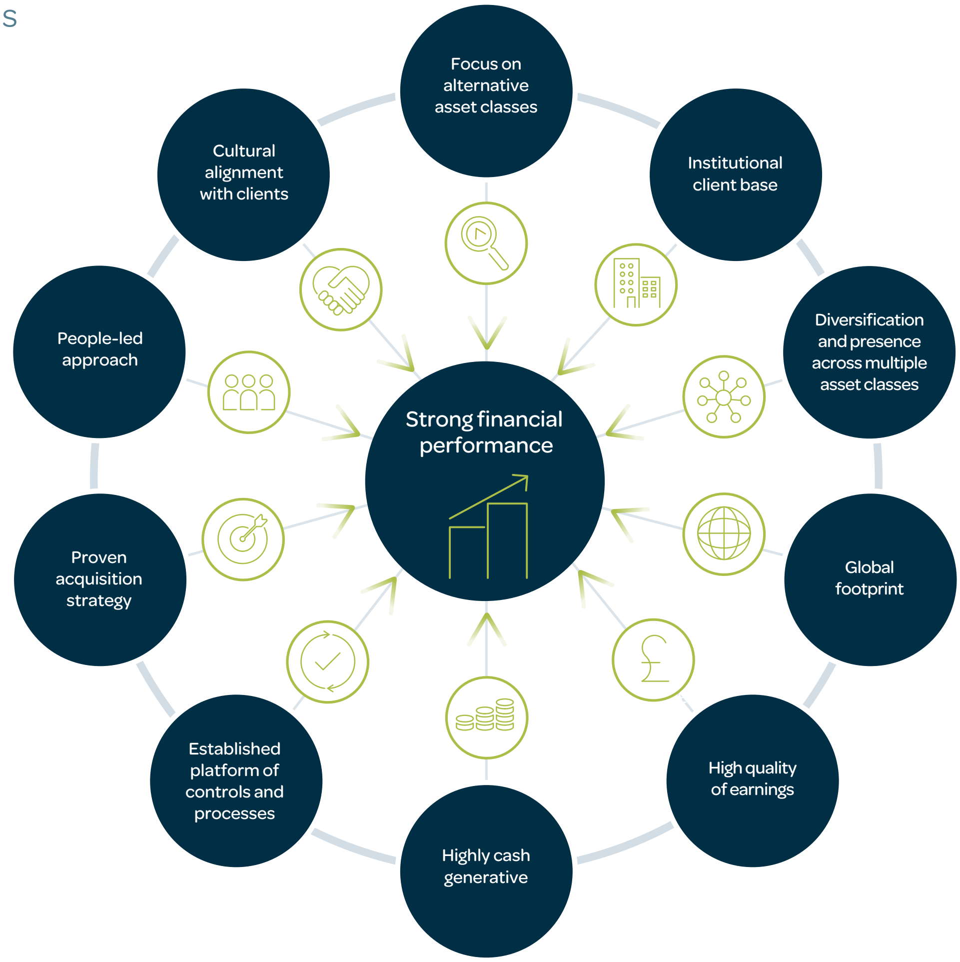
The acquisition of FAS is reported separately.

From 1 January 2017, the Group has established three core management and reporting areas to reflect the further growth and globalisation of the service platform. These consist of US Alternatives (to include the US acquisition), EMEA and ROW Alternatives (to include the existing Debt, Real Estate, Private Equity and Hedge Fund business divisions along with the Mauritius acquisition) and Corporate and Private Client services (to include Corporate and Institutional, Executive Incentives and Private Client Business Divisions). Each area is now led by a Managing Director with significant experience delivering business performance and strategic growth.

The Group's core activities can be classified as follows:

Assets/markets serviced	Client profile	Group service areas
• Debt • Real Estate • Private Equity • Corporate and Institutional • Executive Incentives • Private Client • Treasury • Hedge • North America Alternatives	• Global financial institutions and credit fund managers • Real estate asset managers, sovereign wealth funds, pension funds and institutions • Asset managers, institutions and family offices • International corporates, entrepreneurial groups and asset managers • Internationally listed companies, private companies and asset managers • Ultra-high net worth individuals and family offices • Sanne clients requiring treasury support • Hedge fund managers	• Fund and corporate administration • Accounting and reporting services • Asset servicing • Loan agency and servicing (Debt) • Depositary services • Compliance monitoring • Transaction management • SPV administration • Company secretary/governance support • Regulatory reporting services including FATCA, Anex 4 and CRS reporting • Listing services (CISE) (C&I) • Director and trustee services • Portfolio reporting (Private Client) • Philanthropy services (Private Client) • Cash and FX management (Treasury)

Key Strengths



Focus on alternative asset classes

Alternative asset funds and structures are niche and require bespoke, tailored solutions due to their complexity. This requires qualified and experienced staff. This creates high barriers to entry and protects margins. Alternative asset classes are also high growth markets.

Institutional client base

The Group has a broad range of clients covering alternative asset managers, family offices, financial institutions and corporates.

Diversification and presence across multiple jurisdictions and multiple asset classes

This provides a natural hedge against a downturn in trading conditions in any one of the Group's markets.

Global footprint

This ensures that Sanne is in the right jurisdictions to support new clients and win new business, with a strong presence in developed international financial centres.

Strong financial performance

Sustained strong financial performance with a four year CAGR of 36% on revenue between 2012 and 2016. When adjusting for the impact of acquisitions in the current year, organic revenue growth was 22% for the year. Underlying operating profit CAGR of 38% for the same period.

High quality of earnings

The typical contract life is between five and ten years. This gives a high proportion of reoccurring revenue year on year.

Highly cash generative

Consistent levels of operating profit before exceptionals to cash generation with a cash conversion rate of 99% (2015: 112%).

Established platform of controls and processes

An emphasis on compliance and risk management is fundamental to the success of Sanne within an industry where reputational risk is high.

Proven acquisition strategy

The Group has a successful track record in sourcing, executing and integrating its chosen acquisitions.

People-led approach

Senior management involvement through the process of both winning new business and servicing the work; high quality and professionally qualified staff.

Cultural alignment with clients

Application of high-touch, tailored service and client-specific customised solutions mitigates against the commoditisation of services provided and supports the Group's strong margins.

Strategic Report

Strategy

The Group's growth strategy is both organic and inorganic which is reflected in its successful growth track record in recent years. New business is sourced both from capturing increased revenue from existing clients, as they introduce new structures and use the Group for additional services, and from new client relationships.

The strategic focus of the Group is to continue building scale in established and emerging markets and to be recognised as one of the world's leading providers of alternative asset and corporate administration services. The Group will continue to focus on building its client base of alternative asset managers, family offices, financial institutions and corporates.

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 alternatives space;
- Development of core asset led offerings to drive increased revenue opportunities through targeted entry into new asset classes;
- Market share development through the deepening of existing client relationships by offering the most comprehensive product and jurisdictional range;
- Cross-selling to existing clients between divisions and geographies and delivering new client wins through direct referrals, intermediary referrals and direct targeting. This includes inter-divisional initiatives to sell ancillary corporate products and services to existing fund clients;
- Expansion of global network and platform by building scale in key jurisdictions to support operational growth and diversification and to capitalise on high growth markets; and
- Expansion of existing suite of services available to clients to ensure that the Group can continue to provide a 'one-stop-shop' solution to clients in each asset class, as well as differentiating Sanne from its competitors. Examples include the further development of regulatory reporting, AIFMD depositary and management company services.

Acquisition growth

The Group's acquisition strategy is demonstrated by management's pre-listing track record in sourcing, executing and integrating its chosen acquisitions. The Group take a highly selective and disciplined approach to acquisitions, seeking to add capital value to Sanne without an adverse impact on the existing business.

Assessments are made as to the long-term strategic rationale of an acquisition opportunity based on a number of indicators, including:

- The opportunity to build operational scale in existing and/or complementary jurisdictions;
- The opportunity to strengthen Sanne's existing service delivery platform and to deliver operational capability to support Sanne's growth story;
- The opportunity to acquire a skilled workforce to support Sanne's people-led approach;
- The synergy (rationalisation of systems and central functions) and cross-selling opportunities within the combined business;
- The opportunity for the acquisition to act as a barrier to entry for key competitors;
- The opportunity to deliver an alternative, lower cost outsourced platform; and
- The opportunity to further strengthen client relationships in cases where there are common clients.

The Group has been active in the acquisition space completing four deals in 2016 with a further deal completed on 1 January 2017. These acquisitions have delivered greater geographic diversity and a more comprehensive product offering in the Group's more established markets.

Further details of these acquisitions are provided overleaf.

Strategic Report

Acquisitions

During the period, the Group acquired four small and medium sized businesses and signed a further deal with a large administration business based in Mauritius, which completed on 1 January 2017.

Chartered Corporate Services ("CCS")

CCS is a corporate administration business based in Dublin, Ireland. CCS focuses predominately on the provision of company secretarial, liquidation, value added tax ("VAT") and payroll services to clients with structures domiciled in Ireland. These services are unregulated, save from the requirement to be licensed by the Department of Justice and Equality under AML regulations. The acquisition completed on 1 March 2016.

IDS Fund Services ("IDS")

IDS, is a South African-focused provider of outsourced investment administration services to the asset management industry. There is also a small operational capability in Malta. IDS provides fund administration services to over 200 structures focused predominantly on hedge funds but also including private equity funds and collective investment schemes ("CIS"). The acquisition completed on 1 June 2016.

FLSV Fund Administration Services LLC ("FAS")

FAS is a Manhattan headquartered provider of fund administration services to private close-ended funds ("CEFs") and mid-tier private equity funds. FAS currently employs approximately 120 employees, of which 75 are based in New York and 45 are in Belgrade, Serbia. The Serbian operation was established in 2014 to provide systems support for the core fund administration platform and also to act as a lower cost destination for certain middle and back-office functions. FAS provides administration services to a range of funds including private equity, venture capital, distressed debt, infrastructure, real estate and fund-of-funds. The acquisition completed on 1 November 2016.

Sorato Trust B.V. ("Sorato")

Sorato is a Dutch domiciliation and associated corporate services business and is regulated by the Dutch Central Bank for the provision of corporate services. It has been the Group's preferred service partner in the Netherlands since 2008. The acquisition completed on 1 December 2016.

International Finance Services Limited ("IFS")

IFS is a Mauritian-based provider of offshore fiduciary management services, specifically the incorporation of offshore companies and trusts, general management administration and accounting and lastly the provision of corporate secretaries. The IFS Group's clients include private equity funds, hedge funds, venture capital funds, mutual funds and corporates looking to set up investment holding, investment management, trading or service entities. IFS has over 260 employees and currently provides services to in excess of 1,000 entities and has in excess of $82 billion in assets under administration. The acquisition signed on 30 November 2016 and completed on 1 January 2017.

Key Performance Indicators

The Group uses a number of Key Performance Indicators to measure the performance of the Group, of each division and of various central support functions.

Revenue

2016	£63.8m
2015	£45.6m

Underlying profit before tax

2016	£22.0m
2015	£16.1m

Underlying diluted earnings per share

2016	17.4p
2015	13.9p

Underlying operating cash conversion[1]

2016	99%
2015	112%

Underlying operating profit margin

2016	36.5%
2015	37.9%

Underlying operating profit

2016	£22.7m
2015	£17.3m

Projected annualised value of new business won in the year

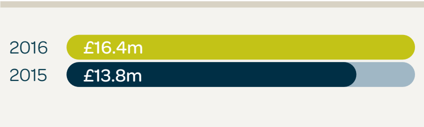
2016	£13.8m
2015	£13.0m

1. Underlying operating cash conversion is the ratio of cash generated from operations (adjusted for non-underlying cash items within operating profit) to underlying operating profit. It presents the Group's ability to translate profits into cash.

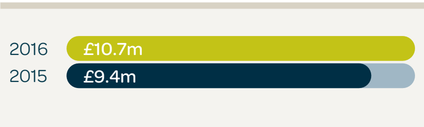
Strategic Report

Divisional Review – Debt

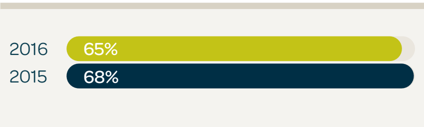
Revenue



Gross Profit



Margin[1]



Overview

The Group's Debt business provides fund and corporate administration and loan agency services to broadly two types of client: leading global financial institutions and debt asset managers.

The division's debt capital markets offering provides corporate services to a range of SPVs for many of Europe's major banks and other global financial institutions. Asset class experience covers a complete range of capital markets transaction structures including European medium-term note programmes, collateral loan obligations, asset backed securities and repackaging transactions.

The division's private debt funds team covers the main private debt funds asset classes including real estate finance, leveraged loans, non-performing loans, structured finance and infrastructure debt.

The business offers debt specific financial reporting and transaction management expertise and specialist debt related services including loan administration and facility agent services.

Performance summary

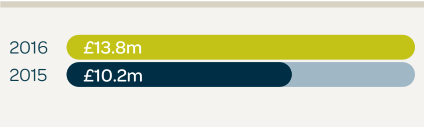
Revenues for the year ended 31 December 2016 were £16.4 million (2015: £13.8 million) with a gross profit of £10.7 million (2015: £9.4 million).

The division has focused on maintaining its strong market position in the provision of administration services to banks and non-bank lenders including asset managers and peer-to-peer platforms. Operational capabilities have been increased in London, Dublin, Netherlands and Luxembourg to reflect new workflows and this is enabling further business development opportunities driven by an ability to deliver services across a wider geographic footprint.

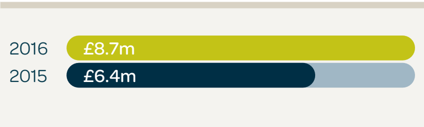
[1] Gross profit margin calculated on unrounded numbers.

Divisional Review – Real Estate

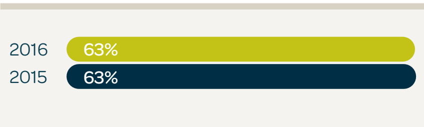
Revenue



Gross profit



Margin[2]



Overview

The Group's Real Estate business provides corporate and fund administration services to real estate managers, sovereign wealth funds, pension funds and institutions across a range of real estate structures and their underlying vehicles which hold a range of property classes including offices, hotels, logistics, residential, student accommodation, industrial, retail and development.

The division's clients are broadly broken down into two key types: real estate corporate structures and real estate investment funds.

The division's corporate team provides administration services to real estate clients comprising regulated and unregulated vehicles for both direct and indirect investment in real estate. Services cover the complete life cycle of commercial and residential portfolios through their acquisition, sale, leasing, development, management and operation.

The division's real estate funds team provides fund administration and related services to regulated and unregulated funds investing both directly and indirectly into real estate assets with a portfolio comprising open-ended and closed-ended public funds, private funds and joint ventures.

Performance summary

Revenues for the year ended 31 December 2016 were £13.8 million (2015: £10.2 million) with a gross profit of £8.7 million (2015: £6.4 million).

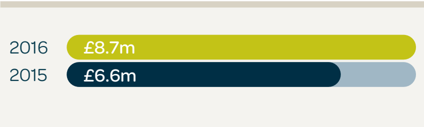
There have been new business wins from both new and existing clients as the UK real estate market continues to attract significant foreign investment following the weakening of the pound since the EU referendum result. There has also been increased demand for fund structures across multiple jurisdictions as managers look forward to new fund raises. New client mandates are also being driven by a trend for fund managers to outsource non-core roles such as back-office accounting. Recruitment continues in key operational centres to service new mandates in these jurisdictions and create capacity to grow existing relationships.

[2] Gross profit margin calculated on unrounded numbers.

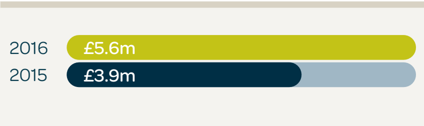
Strategic Report

Divisional Review – Private Equity

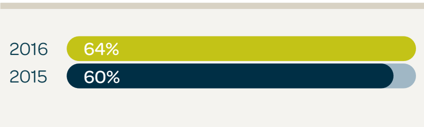
Revenue



Gross profit



Margin[3]



Overview

The Group's Private Equity business provides specialist fund and corporate administration services to private equity houses, institutions and family offices with private equity style investment vehicles. The business operates across the majority of the Group's jurisdictional centres while also providing certain services to funds established in other jurisdictions including the Cayman Islands, BVI and Delaware.

Services are delivered across a single platform supported by industry recognised IT systems. Multifunctional services teams include professional fund administrators, company secretaries and accountants with an understanding of specific niche assets and the regulatory framework in place in each jurisdiction.

The strategies of funds being administrated include buyout and leveraged funds, venture, growth and fund of funds. The division has specific expertise and experience in energy, infrastructure, bio-ventures, emerging markets and secondaries.

Services include the provision of directors, transaction management, administration, financial reporting and compliance services involving regulatory and tax reporting to alternative investment funds, their managers and SPVs.

Performance summary

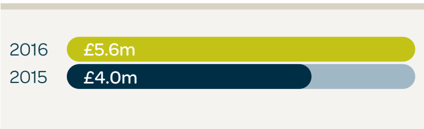
Revenues for the year ended 31 December 2016 were £8.7 million (2015: £6.6 million) with a gross profit of £5.6 million (2015: £3.9 million).

The existing client base continues to see growth with the launch of successor funds and new strategies. The division has also expanded its client base. This pattern of growth reflects the ongoing focus on client service and a stronger corporate brand in the private equity community. The division continues to provide a flexible, multi-jurisidictional offering which is adapted to each client's requirements arising from the changes in the geo-political and regulatory environments.

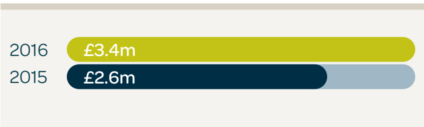
[3] Gross profit margin calculated on unrounded numbers.

Divisional Review – Corporate and Institutional

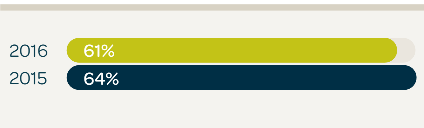
Revenue



Gross profit



Margin[4]



Overview

The Group's Corporate and Institutional business offers a comprehensive range of administration and accounting services to international corporates, institutions and entrepreneurial groups.

The division assists clients and their advisors in establishing and providing ongoing administration services for a diverse range of structures, including group restructuring, asset holding vehicles, joint ventures, corporate funds and group financing vehicles.

Services include governance, fiduciary, company secretarial support, financial reporting, regulatory reporting (FATCA and CRS), acting as listing sponsor for the Channel Islands Securities Exchange (rebranded in March 2017 to the International Stock Exchange (TISE)) and AIFMD depositary services.

The Corporate and Institutional business often works in conjunction with the Group's other divisions to provide ancillary corporate services to specialist asset structures to extend the scope of services available to the client base.

Performance summary

Revenues for the year ended 31 December 2016 were £5.6 million (2015: £4.0 million) with gross profit of £3.4 million (2015: £2.6 million).

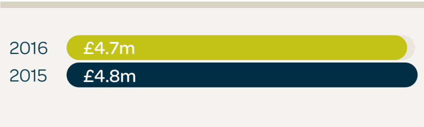
The division continues to define and develop a distinct product suite to expand its market offering and take a proactive approach to cross-jurisdiction product development in response to the changing regulatory landscape. Focus has centred on the integration of CCS and leveraging its additional product offerings (liquidations, payroll services and VAT reporting) across the existing client base. There has been continued investment in the Group's depositary service proposition to be promoted across the alternatives focused business divisions and jurisdictions. The division has benefited from the recruitment of key hires and continues to build upon its operational capabilities.

4 Gross profit margin calculated on unrounded numbers.

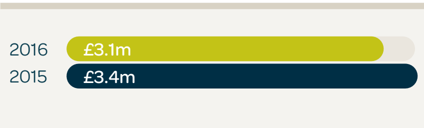
Strategic Report

Divisional Review – Executive Incentives

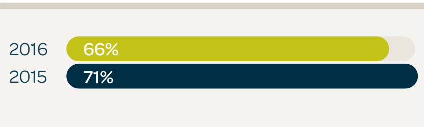
Revenue



Gross profit



Margin[5]



Overview

The Group's Executive Incentives business provides specialist trustee services and associated administration to support the operation of a range of employee and executive incentive plans. These services are provided to LSE Main Market, AIM and internationally listed companies, private companies, private equity backed businesses and fund managers.

Services include trustee services to employee share trusts, incentive plan management, corporate nominee account administration, transaction management and the administration of corporate actions and associated transactions.

A range of specialist services are also offered to fund managers. These include deal executive and partner incentive and retention plans, co-investment and carried interest plans, and key-man incentive and retention plans for private equity investee/portfolio companies.

A private equity incubator service has also been developed specifically to offer a cost-effective solution for the swift implementation and efficient administration of employee trusts commonly required to hold key managers' interests during the incubation phase of a company, following private equity investment.

Performance summary

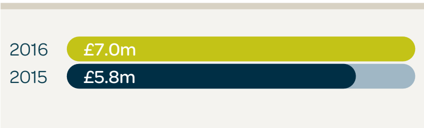
Revenues for the year ended 31 December 2016 were £4.7 million (2015: £4.8 million) with a gross profit of £3.1 million (2015: £3.4 million).

The annual performance is reflective of the uncertainty generated in the lead up to, and as result of the EU referendum which affected underlying activity levels in the first three quarters of the year in terms of share transactions for existing clients as well as impacting the number of new mandates from private equity and IPO related activity. Quarter four saw a strong return of transactional work in the private equity and IPO arena and this, together with a healthy pipeline of transfer mandates for FTSE 100 and 250 companies represented a positive finish to the year.

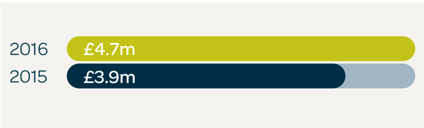
[5] Gross profit margin calculated on unrounded numbers.

