SANNE

Annual Report for the year ended **31 December 2017**

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

THE DIFFERENCE

SANNE

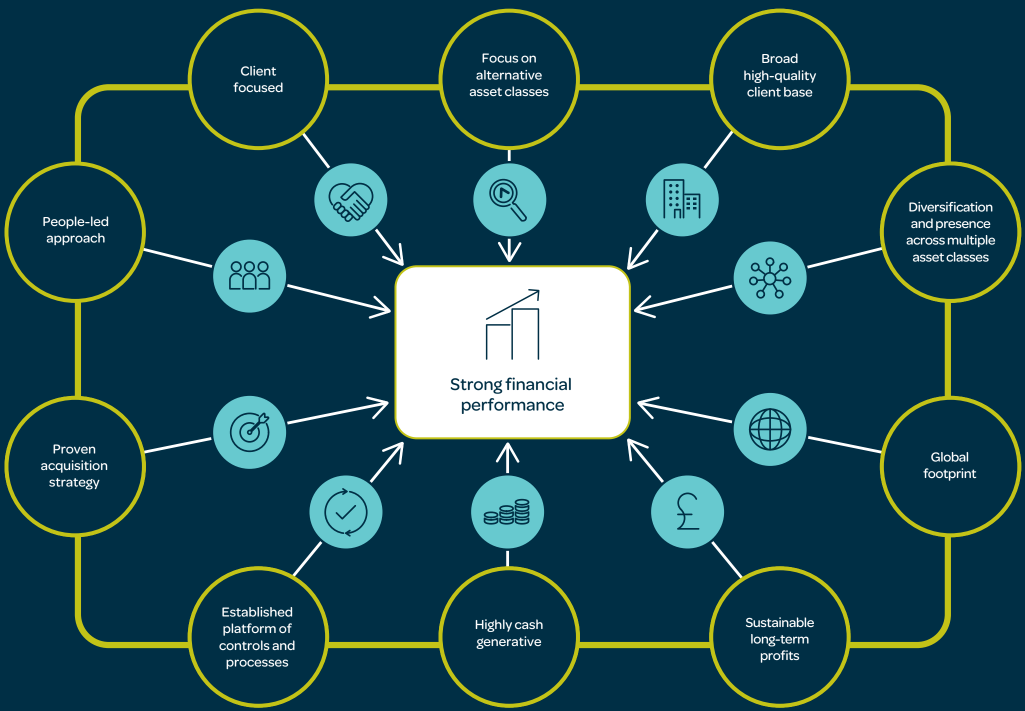
Welcome to Sanne Group plc's 2017 Annual Report

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

More than 1,200 employees

15 locations

Investment Proposition



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, helping to create high barriers to entry. Alternative asset classes are also high growth markets.

Broad high quality client base
SANNE has a range of clients covering alternative asset managers, family offices, financial institutions and corporates.

Diversification and presence across multiple asset classes
Providing a natural hedge against a downturn in trading conditions of any one product or market in which SANNE operate.

Global footprint
SANNE has offices located across multiple international financial centres to support clients and win new business. SANNE has offices in 15 locations in North America, EMEA and Asia-Pacific and Mauritius.

Strong financial performance
SANNE has sustained strong financial performance, achieving a five year compound annual growth rate ("CAGR") of 43% in revenue and 44% in underlying operating profit between 2012 and 2017.

Organic revenue growth was 14% for the year.

Sustainable long-term profits
The majority of contracts have a duration of five to ten years, generating revenue that is durable and enabling a sustainable business model.

Highly cash generative
SANNE achieves consistent levels of underlying operating profit to cash generation giving a cash conversion rate of 100% in 2017 (2016: 103%).

Established platform of controls and processes
An emphasis on compliance and risk management is fundamental to the success of SANNE.

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

People-led approach
Senior management are involved throughout the process of both winning new business and servicing the work; working alongside high quality and professionally qualified staff.

Client focused
SANNE adopt a tailored approach in tandem with clients, enabling the provision of client specific solutions.

Performance Highlights

Metric	Change	2017	2016
Revenue	+77%	£113.2 million	£63.8 million
Underlying[1] operating profit	+76%	£38.8 million	£22.0 million
Underlying[1] profit before tax	+79%	£38.1 million	£21.3 million
Operating profit	+57%	£23.1 million	£14.7 million
Profit before tax	+49%	£22.4 million	£15.0 million
Underlying[1] diluted EPS	+40%	23.7 pence	16.9 pence
Diluted EPS	+12%	12.7p pence	11.3p pence

Financial highlights

- Group revenue increased 77% to £113.2 million (2016: £63.8 million)
- Underlying operating profit increased 76% to £38.8 million (2016: £22.0 million)
- Underlying profit before tax increased 79% to £38.1 million (2016: £21.3 million)
- Operating profit increased 57% to £23.1 million (2016: £14.7 million)
- Profit before tax increased 49% to £22.4 million (2016: £15.0 million)
- Diluted Earnings Per Share (EPS) at 12.7 pence (2016: 11.3 pence), underlying diluted EPS 23.7 pence (2016: 16.9 pence)
- Recommending final Dividend Per Share (DPS) of 8.4 pence, bringing total dividend for the year to 12.6 pence, inclusive of the previously paid 4.2 pence interim dividend (2016: 9.6 pence in total)

Operational highlights

- Strong pipeline of new business within SANNE's core alternatives business (Debt, Real Estate, Private Equity and Hedge) and its corporate and treasury business lines
- Projected annualised value of revenues for new business won in the year of approximately £20.9 million (2016: £13.8 million)
- Acquisitions completed in Mauritius (2017) and Luxembourg (2018), broadening capabilities and geographic footprint with integration of the Mauritian business progressing well.

[1] Underlying results for the year have been presented after the exclusion of non-underlying items. Within operating profit and profit before tax, these items include acquisition and integration costs (£1.4m), share based payments (£1.3m) and amortisation of intangible assets (£13.0m). Further details can be found in note 8 of the consolidated financial statements.

For more information, see our website **www.sannegroup.com**

Introduction

Chairman's Statement

Rupert Robson
Chairman

"SANNE has continued to evolve as an organisation, integrating acquisitions and emerging with a regional and global business model."

Overview

I am pleased to present the Sanne Group plc's Annual Report and Accounts for the financial year ended 31 December 2017.

Performance

SANNE has delivered a strong set of financial results in 2017. Total revenues increased by 77% overall, with organic revenue growth of 14%. The Group's underlying operating profit increased by 76% to £38.8 million. Operating profit was £23.1 million. Underlying profit before tax increased by 79% to £38.1 million. Profit before tax was £22.4 million. The Group's underlying operating profit margin was 34.3%.

The underlying diluted EPS was 23.7 pence (2016: 16.9 pence).

Increased dividend

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

The Board is recommending a final dividend of 8.4 pence per ordinary share (2016: 6.4 pence). The final dividend will be payable on 15 May 2018 to Shareholders on the register at close of business on 3 April 2018.

Together with the previously paid 2017 interim dividend of 4.2 pence per share, this gives a total dividend for the year of 12.6 pence per share (2016: 9.6 pence in total).

Business development

SANNE has continued to evolve as an organisation, integrating acquisitions and emerging with a regional and global business model. This places the Group in a strong position to address worldwide opportunities as it builds a sustainable global business. Further, the business continues to invest significantly in staff training and group services functions, strengthening its procedures.

The alternative fund administration market continues to expand, offering good prospects for the Group. Increasing and changing regulations are difficult to deal with in-house and outsourcing the administration of this to a specialist provider with a global footprint such as SANNE becomes an ever more attractive proposition.

2017 was a year of group-wide consolidation, and significant work has been undertaken to strengthen procedures and controls. SANNE's 2016 acquisitions have been largely integrated into the business, offering an expanded global reach. The Company re-invested in 2017 and into 2018, in internal support, within the control functions and in bolstering the first and second lines of defence. Additional investment has also been made in staff training and in standardising our processes and procedures. This underpins our strategy of a compliance culture.

SANNE completed the acquisition of the Mauritian business, International Financial Services Limited and IFS Trustees (together IFS) on 1 January 2017, and increased its Luxembourg presence with the acquisitions of Luxembourg Investment Solutions S.A. (LIS) and Compliance Partners S.A. (CP) on 6 February 2018.

Corporate governance

During the year the Board has further developed its corporate governance. The Nomination Committee was evolved into the Nomination and Governance Committee, and it was decided to split the Audit and Risk Committee into two separate committees. The corporate governance framework needs to support processes and create a strong tone from the top. The strengthening of our framework will help the Company build its business and support sustainable growth. More information is provided on our corporate governance in the Director's Report on pages 47 to 49. In addition, on pages 42 to 47 there is a report on how SANNE complies with the UK Corporate Governance Code (the Code).

In 2017, the Board and the Committees had an external effectiveness review. The conclusions from the review were useful and its recommendations have been accepted.

Our people

I would like to thank everyone, on behalf of the Board, for their hard work and contribution to the Group's 2017 performance. There is more information on our people, diversity and inclusion on pages 27 and 51.

Our role in society

In this year's report there is included for the first time a section on Corporate Social Responsibility (CSR). SANNE supports the charitable efforts of staff around the Group and its strategy focusses on three core CSR themes; benefiting children, fighting poverty and supporting education. The Committees and the Board have discussed gender pay, diversity and inclusion. The Board has reviewed gender pay and is looking to ensure internal procedures are enhanced to ensure all staff are treated equally.

The Company is keen to ensure that its environmental impact is minimised and takes a number of steps to seek to reduce its carbon footprint, by encouraging the use of conference calls to reduce travel, recycling materials and selecting new offices that are built with the environment in mind.

Our culture

SANNE has a strong collegiate culture, which encourages entrepreneurial drive. In 2017 (and early 2018) the Company introduced further training to optimise its compliance and control processes at the centre of our business. SANNE has also built its assurance capability further in 2017 and early 2018 to maintain focus in this area.

Board membership

Spencer Daley, Chief Financial Officer (CFO), is to take on the role of Head of M&A and Strategy, with responsibility for helping the Group explore and maximise strategic opportunities, both organic and inorganic. Spencer will be succeeded as CFO by James Ireland.

I am delighted that James is joining SANNE as CFO as Spencer's successor. He has worked very closely with both Dean Godwin, SANNE's Chief Executive Officer, and Spencer for a number of years, and engaged well with the broader management team and Board at SANNE. His background will be a great asset in helping the business to deliver its future development and global growth plans.

James joins SANNE from Investec, where he has been for over 10 years, advising public and private companies on mergers and acquisitions and equity capital markets transactions. James has acted as a board-level adviser to a broad range of businesses including internationally diverse groups with a significant emphasis on human capital for their service delivery. Most recently he has been the head of Investec's Support Services sector team which includes the fund and corporate administration services sector. He is expected to join the Board as CFO in June 2018, at which point Spencer will step down from the Board.

Mel Carvill was welcomed to the Board on 1 January 2018. Currently based in Guernsey, Mel brings global financial services and risk management experience accumulated from his time at Generali and more recently at PPF Group. He will serve as Chairman of the newly constituted Risk Committee.

Phil Godley stepped down from the Board on 1 January 2018. Phil's business leadership and valuable contribution to the Board have hugely supported SANNE through its launch on the stock market and in the period since.

Outlook

SANNE has had a year of progress with strong financial results. Our longer-term prospects are driven by the strong growth in the global alternatives market. The increase in workloads of asset managers creates additional administration that SANNE can manage as an outsourced solution with our international footprint. Looking forward we are building on our success as a high growth sustainable business whilst investing in our infrastructure. Against this background, the outlook for 2018 continues to look promising.

Rupert Robson
Chairman

21 March 2018

Introduction

Chief Executive Officer's Statement

Dean Godwin
Chief Executive Officer

"Strategic recruitment of talent and increased jurisdictional presence have helped us to deliver high quality professional services."

Our vision

SANNE's vision is to be one of the world's leading providers of alternative asset and corporate administrative services. We have been driving to achieve this through building a sustainable global business based on best practice, professionalism, ambition, integrity and engagement. Strategic recruitment of talent and increased jurisdictional presence have helped us to deliver high quality professional services.

The aim is to deliver services to a range of international, institutional and private client customers. SANNE seeks to ensure excellent client service, based on our organisational values of professionalism and integrity.

Our markets

Our focus is to continue to build scale in established and emerging markets in order that we can deliver global solutions to new and existing clients. We continue to see the trend towards the outsourcing of corporate and fund administration activity from institutions and asset managers to ease administration and to have independent oversight. We provide administration services for alternatives and due to greater outsourcing, partly as a result of a changing regulatory environment, demand is increasing. There is more detail on our business model on pages 8 to 9 and on our segmental reporting on pages 16 to 20.

Brexit

The impact of Brexit in the market is unlikely to damage global demand for services, however we anticipate that our offices in Dublin, Luxembourg, Malta and the Netherlands are likely to benefit from any potential increase in demand. Our recent acquisition of Luxembourg Investment Solutions S.A. and Compliance Partners S.A. has further strengthened our EU footprint.

2017

During the year we have focused on ensuring our business model is built for expansion. We have recruited new talent in client and group services and invested in infrastructure. At the same time we have consolidated our processes and boosted our back office functions.

We have further developed the three lines of defence, ensuring we have specialist compliance personnel working with the business in conjunction with the checks and balances from the second line of defence in Risk and Compliance and Internal Audit (the third line). In addition, we have internal financial controls in place to protect SANNE and our clients. Details of our approach to controls can be found in the Risk Management Report on pages 22 to 26 and in the Report of the Audit and Risk Committee on pages 52 to 56.

SANNE has had a successful year and highlights include the acquisition of our new Mauritian business, IFS. After the year-end we also finalised the acquisition of Luxembourg Investment Solutions S.A. and Compliance Partners S.A. on 6 February 2018. These businesses have expanded our expertise and jurisdictional coverage.

Senior Management

Further to the CFO announcement today, I am pleased to welcome James Ireland, who will join us in June, as the new CFO. It is recognised that Spencer is an important part of the SANNE's success story. He has been instrumental in helping IPO the Group in 2015 and has played a key role in the strong growth of the business over the past five years. His entrepreneurial spirit is ideally suited to his new role, Head of M&A and Strategy, as the business looks forward to capturing the opportunities that lie ahead.

On 1 January 2018 Phil Godley stepped down from the Board. I wish to thank Phil for his contribution to the Board.

There were a number of key internal promotions over the past year that strengthened the SANNE management team:

- Martin Schnaier was promoted into the role of Chief Commercial Officer.
- Sean Murray was appointed as the Managing Director for EMEA Alternatives, previously held by Martin Schnaier.
- Mark Law joined on 14 August 2017 to lead our Asia-Pacific & Mauritius business. He is based in Hong Kong.

- Eric Watson joined on 1 January 2017 as the new Chief Operating Officer.
- Mark Shaw changed his role from Chief Risk Officer to be part of our First Line of Defence.
- Martin Pearson was appointed with effect from 1 January 2018 as the new Chief Risk Officer.

Our organisation

SANNE is structured around specialist divisions and its geographies. This enables clients to benefit from our knowledge and in-depth understanding of local jurisdictions. SANNE is investing in people and processes to continue to provide our clients with a quality service.

The business strategy adopted by the Board has allowed SANNE to enhance its value to clients and stakeholders. We will look to continue to capture the increased demand for our services, and maintain our position as a trusted and valued partner by our clients.

Training

As an organisation of professionals, we continue to promote a culture of learning and development of our staff. I am proud that there is continued investment in training with support for staff to complete professional qualifications.

Our culture

SANNE's culture is collegiate. Our values and behaviours are professionalism, integrity, ambition, enthusiasm and engagement. These behaviours support our vision to build a sustainable global business based on best practice. I am committed to driving the communication of our values, and will be ensuring that these are embedded in our business.

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Dean Godwin
Chief Executive Officer

21 March 2018

06

Strategic Report

"Our strategy is to be one of the world's leading providers of alternative asset and corporate administration services"

Dean Godwin
Chief Executive Officer

Strategic Report

Business Model

SANNE is a provider of alternative asset and corporate administration services. Revenue growth is generated by building long-term relationships and by cross-selling new services to our existing client base. The projected annualised value of revenues for new business won during the year was approximately £20.9 million (2016: £13.8 million).

Our clients and services

- Private Equity fund managers
- Real Estate fund managers
- Debt fund managers
- Hedge fund managers
- Financial institutions
- Global corporates
- Sovereign wealth funds
- Family offices
- Ultra-high-net-worth individuals

Our asset classes and market expertise

Our alternative asset class specialisms:

- Private Debt
- Capital Markets
- Real Estate
- Private Equity
- Hedge Funds
- Fund of Funds

Our corporate and private client market specialisms:

- Corporate Services
- Executive Incentives
- Private Client Services
- Treasury and FX Management

Generating fee income within these regions

North America

EMEA (Europe, Middle East and Africa)

APM (Asia-Pacific & Mauritius)

What makes SANNE different

Our talented people

Strong brand

Institutional client base

Our business model delivers a one-stop shop solution to clients in each alternative asset class and our corporate and private clients. As we have expanded, our revenue has increased to £113.2 million in 2017 (2016: £63.8 million). We monitor our performance through our KPIs on page 15.

Read more about **SANNE's segmental business operations** on pages 16 to 19

Creating value

- Employees
- Shareholders
- Clients
- Intermediary network
- Suppliers
- Regulators
- Organic / Inorganic growth

Investment in:

- People
- Information technology and systems
- Three lines of defence
- Group-wide infrastructure and premises
- Community and CSR programmes
- Ongoing change programmes, processes and procedures

Generating profit

- Added to capital
- Shareholder returns
- Inorganic growth

Reinvested in the business

Global reach

Integrated services

Strategic Report

Market

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

The diversified nature of the business provides a degree of hedging against macroeconomic volatility; for instance, the emergence of specialist asset classes such as private debt offer new investment opportunities for institutional investors.

The global alternatives market has continued to show strong growth in recent years as investor bases have evolved, reacting to more choice, diversification and sustainable, longer-term returns. According to a recent report by PwC[1], growth is set to continue, with global alternative assets under management expected to reach US$18.1 trillion by 2020, compared to US$10 trillion in 2015. PwC, in a separate report[2], attributes the expected growth in the industry to a government-incentivised shift to individual retirement plans, the increase of high-net-worth individuals from emerging markets, and new market entrants in the form of sovereign and public pension funds.

Against this backdrop, a material factor driving the increasing demand for the Group's services is the growing level of regulation being applied by authorities to the alternatives industry. Legislation and regulation such as AIFMD, CRS, FATCA and GDPR for example, create a considerable increase in workload for funds and asset managers that is complicated and costly to deal with in-house. Factoring in the evolving nature of the regulatory landscape, the rate of technological change, the substantial penalties for failing to comply, the added complexity brought about by different approaches and obligations across jurisdictions, and the option of outsourcing to specialist, regulated administrators with an international footprint and expertise, such as SANNE, becomes increasingly compelling. This is supported by the results of a 2016 Preqin survey[3], which suggests that, from relatively low levels, there is a growing number of fund managers seeking to establish new relationships with third party service providers to outsource various administrative functions of their business.

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

The North American region continues to grow in importance to the business following the 2016 acquisition of FLSV Fund Administration Services LLC. The region is the world's largest market for alternative asset management with private capital assets under management (AUM) of US$2.4 trillion and it is forecast to grow at a compound annual growth rate of around 13% over the next three to four years. At present, only circa 30% of North American private capital (AUM) is outsourced to third party administrators. This is estimated to reach circa 50% by 2020, driven by regulatory change, evolving reporting requirements and the need for increased investment in technology infrastructure, providing a significant growth opportunity for SANNE.

The Group's acquisition of IFS in Mauritius at the beginning of 2017 has enabled SANNE to take advantage of the significant growth opportunity across the wider Asia-Pacific and Mauritius region. Emerging markets have seen strong growth in allocations to alternative assets under management in recent years and the scale that SANNE now has in these markets will ensure that increasing market share is a key focus in this region. Taking the private equity asset class as an example, the share of global private equity and venture capital investment being made in emerging markets was up from 6% to 22% between 2003 and 2013. This increase has been driven by economic reform, increased freedom of trade and GDP growth in emerging markets.

Research suggests that trends within the general corporate and private client markets will also continue to move in the Group's favour. A 2017 report by Bain & Company[4] found that the global trust and corporate service market is likely to grow at 3-5% per year through 2020 on the back of rising household wealth and greater corporate and tax regulation. With these markets subject to many of the same regulatory and legislative drivers as the alternatives industry, demand for the outsourcing of administration services in the general corporate and private client markets looks set to remain healthy.

Sources

1. **Alternative asset management in 2020: Fast forward to centre stage**
   https://www.pwc.com/jg/en/publications/alternative-asset-management-2020.pdf

2. **Alternative investments: It's time to pay attention**
   https://www.strategyand.pwc.com/media/file/Alternative-investments.pdf

3. **Preqin Special Report: Private Capital Service Providers**
   http://docs.preqin.com/reports/Preqin-Special-Report-Private-Capital-Service-Providers-July-2016.pdf

4. **Bain & Company report – The Coming Shakeout in Trust and Corporate Services:**
   http://www.bain.com/publications/articles/the-coming-shakeout-in-trust-and-corporate-services.aspx


BUS
ONLY

Strategic Report

Strategy

The Group has successfully grown in recent years both organically and inorganically. New business is sourced both from cross-selling to existing clients and from developing new client relationships.