Divisional Review – Private Client

Revenue



Gross profit



Margin[6]

Overview

The Group's Private Client business provides independent fiduciary, administration and accounting services primarily to institutionally minded ultra-high net worth individuals and families, often working with their respective family offices.

The Private Client business administers structures which enable clients to preserve and enhance family wealth and establish a legacy for future generations within a well-regulated environment. This includes the provision of services to single and multi-family offices tailored to ensure the optimum use of the family offices' own in-house capabilities consistent with each family office's objectives and planning requirements.

The teams' expertise includes transaction management capabilities across a variety of asset classes including (but not limited to) private equity and real estate.

The Private Client business also establishes investment vehicles for private clients either investing individually or on a collective basis (with other family members, family offices or business associates) through the use of companies, limited partnerships and unit trusts.

Where required, the division works closely with the Treasury division to provide independent solutions to the management of quoted investments and cash.

Performance summary

Revenues for the year ended 31 December 2016 were £7.0 million (2015: £5.8 million) with a gross profit of £4.7 million (2015: £3.9 million).

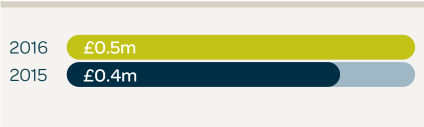
There has been a strong pipeline of new mandates from existing clients and an increase in business development activity has resulted in a growing number of new client opportunities. The division continues its strategic focus on Ultra High Net Worth clients and their family offices. The recruitment of a Global Head of the division will continue to drive the expansion of the Private Client jurisdictional offering and broaden its target client focus into new markets.

[6] Gross profit margin calculated on unrounded numbers.

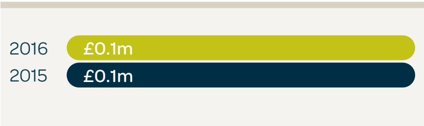
Strategic Report

Divisional Review – Treasury

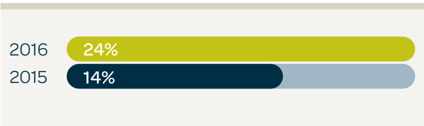
Revenue



Gross profit



Margin[7]



Overview

The Group continues to invest in its Treasury division which works closely and collaborates with the business divisions to deliver competitive foreign exchange and treasury management services to client structures.

Services are focused on improving management of risk through diversification of deposits across a number of banks enhancing returns through active treasury management asset pooling as well as providing foreign exchange and escrow services.

Services are delivered by experienced treasury specialists with a deep understanding of money markets and an ability to balance risk management and yield enhancement objectives.

Performance summary

Revenues for the year ended 31 December 2016 were £0.5 million (2015: £0.4 million) with a gross profit of £0.1 million (2015: £0.1 million).

The team continues to position itself as a strategic partner to the other divisions and their clients in relation to their specialist treasury requirements. Both the cash and foreign exchange services have seen a number of client wins across the business divisions with some notable wins towards the end of the year. The continued expansion of the breadth of services provides a platform for the continued growth and development of the division.

[7] Gross profit margin calculated on unrounded numbers.

Divisional Review – Hedge

Revenue

2016	£4.0m
2015	N/A

Gross profit

2016	£2.3m
2015	N/A

Margin[8]

2016	59%
2015	N/A

Overview

The acquisition of IDS was completed in June 2016 and the business now forms the Hedge Fund division within the Group. The division offers middle and back-office services for a broad range of fund types and standalone structures. Services include fund accounting, investor services, cash custody and middle office.

The domestic industry is expected to continue to become increasingly institutionalised following the introduction of new regulations which will increase oversight and reporting requirements for funds and will likely drive further outsourcing opportunities for incumbent administrators. As an immediate result of the changes, the division now offers independent management company services to regulated collective investor schemes.

Performance summary

Revenues for the year ended 31 December 2016 were £4.0 million with a gross profit of £2.3 million (for the seven month period post completion).

Financial performance was enhanced, in part, by the depreciation of sterling against the South African rand during the period from the acquisition date. During the second half of the year the new business pipeline included portfolios to be transitioned either into the regulated environment or onto other third party structures.

[8] Gross profit margin calculated on unrounded numbers.

Strategic Report

Divisional Review – North America Alternatives

Revenue

2016	£3.1m
2015	N/A

Gross profit

2016	£1.7m
2015	N/A

Margin[9]

2016	55%
2015	N/A

Overview

Sanne's North America Alternatives business division consists solely of the acquired business of FLSV Fund Administration Services ("FAS") for the reporting year. The acquisition completed on 1 November 2016. FAS is a New York headquartered provider of fund administration services to a range of close-ended alternative investment funds including private equity, venture capital, distressed debt, infrastructure, real estate and fund-of-funds.

Services include assistance with fund set-up, fund, partner and portfolio accounting, cash management and operations support as well as general partner and investor services. The business division's capabilities include sophisticated manager and investor reporting tailored to the specific requirements of clients.

Performance summary

Revenues for the year ended 31 December 2016 were £3.1 million with a gross profit of £1.7 million (for the two month period post completion).

In the two months of ownership during the reporting period there was strong revenue performance driven by new client wins and additional services being undertaken for existing client relationships. The underlying market conditions for alternative asset management have been positive and this is further enhanced by an increased trend toward the outsourcing of back office functions from existing managers driven by increasingly sophisticated reporting requirements as well as an increased demand amongst investors for independent oversight.

[9] Gross profit margin calculated on unrounded numbers.

Strategic Report

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.

Responsibility

The Board has overall accountability for ensuring the risks that could impact the success of delivering the Group's long-term strategic objectives are effectively managed. The Board has delegated oversight of the risk management framework to the Audit and Risk Committee, which reviews, at least annually, the effectiveness of the risk processes and internal controls in place.

Sanne also has an Executive Operational Risk Committee, which oversees business level risk management activities including risk escalation and risk exception management processes. The Chief Risk Officer, who is also the Chairman of the Executive Operational Risk Committee, has a direct reporting line to the Audit and Risk Committee.

However, quality control and risk management remain the responsibility of all Sanne employees. This responsibility includes the need to understand and adhere to policies and procedures in their daily activities.

Risk management approach

Sanne has followed industry standard for risk management governance and adopted the 'three lines of defence' framework, namely business risk management, second-line risk management, and internal audit.

This framework includes the Group Risk Register which captures key risks and the risk appetite statement as defined by the Board. It also documents the control environment in place to mitigate these risks and monitor adherence to appetite.

Sanne continues to enhance its risk management framework, for instance, in 2016, investing in a new system to increase the capabilities of the Group Risk Register. Such enhancements will continue into this year, focusing on further strengthening the assurance mechanisms over the internal control environment and applying Group standards in risk management to newly acquired businesses.

A specific application of Group standards will be in relation to our insurance arrangements where we are seeking to broaden the Group programme to encompass and replace those of the acquired businesses. This will allow us to harmonise, where possible, levels of indemnification at increased values thereby creating a more robust key risk transfer mechanism.

Objectives of risk management

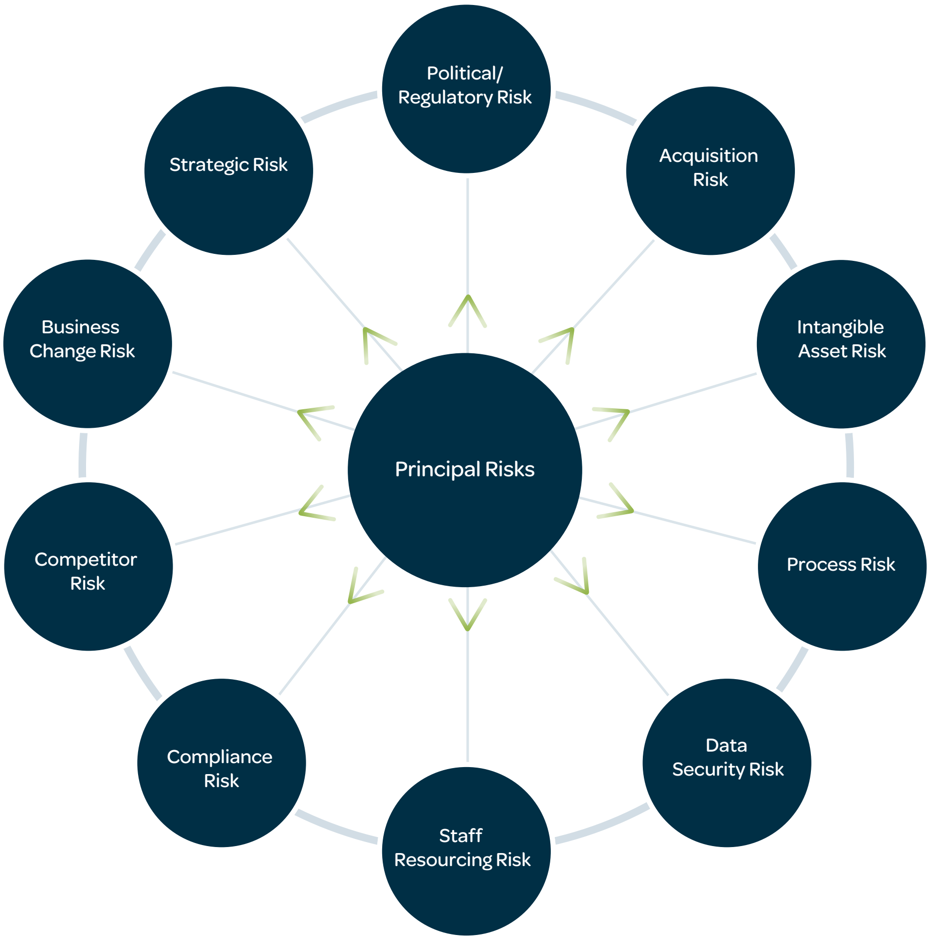
The prime objectives of risk management in the Group are to ensure that there is:

- A strong risk aware culture, with a distinct tone from the top, so that Sanne is able to identify, assess and manage the key risks to the business and, by doing so, support the execution of the Group's business strategy;
- Prompt sharing and reporting of management information on key risks;
- Clearly defined risk responsibilities alongside appropriate levels of considered 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 reach its conclusions on the effectiveness of the Group's risk management and internal controls.

Risk assessment

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

Risks are assessed using a 1–4 scoring system with each Level 3 risk rated by assessing the likelihood of its occurrence over the next three years and the associated impact. A residual risk score is then derived by taking into account an assessment of the internal control environment or other mitigation.



Risk appetite

In determining its risk appetite, Sanne 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 Audit and Risk Committee, with a view to presenting the key risks to the Board. The Board has agreed that the top ten Level 2 risks will be presented in the Annual Report and Accounts as the Principal Risks and these are summarised in the graphic above and in the following table. This is not an exhaustive list of all risks faced by the Group.

Assessment of principal risks

Using the described approach, the Board is able to confirm 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. Included on page 30 is the viability statement, which has been prepared with the assessment of these principal risks in mind.

Strategic Report

Risk Management
continued

Risk Description	Key Mitigants
Business Model Direction of change: Execution of the Group's Strategy has resulted in a number of successful acquisitions taking place, the latest and most high profile of which was funded by raising capital on the main market of the London Stock Exchange in late 2016 which was fully subscribed. The continued global expansion of the business model has reduced dependency on our core markets for business performance, thus decreasing the exposure to business model risk.	
Acquisition Risk The risk that: given inadequate due diligence, 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.	• Acquisition risk appetite set and monitored by the Board • Robust due diligence process including third party assessments by top accountant and law firms, prior to recommendations to the Board • Governance and challenge from independent Non-Executive Directors • Integration strategy in place prior to acquisition • Integration Committees set up to manage integration processes • Internal Audit reviews conducted on all integrations
Strategic Risk The risk that the business model responds inadequately to changing market conditions or fails to meet its strategic objectives, such that sustainable growth, market share or profitability is affected. This is particularly the case due to ongoing changes within the outsourced administration industry, whereby asset classes are evolving and new asset classes are being created.	• Strategy regularly reviewed and challenged by Executive Committee and Board • Significant resource devoted to communicate strategy effectively • Strategy drives annual business planning process and performance based targets • Executive Operational Risk Committee ensures matters escalated are aligned with strategy and risk appetite
Competitor Risk Failure to innovate and invest in appropriate systems increases the risk that we fall behind key competitors and do not meet the expectations of clients and other stakeholders. Digital developments and social media are rapidly evolving meaning that we must keep pace with the expectations of clients, especially with our strategic objective of delivering services to institutional clients.	• Divisional responsibility for identifying forthcoming requirements in respect of digital / business systems investment • COO responsible for prioritising and monitoring investment in digital / business systems • Board oversight of current and planned digital / business systems

Risk Description	Key Mitigants
Operational Direction of change: ↑ Acquisitions made since 2015 have increased the size and complexity of the technology and operational environment of the Group, thereby increasing the exposure to operational risk.	
Business Change Risk The risk that the planning and implementation of change is ineffective or fails to deliver desired outcomes or results in resources being stretched to the detriment of business as usual activities.	• In-house change team reporting to Chief Operating Officer • Documented business plans and IT strategy • Overarching governance of business critical programmes provided by the Executive Committee and the Board
Data Security Risk The risk of a security breach (including cyberattacks) leading to loss of confidentiality, integrity and/or availability of data.	• Defined IT security procedures • Penetration testing • System access controls and encryption • Physical security at all locations • Training and employee awareness • Review of relevant procedures and controls as part of the annual ISAE 3402 Type II report
Process Risk The risk that general policies, procedures and processes are ineffective and/or inefficient leading to operational losses, poor client service and employee frustration.	• Documented procedures and controls with ongoing training • Allocated responsibility for continual maintenance and enhancement of policies and procedures • Compliance monitoring/second line reviews • Internal audit reviews
People Direction of change: ↓ Whilst an extended period of rapid growth has increased the pressure to recruit and retain the best people, the ability to draw resources from a larger number of jurisdictions has helped reduced this risk.	
Staff Resourcing Risk Failure to attract, retain, develop and motivate the best people with the right capabilities across all levels and jurisdictions.	• Recruitment strategy, succession planning in place and employee value proposition • Established Remuneration Committee • Set objectives over talent planning and people development • Regular remuneration benchmarking • Established ACCA, ICAEW and ICSA training schemes

Strategic Report

Risk Management
continued

Risk Description	Key Mitigants
Regulatory Direction of change: ^ The result of the EU referendum has led to a period of uncertainty which has increased the Group's exposure to political/regulatory risk, although to date the effects have been minimal. Regulatory licence (Compliance) risk has increased, in part driven by the Group's international expansion resulting in a greater number of regulated jurisdictions (e.g. Mauritius, South Africa, Malta), as well as an increase in the range of regulated services and reporting capabilities offered to clients.	
Political / Regulatory Change Risk The risk that Sanne's business model is materially impacted by legal, political or regulatory changes which restrict access to markets or services.	• Product / jurisdictional diversification strategy reduces impact • Jurisdictional oversight by Compliance • Horizon scanning by Executive Operational Risk Committee for potential changes • Strategy to ensure the business model remains flexible and responsive to change and is regularly reviewed • Active dialogue with regulators, governments and industry bodies
Regulatory Licence (Compliance) Risk The risk that Sanne is exposed to regulatory sanction and subsequent reputational damage given a failure to follow regulatory laws, orders and codes of practice requirements.	• Appropriate compliance resources in each jurisdiction reporting to the Chief Compliance Officer • Defined and updated policies aligned to regulatory obligations • Compliance Monitoring programme
Financial Direction of change: ^ Given a number of acquisitions made by the Group since 2015, there is an increased risk of an impairment to the intangible assets (including goodwill) now held on the balance sheet.	
Intangible Asset Risk The risk that events arise, foreseen or unforeseen, which result in an impairment of the intangible assets held on the balance sheet.	• Robust due diligence process including third party assessments by Big Four accountant firms, prior to acquisitions being realised • Regular impairment testing as per accounting rules

Long-term viability statement

The Directors have assessed the viability of the Group over a three year period, taking account of the Group's current position and the potential impact of the principal risks documented in the strategic report. 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.

In making this statement the Directors have considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe but reasonable scenarios, and the effectiveness of any mitigating actions. This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period.

As a newly listed company, in its second year of listing, the Directors have determined that the three year period is an appropriate period over which to provide its viability statement.

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Financial Report

Chief Financial Officer's Report 34

"Our growth strategy is underpinned by a stable revenue base which reflects the long-term nature of the relationships we maintain with clients."

Spencer Daley
Chief Financial Officer

Financial Report

Financial Overview — Chief Financial Officer's Report

Spencer Daley
Chief Financial Officer

"Underlying operating profit was £22.7 million, up 31% (2015: 17.3 million) during the year, with a margin of 35.5% (2015: 37.9%). Operating profit was £14.7 million (2015: £5.9 million."

The Group delivered another strong year of growth, with revenues rising 40% to £63.8 million (2015: £45.6 million). Organic growth, pre-acquisitions, remained strong at 22%.

Group results

Underlying operating profit was £22.7 million, up 31% (2015: 17.3 million) during the year, with a margin of 35.5% (2015: 37.9%). Operating profit was £14.7 million (2015: £5.9 million).

Non-underlying items within operating profit include acquisition and integrations costs, share based payments and amortisation of intangible assets totalling £8.0 million. For further detail on non-underlying items see Note 8 in the Notes to the Consolidated Financial Statements.

Net finance expense

Given the volatility of the foreign currency markets resulting from 'Brexit' the Group saw some larger than normal foreign exchange gains and losses. The underlying net result from foreign exchange gains and losses was a £0.1 million loss. The Consolidated Income Statement presents an overall gain of £1.1 million, as there was a net £1.2 million non-underlying gain relating to acquisition related forward contracts which the Group took out during the year.

The net finance costs were £0.8 million for the year. The Group refinanced to support the acquisition activity and underlying finance costs remain low due to the ongoing historic low interest rates and the continuing strength of the Group's balance sheet.

Other Comprehensive Income

With the non-sterling acquisitions made during the year the Group's exposure to exchange differences on translation of foreign operations is increasing. The Group recognised a gain in Other Comprehensive Income of £3.3 million for the year.

Taxation

The Group's effective tax rate for the year was 13.5% (2015: 35.2%). There was significant IPO related activity in the prior year that heavily impacted the effective tax rate and when normalised for non-underlying items the rate for the year was 15.1% (2015: 13.7%).

Deferred tax liabilities have been recognised for a first time through the acquisitions and at the year-end there was £2.3 million on balance sheet.

Earnings per share

Underlying diluted earnings per share of 17.4 pence (2015: 13.9 pence) and diluted earnings per share 11.3 pence (2015: 1.4 pence).

Statement of financial position and net funds

The significant acquisition activity during the year has seen the carrying value of goodwill and other intangible assets increase to £82.7 million (2015: £7.7 million). 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 has established key controls for monitoring the carrying value of these assets.

The cash position of the Group remains strong with cash generated by operations of £18.7 million (2015: 12.4 million), enabling the Board to continue with its progressive dividend policy as the Group grows. There was significant cash outflow during the year in relation to the acquisitions, a £94.5 million capital raise and a net £42 million loan refinancing, which in conjunction with the operations has resulted in net cash at the year-end of £46.1 million (2015: £1.2 million) (see Note 18 in the Notes to the Consolidated Financial Statements). It should be noted that the year-end position is inclusive of £73.8 million held in readiness and paid for the completion of the acquisition of the IFS Group on 1 January 2017.

Working capital relating to customer invoicing improved year on year with the working capital as a percentage of annualised revenue at 17% (2015: 26%); the reduction largely relates to acquisitions which have proportionally larger elements of invoicing in advance. Trade and other payables were £13.7 million (2015: £3.2 million) with the increase over and above that expected with the growth of the Group being largely attributable to £5.9 million of deferred consideration on the CCS and FAS acquisitions and £1.4m of accrued costs relating to the acquisitions and the capital raise.

Dividend

The Board's progressive dividend policy allows it to retain sufficient capital to fund ongoing operating requirements, an appropriate level of dividend cover and funds to invest in the Group's long-term growth. The board is recommending a final dividend of 6.4 pence per ordinary share.

Together with the previously paid 2016 interim dividend of 3.2 pence per share, this would give a total dividend for the year of 9.6 pence per share (2015: 7.0 pence per share).

Spencer Daley
Chief Financial Officer

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Governance

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"Good governance is at the heart of everything we do."

Rupert Robson
Chairman

www.sannegroupplc.com

Stock code: **SNN**

Governance

Chairman's Introduction

Dear Shareholder

2016 has been an exciting year for the Group with five strategically important acquisitions during the year, one of which completed just after the year end on 1 January 2017. We have achieved substantial growth through the broadening and diversification of our product offering and an expansion of our office network and have built on the governance foundations we put in place following our IPO.

Culture

Good governance is at the heart of everything we do. As a specialist global provider of outsourced administration, reporting and fiduciary services we take pride in our strong culture of transparency, openness and entrepreneurship. As a Board we are focused on continually enhancing the governance culture throughout the organisation.

As an overseas company with a premium listing, we comply with the UK Corporate Governance Code published by the Financial Reporting Council ("FRC") in September 2014 (the "Code"). The FRC updated the Code in April 2016, although companies with reporting periods beginning before 17 June 2016 are only required to report against the September 2014 edition of the Code. The Code is publicly available at ***https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf***.

During the reporting year we have complied with the Code and applied the principles set out in the Code including both the main principles and the supporting principles. Further explanation of how the main principles have been applied is set out below and in the Remuneration Report and the Audit and Risk Committee Report.

Since joining the FTSE 350 in March 2017 our Code obligations have changed. The Board will seek to adapt to those new obligations and expects to be fully compliant by the end of 2017.

Board Composition

We have a talented Board with an excellent mix of skills and experience and an equal balance between Executive and Non-Executive Directors. Furthermore, we recognise the importance of board diversity both at Board level and across the wider Group (as more fully described in the Nomination Committee Report). The Board members' track record is predominantly within the financial services sector which we consider to be appropriate for our business and each brings a wealth of experience and skills to bear on all aspects of the management of the Company. Biographical details for all Directors, which include a summary of their particular experience and qualifications, are set out on pages 40 to 41 of this report.