The strategic focus of the Group is to be recognised as one of the world's leading providers of alternative asset and corporate administration services by continuing to build scale in established and emerging markets. The Group will continue to focus on developing its client base of alternative asset managers, 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;
- 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 platforms by building scale in key jurisdictions to support operational growth and diversification and to capitalise on high growth markets; and
- Expansion of existing 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 AIFMD depositary and third party AIFM services.

Acquisition growth

The Group's acquisition strategy is demonstrated by management's post-listing track record in sourcing, executing and integrating acquisitions. The Group has 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 acquisition opportunities based on a number of factors, including the ability to:

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

The Group has been active in the acquisition space, completing on IFS on 1 January 2017 and LIS and CP on 6 February 2018. 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

As part of the acquisition strategy outlined on page 13, SANNE has completed the following acquisitions:

Mauritius

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 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, provides services to more than 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.

IFS provided SANNE with a footprint in Mauritius, additional qualified staff, a low cost location and an alternatives portfolio with developed long-term relationships.

Luxembourg

LIS is a leading third party alternative investment fund manager with assets under administration in excess of €8.3 billion, is authorised to deliver management company services to both alternative investment funds and open ended mutual funds within the EU. CP primarily provides corporate services to its clients. LIS is regulated under the supervision of Commission de Surveillance du Secteur Financier. Founded in 2011, together LIS and CP employ more than 80 people, the majority of whom are based in Luxembourg with a small operation in Dublin.

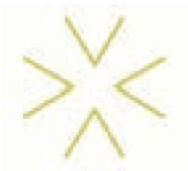
LIS provides alternative asset and corporate focused administration services to more than 60 clients and administers in excess of 100 fund structures. The acquisition was signed on 29 September 2017, and completed on 6 February 2018.

Delivering on our strategy by

Focusing and growing our business in Alternatives and Corporate & Private Client

Building our International reach

Creating efficiencies - being effective using global services



Bringing administration services together for clients as a "one stop" international platform

Key Performance Indicators

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

Revenue
Revenue growth measures how well the Group has expanded it's business

2017	£113.2m
2016	£63.8m
2015[2]	£45.6m

Underlying diluted earnings per share
A key measure of value creation of the Board and Shareholders

2017	23.7p
2016	16.9p
2015[2]	13.9p

Underlying profit before tax
This measures the profitability of the Group

2017	£38.1m
2016	£21.3m
2015[2]	£16.1m

Underlying operating cash conversion[1]
This KPI measures the businesses ability of the Group to convert profits into cash

2017	100%
2016	103%
2015[2]	112%

Underlying operating profit margin
This KPI helps the business measure profitability

2017	34.3%
2016	34.5%
2015[2]	37.9%

Underlying operating profit
This measures profitability and the efficiency of the Group

2017	£38.8m
2016	£22.0m
2015[2]	£17.3m

Projected annualised value of revenues for new business won in the year
The annualised revenue of new business wins are used to gauge growth and performance

2017	£20.9m
2016	£13.8m
2015[2]	£13.0m

Jurisdictions
This KPI is used by the Board to review the Group's international footprint

2017	15
2016	14
2015[2]	9

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 represents the Group's ability to convert profits into cash.

2. 2015 figures have not been re-based to reflect the change in treatment of share based payments as detailed in note 8 of the consolidated financial statements.

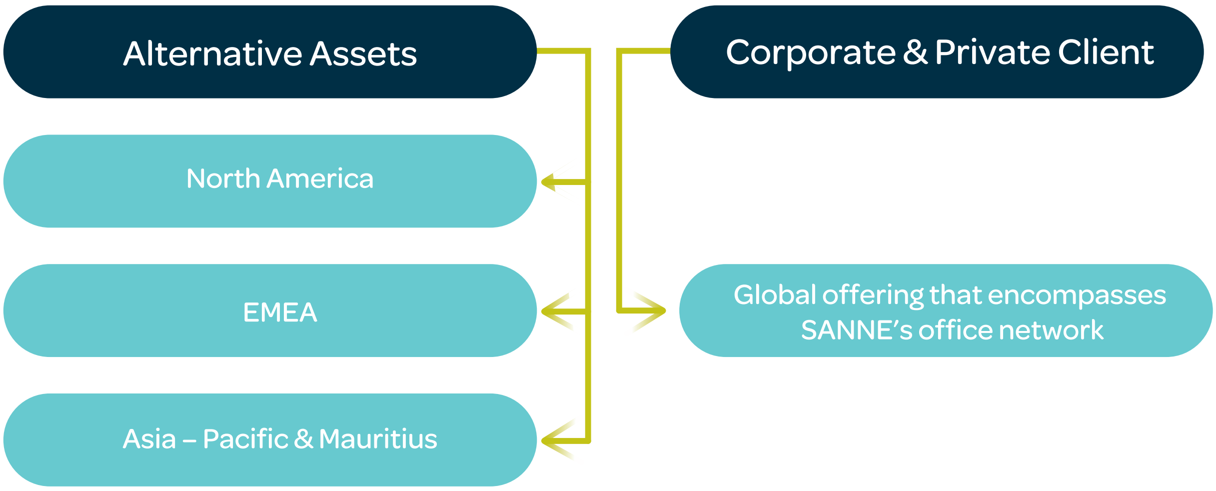
Strategic Report

Segmental Reporting

Prior to 2017, SANNE reported by asset class and specialisms across the markets in which it operated. Following our growth internationally, we have now adopted regional reporting of Alternatives and global reporting of Corporate & Private Client services. Our Alternatives regions are: Europe, Middle East and Africa (EMEA), Asia-Pacific & Mauritius (APM) and North America (NA).

The new reporting model supports our strategy of building our international reach by recognising revenue by region. SANNE now operates from 15 locations spread across North America, EMEA and Asia-Pacific and Mauritius. Our reporting model allows us to improve our efficiency and effectiveness by aligning operations and business development across each of the regions and markets where we operate.

SANNE supports its business through global services for; Business Development, Finance, Facilities, Risk and Compliance, Human Resources, IT, Business Systems, Legal and Company Secretarial services. These functions help to grow our business and we continue to focus on improving our operating models, ensuring the systems and processes support our people in serving our clients



Segmental Business Review
North America Alternatives business

Overview

SANNE's North American Alternatives business consists solely of the acquired business of FLSV Fund Administration Services LLC (FAS) for the reporting year. The acquisition completed on 1 November 2016 and the business moved to the SANNE brand in May 2017 after a period of integration. The SANNE North American operation 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, partner and portfolio accounting, cash management and operations support including general partner carried interest plans and investor services. Capabilities also include bespoke investor reporting, customised on individual client requirements.

SANNE's North American Alternatives business has approximately 75 professionals in New York with additional support from dedicated client services and technology teams based in Belgrade, Serbia- where more than 70 professionals support the North America operation and other regional businesses.

Performance summary

Revenues for the year ended 31 December 2017 were £19.1 million with a gross profit of £9.7 million.

During the year results were delivered from a number of new funds established by existing clients, and through the on-boarding of new clients in the region. The business has also contributed additional business to SANNE EMEA through cross-selling existing client needs for offshore (non US) services.

The business has a well-established fund administration technology platform which continues to be core to the services provided to clients. The Group has added senior management capacity in the New York office to support expansion both locally, and in the wider North American market.

Underlying market conditions for alternative asset management continues to be positive with an increased trend toward outsourcing back and middle office functions by investment managers driven by demand for increasingly sophisticated reporting requirements and demand amongst institutional investors for independent oversight.

Strategic Report

Segmental Business Review
EMEA Alternatives business

Overview

SANNE's EMEA Alternatives business includes four key alternative asset strategies (Debt, Real Estate, Private Equity and Hedge).

Debt

The Debt business provides fund, corporate administration and loan agency services in respect of private debt and capital markets to broadly two types of client: leading global financial institutions and debt asset managers. The business'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. Internal 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 business's private debt team covers the main private debt 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.

Real Estate

The 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. These underlying vehicles hold a range of property classes including offices, hotels, logistics, residential, student accommodation, industrial, retail and development. The business's clients are generally broken down into two key types: real estate corporate structures and real estate investment funds. The business'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 business'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.

Private Equity

The Private Equity business provides specialist fund and corporate administration services to private equity managers, financial institutions and family offices with private equity style investment vehicles. The business operates across the majority of the Group's jurisdictional centres whilst 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 service teams include professional fund administrators, company secretaries and qualified accountants, with an understanding of specific niche assets and the regulatory framework in place in each jurisdiction. The strategies of funds being administrated include leveraged buyout, venture, growth and fund-of-funds. The business 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 special purpose vehicles.

Hedge

The Hedge business 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 a variety of middle office activites. Based in Cape Town, the business has seen the domestic industry become increasingly institutionalised following the introduction of new regulations and is the market leading administrator in South Africa. As an immediate result of the regulatory changes, the business now offers independent management company services to regulated collective investor schemes.

Performance summary

Revenues for the year ended 31 December 2017 were £46.8 million with a gross profit of £29 million.

EMEA Alternatives saw positive growth in business wins from new clients, as well as from existing clients. Fund related work contributed to the majority of that growth.

We are one of the leading providers of debt administration services in the EMEA market and have seen some good traction within the capital markets space for structured finance.

The Real Estate business division continues to grow across the range of core international jurisdictions with a good mix of new and existing clients.

The Hedge business division had a challenging year given the backdrop of a relatively depressed local market in South Africa and local funds' performance. The division successfully completed a highly intensive, long running project to migrate a large portfolio of clients on to a new regulated management company platform, in accordance with regulatory changes in South Africa.

During the first half of 2017, the Private Equity business division continued to grow its offering to institutional private equity houses. In particular, the division has seen a number of opportunities arising through relationships introduced by the Americas Alternative business.

Segmental Business Review
Asia-Pacific & Mauritius Alternatives business

Overview

SANNE's Asia-Pacific & Mauritius Alternatives business predominantly services real estate, private equity and a smaller proportion of debt funds. In the period, SANNE's existing business operations in Hong Kong, Singapore and Shanghai were bolstered following the completed acquisition of IFS a Mauritian-based provider of fiduciary management services, specifically the incorporation of companies and trusts, general management administration, accounting and corporate services. The acquisition provides SANNE with access to more markets in the region, especially India.

Performance summary

Revenues for the year ended 31 December 2017 were £27.9 million with a gross profit of £21.5 million.