As a Board, we aim to support management and help to develop and evolve strategy through constructive debate between Executive and Non-Executive Directors. We perform an annual Board evaluation and develop the operation of the Board in light of its findings (see page 45 of this report). By discussion, we ensure that no individual Director or group of Directors can dominate discussion or decision making. Senior management are regularly invited to present at Board meetings providing further opportunities for communication, challenge and support between the Board and management.

During the board evaluation process the decision was taken to appoint an additional independent Channel Islands based Non-Executive Director during 2017 to chair the proposed new stand-alone Risk Committee. The Board is also exploring the appointment of a further additional Non-Executive Director during 2017 to bring specialist asset or jurisdictional expertise.

Risk

The Audit and Risk Committee works closely with senior management to gather and refine the risk management information that is escalated to the Board. Both the Board and the Audit and Risk Committee work with the Group's dedicated Chief Risk Officer to further enhance the risk architecture of the Group. This is an aspect of the business that receives considerable attention from the Board in the interests of creating sustainable Shareholder value.

People

In a high growth business such as Sanne, it is important both to maintain standards and keep an appropriate perspective on the strategic direction of travel. The Board and its Committees spend a considerable amount of time building relationships with key operational staff within the organisation to ensure that the Board is fully aware of the challenges facing its people in the delivery of the Group's services.

Remuneration

Nicola Palios, the Chairman of the Remuneration Committee, has set out her report on pages 56 to 71 of this Annual Report. The Remuneration Committee and the Board have been fully engaged in monitoring the effectiveness of the remuneration structure and practices to accommodate the needs and characteristics of a high growth and successful business.

Shareholder Communications

There has been significant communication and engagement with Shareholders over the last 12 months due, not least, to the strategic acquisitions we have made during the year and also the capital raise in November 2016.

The Non-Executive Directors are available to discuss any matter Shareholders might wish to raise, and the Chairman and Independent Non-Executive Directors will attend meetings with investors and analysts as required.

I am grateful to all of our Shareholders for their support and to those who have given feedback.

2016 was a year of significant progress and the Board will continue to discuss and challenge its assumptions and conclusions concerning the development of the business and will remain assiduous on behalf of Shareholders during 2017.

Rupert Robson
Chairman

Governance

Composition of the Board

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

The Board currently consists of the Non-Executive Chairman, three Executive Directors and two 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. This composition is compliant with the Code as it applied to the Company during the reporting period, which requires that a smaller company should have at least two independent non-executive directors. Independent directors are those deemed to be free of any business relationships that could compromise the exercise of independent and objective judgement. Having joined the FTSE 250 in March 2017, the appointment of an additional independent Non-Executive Director during 2017, which has been agreed by the Board, will bring the composition of the Board in line with the additional Code requirement by 31 December 2017.

Each Director has committed to dedicate as much time as is necessary to the Company with the Non-Executive Directors' letters of appointment confirming the minimum number of days each should be prepared to devote to the Company.

Directors

AR R N

Rupert Robson
Non-Executive Chairman

Rupert Robson was appointed as a Non-executive Chairman of Sanne Group plc in March 2015. He is also Non-Executive Chairman of TP ICAP plc and EMF Capital Partners 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.

AR R N

Andy Pomfret, ACA
Non-Executive Director

Andy Pomfret is a Non-Executive Director of Sanne Group plc. Most recently, he 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, Interactive Investor plc and Chairman of Miton UK MicroCap Trust plc.

AR R N

Nicola Palios
Non-Executive Director

Nicola Palios is a Non-Executive Director of Sanne Group plc. She 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 variety of Non-Executive Directorships including Chairman of the States of Jersey Development Company and Voxsmart Limited, a financial services compliance software business.

Dean Godwin, ACIS
Chief Executive Officer

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.

Spencer Daley, ACA
Chief Financial Officer

As Chief Financial Officer, Spencer is responsible for managing the financial strategy and operations of the Group. He has over 15 years' experience in financial services organisations and is a skilled practitioner in areas of financial restructuring, business transformation and acquisitions. He was previously Finance Director for State Street's AIS EMEA Private Equity and Real Estate alternative asset administration business.

Philip Godley, FCA
Senior Managing Director (Chief Operating Officer during the reporting period)

As Senior Managing Director, Phil is responsible for the global product and services offering. Prior to this Phil held the role of Chief Operating Officer. Phil has also previously headed up the Debt division and has over 15 years' experience providing asset administration and financial reporting services to specialist loan funds, MTN Programmes, securitisations, distressed debt funds and other fixed income structures.

AR Member of the Audit and Risk Committee

R Member of the Remuneration Committee

N Member of the Nomination Committee

Governance

Composition of the Board

continued

Role of the Board

The Board is responsible to the Shareholders and sets the Group's strategy for achieving long-term success. It is also ultimately responsible for the management, governance, controls, risk management, direction and performance of the Group. The operation of the Board is documented in the formal schedule of matters reserved for approval. This schedule is reviewed annually and was considered at the March 2016 Board meeting. The matters reserved for Board approval include:

- The Group's strategic aims and objectives;
- The structure and capital of the Group;
- Financial reporting, financial controls and dividend policy;
- Internal control, risk and the Group's risk appetite;
- The approval of significant contracts and expenditure;
- Acquisitions and disposals;
- Effective communication with Shareholders; and
- Any changes in Board membership or structure.

Division of Responsibilities

In order for the Board to operate effectively, the roles of Chairman and Chief Executive Officer are separate and clearly defined. Rupert Robson, the Chairman, leads the Board and is responsible for its effectiveness and governance. He sets the tone for the Company and ensures the links between the Board and management and between the Board and Shareholders are strong. He sets the Board Agenda and ensures that sufficient time is allocated to important matters, in particular those relating to strategy issues. Dean Godwin, the Chief Executive Officer is responsible for the day-to-day management of the Group's operations, for recommending the Group's strategy to the Board and for implementing the strategy agreed by the Board. He is supported in decision-making by an Executive Committee comprising members of the senior management team. A summary of the key areas of responsibility of the Chairman and Chief Executive Officer is set out below:

Role of the Chairman

- Chairing Board and general meetings and those of the Nomination Committee.
- Running the Board effectively and setting the Board agenda.
- Ensuring that there is appropriate delegation of authority from the Board to Executive management and monitoring the effective implementation of Board decisions.
- Ensuring that the Directors receive accurate, timely and clear information.
- Facilitating the effective contribution of Non-Executive Directors and encouraging active engagement by all members of the Board.
- Ensuring constructive relations between the Executive and Non-Executive Directors.
- Ensuring that the development needs of Directors are identified and met.
- Ensuring effective communication with Shareholders.
- Maintaining sufficient contact with major Shareholders to understand their issues and concerns, in particular discussing governance, strategy and remuneration with them.
- Ensuring that the views of Shareholders are communicated to the Board as a whole so that all Directors develop an understanding of their views.

Role of the Chief Executive Officer

- Developing Group objectives and strategy having regard to the Group's responsibilities to its Shareholders, clients, employees and other stakeholders.
- Ensuring the successful achievement of objectives and execution of strategy following presentation to, and approval by, the Board.
- Recommending to the Board annual budgets and financial plans and ensuring their achievement following Board approval.
- Optimising the use and adequacy of the Group's resources.
- Examining all trade investments and major capital expenditure proposed by subsidiary companies and the recommending to the Group Board of those which, in a Group context, are material either by nature or cost.
- Identifying and executing acquisitions and disposals, approving major proposals or bids.
- Leading geographic diversification initiatives.
- Identifying and executing new business opportunities outside the current core activities.
- Managing the Group's risk profile, including the health and safety performance of the business, in line with the extent and categories of risk identified as acceptable by the Board.
- Ensuring appropriate internal controls are in place.

Role of the Chairman	Role of the Chief Executive Officer
• Promoting effective relationships and open communication between Executive and Non-Executive Directors both inside and outside the boardroom, ensuring an appropriate balance of skills and personalities. • Building an effective and complementary Board and, with the Nomination Committee, initiating change and planning succession in Board appointments subject to Board and Shareholder approval. • Promoting the highest standards of corporate governance. • Ensuring an appropriate balance is maintained between the interests of Shareholders and other stakeholders. • Monitoring the long-term sustainability of the business. • Establishing a close relationship of trust with the Chief Executive Officer and Chief Financial Officer, providing support and advice while respecting Executive responsibility. • Supporting and advising the Chief Executive Officer in providing coherent leadership of the Company, including, representing the Group to clients, suppliers, government, Shareholders, financial institutions, employees, the media, the community and the public.	• Providing a means for timely and accurate disclosure of information, including an escalation route for issues. • Ensuring effective communication with Shareholders. • Setting group HR policies, including management development and succession planning for the senior Executive team and approving the appointment and termination of employment of members of that team. • Leading the Executive Directors and the senior Executive team in the day-to-day running of the Group's business, including chairing the Executive Committee and communicating its decisions/recommendations to the Board. • Developing senior teams within subsidiaries and ensuring succession planning. • Developing Group policies for Board approval and then implementing them. • Together with the Chairman, providing coherent leadership of the Company, including representing the Group to clients, suppliers, government, Shareholders, financial institutions, employees, the media, the community and the public.

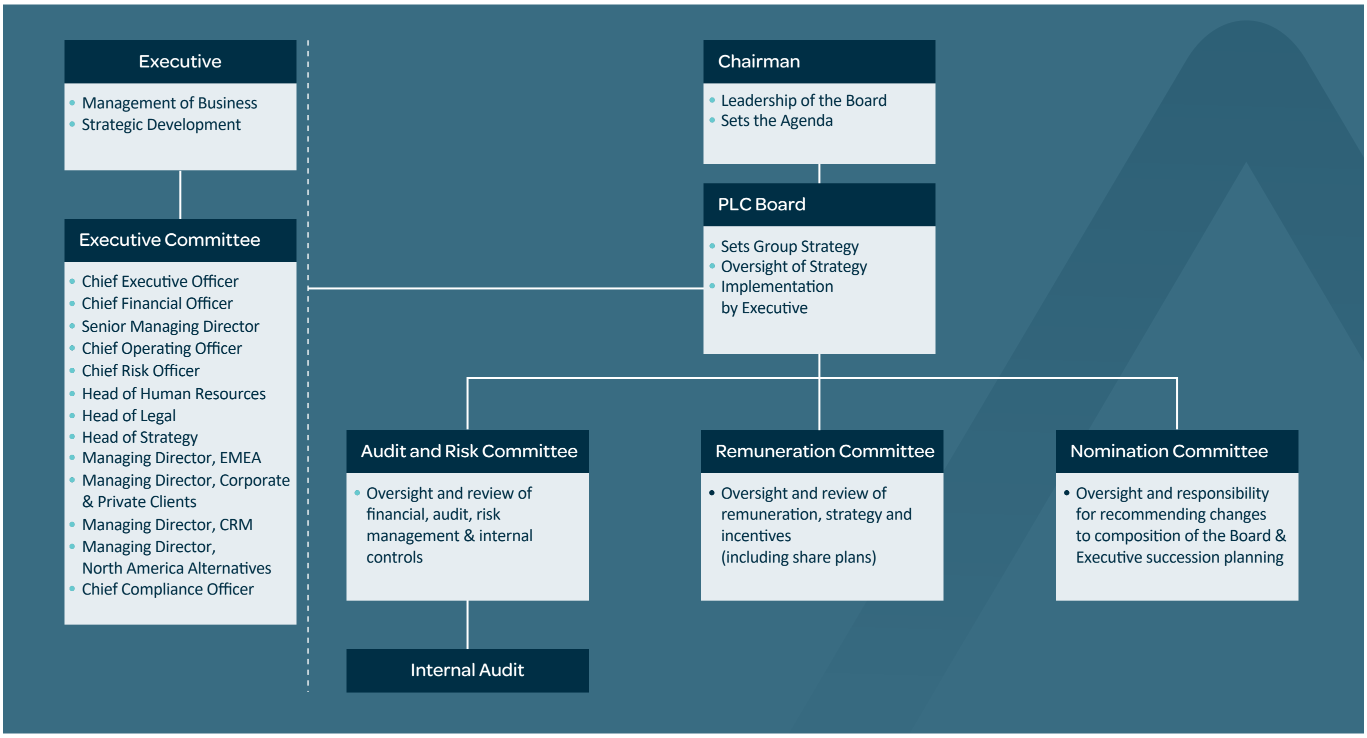
Senior Independent Director

Andy Pomfret is the Senior Independent Director ("SID"). The SID's role is to act as a sounding board for the Chairman and serve as an intermediary for the other Directors when necessary.

The SID is also available to Shareholders if they have issues or concerns that have not been resolved through the normal channels of Chairman, Chief Executive or Chief Financial Officer or for which such contact is inappropriate.

Governance

How the Board Operates



Board Committees

The Board has delegated certain responsibilities to each of the Nomination, Audit and Risk and Remuneration Committees, details of which are set out in the separate reports on pages 51, 53 and 56 respectively. Each Committee has written terms of reference setting out its duties, authority and reporting responsibilities. All terms of reference were reviewed during the year by the Committees themselves and by the full Board during the year. Copies of the terms of reference are available on the Company's website www.sannegroupplc.com or on request from the Company Secretary. Any changes to the Committees' membership can be made by the Board following a review or recommendation from the Nomination Committee.

The Company Secretary is secretary to each Committee.

Executive Committee

The Executive Committee comprises 13 members and operates under terms of reference approved by the Board. The Board has sight of the minutes of the Committee.

Administration Committee

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

Directors' and Officers' Liability Insurance

The Company maintains appropriate levels of Directors' and Officers' insurance as well as Professional Indemnity cover for all its operational businesses and engagements.

Board Effectiveness

Composition of the Board

The Board currently consists of the Non-Executive Chairman, three Executive Directors and two 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. This composition is compliant with the Code which requires that a smaller (ie outside the FTSE 350) company should have at least two independent non-executive directors. Independent directors are those determined to be free of any business relationships that could compromise the exercise of independent and objective judgement.

The Board has agreed to appoint an additional independent Non-Executive Director during 2017 to chair the proposed new stand-alone Risk Committee. The Board is also exploring the appointment of a further additional Non-Executive Director during 2017 with specialist asset or jurisdictional expertise.

Having joined the FTSE 250 in March 2017, the Company will need to appoint one additional Non-Executive Director in order to comply with the principles and provisions of the Code by 31 December 2017.

Appointments to the Board

The identification of suitable candidates for appointment to the Board is delegated to the Nomination Committee which does so with due regard for the benefits of diversity on the Board. The Nomination Committee report is set out on page 51.

Commitment

The Board has met nine times during the year under review, see table below. 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 Company's affairs 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 Company. The time commitments required by the Non-Executive Directors were discussed by the Nomination Committee during the year and, taking into account external commitments, it was felt that the Non-Executive Directors committed sufficient time to the Company and were not unduly stretched by their commitments to other organisations.

In the event that Directors are unable to attend a meeting, their comments on papers to be considered at the meeting will be discussed in advance with the Chairman so that their contribution can be included in the wider board discussion.

The Board considered the time commitment of the Chairman, in light of his other time commitments, as noted in his biography on page 38, at the time of his appointment and concluded that he fully satisfied his obligations to the Company. There has been no change in his other time commitments since the Company's listing in 2015.

	Board (Number)	Audit and Risk Committee (Number)	Remuneration Committee (Number)	Nomination Committee (Number)
Rupert Robson	1 2 3 4 5 6 7 8 9	1 2 3 4	1 2 3 4	1 2 3
Nicola Palios	1 2 3 4 5 6 7 8 9	1 2 3 4	1 2 3 4	1 2 3
Andy Pomfret	1 2 3 4 5 6 7 8 9	1 2 3 4	1 2 3 4	1 2 3
Dean Godwin	1 2 3 4 5 6 7 8 9	–	–	–
Spencer Daley	1 2 3 4 5 6 7 8 9	–	–	–
Philip Godley	1 2 3 4 5 6 7 8 9	–	–	–

Due to adverse weather conditions Rupert Robson, Nicola Palios and Andy Pomfret were in attendance as observers via telephone for the meeting of the Board held in December 2016.

External Appointments

In appropriate circumstances, the Board may authorise the Executive Directors to take non-executive positions in other companies and organisations, provided the time commitment does not conflict with the Director's duties to the Company, since such appointments should broaden their experience. The appointment to such positions is subject to the approval of the Board. For the avoidance of doubt, no such positions have been taken by the Executive Directors.

Governance

Board Effectiveness
continued

Board Decisions and Activity during the year

The Board has a schedule of regular business, financial and operational matters, and each Board Committee has compiled a schedule of work, to ensure that all areas for which the Board has responsibility are addressed and reviewed during the course of the year.

Reports from the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer were standing items on Board agendas throughout the year. In addition, Directors considered the merits of proposed acquisitions, the acquisitions pipeline and the progress on the integration of acquisitions made. The Company Secretary reported on legal, regulatory and governance matters and is tasked with updating the Board on any changes to their statutory duties or the regulatory arena. The Chairman of each Committee reports on the proceedings of the previous Committee meeting at the next Board meeting.

In addition to the items outlined above, some of the other key areas of focus for the Board, during the year, are set out below:

January 2016	• Review of divisional business plans • Presentations on business systems and Executive Incentives • Group budget approval • Risk review
March 2016	• Consideration of the strategic plan • Consideration of the preliminary results and proposed dividend • Review of the schedule of matters reserved for the Board • Review of the results of the Board evaluation exercise • Review of the notice the Annual General Meeting
May 2016	• Consideration of Group property strategy • Discussion around succession planning and Board requirements • Risk review • Presentation on UK and Jersey law from the Group's lawyers
June 2016	• Review of Executive Committee Terms of Reference • Discussion on the new Market Abuse Regulations • Discussion on new internal audit arrangements • Arrangements for 2016 and 2017 Board evaluation
September 2016	• Risk review • Review of interim financial statement • Consideration of the impact of Brexit on the Group
November 2016	• Discussion on Auditors' reappointment • Review and approval of Board evaluation questionnaire
November 2016	• A review of the Vision Statement • Acquisition integration and the required management bandwidth • The Group's geographical presence • People and succession planning • The Group's operational and reporting structure • Operational leverage • Business development and communications branding strategy • Technology
November 2016	• Consideration of Prospectus including class 1 circular
December 2016	• Chief Executive Officer's Report • Chief Operating Officer's Update • Chief Financial Officer's Report • Draft Budget 2017

Senior management and advisors are invited to attend Board and Committee meetings, where appropriate, to present, contribute to discussion and advise Directors on particular matters. The involvement of senior management at Board and Committee discussions strengthens the relationship between the Board and senior management and helps to provide the Board with a greater understanding of operations and strategy.

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 Company or any of its subsidiaries which conflicts, or may conflict, to a material extent with the interests of the Company. A Directors' Register of Conflicts of Interest is maintained by the Company Secretary and is considered by the Directors as a standing agenda item as each Board meeting.

Director Development

Induction

All Directors have been members of the Board since the Company's listing in April 2015 and no Directors have joined the Board subsequent to the listing date. Prior to joining the Board the Non-Executive Directors took part in an induction process during which they familiarised themselves with the Group's business, finances, risks, strategy, procedures and markets in which the Company operates through meetings with the senior management team and divisional business heads.

It is intended that on joining the Board, new Directors will undergo a formal induction programme that will be tailored to the existing knowledge and experience of the Director concerned. Non-Executive Directors will meet the Chairman and Chief Executive Officer as part of the Nomination Committee's selection process and again on appointment for a thorough briefing on all relevant aspects of the Group. They will also meet the Company Secretary, senior management and the Company's lawyers and other relevant advisors for briefings on their responsibility as Directors and on the Group's business.

Development

The Company Secretary ensures that all Directors are kept abreast of changes in relevant legislation and regulations and, periodically, the Company's advisors are invited to present to the Board on specific topics.

An enhanced performance management framework launched in 2016 whereby Executive Directors' performance objectives are aligned to the Company's key strategic objectives and any personal and professional developments needs were considered.

An annual performance appraisal of Non-Executive Directors was undertaken by the Chairman during the year and any training or professional development needs were identified. The Senior Independent Director and the other Non-Executive Directors met without the Chairman being present to evaluate the Chairman's performance, having first obtained feedback from the Executive Directors. Appropriate feedback was provided following these meetings.

All Directors are free to attend seminars and briefings, at the Company'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.

Information and Support

The Chairman, aided by the Company Secretary, is responsible for ensuring that the Directors receive accurate and timely information. The Company Secretary compiles the Board and Committee papers which are circulated to Directors in advance of the meeting via a secure web portal to allow sufficient time for review. The Company Secretary also ensures that any feedback or suggestions for improvement on Board papers is fed back to management and standard reporting is evolved to incorporate suggested amendments and enhancements. The Company Secretary provides minutes of each meeting and every Director is aware of the right to have any concerns minuted.

Independent Professional Advice

Directors have access to independent professional advice at the Company's expense. In addition, they have access to the advice and services of the Company Secretary who is responsible for advice on corporate governance matters to the Board.

Evaluation

A formal Board evaluation took place during the year by way of questionnaire and the consolidated results were discussed at length at the March Board meeting. The Directors concluded that the Board was operating satisfactorily although there was scope for more professional development for Directors and further discussion on succession planning. Both these topics were included on subsequent Board agendas and succession planning was looked at, in depth, by the Nomination Committee and the Board at its strategy day. The Board intends to conduct a similar exercise in 2017 and look to have an external evaluation in 2018.

Re-election

In accordance with Corporate Governance best practice and provision B.7.1. of the Code, all Directors intend to retire and offer themselves for re-election at the forthcoming AGM on 18 May 2017.

Governance

Board Effectiveness

continued

Dialogue with Shareholders

The Group has a website focused on information and updates relevant to public Shareholders (www.sannegroupplc.com).

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.

Investor relations activity and a review of significant share movements are standing items on the Board's agenda.