During the period, strong growth has been delivered within the real estate and private equity asset classes in Hong Kong, Shanghai and Singapore, with advantage being taken of good cross-selling opportunities from EMEA Alternatives' and North American Alternatives' clients.

Within the business, operational capability has been expanded in Shanghai, Hong Kong and Singapore in line with client requirements and Mark Law has been appointed to head up the regional business.

In Mauritius the integration of IFS has provided additional flow of work into the pipeline which continues to be healthy. The Group is also seeing an increase in cross-selling opportunities to and from the region, expanding the client offering across the whole Asia-Pacific & Mauritius region. The region displays good growth potential within the existing jurisdictional offering.

Strategic Report

Segmental Business Review
Corporate & Private Client (CPC) business

Overview

CPC comprises four businesses, all focused primarily on two client segments namely corporates and private clients around the world.

Corporate & Institutional (C&I)

SANNE's C&I business offers a comprehensive range of administration and accounting services to international corporates and institutions. The business assists clients and their advisers 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) and AIFMD depositary services. The C&I business often works in conjunction with the Group's other business areas to provide complementary and ancillary corporate services to specialist asset structures to extend the scope of services available to the client base.

Executive Incentives

SANNE'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.

Private Client

SANNE'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 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 client 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.

Treasury

SANNE continues to invest in its Treasury division which works closely and collaborates with the Group's other divisions and business areas 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 2017 were £19.4 million with a gross profit of £12.3 million.

The C&I division showed revenue and gross profit growth resulting from a good level of new business wins and execution of cross selling opportunities (including CRS/FATCA regulatory reporting services across most divisions), along with disciplined cost management. Global trends around increased corporate outsourcing, particularly in the regulatory and compliance space, position C&I well for continued longer term growth.

The Executive Incentives division showed growth in revenue despite some new larger engagements won in late 2016/early 2017 taking longer to implement. Disciplined cost management enabled improvement in gross profit. Global trends in regard to executive compensation, including toward equity based plans, deferred compensation and carried interest structures, bode well for the sustained growth of the Executive Incentives division over the longer term.

C&I and Executive Incentives share a very similar (corporate) client base and we plan for increased collaboration with anticipated synergies.

The Private Client division showed growth and continues its strategic focus on institutionally minded ultra-high-net-worth families and their family offices, with a continued focus on outsourcing of their fiduciary and administrative needs.

The Treasury division, whilst the smallest of the CPC divisions, showed very good revenue growth resulting from cash management and foreign exchange transactions wins and a strong pipeline has been developed through cross selling initiatives across the global business. The potentially global and scalable nature of this division positions it well for further strong growth.

SANNE's Executive Committee

SANNE is led by an experienced team of industry experts. SANNE’s Executive Committee members are:

Dean Godwin
Chief Executive Officer

As CEO, Dean is responsible for overseeing the running of the business and delivering the business strategies that underpin the long-term development of the client service and operational platforms.

Spencer Daley
Chief Financial Officer

As Chief Financial Officer, Spencer is responsible for managing the financial operations strategy of the Group. He works closely with all areas of the global business.

Martin Schnaier
Chief Commercial Officer

Martin is Chief Commercial Officer and oversees the delivery of the client services business. He is based in our London office.

Sean Murray
Managing Director, Alternative Assets, EMEA

Sean is responsible for the management of the EMEA Alternatives platform, which includes Private Equity, Debt, Real Estate and Hedge.

Steve Sokić
Managing Director, Corporate & Private Client

Steve leads the business’s Corporate & Private Client businesses, which include; Corporate & Institutional, Executive Incentives, Private Client and Treasury Services.

Mark Law
Managing Director, Alternative Assets, Asia-Pacific & Mauritius

As Managing Director Mark is responsible for leading the Alternative Assets business across Asia-Pacific & Mauritius. He is based in Hong Kong.

Fred Steinberg
Managing Director, Alternative Assets, North America

Fred is responsible for the day-to-day running of SANNE's North American Alternatives business. He is based in our New York office.

Zena Couppey
Managing Director Business Development

Zena leads SANNE’s global business development and oversees all client relationship management and service delivery matters.

Martin Pearson
Chief Risk Officer

As the the Chief Risk Officer and interim Group Compliance Officer. Martin manages the Risk and Compliance functions accross the Group.

Eric Watson
Chief Operating Officer

Eric is the Chief Operating Officer at SANNE. He is based in SANNE's Jersey headquarters and oversees SANNE’s global group services functions, including IT, HR and Facilities.

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.

Overview

As a regulated provider of fiduciary and administration services, risk management is at the core of the Group's day-to-day activities. It recognises that uncertain events (risks) can occur which may have an adverse effect upon the achievement of these strategic objectives. Nonetheless the Group recognises it must be willing to take risks, in a considered and controlled manner, if its strategic objectives are to be accomplished. This section of the report explains the objectives, responsibility and recent improvements to the risk management approach, which is designed to identify, assess and manage these risks.

Objectives of risk management

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

- A strong risk awareness culture, with a strong tone from the top, so that the Group is able to identify, assess and manage the key risks to the business and, by doing so, support the execution of business strategy;
- clearly defined risk responsibilities promoting appropriate 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.

Responsibility

The Board has overall accountability for ensuring any 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 and control environment to the Risk Committee.

The Board decided to split the Audit and Risk Committee into two Committees. The Risk Committee now consists of three independent Non-executive Directors (NEDs) and the Chairman and is responsible for recommending the risk appetite to the Board and for seeking sufficient assurance that the risk and control environment is operating effectively throughout the Group.

The Group has followed industry standards for risk management governance and adopted the 'three lines of defence' framework, namely First Line risk management, Second Line risk assurance, and Internal Audit.

The First Line, owned by the Chief Commercial Officer (CCO) and the Chief Operating Officer (COO), is responsible for the risk and control environment across all divisions, functions and jurisdictions of the Group.

The Second Line, owned by the Chief Risk Officer (CRO) and Group Compliance Officer (GCO), is responsible for challenging the First Line in its management of risk and for providing assurance to the Risk Committee on the effectiveness of the risk and control environment.

The Head of Internal Audit is responsible for providing independent assurance on the effectiveness of the Group's governance, risk management and the control environment.

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

Improvements to the risk management approach

During 2017 Sanne launched a programme to further strengthen the three lines of defence governance model, including the Compliance framework. This project was instigated following a period of rapid organic and inorganic growth, with a recognition of the benefits that would be obtained from a period of consolidation for the Group's governance and the control framework. This project will continue in 2018 and seeks to achieve the following outcomes:

- Harmonising standards across business lines and geographies;
- investment in risk and compliance capability across the three lines of defence, expanding control assurance activities; and
- enhanced reporting of qualitative and quantitative metrics.

Risk assessment

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

Each Level 3 risk is rated by assessing the likelihood of its occurrence over the next three years and the associated impact. A scoring of 1 to 4 is given to each risk which is then used in conjunction with an assessment of the internal control environment or other mitigations to derive a residual risk score.

Risk appetite

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

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

Principal risks

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

Assessment of principal risks

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 56 is the viability statement, which has been prepared with the assessment of these principal risks in mind.

Level 1 Risk Category	**Level 2** Risk Category	Principal Risk
Business Model & Strategy	Acquisition	Yes
	Competitor	Yes
	Strategic	Yes
	Governance Structures	
	Client Concentration	
	Risk Management	
	Vicarious	
Operational	Business Change	Yes
	Data Security	Yes
	Process	Yes
	Business Continuity	
	Counterparty	
	Insurance	
	Legal	
	Outsourcing	
	Physical Assets	
	Technology	
People	Staff Resource	Yes
	Staff Conduct	
Regulatory	Political/Regulatory Change	Yes
	Regulatory Compliance	Yes
	Data Protection	
	Listing Rules	
Financial	Intangible Assets	Yes
	Foreign Exchange	Yes
	Accounting Error	
	Working Capital	

Strategic Report

Risk Management
continued

Risk Description	Key Mitigants
Business Model & Strategy Direction of change: During the period the Group has seen steady progress with the integration of more recent acquisitions. Recognising that SANNE has experienced a number of years of strong growth, both organically and inorganically, a number of projects (including strengthening the three lines of defence as mentioned on page 22) were initiated to enhance the business model and build stronger foundations for future sustainable growth.	
Acquisition Risk The risk that inadequate due diligence of future acquisitions made by the Group give rise to unidentified liabilities or unintended consequences and/or acquisitions made by the Group are poorly integrated, due to inadequate planning, lack of management oversight or lack of resources.	• Robust due diligence process including 3rd party assessments by top accounting and law firms, prior to recommendations to the Board • Governance and challenge from independent Non-executive Directors • Integration strategy in place prior to acquisition • Integration Committees set up to manage integration processes
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 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
Strategic Risk The risk that the business model responds inadequately to changing market conditions or that strategic objectives are incorrectly set, 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 respectively • Strategy drives annual business planning process and performance based targets • Operations Committee ensures matters escalated are aligned with strategy and risk appetite

Risk Description	Key Mitigants
Operational Direction of change: → Continued acquisitions and strong growth in customer numbers and staffing has led to increases in inherent operational risk exposures for the Group, as anticipated in the 2016 Annual Report. These risks have been mitigated accordingly, and a number of operational projects have been instigated to further strengthen the control environment in this respect.	
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.	• Documented business plans and IT strategy to mitigate risk • Monitoring adherence to IT and non IT business plans and assurance on its delivery • Over-arching governance of business critical change programmes provided by the Executive Committee and the Board
Data Security Risk The risk of a security breach (including cyber-attacks) 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 selected data security 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.	• Continual development of procedures and controls with ongoing training • Allocated responsibility for continual maintenance and enhancement of policies and procedures • Three lines of defence assurance and controls testing
People Direction of change: ↑ In key jurisdictions in which the Group operates, the fund and corporate administration employment market is increasingly competitive, which, along with the Group's continuing organic growth, leads to difficulties in attracting and retaining the best resources. A centres of excellence initiative has commenced to centralise relevant processes in certain jurisdictions, which will help to mitigate this risk over the medium term. The continued growth of the Group has also provided the opportunity to introduce new members into the senior leadership team.	
Staff Resourcing Risk Failure to attract, retain, develop and motivate the best people with the right capabilities across all levels and jurisdictions.	• Recruitment strategy to bolster teams, succession planning in place and employee value proposition • Established Remuneration Committee for Executive Directors • Set objectives over talent management and people development • Regular remuneration benchmarking • Established ACCA, ICAEW and ICSA training schemes • Management and monitoring of capacity and work loads.

Strategic Report

Risk Management

continued

Risk Description	Key Mitigants
Regulatory Direction of change: ^	
The Group remains exposed to the political/regulatory risks arising from Brexit and will continue to monitor the political negotiations as they progress, along with the possible implications arising. Regulatory Compliance risk is in part correlated to business model, operational and staff risk, recognising that as the Group becomes larger and more diverse, the risk of an omission or error increases leading to possible regulatory sanction. This increasing risk is being mitigated by various projects, in particular the strengthening of the three lines of defence model.	
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.	• Brexit committee in place to consider specific risks arising • Product / jurisdictional diversification strategy reduces impact • Jurisdictional oversight by Compliance • Horizon scanning by the Second Line Committee for potential changes • Strategy to ensure the business model remains flexible and responsive to change and is regularly reviewed • Active dialogue with regulators, governmental 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.	• Promoting a strong risk and compliance culture across all staff • Continued strengthening of the three lines of defence • Appropriate compliance resources in each jurisdiction reporting to the Group Compliance Officer • Defined and updated regulatory policies and procedures • Compliance Monitoring programme
Financial Direction of change: >	
Given a significant number of acquisitions made by the Group in the last two years, there are significant intangible assets (including goodwill) on the balance sheet and the Group is further exposed to volatility arising from movements in currency exchange rates.	
Intangible Asset Risk The risk that events arise, foreseen or unforeseen, which result in an impairment of the intangible assets, including goodwill, held on the balance sheet.	• Robust due diligence process including 3rd party assessments by Top 4 accountancy firms, prior to acquisitions being completed • Regular impairment testing as per accounting rules • Ongoing management and monitoring against performance assumptions
Foreign Exchange Risk The risk that the Group's earnings are volatile as a result of movements in foreign currency exchange rates. The Group's exposure comes primarily from the Group's operating activities outside of its reporting currency.	• Cash management procedures are in place to reduce the impact of foreign exchange gains and losses through profit and loss as a result of short-term fluctuations in foreign currency exchange rates • Matching of cash flows where possible • Permanent changes to foreign currency exchange rates will have an impact on the future earnings of the Group and whilst this is not mitigated further it is monitored and reported

Corporate Social Responsibility (CSR)

Our communities

We believe in helping and influencing the communities where we operate. In 2017, we continued to engage with the communities in which we have offices.

Our CSR strategy is orientated around three core themes:

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

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

Modern slavery

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

Anti-bribery and corruption

There is a zero tolerance approach to bribery and corruption. SANNE has a group anti-corruption policy in place as part of our compliance programme.

Governance and risk management of corporate responsibility

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

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

Our colleagues share in our success

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

Employee survey 2017

The results of our 2017 employee engagement survey helped us focus our attention to matters that our people have mentioned. In particular we were asked to increase our level of internal communications. As a result, there has been a focus on more communications with staff via our Intranet, a dedicated communications channel, and series of Town Hall meetings held in all our offices. Feedback on the results of the survey have been presented to staff.

New offices for our global headquarters in Jersey

Our new offices in Jersey are being designed and built using the BREEAM world recognised environmental assessment guide, which sets the sustainable standard for the material used and environment control for the building. SANNE will occupy 3 floors.

- New LED lighting will save energy and give better brightness to the space the lighting control system
- There will be over 500 LED light fittings
- Lights will automatically switch off in areas when not occupied
- Full height glazing on all of our floors
- More natural light to all areas
- Efficient drinking water taps, saving on use of bottled water
- Bicycle parking spaces are located in the basement along with facilities
- Break-out space for staff

Pictured:
Right: Artist Impression of our new Jersey Global Headquarters

Protecting our environment

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

- Phasing out bottled water in our Jersey offices and elsewhere;
- PIR lighting and use of LED lights in our Jersey office;
- Recycling, for example plastics and paper etc.
- Procurement of new furniture will be environmentally friendly meeting criteria on production and transportation.

SANNE North America

Our New York office supported a charity event, Music Matters, to raise funds for the Caron Treatment Centres. In 2017 the event took place at The Cutting Room in NYC and raised US$30,000.

Caron's mission is to transform lives impacted by addiction and substance use through proven, comprehensive and personalised healthcare solutions.

SANNE in Jersey

Staff raise money for charities that directly align to our core themes. Examples of activities undertaken include:

- Raising money for Save the Children by supporting the National Christmas Jumper Day; and
- Supporting local charities by participating in a corporate dragon boat racing event.

Pictured:
Above: One of SANNE's staff rowing teams in the dragon boat racing, raising money for charity in Jersey.

Corporate Social Responsibility (CSR)
continued

Above: San' Angels, a school and community facility

Local communities

Throughout 2017, SANNE's people have actively engaged in their local communities. Examples in the year of initiatives undertaken are included below.

SANNE in Mauritius

Driven by the staff's desire to give back to the local Mauritian community, SANNE's Mauritius business founders (previously known as IFS) and staff have always had a strong sense of community. The core of all Mauritian CSR activities has been purposely centred on "Giving Back", which closely aligns to SANNE's core themes of supporting education and the relief of poverty.

What was achieved?

Following 13 months of planning, negotiations and construction, SANNE's charity, IFS Community Care Foundation, successfully opened its latest CSR initiative, San'Angels - Centre d'Eveil. The centre accommodates 25 children, irrespective of race, gender, language, or religion. The school also hosts a state of the art multi-purpose training centre which will be used for facilitating empowerment, entrepreneurship and skills development programmes for the families of the children at Centre d'Eveil and the wider Beau-Bassin community. The land on which the school was built was donated by IFS Founder Couldip Basanta Lala to IFS Community Care Foundation, which makes the building available to the school and covers reasonable running expenses.

What SANNE has committed to provide:

- Specialised education programmes tailored for children from underprivileged communities;
- Counselling with the children's parents and family members;
- Daily healthy breakfasts and lunches;
- Funding for extracurricular activities and school outings; and
- Medical well-being checks

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Financial Report

"The cash position of the Group remains strong, with cash generated by operations of £37.6 million (2016: £18.7 million), enabling the Board to continue with its progressive dividend policy as the Group continues to grow."

Spencer Daley
Chief Financial Officer

Strategic Report – Financial Report

Financial Overview – Chief Financial Officer's Report

Spencer Daley
Chief Financial Officer

"Underlying operating profit was £38.8 million, up 76% (2016: £22 million) during the year, with a margin of 34% (2016: 34%). Operating profit was £23.1 million (2016: £14.7 million)."

The Group delivered another strong year of growth, with revenues rising 77% to £113.2 million (2016: £63.8 million). Organic revenue growth remained strong at 14%.

Group results

Underlying operating profit was £38.8 million, up 76% (2016: £22.0 million) during the year, with a margin of 34% (2016: 34%). Operating profit was £23.1 million (2016: £14.7 million).

Non-underlying items within operating profit include share based payments, acquisition and integrations costs and amortisation of intangible assets totalling £15.7 million. Share based payments relating to acquisitions are identified as non-underlying whilst share based payments used as part of ongoing remuneration of employees are now recognised as underlying and reported in operating expenses. For further detail on non-underlying items see note 8 in the Notes to the Consolidated Financial Statements.

Net finance expense

Even with the acquisition activity undertaken over the last two years the Group maintains a low gearing ratio. In conjunction with ongoing low interest rates this enables the Group to keep finance costs low at £1.0 million for the year (2016: £0.6 million).

Other Comprehensive Income

The non-sterling acquisitions made during the prior year and at the start of the current year have seen a significant increase to the Group's exposure to unrealised exchange differences on translation of foreign operations. An unrealised loss in Other Comprehensive Income of £14.4 million for the year relates mostly to a 10% strengthening of sterling against the US dollar.

Taxation

The Group's effective tax rate for the year was 19.1% (2016: 13.5%). As with prior years there has been significant non-underlying expenditure impacting on the effective tax rate and when adjusted for non-underlying items the effective rate for the year was 16.0% (2016: 16.5%). The Group is pending a tax ruling from the Mauritian tax authorities with regards to the tax deductibility of the intangible assets acquired in the IFS acquisition. The outcome of which may see an increase in deferred tax liabilities of £7.4 million.

Earnings per share

Underlying diluted earnings per share were 23.7 pence (2016: 16.9 pence) and diluted earnings per share were 12.7 pence (2016: 11.3 pence).

Statement of financial position and net funds

The IFS acquisition that completed on 1 January 2017 has seen the carrying value of goodwill and other intangible assets increase to £160.4 million (2016: £82.7 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 have established key controls for monitoring the carrying value of these assets.

The cash position of the Group remains strong with cash generated by operations of £37.6 million (2016: £18.7 million), enabling the Board to continue with its progressive dividend policy as the Group continues to grow. The IFS Group acquisition was funded in part by a £34.2 million share issue and in part by £74.6 million of cash which was raised at the end of the prior financial year. Ahead of the year end the Group drew an additional £19.0 million on the existing financing facility in preparation for the completion of the LIS acquisition on 6 February 2018. The financing activity in conjunction with the operations has resulted in net debt at the year-end of £20.4 million (2016: net cash of £46.1 million). It should be noted that the year-end position is inclusive of £21.5 million held in readiness and paid for the completion of the acquisition of the LIS Group effective on 6 February 2018.

Working capital relating to customer invoicing continues to be well managed. Working capital as a percentage of annualised revenue sits at 14% (2016: 17%). Trade and other payables were £8.5 million (2016: £13.7 million), the decrease relates in large to the payment of the deferred consideration during the year relating to the FAS acquisition.

Dividend

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

The Board is recommending a final dividend of 8.4 pence per ordinary share (2016: 6.4 pence). The final dividend will be payable on 15 May 2018 to Shareholders on the register at close of business on 3 April 2018.

Together with the previously paid 2017 interim dividend of 4.2 pence per share, this gives a total dividend for the year of 12.6 pence per share (2016: 9.6 pence in total).

Spencer Daley
Chief Financial Officer

21 March 2018

The Strategic report was approved by the Board

Dean Godwin
Chief Executive Officer

21 March 2018

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Corporate Governance

"Good governance is at the heart of our business."

Rupert Robson
Chairman

Corporate Governance

Chairman's Introduction

Rupert Robson
Chairman

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

Dear Shareholder

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

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

As we advised last year, a search was commenced for an additional independent Channel Islands based Director to Chair our new Risk Committee. Details of how this search was carried out are in the report of the Nomination and Governance Committee on page 50.

I am delighted that we were able to announce the appointment of Mel Carvill in December 2017. Mel joined the Board on 1 January 2018.