Constructive Use of General Meetings

The second Annual General Meeting of the Company will take place on 18 May 2017 at 13 Castle Street, St. Helier, Jersey and the Chairperson of each of the Board's Committees will be present to answer questions put to them by Shareholders.

To encourage Shareholders to participate in the AGM process, the Company proposes that all resolutions will be decided on a poll.

Voting results will be announced through the Regulatory News Service and made available on the Company's website.

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and Auditor's report, for the year ended 31 December 2016. The Governance section on pages 36 to 77 forms part of this Directors' Report.

The Directors believe that the requisite components of this report are set out elsewhere in this annual report and/or on the Company's website, www.sannegroupplc.com. The table sets out the necessary disclosures or where the necessary disclosures can be found.

<table>
<tr><td>Directors</td><td>Directors that have served during the year and summaries of the current Directors' key skills and experience are set out in the Governance Report on pages 40 and 41.</td></tr>
<tr><td>Results and Dividends</td><td>Results for the year ended 31 December 2016 are set out in the Financial Report on page 34 and the Consolidated Income Statement on page 80. Information regarding dividend payments can be found in the Notes to the Financial Statements on page 98.</td></tr>
<tr><td>Articles of Association</td><td>A copy of the full articles of association are available upon request from the Company Secretary. Any amendments to the articles of association may be made by a special resolution of Shareholders.</td></tr>
<tr><td>Share Capital</td><td>Details of the Company's share capital are set out in Note 20 of the Notes to the Consolidated Financial Statements on page 104.</td></tr>
<tr><td>Acquisitions of the Company's own shares</td><td>Further to the Shareholders' resolutions of 5 May 2016, the Company has not made any share purchases during the year.

At the end of the year, the Directors had authority, under the Shareholders' resolutions of 5 May 2016, to purchase a maximum number of 11,572,140 ordinary shares representing approximately 10% of the ordinary shares in issue at 5 May 2016. This authority expires at the end of the next Annual General Meeting.</td></tr>
<tr><td>Directors' Interests</td><td>Details of the Directors' beneficial interests are set out in the Remuneration Report on page 68.</td></tr>
<tr><td>Directors' Indemnities and Directors' and Officers' Liability Insurance</td><td>Details regarding deeds of indemnity and Directors' and Officers' Liability insurance are set out in the Governance Report on page 44.</td></tr>
<tr><td>Major interests in shares</td><td>On 31 December 2016, the Company has been notified, in accordance with chapter five of the Disclosure and Transparency Rules, of the following voting rights as a Shareholder of the Company:
<table>
<tr><th>Name of person(s) subject to notification</th><th>Percentage of voting rights and issued share capital</th><th>No. of ordinary shares</th></tr>
<tr><td>Standard Life Investments (Holdings) Limited (Parent Company)</td><td>Indirect: 14.603%</td><td>19,742,862</td></tr>
<tr><td>Liontrust Investment Partners LLP</td><td>Direct: 9.13%</td><td>12,337,827</td></tr>
<tr><td>BlackRock, Inc</td><td>Indirect: 5.41%</td><td>7,315,953</td></tr>
<tr><td>Wellington Management Group LLP</td><td>Indirect: 4.87%</td><td>6,581,865</td></tr>
</table>
During the period between 31 December 2016 to 24 March 2017, the Company has been notified, in accordance with chapter five of the Disclosure and Transparency Rules, of the following changed level of voting rights as a Shareholder of the Company:
<table>
<tr><th>Name of person(s) subject to notification</th><th>Percentage of voting rights and issued share capital</th><th>No. of ordinary shares</th></tr>
<tr><td>BlackRock, Inc</td><td>Indirect: 5.18%</td><td>7,315,952</td></tr>
<tr><td>Standard Life Investments (Holdings) Limited (Parent Company)</td><td>Indirect: 13.511%</td><td>19,054,724</td></tr>
</table>
</td></tr>
</table>

Governance

Directors' Report

continued

Financial Risk Management	Details of the Company's policies on financial risk management are outlined in the Audit and Risk Committee Report and in Note 28 of the Notes to the Consolidated Financial Statements.
Going Concern	The Company's going concern statement can be found in the Audit and Risk Committee Report on page 55.
Auditor	The Auditor, Deloitte LLP, have indicated their willingness to continue in office and a resolution seeking to reappoint them will be proposed at the Annual General Meeting.
Post Balance Sheet Events	Details of post balance sheet events can be found on pages 116 and 117.
Annual General Meeting	Details of the forthcoming Annual General Meeting can be found on page 48 of the Governance Report.

Listing Rule ("LR") disclosures

For the purposes of LR 9.8.4CR, the information required to be disclosed by LR 9.8.4R can be found in the following locations:

Interest capitalised	Not applicable
Publication of unaudited financial information	The Company published a combined prospectus and class 1 circular on 30 November 2016 relating to the proposed acquisition of IFS and capital raise
Details of long-term incentive plans	Details of the Company's long-term incentive scheme can be found in the Remuneration Committee Report on page 62
Waiver of emoluments by a Director	Not applicable
Waiver of future emoluments by a Director	Not applicable
Non pre-emptive issues of equity for cash	Firm placing of 11,572,100 Ordinary Shares at 490 pence per share Placing and open offer of 7,714,760 Ordinary Shares at 490 pence in connection with the acquisition of International Financial Services Limited and IFS Trustees.
Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings	See above
Contracts of significance	Not applicable
Provision of services by a controlling Shareholder	Not applicable
Shareholder waiver of dividends	No such waiver
Shareholder waiver of future dividends	Sanne Fiduciary Services Limited as trustee of the Sanne Group Employees Share Trust ("EBT") waived dividends for all unallocated shares held in the EBT on 5 December 2016.
Agreements with controlling Shareholder	Not applicable

The Directors' Report comprising pages 49 to 50 has been approved by the Board of Directors of Sanne Group plc.

By Order of the Board

Dean Godwin
Chief Executive Officer
28 March 2017

Registered office:
13 Castle Street
St Helier
Jersey
JE4 5UT

Nomination Committee Report

Rupert Robson
Chairman, Nomination Committee

"The Committee believes that the Board has a role in developing the future leaders of the business."

Dear Shareholder,

During 2016 the business has grown significantly both organically and through the successful completion of key acquisitions. As a result of this step change in the scale of the business the Committee has focused on ensuring that there is sufficient management bandwidth to support both the existing business and future development. It has also been considering the appropriate time to increase the Non-Executive presence on the Board to bring further expertise and to ensure ongoing compliance with Code requirements.

Membership

Rupert Robson (Chair)
Nicola Palios
Andy Pomfret

Meeting Attendance

The Committee is required to meet twice a year but meets more frequently if necessary. During 2016 the Committee met three times.

	Number of meetings attended
Rupert Robson	1 2 3
Nicola Palios	1 2 3
Andy Pomfret	1 2 3

Duties

The Committee reviewed its own terms of reference during the year and recommended no change to the Board. The principal duties of the Committee are:

- Reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board;
- Considering succession planning for the Directors and other senior management taking into account the challenges and opportunities facing the Company and the wider Group, and the skills and expertise needed in the future;
- Considering candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position; and
- Reviewing the results of the Board performance evaluation process that relate to the composition of the Board.

Progress during the year

Succession Planning and Senior Management Structure

Early in the year, the Committee put in place a creditable emergency senior management succession plan to ensure business continuity in the event that the Chief Executive Officer or Chief Financial Offer were absent on short notice. We then turned our attention to longer term succession planning and the need to identify talent from both within the Group itself and from the wider market. In our discussions we also considered the additional resources needed to support the evolving operating model more fully described on page 10 of the report.

The Committee also reviewed and had input into the job description and reporting lines of the incoming Chief Operating Officer.

Committee Structure

During the year, the Committee reviewed the membership of all three Board Committees and has looked in particular at the merits of separating the current Audit and Risk Committee into two distinct Committees with focused duties. This proposal has been agreed in conjunction with the appointment of an additional Non-Executive Director during the course of 2017 to chair the stand-alone Risk Committee. The Committee is also exploring the appointment of a further additional Non-Executive Director during 2017 with specialist asset or jurisdictional expertise.

Governance

Nomination Committee Report
continued

Non-Executive Directors' Time Commitments

The Committee considered the external appointments and responsibilities of the Non-Executive Directors and concluded, and reported to the full Board, that they were able to devote sufficient time to the Group.

Diversity

Sanne is an equal opportunities employer and the Group's policy is to ensure that all employees or those seeking employment are treated fairly and all decisions relating to recruitment, selection and/or promotion are made objectively regardless of race ethnicity, nationality, gender, sexual orientation, religious belief, political opinion, marital status, age or disability.

The Committee is always cognisant of the importance of diversity (including gender diversity) both on the Board and in the wider Group. The Company has one female Non-Executive Director and women are well represented across the Group including at senior management level where 37.1% of director grade employees are women.

Board Development, Guidance and Knowledge Sharing

The Committee believes that the Board has a role in developing the future leaders of the business and should provide guidance and expertise where appropriate. To this end a number of informal meetings and mentoring sessions took place between Non-Executive Directors and members of senior management.

Rupert Robson
Chairman, Nomination Committee
28 March 2017

Audit and Risk Committee Report


Andy Pomfret
Chairman, Audit and Risk Committee

"The methodology and process for ensuring all parts of the Group, and any new acquisitions, continued to comply with the regulatory and jurisdictional requirements in the markets in which they operate was regularly monitored."

Dear Shareholder

The Audit and Risk Committee's key responsibilities are to monitor the integrity of the Company's financial reporting process and to ensure that robust and effective risk management and internal controls systems are in place. These responsibilities are reflected in the areas of focus that I identified in my report to you last year, and below I describe the progress made during the year.

Membership

Andy Pomfret (Chair)
Rupert Robson
Nicola Palios

The Board is satisfied that members of the Committee have recent and relevant financial experience, including extensive experience in the financial services industry, as is shown in their biographies on page 40 and 41 of this report.

Meeting Attendance

The Committee is required to meet at least three times a year but meets more frequently if necessary. During 2016 the Committee met four times.

	Number of meetings attended
Rupert Robson	1 2 3 4
Nicola Palios	1 2 3 4
Andy Pomfret	1 2 3 4

Duties

The Committee reviewed its own terms of reference during the year and recommended some minor changes which were approved by the Board. The principal duties of the Committee are:

- Monitoring the integrity of the financial statements of the Group, including its annual and half-yearly reports, any interim management statements, and any other formal announcement relating to its financial performance. It reports to the Board on significant financial reporting issues and judgements made;
- Monitoring and reviewing the effectiveness of the Company's internal audit function, in the context of the Group's overall risk management system;
- Monitoring and reviewing the effectiveness of the Company's External Auditor, recommending its remuneration and assessing its independence and objectivity along with the effectiveness of the external audit process;
- Advising the Board on 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 risk which we believe are of critical importance;
- Keeping the effectiveness of the internal financial controls and internal controls and risk management systems under review;
- 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; and
- Reviewing the performance of the risk management function and the compliance function and ensuring that they have adequate resources.

Governance

Audit and Risk Committee Report

continued

Significant Accounting Issues Considered in 2016

Significant financial and reporting issues considered by the Committee in the year were as follows:

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 accrued income and trade 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 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.
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 be granted under the terms of the Performance Share Plan and Restricted Stock Awards. In doing so we have reviewed and are satisfied with management expectations around the achievement of performance targets.
Accounting for acquisitions	We have reviewed the judgements made and used by management in the allocation of the purchase price of the various acquisitions completed during the year. We are satisfied that the overall allocations between goodwill and identifiable intangible assets are reasonable and also within the estimated useful lives.

In accordance with the Code requirements, the Committee has reviewed the 2016 Annual Report and Accounts and considered whether they are fair, balanced and understandable. The Committee's opinion is that they are fair, balanced and capable of being understood by Shareholders and that they include all the necessary information to allow our shareholders to assess the Group's performance, business model and strategy.

Internal Control and Risk Management Systems

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. It has delegated to the Committee, within its terms of reference, the formal monitoring of compliance with this obligation and receives regular reports from the Committee. During the year the Committee spent time evaluating the Group's risk register and how gross and net risks are measured and compared to the Group's risk appetite. The Chief Risk Officer was regularly in attendance to answer questions and debate with the Committee.

The Committee recognises its role in evaluating the risks associated with the Group's proposed acquisitions and, during the year, assessed, on behalf of the Board, due diligence and risk reports produced as part of management's investment proposals and passed its recommendations to the Board.

During the year the Group's compliance strategy was added as a standard agenda item for consideration by the Committee and the Chief Compliance Officer was invited to update the Committee regularly. The methodology and process for ensuring all parts of the Group, and any new acquisitions, continued to comply with the regulatory and jurisdictional requirements in the markets in which they operate was regularly monitored and discussed.

For the purposes of this annual report, the Audit and Risk Committee, on behalf of the Board, reviewed the effectiveness of the system of risk management and internal control and has established a continuous process for identifying, evaluating and managing the significant risks the Group faces. As a result, it is considered that the Board has fulfilled its obligations under the Code.

In performing its review of effectiveness, the Committee considered the following reports and activities:

- Reports from Internal Audit in accordance with the internal audit plan;
- Formal assessment of risks more fully described in the Risk Management section of the Strategic Report;
- Reports from the Group's Chief Risk Officer and the Chief Compliance Officer including reports on Group wide risk assessment activity and annual self-assessment findings; and
- Reports from the External Auditor on any issues identified during the course of their work.

Having reviewed the effectiveness of the system of internal control, for the period under review and up to the date of appraisal of the financial statements, the Committee was satisfied that necessary actions have been, or are being taken to address any significant issues identified.

The Board will continue to regularly review the effectiveness of the Group's risk management and internal controls.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company are set out in the Risk Management section of the Strategic Report on page 26.

The Internal Audit Process

Early in the year, the Committee discussed and approved the internal audit plan. On 9 September 2016 responsibility for undertaking the internal audit process was handed over from Grant Thornton to Penny Plane, a newly recruited Internal Auditor. The Company's internal Audit Charter and Manual were amended to reflect this change. The Internal Audit function has a programme of works which have been agreed by the Committee and the Internal Auditor provides the Committee with regular reports on findings which are discussed in full by the Committee members.

The External Audit Process

The Board considers it of prime importance that the External Auditor remains independent and objective and the Committee adheres to best practice and Code guidance governing the appointment of auditors and the audit process. The current audit partner, Andy Isham, took this role on 9 June 2015 and, under the transitional provisions of the EU Statutory Audit regime and the Competition and Markets Authority Order (CMA Order), the Company is not obliged to tender for audit services until 2025. Nevertheless the Committee undertook a full review of the effectiveness of the External Auditor taking into account the views of the management team. The Committee was satisfied that an independent relationship with the auditors had been maintained and that this was a critical part of assessing the effectiveness of the audit process.

During the year the Committee reviewed the level of audit and non-audit fees paid to the Auditors and made some minor adjustments to the policy on non-audit spend. The Company's overriding policy is that non-audit spend will not exceed 70% of audit fees. The committee also scheduled a number of discussions with the Auditors without the Executive Directors or management present in order to provide the opportunity for the Auditors to raise any concerns.

Following the Committee's review of the effectiveness of the External Auditor it has recommended to the Board that Deloitte LLP be reappointed Auditors at the forthcoming Annual General Meeting.

Committee Performance Evaluation

The Committee intends to evaluate its own performance in 2017 by way of questionnaire. The form of questionnaire has been agreed by the Committee with results considered at the March 2017 meeting.

Going Concern

The Committee considered the going concern status of the Company and is satisfied that the Company remains a going concern and has reported this to the Board.

Long-Term Viability Statement

The Viability Statement is set out on page 30 within the Strategic Report. The Committee considered the long-term viability of the Company and reported its findings to the Board. The Committee also discussed the parameters of the report in light of market and regulatory expectations.

Whistleblowing Procedure

The Group has a whistleblower system enabling employees who are aware of, or suspect, misconduct, illegal activities, fraud, abuse of assets or violations of any Company policy, to report these confidentially. The Group's Whistleblowing Policy was reviewed by the Committee during the year to ensure that the policy was effective and that the appropriate safeguards to protect whistleblowers were in place. The Committee approved the policy without amendment.

Approval

This report has been approved by the Directors of Sanne Group plc.

By Order of the Board

Andy Pomfret
Chairman, Audit and Risk Committee
28 March 2017

Governance

Remuneration Report

Nicola Palios
Non-Executive Director

"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."

Annual Statement Dear Shareholder

I am pleased to present, on behalf of the Board, the remuneration report of the Remuneration Committee in respect of the year ended 31 December 2016, the Company's first full financial year as a listed company. At this year's AGM, there will be a single advisory vote on this annual statement and the annual report on remuneration as the remuneration policy that was approved at the 2016 AGM will continue to apply in 2017.

I set out below a reminder of the objectives of the remuneration policy, the performance outcomes in respect of the 2016 financial year and, following a thorough consultation with leading investors and investor bodies, how we intend to operate the policy in 2017.

Objectives of the remuneration policy and link to strategy

The Company's remuneration policy was well received and obtained 99.66% support at the 2016 AGM. Underpinning the Company's 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.

In determining remuneration levels, the Committee takes into account typical market practice for a company of this size and complexity, the performance of the Company, the Directors' Jersey location (and its lower personal tax rate), their current significant equity holdings and experience and the Committee's responsibility to Shareholders.

Performance and reward for 2016

2016 was a successful year for Sanne which saw adjusted profit before tax increase to £17.89 million. As disclosed in last year's report, the 2016 bonus was based on adjusted profit before tax and the Committee set the targets at a high level so that only exceptionally strong performance would result in a bonus becoming payable. Despite strong growth in adjusted profit before tax, the threshold target under the 2016 annual bonus plan was not achieved and therefore no bonus became payable.

During the year, the Company made its first awards to Directors under the Performance Share Plan. These vest after three years subject to performance against challenging adjusted diluted EPS targets relating to the 2018 financial year. Full details of the awards granted are set out in the annual report on remuneration.

Shareholder consultation and application of policy in 2017

Base salaries

We stated in last year's annual statement and remuneration policy that current base salaries (and therefore Directors' total packages) were significantly below market levels and that this would need to be addressed over time. A failure to do so poses a material risk to the Company with regard to succession planning, particularly as the end of the equity lock-in period applying to the current Executive Directors approaches.

Over the last few months, the Committee has consulted with leading shareholders and shareholder bodies on how it intends to transition remuneration over a period of time so that remuneration packages become appropriate for a FTSE listed company whilst also recognising the Company's Jersey origins.

In considering how to achieve this, the Committee took into account:

- The more benign personal tax rates in Jersey (where the current Directors are located);
- Typical salary levels in UK-listed companies of a broadly similar size (in July 2016 at the time the review was undertaken);
- Investors' desire for significant increases to be phased over a period of time;
- The financial impact of increases to executive pay and the possible knock-on impact of increases for the key personnel who were not Board members; and
- The need to provide salaries that enable Sanne to recruit high calibre executives in a competitive industry, particularly after the current executives' restricted sale agreements expire in 2019.

Having taken independent advice on the level of salaries in comparable listed companies, it is proposed that the current Directors' salaries are increased by £35,000 each in April 2017 and then by 8%p.a. for the CEO and 5% p.a. for the Senior Managing Director[1] ("SMD") and CFO over the next two year period with the second and third increases being subject to continued strong personal and Company performance.

	CURRENT	2017	2018	2019
CEO	£235,000	£270,000	£292,000	£315,000
SMD & CFO	£165,000	£ 200,000	£210,000	£220,000

While the Committee acknowledges that the percentage salary increases are high, the 2019 salaries set out above would still be significantly below typical FTSE levels for a company of this size. Recognising the lower tax rates in Jersey, the 2019 salaries will give net of tax, total target remuneration values closer in line with, but still below that of a UK taxpayer.

2017 incentives

The annual bonus opportunity for Executive Directors for 2017 shall be unchanged at 100% of salary. For 2017, the Committee has decided to introduce a non-financial element to determine 25% of the overall bonus. This will result in a more rounded assessment of performance at a time when the Company is integrating new businesses into the Group. The remaining 75% will be based on a sliding scale of challenging underlying profit before tax targets. The non-financial objectives and underlying profit before tax target range are considered to be commercially sensitive and so are not disclosed in this report, but the Committee will disclose both in next year's remuneration report. Half of any bonus will be paid in cash and the other half will be deferred in shares for three years.

The grant level under the Performance Share Plan for Executive Directors will also be unchanged at 100% of salary. The awards will vest after three years subject to achievement against a sliding scale of underlying basic EPS targets. A two year post-vest holding period will apply creating a five year gap between grant and the ability to sell vested awards (save for any share sale to cover personal tax liabilities on vesting/exercise).

Conclusion

One of our key risks as set out in our Annual Report is the failure to attract, retain, develop and motivate the best people with the right capabilities across all levels and jurisdictions. Salary increases are necessary to attract new talent, particularly in the context of significant growth and expansion and also to create further headroom for possible increases below Board level as we focus on developing our internal talent pipeline.

The Committee is conscious of the need to apply restraint on Directors' packages and to consider typical workforce rises. The Committee believes the increases set out above are relatively modest when applied to salaries which are so far below typical salary levels and when a long period of phasing is applied. Furthermore, the 2018 and 2019 increases will remain subject to continued good Company and individual performance and, if applied, will result ultimately in a prudent and conservative positioning of Directors' pay compared with typical FTSE director packages in companies of a broadly similar size to Sanne.

When considered in the context of no change to variable pay quantum and other features of good practice in place (such as deferral, holding periods and share ownership guidelines), we believe the phased salary increases are fair and reasonable.

The Committee welcomes any feedback on this report and the policy in general. If you would like to get in touch, then please do so through the Company Secretary.

On behalf of the Board, I look forward to your support at the 2017 AGM.

Nicola Palios
Chair of the Remuneration Committee
28 March 2017

[1] Chief Operating Officer during the reporting period

Governance

Remuneration Report
continued

Regulatory regime for disclosure and voting on Directors' remuneration

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

The Remuneration Policy set out below was approved at the AGM on 5 May 2016 and became 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 2017 are provided in the Annual Report on Remuneration.