UK Corporate Governance Code

SANNE as a premium listed company on the London Stock Exchange is subject to the provisions of the UK Corporate Governance Code published by the Financial Reporting Council (FRC) in April 2016 (the Code). The Code is publicly available at *https://frc.org.uk/getattachment/ca7e94c4-b9a9-49e2-a824-ad76a322873c/UK-Corporate-Governance-Code-April-2016.pdf.*

With one exception, SANNE complied with the Code throughout 2017. Between 1 January 2017 and 31 December 2017 the Group did not comply with the provision that required at least half of the Board to be independent Non-executive Directors, excluding the Chairman. However, following an extensive search Mel Carvill was selected. Mel brings substantial financial services experience and will provide great insight as we strive to establish the Group as one of the leading providers of alternative asset and corporate administration services.

Phil Godley also stepped down from the Board on 1 January 2018 as an Executive Director and I wish to thank Phil for his huge contribution to the Board.

Following these changes, from 1 January 2018 SANNE has been compliant with the Code, with a majority of independent Non-executive Directors on the Board.

Culture

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

Diversity

SANNE's people are from wide and diverse backgrounds, nationalities and ethnic and religious groups. With continued global expansion, diversity amongst our colleagues has and will continue to increase as we foster international talent. We respect cultural differences, and learn about and embrace these differences in each territory in which we operate. Details of our Board Diversity policy can be found on our website at www.sannegroup.com.

Our committees

The Committees have an important role in supporting the Board's work. They are provided with the resources they need to discharge their role, including administration support and access to professional advisers. Information about the Committees can be found in this report on pages 50 to 74.

The Board has, as part of its role, focused on our corporate governance and after discussions agreed that the Nomination Committee extend its brief to cover governance matters. Accordingly, it was renamed the Nomination and Governance Committee, and has new Terms of Reference, which are available on our website. This committee will keep a close watching brief on governance developments and external guidance and report to, and advise, the Board on all relevant changes.

In addition, it was agreed to have separate Audit and Risk committees following our Board evaluation last year. The new Risk Committee will report to the Board through Mel. It will allow the Group to have an enhanced focus on risk reporting and monitoring. The Audit Committee, chaired by Andy Pomfret, will continue to review SANNE's internal controls and risk management systems and to manage our audit plans.

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

Board effectiveness

At the end of 2017 we undertook our annual review of Board effectiveness working with Prism Communications & Management Ltd, who interviewed all the Directors and observed our Board meeting on 30 January 2018. Overall the evaluation was positive and we have introduced some changes to the way we operate together as a Board. Further details on the external evaluation are on page 46.

Remuneration

Nicola Palios, the Chair of the Remuneration Committee, presents the Committee's report on pages 57 to 74. The Remuneration Committee and the Board have monitored the effectiveness of the remuneration structure and practices to accommodate the needs and characteristics of a high growth successful business. In particular, they have considered gender pay and share retention guidelines.

Shareholder communications

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

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

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

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

Rupert Robson
Chairman

21 March 2018

Corporate Governance Report

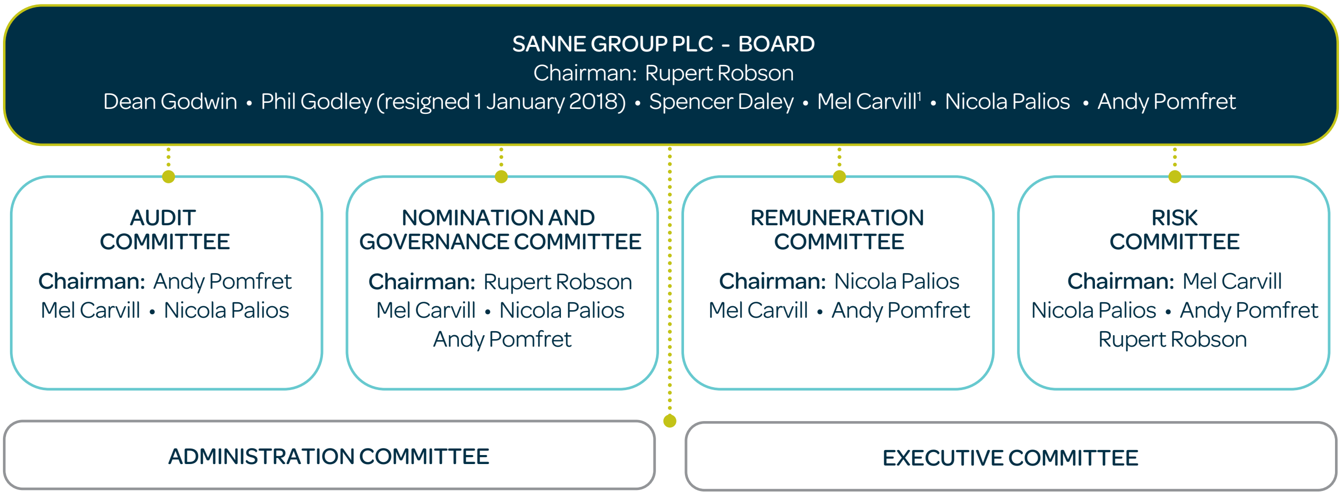
Governance Framework and Group Committees

The work of the Board is supported by its Committees, and this financial year these consisted of the Audit and Risk Committee, Remuneration Committee and Nomination and Governance Committee. The Board and Committees reviewed their terms of reference, and it was decided with effect from 1 January 2018 to operate separate Audit and Risk Committees. The terms of reference for all the Committees can be found on our website, www.sannegroup.com/investor-relations/corporate-governance, and reports from each Committee are found on pages 50 to 74. Each Committee meets separately, and at regular intervals throughout the year.

Day-to-day management has been delegated from the Board: development of the Group and its strategic direction is led by the Group's CEO Dean Godwin and considered by the Board; and the Group's Executive Committee helps the operation of the Group and supports the CEO in running SANNE. Details of the composition of the Executive Committee are found on page 21.

Governance structure at a glance

The structure chart below sets out the composition of the Board and its Committees shown as at the latest date 23 February 2018 prior to publication of the Report:



Further information about the Board Committees is available on page 45 and in the Committee reports on pages 50 to 74.

Sanne Group plc is incorporated in Jersey under the Companies (Jersey) Law 1991 and has its registered office at 13 Castle Street, St Helier, Jersey JE4 5UT

[1.] Mel Carvill was appointed to the Board on 1 January 2018.

Corporate Governance

Composition of the Board

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

The Board currently (with effect from 1 January 2018) consists of the Non-executive Chairman, two executive Directors and three Non-executive Directors. In accordance with the Code, the Company considers the Non-executive Directors (with the exception of the Chairman) to be independent. The Chairman was independent at the time of his appointment.

Directors

Rupert Robson
Non-executive Chairman

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

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.

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.

Nicola Palios
Non-executive Director

Nicola Palios is a Non-executive Director of Sanne Group plc and Chair of the Remuneration Committee.

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 number of non-executive directorships including Chairman of the States of Jersey Development Company and is a Non-executive Director of Voxsmart Limited, a financial services compliance software business.

Andy Pomfret, ACA
Non-executive Director

Andy Pomfret is a Non-executive Director of Sanne Group plc, Senior Independent Director, Chair of the Audit Committee.

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, Sabre Insurance Group plc and Non-executive Chairman of Miton UK MicroCap Trust plc.

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.

Mel Carvill, FCA,ACII, CF,FCSI
Non-executive Director

Mel is an independent Non-executive Director of Sanne Group plc and Chair of the new stand-alone Risk Committee.

Mel is also a member of the Board of Directors of Home Credit B.V., where he is responsible for governance, investor and public relations, and brings significant financial services industry experience having served as a member of the top management team of Home Credit's parent company, PPF Group, from 2009.

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

Corporate Governance

Leadership

Directors

The Board of Directors have their profiles on pages 40 and 41. The Board comprises the Chairman, two Executive Directors and three independent Non-executive Directors.

Board changes

After 2017 there were a number of changes made to the composition of the Board. Phil Godley stepped down from the Board with effect from 1 January 2018. Mel Carvill was appointed as a Non-executive Director with effect from 1 January 2018, and chairs the new Risk Committee and has joined the Audit, Remuneration and Nomination and Governance Committees.

The Board acknowledged that during the year it was not in compliance with the Code regarding its composition, as noted on page 47. Following an extensive search, the appointment of a Non-executive Director has brought the Company into full compliance with the Code with effect from 1 January 2018.

Chairman

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

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

The Board considered the time commitment of the Chairman, in light of his other time commitments, as noted in his biography on page 40 and concluded that he fully satisfied his obligations to the Group. There has been no change in his other time commitments since last year.

Non-executive Directors

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

Senior Independent Director

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

The SID is also available to Shareholders if they have issues or concerns that have not been resolved through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer, or for which such contact is inappropriate. No matters of concern were raised by the Shareholders during the year and up to 23 February 2018, being the latest practicable date prior to the publication of this Report.

Group Company Secretary

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

The Group Company Secretary helps by providing advice and services and keeps accurate records of all meetings.

Independent advice

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

Conflicts of interest

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

Directors' election and re-election

In accordance with the requirements of the Code (B.7.1), newly appointed Directors and all existing Directors will submit themselves for election and re-election respectively, at the 2018 Annual General Meeting (AGM). The Board recommends the election or re-election (as appropriate) of each member of the Board based upon their skills, experience and contribution to the Board, and its Committees and their ability to bring long-term Shareholder value.

Board Induction

Mel Carvill joined the Board on 1 January 2018 and was provided with:

- Access to the Group's portal for Board and Committee Papers;
- Access to the Group Company Secretary;
- A list of key contacts, and meetings were arranged with key staff;
- A background briefing on key issues by the Chairman; and
- A Board induction pack.

Board Effectiveness

Role of the Board

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

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

How the board spent its time in 2017

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

Topics discussed	January	March	May	June	September	November	December
Strategy	●	●	●	●	●	●	●
Budgets	●						●
Business update	●	●	●	●	●	●	●
Compliance	●	●	●	●	●	●	●
Governance matters		●	●	●	●	●	
Committee Reports	●	●	●	●	●		
Divisional and regional plans	●			●	●	●	●
Announcements Annual Report and Accounts, Half Year Results, the AGM Notice and dividends		●			●		●
Dividends and dividend policy		●			●		
Acquisitions and integration	●	●	●	●	●	●	●
Risk Management, internal controls			●				
Conflicts of Interest	●	●	●	●	●	●	●
People matters including diversity		●	●		●		
Staff Survey		●					
Financial Performance	●	●	●	●	●	●	●
Reappointment and election of Directors at the AGM		●					
Updates on governance, and legal matters	●	●	●	●	●	●	●
Succession planning and talent development						●	
Board Evaluation and effectiveness review		●					●
Investor/Major Shareholder Information	●	●	●	●	●	●	●

Corporate Governance

Board Effectiveness
continued

Board meeting attendance

The Board held 7 scheduled meetings during the year

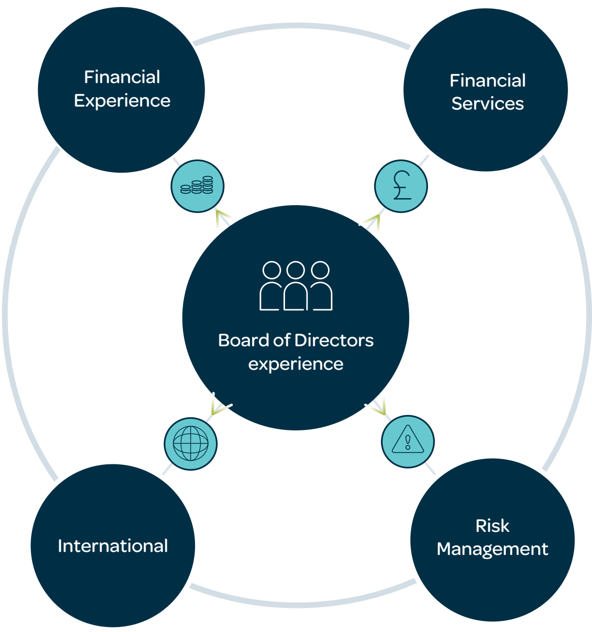
	Eligible to attend	Attended
Rupert Robson	7	7
Nicola Palios	7	7
Andy Pomfret	7	7
Dean Godwin	7	7
Phil Godley[1]	7	7
Spencer Daley	7	7

1 Phil Godley stepped down from the Board on 1 January 2018
Mel Carvill an independent Non-executive Director was appointed on 1 January 2018

The Directors attendance at Committee meetings is disclosed in the separate reports of each Committee on pages 50 to 74.

The Board has met 7 times during the year under review, see table above. Non-executive Directors communicate directly, and have had informal meetings with Executive Directors and senior management between formal Board meetings. Directors are expected to attend all meetings of the Board, and the Committees on which they sit, and to devote sufficient time to the Group to enable them to fulfil their duties as Directors. Non-executive Directors' letters of appointment confirm the minimum number of days each should be prepared to devote to the Group. The time commitments required by the Non-executive Directors were discussed by the Nomination and Governance Committee during the year and, taking into account external commitments, it was felt that the Non-executive Directors committed sufficient time to SANNE and were not unduly stretched by their commitments to other organisations.

Experience of the Board of Directors



Board diversity

The Board supports the recommendations in the Code and ensures that diversity and gender are considered when making director appointments. The Board seeks to ensure it has the right balance of independence, skills, and knowledge to enable it to meet its responsibilities. Candidates are selected irrespective of background. SANNE seeks to promote diversity.

Succession planning

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

Directors' training

Members of the Board are provided with regular updates and training in order to keep them up to date with industry and regulatory developments. In order to assist the Directors regulatory updates are provided at each meeting and professional advisers also provide technical updates. All Directors are free to attend seminars and briefings, at SANNE's expense, in areas considered to be appropriate for their own professional development including governance and issues relevant to the Committees on which they sit.

Evaluation of Chairman and Directors

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

The Chairman met with each Director to discuss their contributions to Board and Committees. Following the Chairman's review the Board confirmed, that in line with the Code, the Directors have sufficient time to discharge their responsibilities and that any external appointments they hold do not distract from the time available to the Company. The Board recommends the Shareholders support the election or re-election of the Board at the forthcoming AGM in May 2018.

Relationship with Shareholders

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

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

Board visit

The Board visited SANNE's office in South Africa, and had the opportunity to formally meet the management team. The Directors were able to:

- Receive presentations about the local operations;
- Meet office staff informally; and
- Get an in-depth view of the regional opportunities.

Information and support

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

During the year the Board and Committees had specific governance discussions. There was focus on the Modern Slavery Act, Market Abuse Regulations and gender pay gap reporting.

Accountability

Risk management and internal controls

The Board is responsible for the review and assurance over the Group's systems of internal controls and for reviewing their effectiveness. The Executive Directors and senior management are responsible for implementation and maintenance of an effective system of internal controls. The Board is also responsible for risk assessment and management.

The Board makes an assessment of the maintenance of the systems of management and control. The Board during the year delegated part of the responsibility for the review of this to the Audit and Risk Committee, that then reported back to the Board. Further information can be found in the Strategic Report on pages 8 to 33 and in the Report of the Audit and Risk Committee on pages 52 to 56.

The Board is responsible for presenting a fair, balanced and understandable position of the Group in the Annual Report and Accounts and the half-year results. A statement about this is made in the report of the Audit and Risk Committee on pages 52 to 56.

Board committees

As part of the governance framework the Board has authorised Committees to ensure there is a focus on accountability. The Committees meet separately and regularly throughout the year. The Board has delegated the Group's strategic direction (which is considered and approved by the Board) to Dean Godwin, the Chief Executive Officer.

Audit and Risk Committee

The Board has delegated a number of responsibilities to the Audit and Risk Committee, that was responsible during the financial year for overseeing the Company's financial reporting processes. With effect from 1 January 2018, separate Audit and Risk Committees have been established. Terms of Reference for both Committees can be found on our website at www.sannegroup.com.

Nomination and Governance Committee

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

Remuneration Committee

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

Executive Committee

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

Administration Committee

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

Culture and ethics

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

Corporate Governance

Board Effectiveness
continued

Board Evaluation Process

The Board appointed Prism Boardroom part of Prism CoSec (Prism), to conduct its first external evaluation and this was carried out in accordance with B.6. of the Code. Prism Boardroom, also provides regulatory updates and ad hoc advice on Company Secretarial matters to SANNE.

The evaluation reviewed the Board, and its Committees. The methodology of the evaluation and its scope were discussed and agreed with the Chairman. The participants were the Board members and the Group Company Secretary. Questionnaires were used to explore the Board and Committee relationships, composition, effectiveness, leadership, roles and development. One to one interviews explored these issues in more detail and also considered culture, technology and the board processes for developing strategy, dealing with acquisitions and managing risk.

The evaluation followed a number of stages as outlined below.

1	The questionnaire was sent to each participant accompanied by a note confirming the process to be followed for the external evaluation.	Board and Committee Questionnaires
2	Each Board member and the Group Company Secretary met with the evaluator and discussed key themes. The evaluator met with each participant to discuss the issues listed and any points from the questionnaire requiring clarification, and reviewed with the Chairman.	One to One Meetings
3	A report was prepared by Prism and discussed with the Chairman. A final report was sent to all participants.	Evaluation Report
4	The report and its recommendations were considered at the Board meeting in January 2018.	Board Discussion
5	The Group Company Secretary prepared an action plan for the Board and its Committees.	Action Plans

Key outcomes are listed in the table below. In addition the evaluation observed that the Board dynamics were good, the Board is led by a skilled Chairman, who is appreciated by the Directors and he has a good working relationship with the CEO.

Board Effectiveness Review

Matters Considered	Observations	Actions taken
Meeting Topics and discussions	Additional time could be dedicated to the discussion of strategy. The papers and the discussion were observed and commented as being of a high quality at the Strategy Board Meeting. More time could be given to the further consideration of culture.	Action was already being taken. The Group Company Secretary will provide a rolling agenda to ensure sufficient time would be allotted. Some matters were already in progress and the subject of stakeholder voice had already been considered by the Nomination and Governance Committee and will be tabled again in 2018.
Committees	Recommendations were made for more horizon scanning of governance matters. Stakeholder issues should be further discussed once the new FRC guidance has been finalised.	A plan has been created for all Committees to ensure that any feedback/topics are considered in the year.
Committee Papers	Opportunity to reduce the length of papers in a few instances. Overall papers were of a good quality, providing the right information.	General advice would be provided to those submitting papers on the intranet and feedback provided, if needed, following initial submission.
Board Effectiveness	There was a good score overall and no issues to highlight. Some minor opportunities for improvement were highlighted and the board would adopt the suggestions.	The Company has already taken action to implement the suggestions. All items raised will be tracked and monitored by the CEO and Group Company Secretary.

Directors' Report

The Directors present their report and audited financial statements for the Group for the year ended 31 December 2017 (the Financial Statements).

Compliance with the UK Corporate Governance code

As a premium listed company on the London Stock Exchange we are committed to comply with the Code, which is available on the FRC website at www.frc.org.uk. During the year the Group has complied with the provisions of the Code with the exception of Section B.1.2 as explained below:

Code provision	Requirement	Non-compliance/explanation of changed position
B.1.2	At least half of the Board, excluding the Chairman, should comprise Non-executive directors determined by the Board to be independent	From 1 January 2017 to 31 December 2017, the Company had a Chairman and two independent Non-executive Directors and three executive Directors. From 1 January 2018, Mel Carvill was appointed as a Non-executive Director and Phil Godley stepped down as an Executive Director. With effect from 1 January 2018 the Company was compliant with the Code

Diversity

Equality and diversity are fundamental values supported by SANNE. The Group is an equal opportunities employer and encourages diversity. We are committed to ensuring disabled people are afforded equality of opportunity in respect of entering and continuing employment with us. The Group aims to provide training opportunities that are identical, as far as possible, for disabled and non-disabled employees. The Board recognises that diversity in our people brings a range of perspectives and skills that make the Company stronger and also reflects our customer base. SANNE considers applicants for all roles regardless of gender, ethnicity, religion and age. Applicants are all treated equally and there is a diverse workforce.

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

We recognise the benefits of encouraging diversity throughout the business and believe that this will contribute to our continued success. All appointments are made based on merit and are measured against specific objective criteria including the skills and experience needed for the position. We are committed to increasing the participation of women at the Board, Executive Committee and senior management level. The Board's diversity policy can be found on the Company's website at www.sannegroup.com.

Political donations

SANNE has not made any donations to any political party.

Statement of directors' responsibilities

Our statement on Director's Responsibilities has been provided on page 75 of this Report.

Material interest in shares

Up to year-end being 31 December 2017 and as at 23 February 2018, being the latest practicable date before the publication of the report, the following disclosures of major holdings in voting rights have been made to the Group pursuant to Rule 5 DTR.

Shareholder	As at 23 February 2018 % interest in voting rights
Standard Life Aberdeen plc	13.84
Aviva plc and its subsidiaries	9.98
Kames Capital Plc	6.25
BlackRock, Inc[1]	5.46

1. On 31 December 2017, BlackRock, Inc's % interest in voting rights, as notified to the company, was 5.77%.

Other statutory information

Directors' and officers' insurance

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

Material Contracts

The Company is not party to significant agreements which take effect, alter or terminate on a change of control following a takeover bid apart from credit facilities with banks. The total amount owing under these facilities is shown in note 22 on page 111.