Membership of the Remuneration Committee and advice received

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.sannegroupplc.com.

The Committee comprises Nicola Palios (Chair), Rupert Robson and Andy Pomfret. Nicola Palios and Andy Pomfret are considered to be independent Non-Executive Directors and Rupert Robson was considered independent at the time of appointment as Company Chairman. 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 Chief Executive Officer, Chief Financial Officer 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 Company Secretary acts as secretary to the Committee.

The Committee retains independent remuneration consultants, New Bridge Street ("NBS") (a trading name of Aon plc), to advise on aspects of remuneration. NBS is a member of the Remuneration Consultants Group and has signed up to its Code of Conduct. NBS has no connection with Sanne Group plc other than in the provision of advice on remuneration (and associated implementation or legal drafting services). The terms of engagement with NBS are available from the Company Secretary on request.

During the year, NBS provided assistance with drafting the remuneration report, the setting of performance targets under the annual bonus and PSP, preparation and presentation of papers including a market update on governance and pay trends and remuneration benchmarking, the Shareholder consultation and share plan implementation. NBS's fees for services provided to the Company in 2016 were £56,991. The Committee is satisfied that NBS is independent and that no conflicts of interest exist.

Since the 2016 AGM, the Committee has met four times and the following key activities have been undertaken:

- September 2016
  - Review of trends, governance developments and the 2016 AGM Season
  - Review Executive Directors' remuneration benchmark data
  - Agree Remuneration Committee annual timetable
- November 2016
  - Approval of draft Committee evaluation questionnaire
  - Review of revised Investment Association Principles of Remuneration
  - Summary of general employee salary review
  - Update on likely incentive outcomes (bonus and PSP) and potential measures for 2017
  - Early consideration of Executive Directors' salary positioning for 2017
- January 2017
  - Agree 2017 PSP participants, award levels, performance measures
  - Review Executive Director performance against 2016 bonus targets
  - Determine Executive Directors' bonus targets for 2017
  - Review compliance with share ownership guidelines
  - Review investor feedback in the context of changes to Directors' remuneration for 2017
  - Review Chairman's fees
- March 2017
  - Confirm Executive Directors' 2016 bonus out-turn
  - Finalise 2017 annual bonus measures and targets
  - Finalise 2017 PSP award levels, performance measures, targets and facilitate grant
  - Confirm 2017 PSP grant for senior management

Directors' Remuneration Policy

The remuneration policy for Executive Directors and senior management is designed to support the business needs of the Group, to ensure it has the ability to attract and retain senior leaders of a high calibre, and to align the long-term interests of Executive Directors and senior management with those of our Shareholders.

Remuneration for Executive Directors

The main component parts of the remuneration policy in respect of Executive Directors are summarised in the following table, explaining how each element operates and how each part links to the corporate strategy.

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 • periodic benchmarking of similar roles in broadly similar UK-listed companies of a similar size and in the Channel Islands.	The Committee is conscious that salary levels, at the time of setting this policy, are positioned below mid-market levels and this policy contains flexibility to increase salary levels as the Company matures and the pre-IPO share awards unwind. Potentially material increases maybe made during this policy period and, ultimately, the intention is to pay around mid-market levels with annual increases thereafter typically in line with the wider workforce. Increases beyond those granted to the workforce may be awarded in certain circumstances. For example, where: • 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, then larger increases may be awarded to move salary positioning closer to an appropriate benchmark for the role; • the Committee considers it appropriate and necessary (such as when an individual assumes more responsibility or his or her performance warrants such an increase); • there has been a change in market practice or as a result of new regulations; or • the size, value or complexity of the Group warrants a higher salary positioning. The Committee will also take into account Sanne-specific factors such as its recent listing and the transition from private to public company, pay levels in Jersey and its lower personal tax rate compared with the UK.	Individual and Company performance is taken into account when determining the annual increase.

Remuneration Report

continued

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Benefits	Operate competitive and cost-effective benefits to help recruit and retain Executive Directors. 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 metrics apply.
Pension	To provide a market-competitive, cost-effective contribution towards post-retirement benefits.	While no pension contributions will be provided in the year this policy is being approved, the Committee wishes to retain the flexibility to provide a pension contribution in future years governed by this policy. This may take the form of a contribution to a personal or Company-operated defined contribution pension plan or a cash allowance in lieu of pension.	The Company contribution to defined contribution plans or salary supplement in lieu of pension may be made up to the value of 15% of salary.	No performance metrics apply.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Annual bonus	To motivate Executive Directors and incentivise the achievement of annual financial and/or strategic targets. Bonus deferral in shares provides a retention element and extra alignment with Shareholders.	Bonus payment is determined by the Committee after the year end, based on performance against the targets set. Targets are reviewed annually at the start of the financial year. Bonus is payable in a mix of cash and deferred shares (usually structured as conditional awards or as nil or nominal cost options) which vest after a deferred period. Recovery and withholding provisions would apply if, within three years of the payment of a bonus and/or grant of a deferred bonus award, it is discovered that the bonus or award was granted to a greater extent than warranted as a result of a material misstatement of financial results, a miscalculation in the grant or assessment of performance conditions or where serious misconduct has been discovered. An additional payment (in the form of cash or 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 under this policy is 150% of base salary. The current annual bonus opportunity is 100% of base salary.	The bonus may 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 opportunity, may include measures such as (Group or business unit) profit taking into account the strategic objectives of the business from time to time. For financial metrics, 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, although this will depend on the measure chosen. The detail of the measures, targets and weightings may be varied by the Committee year on year based on the Company's strategic goals.

Governance

Remuneration Report
continued

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 medium-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 nominal or nil-cost options and vest after three years. Stretching performance conditions normally measured over a period of three years determine the extent to which awards vest. Award levels are reviewed annually taking into account matters such as market practice, overall remuneration, the performance of the Company and the recipients of the award. Recovery and withholding provisions would apply if within three years of vesting it is discovered that the award vested to a greater extent than warranted as a result of a material misstatement of financial results, a miscalculation in the grant or assessment of performance conditions or where serious misconduct has been discovered. A payment (either in cash or shares) may be made on vesting of awards by reference to the value of dividends paid during the period from grant to vesting. There will be a two-year holding period on shares acquired from vested awards.	The maximum annual award under the PSP that may be granted to an individual in any financial year is 150% of base salary. Current award levels are 100% of base salary.	The exercise of awards is conditional upon the achievement of one or more challenging 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.

Notes to the policy table:

Annual bonus and Performance Share Plan performance metrics

The annual bonus and Performance Share Plan 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.

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 those who chair the primary Board committees and the Senior Independent Director. 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 but 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 metrics apply.

Governance

Remuneration Report

continued

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 200% of salary. Only shares owned outright by Executive Directors are included in the guideline. 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.	Not applicable.	No performance metrics apply.

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 and the performance share plan according to their respective rules (the terms of which were summarised for Shareholders in the Company's IPO Prospectus) 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; and
- 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.

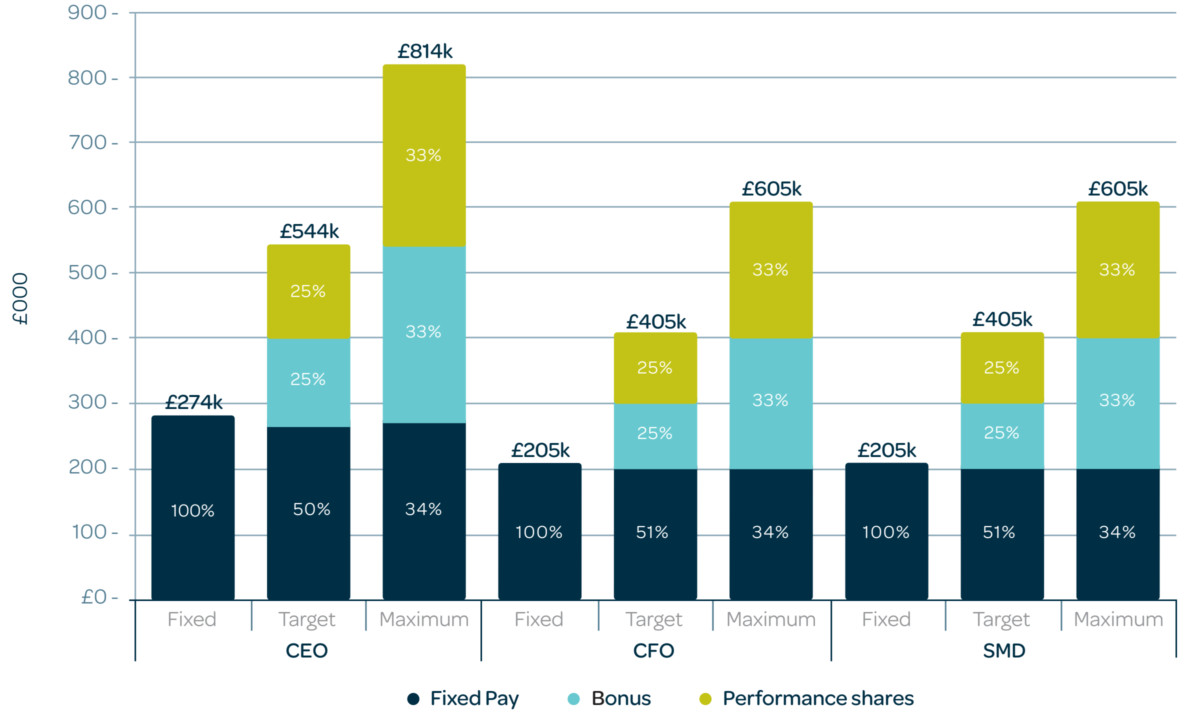
Any use of discretion would be in exceptional circumstances, would (where relevant) be explained in the Annual Report on Remuneration and may be the subject of consultation with the Company's major Shareholders.

Legacy arrangements

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

Remuneration scenarios for Executive Directors

The charts below give an indication of the level of remuneration that would be received by each Executive Director in accordance with the policy (as it will apply for the 2017 financial year) in respect of minimum pay (fixed pay), on-target and maximum performance based on assumptions set out below.



Minimum: Comprises fixed pay only (using April 2017 salary and the 2016 value of benefits received).

On-Target: In respect of the 2017 annual bonus, the chart assumes 50% of the maximum bonus opportunity will be payable for target performance and half the PSP awards vest (based on a grant value of 100% of salary).

Maximum: Comprises fixed pay and assumes that maximum annual bonus is paid and the 2017 PSP grant vests in full. No account has been taken of any movement in share price affecting the value of the Performance Share Plan award.

Payments for loss of office

Executive Directors' service contracts

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 below.

Executive Director	Date of service contract	Notice Period
Dean Godwin	09/03/2015	Six months' notice from either party
Spencer Daley		
Philip Godley		

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. The Executive Director is obliged to seek alternative income during this period and any instalments would then be reduced by the amount of income received by the Executive Director during the period.

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.

Governance

Remuneration Report

continued

Treatment of incentives on loss of office

As a general rule, 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 with the agreement of his 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 prorated 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 plan rules. The default treatment under the deferred element of the Annual Bonus Plan and Performance Share Plan is that any outstanding awards will lapse on cessation of employment.

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

- Deferred annual bonus plan awards will vest at cessation (or such later date as the Committee determines) and to such extent (which may include the full extent of the award) as the Committee determines appropriate; and
- PSP awards will vest at the normal vesting date unless the Committee determines that they may vest earlier, from the date of cessation. 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 in the particular circumstances).

Non-Executive Directors

All Non-Executive Directors have letters of appointment with the Company for an initial period of three years, subject to annual reappointment 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 13 Castle Street, St Helier, Jersey, JE4 5UT.

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 into account the calibre of the individual, market data and the remuneration arrangements for current Executive Directors. The remuneration package for a new Executive Director will be set in accordance with the Company's approved policy as set out in the remuneration policy table.

Fixed pay

Salary levels for Executive Directors will be set in accordance with the Company's policy, taking into account the experience and calibre of the individual and existing remuneration package. Where it is appropriate to offer a lower salary initially (for either an internal promotion or external recruit) a series of increases to the desired salary positioning may be made over subsequent years subject to individual performance and development in the role. Benefits will generally be provided in line with those offered to other Executive Directors but will also take into account local practice. Relocation assistance or other related expenses, including tax equalisation benefits, may be provided if necessary.

Variable pay

The Annual Bonus Plan and Performance Share Plan participation will be in accordance with the Company's approved policy detailed above. Different performance measures may be set initially, taking into account the responsibilities of the individual, and the point in the financial year that he or she joined the Board.

Buy-out awards

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 what 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 if necessary.

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.

Fees for newly appointed Non-Executive Directors will be set in line with the approved policy.

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 will seek to engage proactively with major Shareholders and Shareholder bodies whenever any material changes are being proposed to the remuneration policy or to how the current policy will be operated.

The Committee Chair will inform major Shareholders of such changes in advance and will offer a meeting to discuss details as required. The Committee also welcomes investor feedback and will consider views raised at the AGM and at other times throughout the year.

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.

Annual Report on Remuneration

Remuneration payable to each Director for service in 2016

The table below sets out the remuneration for each Director in 2016 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 no account has been taken of the Company's Admission to the Main Market part way through 2015.

		Fees/ salary	Benefits[1]	Pension[2]	Bonuses[3]	Long-term Incentive[3]	Total
Executive Directors							
Dean Godwin	**2016**	**235,000**	**4,453**				**239,453**
	2015	221,250	5,912	–	–	–	227,162
Spencer Daley	**2016**	**165,000**	**4,728**				**169,728**
	2015	162,500	4,810				167,310
Philip Godley	**2016**	**165,000**	**4,972**				**169,972**
	2015	160,000	3,859				163,859
Non-Executive Directors							
Rupert Robson	**2016**	**120,000**					**120,000**
	2015	100,000					100,000
Andy Pomfret	**2016**	**75,000**					**75,000**
	2015	56,500					56,250
Nicola Palios	**2016**	**63,333**					**63,333**
	2015	33,750					33,750

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 2015 or 2016.
3. There was no PSP award capable of vesting in 2015 or 2016. Details of the bonus in respect of 2016 performance is provided below.

2016 Annual Bonus out-turn

Bonuses made in respect of the year ended 31 December 2016 were based on a sliding scale of adjusted profit before tax (PBT) targets. As set out in last year's report, 2016 was a transition year and the Committee set the annual bonus targets at a high level so that only exceptionally strong performance would result in any bonus becoming payable.

Bonus would begin to accrue for achieving 2016 adjusted PBT of £17.9 million, increasing to 100% for achieving £23.56 million.

	Bonus payable (% of salary)	Adjusted PBT targets*	Actual profit before tax	Bonus outcome (% of salary)
Threshold	0%	£17.9m		
			£17.89m	0%
Maximum	100%	£23.56m		

The adjusted PBT of £17.89 million was just short of the threshold set and therefore resulted in no bonus becoming payable for the year.

The Committee believes the annual bonus outcome is a fair reflection given the challenging performance targets that were set over the year.

* As set out on page 70 the 2017 bonus profit element will be based on underlying PBT (2016: adjusted PBT). This change reflects the movement to underlying earnings during the course of 2016. Adjusted profit before tax is defined as profit before tax adjusted for non-underlying items (as disclosed in Note 8) of acquisition and integration costs, other items, loan restructuring and FX gains and losses.

Governance

Annual Report on Remuneration
continued

2016 Performance Share Plan grants

On 30 March 2016 the first awards under the PSP were granted to Executive Directors:

	Scheme	Basis of award granted	Shares awarded	Share price of 2016 grant	Face value of award	% of face value vesting at threshold performance	Vesting determined by performance over
Dean Godwin	PSP 2016	100% of salary	66,192	355p	£235,000	25%	Three financial years to 31 December 2018
Spencer Daley	PSP 2016	100% of salary	46,475	355p	£165,000	25%	
Philip Godley	PSP 2016	100% of salary	46,475	355p	£165,000	25%	

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

The PSP awards vest subject to achievement against a sliding scale of adjusted diluted EPS targets and continued employment.

Adjusted diluted EPS for FY 2018	Proportion of award vesting
Less than 15.0 pence	Zero
15.0 pence	25%
15.0 – 16.5 pence	25% – 62.5%
16.5 – 22.5 pence	62.5% – 100%
22.5 pence or more	100%

Awards vest on a straight line basis for performance between 15 pence and 16.5 pence and between 16.5 pence and 22.5 pence.

Directors' interests in shares

Following the move from a private to a listed company in April 2015, the Executive Directors have significant shareholdings in the Company, very significantly in excess of the minimum shareholding requirement of 200% of base salary, as follows:

	Legally owned	Share Rights open offer/or firm placing	Total (as at 31 December 2016)	Subject to Extended Restriction Period	Share ownership guideline met
Executive Directors					
Dean Godwin	2,128,766		**2,128,766**	2,128,766	Yes
Spencer Daley	1,047,194		**1,047,194**	1,047,194	Yes
Philip Godley	1,728,838		**1,728,838**	1,728,838	Yes
Non-Executive Directors					
Rupert Robson	12,500	2,082	**14,582**	n/a	n/a
Andy Pomfret	50,000	3,333	**53,333**	n/a	n/a
Nicola Palios	5,000	499	**5,499**	n/a	n/a

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.

Loss of office payment and payments to past Directors

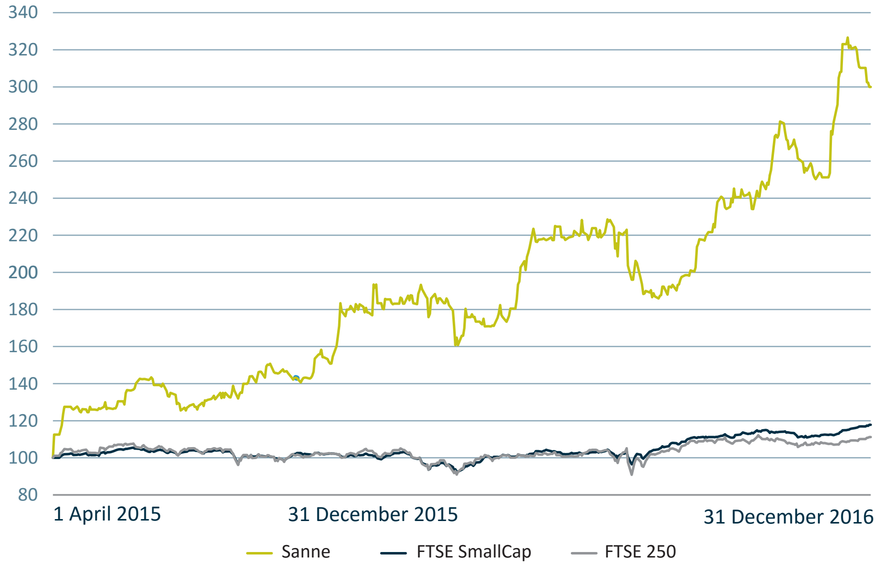
No Directors departed and there were no payments to past Directors of the Company in the year under review.

Performance graph and Chief Executive Officer's total remuneration history

The graph below illustrates the Company's Total Shareholder Return (TSR) performance relative to the FTSE Small Cap Index. This was chosen as it represents a broad based index of which the Company is a constituent.

Performance is shown from Admission on 1 April 2015 (using the 200p offer price as the base) to 31 December 2016. The graph shows the value of £100 invested in the Company and £100 invested in the Small Cap and FTSE 250 indices and their respective performance over that period.

Value of £100 invested in Sanne and the FTSE SmallCap and the FTSE 250 Index on 1 April 2015
Source: Datastream (Thomson Reuters)



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

	2015	2016
Total remuneration	227,162	239,453
Annual bonus outcome (% of max)	n/a	0%
PSP vesting (% of max)	n/a	n/a

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

The table below shows the change in the Chief Executive Officer's remuneration compared to the change in remuneration of all full-time employees across the Group who were employed throughout 2015 and 2016:

	Base salary % Change	Benefits % Change	Annual bonus % Change
CEO	6.21%	-24.67%	0%
Employees	3.03%	0%	0%

The reduction in benefits specifically relates to the payment in lieu for undertaken holiday prior to listing that was stated in the 2015 CEO total remuneration.

The CEO's salary was unchanged in 2016 and the increase reflects the lower salary that was applied prior to listing.

Governance

Annual Report on Remuneration

continued

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 2016 compared to 2015:

	2016	2015	% change
Staff costs	£29.4m	£19.6m	+50%
Distributions to Shareholders	£10.0m	£1.6m	+530%
Profit before tax and exceptional items	£22.0m	£16.1m	+37%

Implementation of the Remuneration Policy for 2017

Basic annual salary

We stated in last year's annual statement and remuneration policy that current base salaries (and therefore Directors' total packages) were significantly below market levels and that this would need to be addressed over time. A failure to do so poses a material risk to the Company with regard to succession planning, particularly as the equity lock-in period applying to the current Executive Directors approaches.

Over the last few months, the Committee has consulted with leading Shareholders and Shareholder bodies on how it intends to transition remuneration over a period of time so that remuneration packages become appropriate for a FTSE-listed company whilst also recognising the Company's Jersey origins.

In considering how to achieve this, the Committee took into account:

- The more benign personal tax rates in Jersey (where the current Directors are located);
- Typical salary levels in UK-listed companies of a broadly similar size (in July 2016 at the time the review was undertaken);
- Investors' desire for significant increases to be phased over a period of time;
- The financial impact of increases to executive pay and the possible knock on impact of increases for below Board employees; and
- The need to provide salaries that enable Sanne to recruit high calibre executives in a competitive industry, particularly after the current executives' restricted sale agreements expire in 2019.

Having taken independent advice on the level of salaries in comparable listed companies, it is proposed that the current directors' salaries are increased by £35,000 each in April 2017 and then by 8% p.a. for the CEO and 5% p.a. for the SMD and CFO over the next two year period with the second and third increases subject to continued strong personal and Company performance.

	CURRENT	2017	2018	2019
CEO	£235,000	£270,000	£292,000	£315,000
SMD & CFO	£165,000	£ 200,000	£ 210,000	£220,000

While the Committee acknowledges that the salary increases are high, the 2019 salaries set out above would still be significantly below typical FTSE levels for a company of this size, but recognising the lower tax rates in Jersey, the 2019 salaries will give net of tax, total target remuneration values closer in line with but still below that of a UK taxpayer.

Pension arrangements

No pension contribution will be provided in 2017 for the current Executive Directors. This will be kept under review and a contribution may be introduced in the future taking into account the level of provision to all employees.

Benefits

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

Annual bonus plan

The annual bonus measures are reviewed annually and reflect the key financial, strategic and operational priorities of the Group.

The annual bonus opportunity for Executive Directors for 2017 shall be 100% 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 2017 bonus profit component will be based on underlying profit before tax and not adjusted profit before tax (as was the measure in 2016). Underlying PBT is set out in Note 8 of the Notes to the Consolidated Financial Statements.

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.

Strategic objectives will be based on the short-term priorities of the business.

The Committee considers that the profit and strategic targets are commercially sensitive, which means that they cannot be disclosed in advance. However, we will disclose the underlying profit targets, the strategic objectives and performance against these targets in next year's remuneration report.

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

Performance Share Awards

PSP awards with a face value of 100% of salary will be granted to Executive Directors in 2017.

The Committee reviewed the choice of measures and in light of the Company's strategic outlook has set a stretching range of underlying basic EPS growth targets required to be achieved in the year ending 31 December 2019 as set out below:

Underlying Basic EPS for FY 2019	Proportion of award vesting
Less than 32.50 pence	Zero
32.50 pence	25%
36.50 pence or more	100%

Vesting will be on a straight line basis between 32.50 pence and 36.50 pence.

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.

Chairman and Non-Executive Directors' fees

The Chairman's fee from 1 April 2017 will be increased from £120,000 to £140,000. The increase follows an independent review and is commensurate with the expected time commitment required in carrying out the role.

The fees of Non-Executive Directors remain unchanged and comprise a base fee of £60,000 p.a. and additional fees of £10,000 p.a. for chairing the Audit and Risk Committee and £5,000 p.a. each for chairing the Remuneration Committee and holding the Senior Independent Director position.

Statement of voting at general meeting

At the 2016 AGM, the Directors' Annual Report on Remuneration and Directors' Remuneration Policy received the following votes from shareholders:

Annual Report on Remuneration

	Total number of votes	% of votes cast
For	89,459,559	99.68%
Against	284,183	0.32%
Abstentions	0	–
Total	**89,743,742**	**100%**

Remuneration Policy

	Total number of votes	% of votes cast
For	89,438,678	99.66%
Against	305,104	0.34%
Abstentions	0	–
Total	**89,743,782**	**100%**

Approval

This report has been approved by the Directors of Sanne Group plc.

By Order of the Board

Nicola Palios
Chair of the Remuneration Committee
28 March 2017

Governance

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 Annual Report and Consolidated Financial Statements for each financial year which shall be in accordance with applicable law and generally acceptable accounting principles. Under the law, the Directors are required by the Companies (Jersey) Law 1991, as amended to prepare financial statements for each financial period. The Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") 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 Company at the end of the financial year.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires 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. In preparing the financial statements, the Directors are also required to:

- Properly select accounting policies and apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting policies have been followed, subject to any material departures discussed and explained in the financial statements;
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- Provide additional disclosures when compliance with the specific requirements of IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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. The Directors prepared an unaudited interim report covering the six month period ended 30 June 2016.

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 28 March 2017 and is signed on its behalf by:

By Order of the Board

Dean Godwin
Chief Executive Officer
28 March 2017

Spencer Daley
Chief Financial Officer
28 March 2017

Independent Auditor's Report

to the Members of Sanne Group plc

Opinion on financial statements of Sanne Group plc

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2016 and of 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
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

The financial statements that we have audited 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 30.

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

Summary of our audit approach

Key risks	The key risks that we identified in the current year were: • revenue recognition – valuation of accrued income; • valuation of trade receivables; • impairment of intangible assets; • accounting for acquisitions; and • share-based payments. Within this report, any new risks are identified with and any risks which are the same as the prior year identified with .
Materiality	The materiality that we used in the current year was £730,000 which was determined on the basis of pre-tax profit.
Scoping	Included within our scope for the audit of the Group financial statements were certain entities in Jersey and Luxembourg and also entities within South Africa and North America due to those components being sizeable acquisitions during the year.
Significant changes in our approach	The most significant changes in our approach since the prior year relate to the removal of the risk relating to IPO transaction reporting as the IPO occurred in the prior year and the addition of risks relating to acquisition accounting and share based payments, for which there was enhanced or new activity in the current year.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 3 to the financial statements, in addition to applying IFRSs as adopted by the European Union, the group has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Governance

Independent Auditor's Report
continued

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group

We have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within Note 3 to the financial statements and the directors' statement on the longer-term viability of the group contained within the strategic report on page 30.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 27 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 28-30 that describe those risks and explain how they are being managed or mitigated;
- 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; and
- the directors' explanation on page 30 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 confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Revenue recognition – valuation of accrued income	
Risk description	At the year-end there is £1.536m (2015: £1.069m) of time which has been spent working on client matters which has not been billed, resulting in accrued income. The accrued income is required to be stated at the amount which is recoverable. There is a high level of judgement applied by management in assessing and determining the value of the accrued income. These judgements are set out in the Audit and Risk Committee Report on page 54 and the critical accounting judgements and key sources of estimation uncertainty accounting policy in Note 4.
How the scope of our audit responded to the risk	We have evaluated the design and implementation of controls around the quarterly billing process specific to the valuation of accrued income. 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 judgment 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 and through reviewing historical billing and payment patterns in respect of those clients to support judgments to the extent required.

Valuation of trade receivables

Risk description

The value of trade receivables at the year-end is £21.107m (2015: 17.716m). There is a significant level of judgement involved in determining the valuation of trade receivables based on management's expectation of recoverability which takes into consideration a range of factors such as length of time the debt has been overdue, past payment history and client circumstances. These judgements are set out in the Audit and Risk Committee Report on page 54 and the critical accounting judgements and key sources of estimation uncertainty accounting policy in Note 4.

How the scope of our audit responded to the risk

We have reviewed 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 judgment and rationale around the recoverability of the amounts through reviewing past payment patterns, existing wealth within the structures and communications with the client to ensure there are no indicators that the amounts will not be recovered.

We have also reviewed the level of credit notes raised post year end and, on a sample basis, we have assessed the rationale for the credit notes being raised and reviewed any impact on trade receivables from those credit notes.

Impairment of intangible assets

Risk description

In previous years and during the current year there have been a number of acquisitions by entities within the Group of both customer lists and customer contracts which are recognised as intangible assets to the value of £27.587m (2015: £7.712m) as at the year end.

The initial valuation of those intangibles was determined in the year of acquisition, however continual judgement is applied by management in estimating the useful lives of the identifiable intangible assets and therefore the period over which they should be amortised.

In addition, there is judgement involved in determining whether or not indicators of impairment exist and these must be factored into the valuation of the intangible assets.

The assumptions and judgements which are made in respect of these areas are set out in the Audit and Risk Committee Report on page 54 and in Note 4.

How the scope of our audit responded to the risk

We have reviewed the design and implementation of controls around the valuation of intangible assets.

We obtained and evaluated the appropriateness of management's determination of the useful economic lives of the intangible assets and the amortisation method used.

We also reviewed management's procedure for identifying indicators of impairment, including the results of the assessment and how the matters identified were factored into the valuation of the intangible assets.

In reviewing and assessing the above, we challenged management on certain key matters included in the assessments such as client attrition rates, level of revenue from customers and the level of new work from existing customer relationships through reviewing existing data available.

Accounting for acquisitions

Risk description

The accounting for business combinations is complex and there have been four acquisitions during the year subject to this accounting as set out in Note 26. 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 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 and growth rates. These are set out in the Audit and Risk Committee Report on page 54 and in Note 4.

How the scope of our audit responded to the risk

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 determination of the weighted average cost of capital.

Our challenges were made with reference to cumulatively acquired knowledge of the Group, the acquired entities and other market and industry factors.

Governance

Independent Auditor's Report
continued

Share based payments	
Risk description	The Group's Performance Share Plan ("PSP") and Restricted Stock Award ("RSA") schemes commenced during the year and are based on a number of conditions, such as performance of earnings per share, as set out in the Remuneration Report. The treatment of share based payments under IFRS 2 is complex and requires the application of judgement, in particular to determine the number of shares which will ultimately vest and therefore the related expense to be recognised which was £1,115,000 in the current year in respect of these schemes. These judgements and assumptions are set out in the Audit and Risk Committee Report on page 54 and in Note 4.
How the scope of our audit responded to the risk	We have evaluated the design and implementation of controls around the determination of the share based payment expense. We have reviewed the methodology used in management's share based payment calculations and challenged the judgements included in their model around leavers and the satisfaction of performance conditions which will ultimately determine how many shares will vest. We have done this through reviewing data relating to leavers from the scheme to date to review the leavers' assumption and we have critically assessed budgets and forecasts, including the historical accuracy of these projections, in order to test the performance assumptions.

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.

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	£730,000 (2015: £710,000)
Basis for determining materiality	5% of adjusted pre-tax profit (2015: 5% of normalised pre-tax profit). In the current year we did not identify an items which we considered pre-tax profit should be normalised for.
Rationale for the benchmark applied	The benchmark used was pre-tax profit because we consider this to be the most appropriate indicator of performance of the group.

We agreed with the Audit and Risk Committee ("the Committee") that we would report to the Committee all audit differences in excess of £15,000 (2015: £14,200), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit scope focused on the entities which were determined to be financially significant due their contribution to the materiality benchmark of pre-tax profit and other components which we determined as significant based on function and perceived risk. Included within our scope for the audit of the Group financial statements were certain entities in Jersey and Luxembourg due to their financial significance and also entities within South Africa and North America due to those components being sizeable acquisitions during the year.

The range of materiality levels used for component auditors was between £365,000 and £400,000.

The work performed at a group level included the work on consolidation and risk assessment reviews on components that were not in scope. We directed and supervised component auditors through providing written instructions and through regular communications.

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.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

Other matter

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. As a Jersey company, Sanne Group plc is not required to prepare the Directors' Remuneration Report in accordance with the UK Companies Act 2006 but has elected to do so voluntarily.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Andrew Isham, BA, FCA

for and on behalf of Deloitte LLP
Chartered Accountants and
Recognized Auditor
Jersey

28 March 2017

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Consolidated Financial Statements

Consolidated Income Statement

For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Revenue		63,847	45,638
Direct costs		(23,412)	(15,981)
Gross profit	5	40,435	29,657
Other operating income		122	129
Operating expenses		(25,893)	(23,867)
Operating profit		14,664	5,919
Comprising:			
Underlying operating profit		22,652	17,307
Non-underlying items within operating expenses	8	(7,988)	(11,388)
		14,664	5,919
Other gains and losses		1,096	(145)
Finance costs	6	(914)	(3,410)
Finance income	7	115	49
Profit before tax		14,961	2,413
Comprising:			
Underlying profit before tax		21,994	16,092
Non-underlying items	8	(7,033)	(13,679)
		14,961	2,413
Tax	9	(2,013)	(849)
Profit for the year		12,948	1,564
Earnings per ordinary share ("EPS") (expressed in pence per ordinary share)			
Basic	10	11.4	1.4
Diluted	10	11.3	1.4
Underlying basic	10	17.6	13.9
Underlying diluted	10	17.4	13.9

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

The Notes on pages 85 to 117 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Profit for the year		12,948	1,564
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations	4	3,317	(36)
Total comprehensive income for the year		16,265	1,528

The Notes on pages 83 to 115 are an integral part of these Consolidated Financial Statements.

Consolidated Financial Statements

Consolidated Balance Sheet

As at 31 December 2016

	Notes	2016 £'000	2015 £'000
Assets			
Non-current assets			
Goodwill	13	55,094	–
Other intangible assets	14	27,587	7,712
Equipment	15	2,832	1,647
Total non-current assets		85,513	9,359
Current assets			
Trade and other receivables	17	22,746	18,549
Cash and bank balances		108,673	19,445
Accrued income		1,535	1,069
Total current assets		132,954	39,063
Total assets		218,467	48,422
Equity			
Share capital	20	1,353	1,130
Share premium		135,354	44,770
Own shares	21	(562)	(122)
Shares to be issued	27	13,867	–
Retranslation reserve		3,097	(220)
Retained losses		(21,745)	(26,573)
Total equity		131,364	18,985
Non-current liabilities			
Borrowings	22	59,518	17,695
Deferred tax liabilities	23	2,288	–
Total non-current liabilities		61,806	17,695
Current liabilities			
Trade and other payables	24	13,695	3,211
Current tax liabilities		2,609	1,383
Provisions	25	353	134
Deferred revenue		8,640	7,014
Total current liabilities		25,297	11,742
Total equity and liabilities		218,467	48,422

The Notes on pages 85 to 117 are an integral part of these Consolidated Financial Statements.

The financial statements were approved by the Board of Directors and authorised for issue on 28 March 2017. They were signed on its behalf by:

Dean Godwin
Chief Executive Officer

Spencer Daley
Chief Financial Officer

Consolidated Statement of Changes in Equity

As at 31 December 2016

	Notes	Share capital £'000	Share premium £'000	Own shares £'000	Shares to be issued £'000	Retranslation reserve £'000	Retained losses £'000	Total equity £'000
Balance at 1 January 2015		**50**	**–**	**–**	**–**	**(184)**	**(29,286)**	**(29,420)**
Profit for the year		–	–	–	–	–	1,564	1,564
Other comprehensive income for the year		–	–	–	–	(36)	–	(36)
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(36)**	**1,564**	**1,528**
Issue of share capital (SHL)	20	22	–	–	–	–	–	22
Conversion of Preference shares (SHL)	20	18,899	–	–	–	–	–	18,899
Own shares acquired in the year (SHL)	20	(18,971)	–	–	–	–	–	(18,971)
Issue of share capital	20	1,133	45,836	–	–	–	–	46,969
Cost of share issuance	20	–	(1,066)	–	–	–	–	(1,066)
Dividend payments	12	–	–	–	–	–	(1,579)	(1,579)
Share-based payment transactions	27	–	–	–	–	–	2,728	2,728
Net buyback of own shares (SGPLC)	21	(3)	–	(122)	–	–	–	(125)
Balance at 31 December 2015		**1,130**	**44,770**	**(122)**	**–**	**(220)**	**(26,573)**	**18,985**
Profit for the year		–	–	–	–	–	12,948	12,948
Other comprehensive income for the year		–	–	–	–	3,317	–	3,317
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**3,317**	**12,948**	**16,265**
Issue of share capital	20	193	94,313	–	–	–	–	94,506
Cost of share issuance	20	–	(3,704)	–	–	–	–	(3,704)
Dividend payments	12	–	–	–	–	–	(9,953)	(9,953)
Share-based payment - employees	27	–	–	–	1,107	–	276	1,383
Share-based payment - acquisitions	27	–	–	–	12,760	–	–	12,760
Net buyback of own shares	21	30	(25)	(457)	–	–	–	(452)
Net sale of own shares	21	–	–	9	–	–	620	629
Reissue of own shares	21	–	–	8	–	–	937	945
Balance at 31 December 2016		**1,353**	**135,354**	**(562)**	**13,867**	**3,097**	**(21,745)**	**131,364**

Consolidated Financial Statements

Consolidated Cash Flow Statement

For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Operating profit		14,664	5,919
Adjustments for:			
Depreciation of equipment	15	1,085	861
Amortisation of intangible assets	14	2,707	1,611
Share-based payment expense	27	1,383	2,736
Disposal of equipment	15	14	6
Increase in provisions	25	219	134
Operating cash flows before movements in working capital		20,072	11,267
Increase in receivables		(3,207)	(5,239)
Increase in deferred revenue		(1,434)	5,302
Increase in payables		3,234	1,066
Cash generated by operations		18,665	12,396
Income taxes paid		(985)	(1,057)
Net cash from operating activities		17,680	11,339
Investing activities			
Interest received		115	49
Purchases of equipment	15	(1,515)	(741)
Increase in deferred consideration		5,916	–
Acquisition of subsidiaries	26	(56,030)	–
Net cash used in investing activities		(51,514)	(692)
Financing activities			
Dividends paid	12	(9,953)	(1,579)
Interest paid on preference shares		–	(256)
Interest on bank loan		(585)	(1,271)
Proceeds on issue of shares	20	94,506	28,056
Costs of share issuance		(3,217)	(1,066)
Buyback of own shares		(462)	–
Redemption of ordinary shares		–	(178)
Capitalised loan costs		(482)	–
Net proceeds on ordinary shares by EBT		629	–
Redemption of bank loans	22	(18,000)	(45,000)
New bank loans raised	22	60,000	17,627
Net cash from/(used in) financing activities		122,436	(3,667)
Net increase in cash and cash equivalents		88,602	6,980
Cash and cash equivalents at beginning of year		19,445	12,591
Effect of foreign exchange rate changes		626	(126)
Cash and cash equivalents at end of year		108,673	19,445

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

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 Listing on the London Stock Exchange. The registered office and principal place of business is 13 Castle Street, St Helier, Jersey. The principal activity of the Company and its subsidiaries (collectively the "Group") is fund, company and trust administration.

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

The following standards, amendments and interpretations are relevant to the Group, but were not yet effective and in some cases had not been endorsed by the EU. These standards have not been early adopted by the Group.

- IFRS 9 'Financial Instruments' (effective for periods beginning on or after 1 January 2018). This is a new standard which enhances the ability of investors and other users of financial information to understand the accounting for financial assets and reduces complexity. The standard uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the various rules in IAS 39.
- IFRS 15 'Revenue from contracts with customers' (effective for periods beginning on or after 1 January 2018). The standard 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 standard replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and related interpretations.
- 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 assets and liabilities for all leases with a term of more than 12 months and depreciate lease assets separately from interest in the income statement. The standard replaces IAS 17 'Leases'.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed, although the Directors feel it will not be material to reported results.

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 2016. Their adoption has not had any material impact on the disclosure or on the amounts reported in these financial statements.

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 with fair value being applied to derivative financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. 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.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

3. Significant accounting policies (continued)

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). Consolidated financial statements for the Company are not prepared unless required to so by the members of the Company by ordinary resolution. The members of the Company had not passed a resolution requiring separate financial statements and, in the Directors' opinion, the Company meets the definition of a holding company. As permitted by law, the Directors have elected not to prepare separate financial statements.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. 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 and a good pipeline of existing and new customers. 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 Strategic Report on pages 8 to 30.

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 and 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 non-underlying items within operating expenses.

The acquiree's identifiable assets and liabilities that meet the conditions for recognition under IFRS3 (2008) are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

When the consideration transferred by the Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement' period' (which cannot exceed one year from the acquisition date) 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.

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. 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.

3. Significant accounting policies (continued)

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 costs less accumulated amortisation and any impairment losses.

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. This class of intangibles are amortised over their useful lives using the straight-line method, which is estimated at six 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' as non-underlying items.

Customer intangibles

Customer intangibles consists 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 Company's growth pattern and ability to cross-sell to existing clients. Subsequently, this class of intangibles are amortised over their useful lives using the straight-line method, which is estimated at six 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' as non-underlying items.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Rendering of services

Revenue is recognised in the consolidated statement of comprehensive income at the point in time when the Group has the right to receive payment for its services, on an accruals basis.

Accrued income

Accrued income represents the billable provision of services to clients which has not been invoiced at the reporting date.

Accrued income is recorded based on agreed fees billed in arrears and time based charges at the agreed 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

Fees in advance and up-front fees in respect of services due under contract are time apportioned to the respective accounting periods, and those billed but not yet earned are included in deferred revenue in the consolidated balance sheet.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income 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.

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.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

3. Significant accounting policies (continued)

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.

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 average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used. Income and expense items relating to entities acquired during the financial year are translated at the average exchange rate for the period under the Group's control. 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 operation (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.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to contributions.

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 statutory and adjusted profit positions, as 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.

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 because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never 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. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

3. Significant accounting policies (continued)

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 or valuation 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 16 years

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of tangible and intangible assets (excluding goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell or 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 time frame established by the market concerned, and are initially measured at fair value.

All financial assets, other than cash and cash equivalents and derivatives, are classified as 'loans and receivables'.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2016

3. Significant accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held at call with banks.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial liabilities and equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities
Financial liabilities are classified as either financial liabilities at Fair Value Through Profit and Loss 'FVTPL' or 'other financial liabilities'. The Group does not hold any financial liabilities at FVTPL.

Other financial liabilities
Borrowings are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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 exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter year, to the net carrying amount on initial recognition.

Accrued interest is recorded separately from the associated borrowings within current liabilities.

Derivative financial instruments and embedded derivatives
Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

3. Significant accounting policies (continued)

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Employee share trust/Own shares

Own shares represent the shares of the Company that are held in treasury or by employee share ownership trusts (which are 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 remuneration in the form of share-based payment under Performance Share Plan or Restrictive Stock Awards, 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 27.

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.

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. Further details of the nature of non-underlying items are given in Note 8.

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.

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.

The following are the critical judgements and estimation uncertainty 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.

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For the year ended 31 December 2016

4. Critical accounting judgements and key sources of estimation uncertainty

Brexit

The Group continues to appraise the potential impacts of the United Kingdom's referendum on EU membership ("Brexit"). In the short term the Group is a net beneficiary of Sterling's weakness given the value of underlying contracts in USD, EUR and ZAR being in excess of the exposure to increased cost in overseas jurisdictions.

Sterling's weakness and a strengthening of the South African Rand and United States Dollar has resulted in an unrealised £3.3 million gain on retranslation in the period. This relates to the net exchange gain on the assets and liabilities of the non-Sterling functional currency subsidiaries of the Group, with notably a £2.1 million gain on the Intangible assets.

While the final outcome of the UK's negotiations with the EU will not be known for some time, the Group continues to invest in the development of its client proposition across its many operational centres, both inside and outside the EU. Brexit has created uncertainty in some markets, 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 growth of the Group.

Revenue recognition and 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 judgment of management, and takes into account an assessment of the client's financial position, the aged profile of the accrued income and an assessment of historical recovery rates.

Initial recognition and useful life of intangible assets

The Group's management team have assessed each acquisition in the consolidated financial statement period to identify the intangible assets that were acquired in each transaction that qualify for separate recognition. Accordingly, management have recognised two main classes of intangibles being Contract and Customer intangibles.

The valuation method used to value contract and customer intangibles is a multi-period excess earnings method. The intangibles are amortised over their useful economic life ("UEL"). For the contract intangibles, UEL has been assessed to be between six and eight years which has been estimated as the average period for which services are typically provided to contracted client entities. For the customer intangibles, UEL has been assessed to be six to ten years.

Evaluation of impairment of intangible assets

The group actively looks for signs of impairment by reviewing the financial performance of the acquired books of business. While every effort is made to evaluate it correctly there is a high level of judgement in the original and continuing assumptions that underpin the values. In making its judgement management considers income generated against the original business case, internal and external factors effecting economic life and growth assumptions. No signs of impairment were detected and no value in use calculations were performed.

The carrying value of intangible assets at 31 December 2016 was £27.6 million (2015: £7.7 million).

Evaluation of impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £55.1 million (2015: nil). Details of the calculation are set out in Note 13.

Deferred tax on tax deductible intangible assets

The Group claims tax deductions in respect of deductible intangible assets and goodwill. The Group will recognise a deferred tax asset or liability on the difference between the tax carrying value and the accounting carrying value.

Trade and other receivables

Sanne provides services to customers on credit terms with a mix of advance and arrears billing. Certain debts due to the Company will not be paid due to the default of a small number of our customers. Our estimates of doubtful debts, based on our historical experience, are used in determining the level of debts that we believe will not be collected. These estimates consider significant indicators of their recoverability being insolvency/closure, customer liquidity and general creditworthiness issues as identified by management.

5. Segmental reporting

The divisions engage in corporate, fund and private client administration, reporting and fiduciary services. Declared revenue is generated from external customers.

The Group has nine reportable segments under IFRS 8: Debt, Real Estate, Private Equity, Corporate and Institutional, Executive Incentives, Private Client, Treasury, Hedge and North America alternatives. No customer represents more than 10% of 2016 revenue.

The chief operating decision maker is 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 2016	Revenue £'000	Direct costs £'000	Gross profit £'000	*Margin*
Divisions				
Debt	16,429	(5,758)	10,671	*65%*
Real Estate	13,800	(5,066)	8,734	*63%*
Private Equity	8,667	(3,093)	5,574	*64%*
Corporate and Institutional	5,596	(2,172)	3,424	*61%*
Executive Incentives	4,741	(1,610)	3,131	*66%*
Private Client	7,033	(2,285)	4,748	*68%*
Treasury	521	(398)	123	*24%*
Hedge	3,968	(1,634)	2,334	*59%*
North America alternatives	3,092	(1,396)	1,696	*55%*
Total	63,847	(23,412)	40,435	*63%*
Other operating income			122	
Operating expenses			(25,893)	
Operating profit			14,664	

For the year ended 31 December 2015	Revenue £'000	Direct costs £'000	Gross Profit £'000	*Margin*
Divisions				
Debt	13,835	(4,424)	9,411	*68%*
Real Estate	10,177	(3,789)	6,388	*63%*
Private Equity	6,567	(2,630)	3,937	*60%*
Corporate and Institutional	4,026	(1,468)	2,558	*64%*
Executive Incentives	4,764	(1,373)	3,391	*71%*
Private Client	5,846	(1,932)	3,914	*67%*
Treasury	423	(365)	58	*14%*
Total	45,638	(15,981)	29,657	*65%*
Other operating income			129	
Operating expenses			(23,867)	
Operating profit			5,919	

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For the year ended 31 December 2016

5. Segmental reporting (continued)

Geographical information

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

	2016 £'000	2015 £'000
Jersey	36,747	32,116
Rest of Europe	19,474	12,693
Asia - Pacific	1,192	829
Africa	3,343	–
Americas	3,091	–
Total revenue	63,847	45,638

6. Finance costs

	2016 £'000	2015 £'000
ICG interest	–	624
ICG amortised loan fees	–	2,385
HSBC interest	592	348
HSBC amortised loan fees	77	53
HSBC accelerated amortised loan fees	245	–
Total finance costs	914	3,410

During the year the initial loan facility with HSBC Bank plc was repaid and refinancing undertaken with HSBC. Details can be found in Note 22.

7. Finance income

	2016 £'000	2015 £'000
Interest income on bank deposits	115	49

8. Non-underlying items

	2016 £'000	2015 £'000
Profit before tax	14,961	2,413
Non-underlying items within operating expenses:		
Initial Public Offering ("IPO") (i)	–	6,870
Share Based Payment (ii)	1,391	2,770
Acquisition and integration cost:		
Chartered Corporate Services ("CCS") (iii)	998	–
IDS Fund Services ("IDS") (iii)	344	90
FLSV Fund Administration Services ("FAS") (iii)	658	–
Sorato Trust B.V ("Sorato") (iii)	66	–
International Financial Services Limited ("IFS Group") (iii)	1,804	–
Amortisation of intangible assets (iv)	2,707	1,611
Other items	20	47
	7,988	11,388
Non-underlying items within other costs:		
Loan restructuring (v)	245	2,291
FX Gains and losses (vi)	(1,200)	–
Total non-underlying items	7,033	13,679
Underlying profit before tax	**21,994**	16,092

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

(i) In the year ended 31 December 2015, the Group expensed fees relating to the IPO of £6.9 million.

(ii) Share based payments are detailed in Note 27.

(iii) During the year ended 31 December 2016 the Group completed four acquisitions, as detailed in Note 27. The Group expensed £3.9 million of acquisition and integration expenditure. As detailed in Note 30 the Group acquired IFS Group on 1 January 2017, the Group expensed £1.8 million of acquisition expenditure relating to this transaction. In the prior period the Group expensed £90k of legal and professional fees relating to the IDS acquisition and a further £47k of legal and professional fees relating to aborted deals.

(iv) The amortisation charges relates to the amortisation of intangible assets acquired through acquisitions.

(v) As part of the loan restructuring, accelerated amortisation on issuance costs of £245k (2015: £2.3 million) were expensed, see Note 22.

(vi) FX forward contracts were taken out to purchase United States Dollars at a fixed price at a fixed date to fund the FAS and IFS Group acquisitions. A net gain of £1.2 million was recognised on these contracts.

9. Tax

	2016 £'000	2015 £'000
The tax charge comprises:		
Current period:		
Jersey income tax	1,630	805
Other foreign tax	1,282	417
	2,912	1,222
Deferred tax (Note 23)	(276)	–
	2,636	1,222
Adjustments in respect of prior periods:		
Jersey income tax	(504)	(293)
Other foreign tax	(119)	(80)
Total tax charge for the year	**2,013**	849

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For the year ended 31 December 2016

9. Tax (continued)

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:

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	14,961	2,413
Tax on profit on ordinary activities at standard Jersey income tax rate of 10% (2015: 10%)	1,496	241
Effects of:		
Expenses not deductible for tax purposes	466	564
Non-deductible amortisation	167	183
Depreciation in excess of capital allowances	45	43
Deferred tax not recognised – Goodwill	(48)	–
Net foreign exchange income	(87)	(27)
Foreign taxes not at Jersey rate	566	218
Deferred tax not recognised – Taxable losses	32	–
Prior year adjustments	(624)	(373)
Total tax	2,013	849

Income tax expense computations are based on the jurisdictions in which profits were earned at prevailing rates in the respective jurisdictions.

The Company is subject to Jersey income tax at the standard rate of 0% however, the majority of the Group's profits are reported by Sanne Fiduciary Services Limited, a Jersey incorporated trading company whose principal activity is the provision of trust, fund and company administration. Sanne Fiduciary Services Limited is therefore subject to Jersey income tax at the rate applicable to financial services companies of 10%.

Reconciliation of effective tax rates	2016 £'000	2015 £'000
As per Consolidated income statement:		
Tax charge	2,013	849
Profit before tax	14,961	2,413
Effective tax rate	*13.5%*	*35.2%*
Adjusted for:		
Tax charge	2,013	849
Prior period adjustments	624	373
Tax charge for the year	2,637	1,222
Profit before tax	14,961	2,413
Non-underlying items	7,033	13,679
Profit before tax and non-underlying items	21,994	16,092
Less non-underlying deductible for tax purposes		
Deductible acquisition costs	(2,939)	–
Deductible IPO costs	–	(2,103)
Loan restructuring	(245)	(2,291)
Share based payments	(1,391)	(2,770)
Normalised profit subject to tax	17,419	8,928
Normalised effective tax rate	*15.1%*	*13.7%*

10. Earnings per share

	2016 £'000	2015 £'000
Profit for the year	12,948	1,564
Non-underlying items:		
Non-underlying operating expenses	7,988	11,388
Non-underlying other costs	(955)	2,291
Underlying earnings	19,981	15,243

	2016	2015
Weighted average numbers of ordinary shares in issue	113,693,355	109,496,601
Effect of dilutive potential ordinary shares:		
Deferred consideration shares	417,480	–
Restricted stock awards	202,172	–
Performance share plan	235,974	–
Weighted average number of ordinary shares for the purposes of diluted EPS	114,548,981	109,496,601

	2016	2015
Basic EPS (pence)	11.4	1.4
Diluted EPS (pence)	11.3	1.4
Underlying basic EPS (pence)	17.6	13.9
Underlying diluted EPS (pence)	17.4	13.9

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 2016.

At 31 December 2016 there were a total of 757,787 contingently issuable ordinary shares granted as part of the Performance Share Plan. These shares were only included in the diluted EPS where the performance conditions have been met at the end of the reporting period. The impact of these shares on weighted average number of ordinary shares for the purposes of diluted EPS is detailed as above.

5,844,507 ordinary shares were issued on 1 January 2017 as part of the IFS Group acquisition (Note 30). These shares do not have an impact on the 2016 year EPS.

11. Profit for the year

	2016 £'000	2015 £'000
Profit for the year has been arrived at after charging/(crediting):		
Net foreign exchange losses/(gains)	(1,096)	145
Depreciation of equipment	1,085	861
Loss on disposal of equipment	14	6
Auditor's remuneration for audit services	386	374
Auditor's remuneration for other services:		
FATCA	104	–
Acquisitions	582	–
Software	172	136
IPO	–	494
Amortisation of intangible assets (see Note 14)	2,707	1,611
Staff costs	29,364	19,593
Impairment loss recognised on trade receivables (see Note 17)	271	435
Premises expense	3,377	2,476

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For the year ended 31 December 2016

12. Dividends

	2016 £'000	2015 £'000
Amounts recognised as distributions to equity holders in the year:		
2015 final dividend	6,327	–
Interim for the current year	3,626	1,579
Total dividends	**9,953**	1,579
Proposed final dividend	**8,658**	6,327

The proposed final dividend is subject to approval at the forthcoming AGM and has not been included as a liability in these financial statements. These dividends are shown net of the 10% Jersey tax credit.

	2016 Pence per share	2015 Pence per share
Dividend per share ("DPS"):		
Interim for the current year	3.2	1.4
Final proposed for the current year	6.4	5.6
Total dividend per share	**9.6**	7.0

	2016	2015
Weighted average numbers of ordinary shares in issue	113,693,355	109,496,601

13. 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
IDS Acquisition (Note 26)	6,727
FLSV Acquisition (Note 26)	44,868
Sorato Acquisition (Note 26)	1,649
Exchange differences	1,850
At 31 December 2016	**55,094**

In accordance with the Group's accounting policy, the carrying value of goodwill is not subject to systematic amortisation but is reviewed annually for impairment. The review assesses whether the carrying value of goodwill could be supported by the recoverable amount which is determined through value in use calculations of each cash-generating unit (CGU). The key assumptions applied in the value in use calculations are the discount rates and the projected cash flows.

The goodwill had been allocated to the CGUs as follows:

	£'000
Sanne South Africa	8,948
Sanne Netherlands	1,649
Sanne Americas	44,497
	55,094

The recoverable amounts of all CGUs are based on the same key assumptions.

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:

13. Goodwill (continued)

(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 16.7%- Sanne South Africa, 11.25%- Sanne Americas and 10.4%- Sanne Netherlands.

Projected cash flows

Projected cash flows are calculated with reference to each CGUs 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 cash flows are calculated using the prior period actual result and compounding these results by 15% per annum for five years as per Group strategy. The terminal value growth rate was determined as between 4% and 5%.

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

Sensitivity analysis

The impairment review of the Group is sensitive to changes in key assumptions, most notably projected cash flows and the pre-tax discount rate. Management has independently performed a sensitivity analysis where the weighted average cost of capital used was increased by 10% and the projected cash flows decreased by 10% for all CGUs, with all other assumptions constant and the CGUs do not show indications of impairment.

14. Intangible assets

	Contract £'000	Customer £'000	Total £'000
Cost			
At 1 January 2015	10,500	1,242	11,742
Exchange difference	(70)	(9)	(79)
At 31 December 2015	10,430	1,233	11,663
Acquired during the year	16,529	3,929	20,458
Exchange difference	1,806	470	2,276
At 31 December 2016	**28,765**	**5,632**	**34,397**
Amortisation			
At 1 January 2015	2,168	189	2,357
Charge for the year	1,488	123	1,611
Exchange difference	(15)	(2)	(17)
At 31 December 2015	3,641	310	3,951
Charge for the year	2,340	367	2,707
Exchange difference	128	24	152
At 31 December 2016	**6,109**	**701**	**6,810**
Carrying amount			
At 31 December 2016	**22,656**	**4,931**	**27,587**
At 31 December 2015	6,789	923	7,712

The method of valuation and subsequent review is outlined in Note 3, no triggers of impairment were detected. Contract intangibles are amortised over six to eight years and customer intangibles amortised over six to ten years. The Group has a contractual commitment for the purchase of IFS Group. The purchase accounting for which will include the acquisition of intangible assets, see Note 30 for further details.

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14. Intangible assets (continued)

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

Contract Intangible	Amortisation period end	Carrying amount £'000
Delorean	31 May 2020	4,420
Ariel	30 April 2021	977
CCS	28 February 2023	761
IDS	31 May 2024	6,028
FAS	31 October 2022	10,207
Sorato	30 November 2023	264
Customer Intangible		
Delorean	31 May 2023	755
Ariel	30 April 2024	60
CCS	28 February 2023	621
IDS	31 May 2024	1,487
FAS	31 October 2022	1,947
Sorato	30 November 2023	60
Total		**27,587**

15. Equipment

	Computer equipment £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 1 January 2015	2,688	917	3,605
Additions	521	220	741
Disposals	(522)	(6)	(528)
Exchange differences	2	(2)	–
At 31 December 2015	2,689	1,129	3,818
Additions	703	812	1,515
Additions through acquisitions	1,101	1,027	2,128
Disposals	–	(34)	(34)
Exchange differences	212	127	339
At 31 December 2016	**4,705**	**3,061**	**7,766**
Accumulated depreciation			
At 1 January 2015	1,372	459	1,831
Charge for the year	678	183	861
Reclassifications	(1)	1	–
Disposals	(520)	(2)	(522)
Exchange differences	1	–	1
At 31 December 2015	1,530	641	2,171
Charge for the year	841	244	1,085
Additions through acquisitions	854	552	1,406
Disposals	–	(20)	(20)
Exchange differences	175	117	292
At 31 December 2016	**3,400**	**1,534**	**4,934**
Carrying amount:			
At 31 December 2016	**1,305**	**1,527**	**2,832**
At 31 December 2015	1,159	488	1,647

As at 31 December 2016 £1.9 million (2015: £495k) of computer equipment and £669k (2015: £365k) of fixtures and equipment is fully depreciated.

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16. Subsidiaries

Detailed below is a list of subsidiaries of the Company as at 31 December 2016 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 trust, nominee and company services or provide related support services. IDS Management Company (PTY) Limited is the only subsidiary with a non co-terminus year-end due to the impact on underlying customer structures.

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
Acquired or incorporated during the year	
Castlewood Corporate Services Limited	Republic of Ireland
FLSV Fund Administration Services LLC	United States of America
FLSV FAS doo Beograd-Stari Grad	Serbia
IDS Management Company (PTY) Limited	Republic of South Africa
Sanne Fund Services Holdings SA (PTY) Limited (formerly IDS Fund Services Holdings (PTY))	Republic of South Africa
Sanne Fund Services Malta Limited (formerly IDS Fund Services Malta Ltd)	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) Limited (formerly Sorato B.V.)	Netherlands

17. Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	21,629	18,304
Allowance for doubtful debts	(522)	(588)
	21,107	17,716
Other debtors and prepayments	1,639	833
Total trade and other receivables	22,746	18,549

Trade receivables

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. The Group considers all receivables over 60 days to be past due.

Allowances against doubtful debts are recognised against receivables with reference to these indicators:

- Insolvency or closure of the customer's business;
- Customer liquidity issues; and
- General creditworthiness, including past default experience of the customer.

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.

17. Trade and other receivables (continued)

There are two customers who across multiple contracting entities represent more than 5% of the total balance of trade receivables.

Institutional Client A	6.0%	(2015: 8.2%)
Institutional Client B	5.4%	(2015: 6.4%)

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 debts:	2016 £'000	2015 £'000
Balance at the beginning of the year	588	422
Impairment losses recognised	271	435
Amounts written off during the year as uncollectible	(275)	(64)
Amounts recovered during the year	(62)	(205)
Total allowance for doubtful debts	522	588

Ageing of past due but not impaired receivables:	2016 £'000	2015 £'000
61–90 days	184	170
91–120 days	1,971	1,104
121–180 days	153	26
180+ days	148	32
Total	2,456	1,332

Ageing of impaired receivables:	2016 £'000	2015 £'000
<31 days	10	26
31–60 days	–	–
61–90 days	–	–
91–120 days	10	7
121–180 days	–	–
180+ days	502	555
Total	522	588

18. Net cash

	2016 £'000	2015 £'000
Bank loan (see Note 22)	(59,518)	(17,695)
Trapped cash (i)	(3,046)	(599)
Less: Cash and cash equivalents (ii)	108,673	19,445
Total net cash	46,109	1,151

The Group had undrawn borrowings at 31 December 2016 of £40 million (2015: £7 million). See Note 22.

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

(ii) The cash and cash equivalents balance as at 31 December 2016 included £73.8 million held for purposes of completing the IFS Group acquisition on 1 January 2017 as detailed in Note 30.

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19. Operating lease arrangements

	2016 £'000	2015 £'000
The Group as lessee:		
Total lease payments under operating leases recognised as an expense	1,973	1,632

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:

	2016 £'000	2015 £'000
Within one year	3,043	1,301
In the second to fifth years inclusive	7,456	2,909
After five years	3,752	1,030
	14,251	5,240

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.

20. Share capital

	2016 £'000	2015 £'000
Authorised		
500,000,000 ordinary shares of £0.01 each	5,000	5,000
Called up, issued and fully paid		
135,286,860 ordinary shares of £0.01 each	1,353	1,130

2,644,046 Ordinary shares (2% of the issued share capital) are held by Sanne Group Employees' Share Trust ("EBT") (2015: 2,773,015) and have been treated as treasury shares in accordance with IAS 32 Financial Instruments.

At 31 December 2016 the Company held 98,533 (2015: 278,598) treasury shares.

Movements in share capital during the year ended 31 December 2016	2016 £'000
Balance at 1 January 2016	1,130
Other (i)	30
Issue of shares (ii)	193
Balance at 31 December 2016	1,353

(i) In the prior year financial statements the share capital was disclosed net of the par value of the own shares held. The share capital is now presented gross of any own shares held.

(ii) On 19 December 2016, 19,286,860 ordinary shares were issued by way of a firm placing, placing and open offer at a price of 490 pence per ordinary share. Gross proceeds to the Company were £94.5 million, which has been allocated appropriately between share capital £193k and share premium £94.3 million. Issue costs totalling £3.7 million were incurred and have been allocated against share premium.

21. Own shares

	Shares		£'000	
	2016	2015	2016	2015
EBT	2,644,046	2,776,890	562	125
Treasury	98,533	278,598	–	(3)
Total	2,742,579	3,055,488	562	122

21. Own shares (continued)

Sanne Group Employees' Share Trust ("EBT")

During the year, the Sanne Group Employees' Share Trust settled commitments under share based payments of 65,149 shares and repurchased 106,972 shares. On 30 March 2016, to provide liquidity to the EBT, 174,667 shares were sold under the rules of the London Stock Exchange for the net consideration of £625k. In accordance with IAS32 the cost of the shares was recorded in the own share reserve and the gain made was recognised in retained losses.

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 (2015: 278,598) shares in treasury resulting from the repurchases under Restrictive Sale Agreements at a cost of £2.

On 1 December 2016 the Company utilised 180,065 shares as part consideration for the acquisition of Sorato B.V. The shares were valued based on the closing share price the day before issuance with this amount appropriately allocated between own shares and share premium.

22. Borrowings

	2016 £'000	2015 £'000
Bank loan	59,518	17,695
Total borrowings	**59,518**	**17,695**

On 26 March 2015 the Group entered into a loan facility with HSBC Plc which was originally repayable on the 26th of March 2020. The loan was for £18 million (drawn) with an extra £7 million (undrawn) available on a revolving credit facility. Covenants attached to the loan monitored interest cover and leverage, with leverage defining the margin above LIBOR. Debt at 1x EBITDA equated to 1.5% margin (as currently measured), moving to 2x EBITDA at 2.15% margin. Undrawn funds were charged at 40% interest charge. £313k of capitalised loan cost were being amortised over the five year term. An accordion facility for a further £15 million was available, but undrawn at no cost. This facility was settled early on 1 November 2016 and replaced through the revised arrangements detailed below. Accelerated amortisation on capitalised loan costs of £245k was recognised.

On 1 November 2016 the Group entered into a new loan facility totalling £60 million with HSBC to replace the existing HSBC facility, which is repayable 30 September 2021. This new facility is a £46 million term loan along with a £14 million revolving credit facility both elements of which were drawn. The total loan was drawn to repay the existing £18 million term loan as well as part-fund the acquisition of FLSV. Covenants attached to the loan monitor interest cover and leverage on the same basis as the original loan detailed above. Undrawn funds are charged at 40% of the interest margin. £482k of capitalised loan costs are being amortised over the five year term. In addition to the committed £60 million, the Group also has access to a new £40 million accordion facility which is currently undrawn and bears no cost. Under the terms of the facility, HSBC holds a charge against the shares of Sanne Fiduciary Services Limited and Sanne Group (Luxembourg) SA and in the event of default may place charges against specific assets of the Group subsidiaries that are party to the facility.

23. Deferred taxation

The deferred taxation liability of £2.5 million (2015: £nil) recognised in the financial statements is set out below:

	2016 £'000	2015 £'000
Intangible assets	2,253	–
Other timing differences	35	–
	2,288	–

The movement in the year is analysed as follows:

	2016 £'000	2015 £'000
Balance at 1 January 2016	–	–
Recognised through acquisitions	2,010	–
Income statement	(276)	–
Foreign exchange (to other comprehensive income)	554	–
Balance at 31 December 2016	**2,288**	**–**

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

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24. Trade and other payables

	2016 £'000	2015 £'000
Trade creditors	1,081	407
Other payables	375	278
Other taxes and social security	1,668	1,186
Accruals	4,655	1,340
Deferred consideration (i)	5,916	–
Total trade and other payables	13,695	3,211

Trade creditors 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) Included in deferred consideration is £5.2 million payable for the FAS acquisition and £0.7 million for the CCS acquisition. See Note 26.

25. Provisions

	2016 £'000	2015 £'000
Total provisions	353	134

The provision carried at 31 December 2015 related to the abandonment of the Group's previous London premises. £182k was provided in regards of rent, service charge and council tax payments and included in operating expense with no allowance made for sub-lease or assignment income. The amount provided had been offset by rent paid in advance of £49k. The rental agreement came to an end during 2016 as new tenants were found to take over the obligation, no provision exists at 31 December 2016.

The provision carried at 31 December 2016 relates to dilapidations for property leases, the 31 December 2015 balance of £102k was included in Other payables.

26. Acquisitions

During the year ended 31 December 2016 the Group made the following acquisitions:
(i) Chartered Corporate Services ("CCS")
(ii) IDS Fund Services ("IDS")
(iii) FLSV Fund Administration Services ("FAS")
(iv) Sorato Trust B.V ("Sorato")

(i) Chartered Corporate Services ("CCS")

On 1 March 2016 the Group acquired 100% of the issued share capital of Castlewood Corporate Services Limited and Castlewood CS Holdings Limited, companies incorporated in Ireland and together trading as CCS.

The business was acquired to expand the Group's offering in Ireland by delivering additional scale and to diversify product capabilities to its corporate and institutional client base.

26. Acquisitions (continued)

		EUR 000s	GBP 000s
Recognised amounts of identifiable net assets (at fair value):			
Non-current assets	Useful economic life		
Equipment	2 years	4	3
Customer & contract intangible	7 years	1,842	1,433
Deferred tax		13	10
		1,859	1,446
Current assets			
Trade and receivables		211	164
Cash and cash equivalents		45	35
Accrued income		199	155
		455	354
Current liabilities			
Trade and other payables		16	12
Current tax liabilities		11	9
Deferred income		28	22
Other taxation liabilities		122	94
		177	137
Non-current liabilities			
Deferred tax liabilities		184	143
		184	143
Identifiable net assets		**1,953**	**1,520**
Total consideration satisfied by:			
Cash consideration		1,953	1,520
Fair value of total consideration:		1,953	1,520
Net cash flow arising on acquisition:			
Cash consideration		1,953	1,520
Less: cash balances acquired		(45)	(35)
		1,908	1,485

Deferred tax liabilities

Deferred tax liabilities have been recognised in relation to identified intangible assets, the amortisation of which is non-deductible against Irish Corporation Tax and therefore creates temporary differences between the accounting and taxable profits.

Transaction costs

Legal and professional fees totalled £75k for this acquisition. Due to the legal form of the deferred consideration on this deal there are also additional payments to be made totalling £1.3 million which are being treated as ongoing remuneration of key management personnel and being expensed over this and future accounting periods, £700k is included in deferred consideration at year-end (Note 24). £923k has been expensed for this and other legal and professional fees in this financial period, these have been shown in Operating expenses and further identified as non-underlying as detailed in Note 8.

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26. Acquisitions (continued)

Effect on the results

CCS contributed £1.1 million revenue and a profit of £358k before non-underlying items (£640k loss after non-underlying items) 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 2016 on a pro rata basis the Group revenue for the period would have been £64 million (£216k higher) and the net profit £13 million (£72k higher).

(ii) IDS Fund Services ("IDS")

On 1 June 2016 the Group acquired 100% of the issued share capital of IDS Fund Services Holdings (Pty) Limited, a company incorporated in South Africa. The company and its subsidiaries trade as IDS.

The company was acquired to complete the Group's portfolio within the alternatives sector by the addition of a Hedge division. It will create opportunities to expand the current service lines into Africa and the Hedge division into European and Asian markets. It further provides an operational platform in a lower cost jurisdiction to deliver client and support services across the Group.

		ZAR 000s	GBP 000s
Recognised amounts of identifiable net assets (at fair value):			
Non-current assets	Useful economic life		
Equipment	3–6 years	3,320	147
Customer & contract intangible	8 years	137,348	6,094
		140,668	6,241
Current assets			
Trade and receivable		14,330	636
Cash and cash equivalents		10,182	452
		24,512	1,088
Current liabilities			
Trade and other payables		10,874	482
Income taxes payable		2,245	100
		13,119	582
Non-current liabilities			
Deferred tax liabilities		38,396	1,704
		38,396	1,704
Identifiable net assets		113,665	5,043
Goodwill		151,623	6,727
Total consideration		**265,288**	**11,770**
Total consideration satisfied by:			
Cash consideration		265,288	11,770
Fair value of total consideration:		265,288	11,770
Net cash flow arising on acquisition:			
Cash consideration		265,288	11,770
Less: cash balances acquired		(10,182)	(452)
		255,106	11,318

Deferred tax liabilities

Deferred tax liabilities have been recognised in relation to identified intangible assets, the amortisation of which is non-deductible against South African Corporation Tax and therefore creates temporary differences between the accounting and taxable profits.

Transaction costs

The group has incurred £344k of acquisition and integration expense in this financial period and £90k in the prior period. Principally, legal and professional fees in acquiring the business and travel costs on the integration of the business. These costs have been expensed within operating expenses in this financial period and have further been identified as non-underlying as detailed in Note 8.

26. Acquisitions (continued)

Goodwill

Goodwill is represented by assets that do not qualify for separate recognition or other factors. These include new business wins to new customers, effects of an assembled workforce and synergies from combining operations of the acquiree and the acquirer.

Effect on the results

IDS contributed £4 million revenue and a profit of £240k before non-underlying items (£104k loss after non-underlying items) 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 2016 on a pro rata basis the Group revenue for the period would have been £66.6 million (£2.8 million higher) and the net profit £13.1 million (£171k higher).

(iii) FLSV Fund Administration Services LLC ("FAS")

On 1 November 2016 the Group entered into an agreement to acquire FLSV Fund Administration Services LLC, a United States of America ("US") based provider offering fund administration and reporting services to alternative asset managers, primarily in North America.

The acquisition provides Sanne with a high quality US based platform from which to enter the large and fast growing US alternative assets fund administration market with immediate enhancement to earnings.

		USD 000s	GBP 000s
Recognised amounts of identifiable net assets (at fair value):			
Non-current assets	Useful economic life		
Equipment	3–15 years	683	558
Customer & contract intangible	6 years	15,425	12,605
		16,108	13,163
Current assets			
Trade and receivables		528	431
Cash and cash equivalents		3,327	2,719
Other assets		6	5
		3,861	3,155
Current liabilities			
Trade and other payables		372	304
Deferred tax liability		110	90
Deferred income		3,693	3,018
		4,175	3,412
Identifiable net assets		**15,794**	**12,906**
Goodwill		54,909	44,868
Total consideration		**70,703**	**57,774**
Total consideration satisfied by:			
Cash consideration – on acquisition		44,082	36,020
Equity instruments – instalment shares (1,921,134 shares in Sanne Group plc)		11,713	9,571
Cash consideration – in escrow		11,066	8,994
Equity instruments – in escrow (639,085 shares in Sanne Group plc)		3,902	3,189
Fair value of total consideration:		70,703	57,774
Net cash flow arising on acquisition:			
Cash consideration		55,088	45,014
Less: cash balances acquired		(3,327)	(2,719)
		51,761	42,295

Fair value of consideration

The shares were valued based on the closing share price the day before the transaction date. Of the cash consideration, £5.2 million was deferred and remains unpaid at the year-end (Note 24).

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26. Acquisitions (continued)

Transaction costs

The group has so far incurred £658k of acquisition and integration expense in this financial period. Principally, legal and professional fees in acquiring the business and travel costs on the integration of the business. These costs have been expensed within operating expenses in this financial period and have further been identified as non-underlying as detailed in Note 8.

Goodwill

Goodwill is represented by assets that do not qualify for separate recognition or other factors. These include new business wins to new customers, effects of an assembled workforce and synergies from combining operations of the acquiree and the acquirer.

Effect on the results

FAS contributed £3.1 million revenue and a profit of £760k before non-underlying items (£102k profit after non-underlying items) 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 2016 on a pro rata basis the Group revenue for the period would have been £79.3 million (£15.4 million higher) and the net profit £16.7 million (£3.8 million higher).

(iv) Sorato Trust B.V ("Sorato")

On 1 December 2016 the Group acquired 100% of Sorato Trust B.V., a Netherlands based provider of domiciliation and associated corporate services.

The business was acquired to deliver a regulated footprint in the Netherlands, which supports the Group's growth strategy in Europe.

		EUR 000s	GBP 000s
Recognised amounts of identifiable net assets (at fair value):			
Non-current assets	Useful economic life		
Equipment	5 years	16	14
Customer & contract intangible	7 years	386	326
		402	340
Current assets			
Trade and receivables		17	14
Cash and cash equivalents		107	91
Accrued income		60	51
		184	156
Current liabilities			
Trade and other payables		59	50
Current tax liabilities		25	21
Deferred income		23	20
Other taxation liabilities		14	12
		121	103
Non-current liabilities			
Deferred tax liabilities		96	82
		96	82
Identifiable net assets		369	311
Goodwill		1,952	1,649
Total consideration		2,321	1,960
Total consideration satisfied by:			
Cash consideration		1,211	1,023
Equity instruments (180,065 shares in Sanne Group plc)		1,110	937
Fair value of total consideration:		2,321	1,960
Net cash flow arising on acquisition:			
Cash consideration		1,211	1,023
Less: cash balances acquired		(107)	(91)
		1,104	932

26. Acquisitions (continued)

Fair value of consideration

The shares were valued based on the closing share price the day before reissuance with this amount appropriately allocated between own shares (Treasury) and share premium.

Deferred tax liabilities

Deferred tax liabilities have been recognised in relation to identified intangible assets, the amortisation of which is non-deductible against UK Corporation Tax and therefore creates temporary differences between the accounting and taxable profits.

Transaction costs

The Group has so far incurred £66k of acquisition and integration expenses in this financial period. Principally, legal and professional fees in acquiring the business and travel costs on the integration of the business. These costs have been expensed within operating expenses in this financial period and have further been identified as non-underlying as detailed in Note 8.

Effect on the results

Sorato contributed £29k revenue and a profit of £3k before non-underlying items (£63k loss after non-underlying items) 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 2016 on a pro rata basis the Group revenue for the period would have been £64.1 million (£319k higher) and the net profit £12.9 million (£15k higher).

Goodwill

Goodwill is represented by assets that do not qualify for separate recognition or other factors. These include new business wins to new customers, effects of an assembled workforce and synergies from combining operations of the acquiree and the acquirer.

27. Share based payments

	2016 £'000	2015 £'000
Sanne Holdings Limited (i)		
2,450,000 F Non-voting Ordinary shares in SHL	–	1,075
Amortisation of SHL award costs	–	735
Sanne Group plc (ii)		
Employee Share Gift award	276	918
Foreign exchange	–	8
Performance Share Plan	676	–
Restricted Stock Awards	439	–
Total share based payments	**1,391**	2,736
Employee Share Gift award from Employee Benefit Trust	(8)	–
Net share based payments	**1,383**	2,736

(i) Sanne Holdings Limited

The Group operated an equity-settled share based remuneration arrangement for certain "qualified" persons. The aim of the scheme was to allow persons meeting certain criteria to receive a proportion of value added to the business without dilution of shares issued to existing E class shareholders. Accordingly, different share classes with defined income and capital rights were created from time to time.

The allocation of shares and the determination of who was a qualified person was made by a company that was at the time a related party, Consus Limited ("Consus"), in its absolute discretion. Consus held shares of the parent company for allocation to qualified persons. The directors of Consus were also directors of other entities within the Group or representatives of shareholders during the prior year.

When shares were allocated, qualified persons entered into a Share Rights and Call Option agreement with Consus giving Consus the unrestricted right to call the shares for nominal value during a period of five years if the holder was no longer deemed a qualified person.

The fair value of the shares issued was calculated using a discounted cash flow model. The key inputs to the calculation included expected dividends according to the income rights of each share class based on a three-year earnings projection, adjusted to reflect an estimated 5% annual dilution of dividend. The discount factor of 12% was determined based on the Group's weighted average cost of capital at the time.

These shares were subsequently exchanged for ordinary shares of Sanne Group Plc on 1 April 2015 upon completion of the IPO. The remaining value of all share awards was fully amortised on completion of the IPO.

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For the year ended 31 December 2016

27. Share based payments (continued)

(ii) Sanne Group plc

Sanne Group Employees' Share Trust

Gift award

On 30 November 2015, 255,179 shares were gifted to employees as beneficiaries. These shares were awarded to the beneficiaries in recognition of their efforts in bringing the Company to the main market of the London Stock Exchange. During 2016, 61,576 shares were gifted to employees of the newly acquired businesses to welcome them to the Company. As such they had no vesting period. The market value on grant date was charged in full to Operating expenses and further identified as non-underlying. All awards were granted for nil consideration.

Performance Share Plan

During the period 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 ending 31 December 2018. All the awards were granted for a nil consideration. Further awards were made through the year.

A summary of the rules for this scheme and the related performance conditions are set out in the Directors' remuneration report.

Restricted Stock Awards

During the period the Group granted awards over its ordinary shares in the form of Restrictive Stock Awards ("RSA"). The awards are used as part of the Group's recruitment policy for certain key management. The vesting of the awards is subject to continued employment over an agreed period. The awards were also granted as part of the mechanics of an acquisition to act as retentions for key management. All the awards were granted for a nil consideration.

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

For the year ended 31 December 2016	Weighted average exercise price (£)	Number of shares
Performance share plan		
Outstanding at 1 January 2016	–	–
Granted during the year	–	833,270
Forfeited during the year	–	(75,483)
Outstanding at 31 December 2016	–	757,787
Restricted Stock Awards	–	–
Outstanding at 1 January 2016	–	–
Granted during the year	–	1,066,562
Forfeited during the year	–	(131,260)
Outstanding at 31 December 2016	–	935,302

The fair value of services received in return for share awards granted are measured by reference to the fair value of the shares granted.

Shares to be issued comprised of the following:

For the year ended 31 December 2016	2016 £'000
Performance share plan for employees	1,107
FAS acquisition deferred consideration (Note 27)	12,760
Total value of shares to be issued	**13,867**

28. 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	2016 £'000	2015 £'000
Financial assets		
Cash and bank balances	108,673	19,445
Loans and receivables (i)	22,643	18,785
Financial liabilities		
Financial liabilities recorded at amortised cost		
Bank loan	59,518	17,695
Trade and other payables (ii)	6,111	2,025

(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.

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.

As disclosed in Note 22, in 2016 the Group took 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, Netherlands, Luxembourg and South Africa, which are monitored monthly to ensure compliance. There have been no breaches of applicable regulatory requirements during the year.

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

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates.

The Group's activities expose some currency risk through overseas operations with a functional currency other than Pounds Sterling and to a lesser extent when contracting with clients in currencies other than Pounds Sterling. Given the increased currency exposure resulting from the Group's acquisitions the Group is investing in suitable technology solutions to enable management to better analyse and report the impact of foreign currency exposure on the financial forecasts and projections of the Group.

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 ensure 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 2016 would decrease/increase by £63k (2015: £47k).

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For the year ended 31 December 2016

28. Financial instruments (continued)

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 carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are as follows:

	Assets		Liabilities	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Euro	7,422	5,580	369	2,479
United States Dollar (i)	78,444	2,009	1,037	22
South African Rand	1,481	–	560	–
	87,347	7,589	1,966	2,501

(i) Included in the United States Dollar exposure on assets is £73.8 million cash for the Kestrel acquisition which completed on 1 January 2017 (Note 30).

Where considered necessary the Group will manage its foreign currency risk through hedging arrangements. Foreign currency contracts were entered into during the year to sell Sterling and buy United States Dollars, these contracts related to the FLSV and IFS Group acquisitions and both these contracts were closed before year-end.

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, 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 the Group's total comprehensive income for the year and net assets arising from potential changes in the Euro, United States Dollar or South African Rand exchange rates, with all other variables remaining constant. A strengthening or weakening of Sterling by 20% is considered an appropriate variable for the sensitivity analysis given the scale of foreign exchange fluctuations over the last two years.

		Effect on Group profit or loss and net assets	
	Strengthening / (weakening) of Sterling	2016 £'000	2015 £'000
Euro	+20%	1,411	310
United States Dollar	+20%	15,481	199
South African Rand	+20%	184	–
Euro	– 20%	(1,176)	(282)
United States Dollar	– 20%	(12,901)	(181)
South African Rand	– 20%	(153)	–

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.

28. Financial instruments (continued)

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk to maintain adequate reserves by regular review around the working capital cycle using information on forecast and actual cash flows.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. Regulation in most jurisdictions also requires the Group to maintain a level of liquidity so the Group does not become exposed.

The Group manages liquidity risk to maintain adequate reserves by regular reporting around the working capital cycle using information on forecast and actual cash.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment years. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating 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 2016					
Bank loans (i)	347	1,034	65,178	–	66,559
Trade payables and accruals (ii)	7,547	–	–	–	7,547
Provisions	353	–	–	–	353
	8,247	1,034	65,178	–	74,459
31 December 2015					
Bank loans (i)	116	349	19,528	–	19,993
Trade payables and accruals (ii)	1,908	–	–	–	1,908
	2,024	349	19,528	–	21,901

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.

29. Related party transactions

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.

The Group's other 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.

The remuneration of key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2016 £'000	2015 £'000
Short-term employee benefits	1,956	2,555
Share based payments (see Note 27)	477	452
Total short term payments	2,433	3,007
Other		
- Ordinary dividends	764	185
Total other payments	764	185

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30. Post balance sheet events

(i) International Financial Services Limited ("IFS Group")

On 1 January 2017 the Group acquired 100% of the issued share capital of International Financial Services Limited and IFS Trustees, these entities are incorporated in Mauritius and together trade as IFS Group.

This acquisition provides the Group with a significant platform to both support clients in attractive regions and grow the Group's emerging markets presence. IFS Group will form the core of a new standalone division operating as the Group's new, emerging markets-focused platform.

The consideration for the acquisition will be satisfied through a payment of approximately £72.9 million (US$91.1 million) in cash, which was financed through the net proceeds of the capital raising, and the issue of approximately 5.8 million consideration shares.

		USD 000's	GBP 000's
Recognised amounts of identifiable net assets (at Fair value):			
Non-current assets	Useful economic life		
Equipment	5–6 years	385	312
Customer & contract intangible	5–7 years	57,007	46,197
		57,392	46,509
Current assets			
Trade and other receivables		4,645	3,764
Cash and cash equivalents		7,463	6,048
		12,108	9,812
Current liabilities			
Trade and other payables		1,499	1,215
Current tax liabilities		961	779
Deferred income		3,362	2,722
		5,822	4,716
Non-current liabilities			
Retirement gratuity liabilities		587	476
		587	476
Identifiable net assets		**63,091**	**51,129**
Goodwill		70,203	56,889
Total consideration		**133,294**	**108,018**
Fair value of consideration payable			
Cash consideration		91,103	73,828
Equity instruments (5,844,507 shares in Sanne Group plc)		42,191	34,190
Fair value of consideration paid		133,294	108,018
Net cash flow arising on acquisition:			
Cash consideration		91,103	73,828
Less: cash balances acquired		(7,463)	(6,048)
		83,640	67,780

30. Post balance sheet events (continued)

Fair value of consideration

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

Transaction costs

The Group has so far incurred £319k (net of fx gain of £1.5 million) of acquisition and integration expense in this financial period. Principally, legal and professional fees in acquiring the business and travel costs on the integration of the business. These costs have been expensed within operating expenses in this financial period and have further been identified as non-underlying as detailed in Note 8.

Goodwill

Goodwill is represented by assets that do not qualify for separate recognition or other factors. These include new business wins to new customers, effects of an assembled workforce and synergies from combining operations of the acquiree and the acquirer.

(ii) Repayment of Borrowings

On 6 January 2017 the Group settled borrowings with HSBC to the value of £14.1 million. £14.0 million related to the principal loan balance and £58k to interest accrued thereon.

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