Corporate Governance

Directors' Report

continued

Information set out in the Strategic Report

The following information has been included in the Strategic Report:

- Information about our people (page 47);
- An indication of likely future developments in the business of the Company (pages 8 to 33);
- Risk management (pages 22 to 26).

Dividend

The Directors are recommending a final dividend of 8.4p per ordinary share which will be recommended for approval at the AGM be paid on 15 May 2018 to Shareholders on the register at the close of business on 3 April 2018.

Share capital

The issued share capital of the Group and the details of movements in share capital during the year are shown in note 20 on page 110 of the Financial Statements.

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

A waiver of dividend exists in respect of 2,610,246 unallocated shares held by Sanne Fiduciary Services Ltd as the trustee of the Sanne Employees Share Trust (EBT or of The Trust) as at 31 December 2017.

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

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

Allotment of shares

At the AGM held in 2017 the Shareholders generally and unconditionally authorised the Directors to allot relevant securities up to two-thirds of the of the nominal authorised share capital.

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

At the AGM in 2017 the Directors were also empowered by the Shareholders to allot equity securities of up to 5% of the Company's issued share capital for a transaction which the Board determines to be an acquisition or other capital investment as defined by the Pre-emption Group's Statement of Principles. In 2017 SANNE agreed to acquire Luxembourg Investment Solutions S.A. and Compliance Partners S.A. and as part of the transaction it agreed to pay part of the consideration in shares. The transaction completed on 6 February 2018.

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

Purchase of own shares

The Shareholders approved the authority for the Company to buy back up to 10% of its own ordinary shares by market purchase until the conclusion of the AGM to be held this year. The Directors will seek to renew this authority for up to 10% of the Company's issued share capital at the forthcoming AGM. This power will only be exercised if the Directors are satisfied that any purchase will increase the earning per share of the ordinary share capital in issue after the purchase and accordingly, that the purchase is in the interest of Shareholders.

Articles of association

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

Disclosure of Information to Auditors

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

Subsidiaries

SANNE operates through various subsidiaries in a number of different countries. The subsidiaries list is available on page 108.

Listing rule compliance

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

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

Section		Location
1	Amount of Interest Capitalised	Not applicable
2	Publication of unaudited information (LR 9.2.8 R)	Not applicable
3	N/A (Section removed by the FCA handbook)	Not applicable
4	Details of long-term incentive schemes	Directors' Remuneration Report pages 57 to 74
5	Waiver of emoluments by a Director	Not applicable
6	Waiver of future emoluments by a Director	Not applicable
7	Non pre-emptive issues of equity for cash	Page 110
8	Non pre-emptive issues of equity for cash in relation to major subsidiary holdings	Not applicable
9	Any participation in a placing by a listed subsidiary undertaking	Not applicable
10	Any contracts of significance	Page 47
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholders' waiver of dividends	Disclosed on page 48
13	Shareholders' waiver of future dividends	Disclosed on page 48
14	Agreements with controlling shareholders	Not applicable

Constructive use of the AGM

The Board uses the AGM to communicate with Shareholders. The Chairman of each of the Board's Committees will be present to answer questions put to them by Shareholders.

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

Annual General Meeting

Electronic copies of the notice of the third AGM to be held on 3 May 2018 at 11.30am at our offices in 13 Castle Street, St. Helier, Jersey, JE4 5UT can be viewed or downloaded from the Company's website, www.sannegroup.com. At that meeting, Shareholders will be asked to vote separately on the Annual Report and on the Report on Directors' Remuneration. Separate resolutions will also be proposed on every substantive issue. A poll will be held on each resolution to ensure that the votes of the Shareholders unable to attend the meeting are taken into account, and results of the voting will be placed on our website as soon as possible after the meeting.

Auditor

Following a review the Board proposes that Deloitte LLP are reappointed as the SANNE's auditor. A resolution proposing this will be put to the AGM.

Dean Godwin
Chief Executive Officer

On behalf of the

Board of Sanne Group plc

21 March 2018

Corporate Governance

Nomination and Governance Committee Report

Rupert Robson
Chairman of the Nomination and Governance Committee

"Our focus was to appoint an additional Non-executive Director to ensure a majority of Independent Directors, and to widen the Committee's remit specifically to include Governance."

Dear Shareholder

I am pleased to present the Nomination and Governance Committee Report for the year ended 31 December 2017. Our focus was to appoint an additional Non-executive Director to ensure a majority of Independent Directors, and to widen the Committee's remit specifically to include Governance.

During the year the Committee commenced a search for an additional Non-executive Director.

The Board decided to recruit an additional Non-executive Director with Channel Islands residency, as reported in the 2016 accounts. It was also decided that the Audit and Risk Committee would be separated and that the appointee would become Chairman of the newly formed Risk Committee. It was agreed that the appointee should have financial services, risk and international experience. The Board concluded that SANNE's knowledge of the Channel Islands employment market was significantly greater than that possessed by search firms traditionally used for FTSE250 board-level appointments. The Board, therefore, decided to use internal search resources to identify suitable candidates. It was agreed that there was no conflict of interest in using internal resources.

A shortlist of candidates was prepared, which included a number of women. The candidates were considered and a shortlist presented. Following a series of interviews, Mel Carvill was identified as having the requisite financial services, international and risk experience to be a full contributor at the Board and to chair the Risk Committee. As part of the selection process, Mel attended interviews with all the members of the Board and was appointed with effect from 1 January 2018. His biography is set out on page 41. A resolution will be proposed at the forthcoming AGM for his election.

Phil Godley, an Executive Director, stepped down from the Board with effect from 1 January 2018 and the Board has decided that his position will not be replaced for the time being. I would like to thank Phil for his significant contribution to Board discussions in the years since the IPO.

With effect from 1 January 2018, SANNE has a majority of Non-executive Directors, excluding the Chairman. Following the appointment of Mel Carvill, the Committee believes the current composition represents a strong and well-balanced Board with the necessary skills and experience to manage and develop the Company, and recommends that each of the Directors be elected or re-elected at the forthcoming Annual General Meeting (AGM).

Succession planning was considered by the Committee and it has put in place a talent programme for senior management development.

The Committee also decided that it should widen its role to cover the Company's corporate governance. As the Group has grown this additional area of focus will provide an opportunity to consider regulatory changes and the application of SANNE's corporate governance systems and processes. During the year the Committee also reviewed its Diversity Policy and this is available on our website (www.sannegroup.com).

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

Membership and attendance of the Nomination and Governance Committee*

Membership and attendance during the year was as follows:

	Eligible to attend	Attendance
Rupert Robson (Committee Chairman)	4	4
Nicola Palios	4	4
Andy Pomfret	4	4

* The name of the committee was changed from 'Nomination' to 'Nomination and Governance' on 7 November 2017

The role of the Committee

The Committee's role and responsibilities include:

- Reviewing and nominating candidates for both Executive and Non-executive roles;
- Managing the size, structure, knowledge, skills and diversity, including gender diversity, of the Board when considering suitable candidates;
- Considering the Corporate Governance Code and regulatory change;
- Evaluating the Company's policy and practices for executive talent management development and diversity;
- Understanding the role and leadership needs that are required by the business and to review talent to ensure that the Company maintains the ability to compete and win further market share;
- Considering Director performance and upon consideration recommending to Shareholders the election or re-election at the AGM;
- Succession planning; and
- Reviewing the balance and composition of the Board.

Following a review of the Terms of Reference in November 2017, the role of the Committee was expanded to cover the company's governance. The Committee will therefore also focus on changes in corporate governance and changes that need to be recommended to the Board.

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

Succession planning on the Board

The Committee annually reviews its effectiveness and composition and its long-term succession planning. The Committee considers the balance of skills, experience and independence. One of the Committee's key roles is to discuss succession planning to ensure that a pipeline of talent is developed within the business. Ultimate responsibility for making senior management appointments rests with the Chief Executive Officer.

Committee activities during the year

- Considered the candidates for the role of Non-executive Director;
- Members of the Committee were involved in the selection process of the Non-executive Director;
- Recommended to the Board that Mel Carvill be appointed as a Non-executive Director and Chairman of the Risk Committee and to also serve on the Audit, Remuneration and Nomination and Governance Committees;
- Discussed senior appointments and succession;
- Considered the annual effectiveness review and that the Directors and the Chairman had sufficient time to discharge their roles;
- Discussed mentoring and the development of talent; and
- Considered regulatory changes.

Diversity and inclusion

It is the Company's policy to ensure that proposed appointments and succession to the Board as outlined by the Code, are based on merit and judged against objective criteria. In addition the Company seeks to ensure that it reflects differences in culture, gender, skills, background, regional and financial services experience and other qualities. With this in mind, the Committee reviewed its Diversity Policy. A copy of the Board's Diversity Statement is available on the company's website at www.sannegroup.com. At 31 December 2017, SANNE had one female Board member out of a Board of six Directors. Shortlists will contain male and female candidates and the Board is focused on seeking to increase diversity.

Committee effectiveness review

The review was externally conducted and it reported that the Nomination and Governance Committee runs effectively. The Committee received a very positive evaluation. As with the other Committees a rolling agenda will be in place going forward. The existing Board portal would include a range of governance publications for all the Committee members, which would also be helpful for the existing members of the Committee and when new Non-executive Directors join in the future.

Director induction

An induction programme for the new Non-executive Director was based upon the ICSA guidelines and tailored to SANNE. Further information on this is included in the Corporate Governance Report on page 42.

Mentoring and knowledge sharing

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

Rupert Robson
Chairman of the Nomination and Governance Committee

21 March 2018

Corporate Governance

Audit and Risk Committee Report

Andy Pomfret
Chairman of the Audit and Risk Committee

"During the year the Committee and the Board devoted time to assess the approach to the Group's controls framework, in order to have more flexibility to respond to changing risks and our business environment."

Dear Shareholder

The report outlines the activities and responsibility of the Audit and Risk Committee (the Committee), on behalf of the Board and I am pleased to present my report for the year ended 31 December 2017.

During the year the Committee and the Board devoted time to assess the approach to the Group's controls framework, in order that the Group was well placed to respond to changing risks and our business environment. It was decided that the Committee's responsibilities should be separated. The separate duties with regard to Risk will be carried out by a separate Risk Committee. The Risk Committee took ownership of this activity with effect from 1 January 2018. The Audit Committee will continue to monitor and review financial internal controls and risk management systems.

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

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

The work of the Committee in 2017 is described in detail in the table opposite. It included advising the Board on the half year results, the Annual Report and Accounts, risk management and compliance.

On 1 January 2018 Mel Carvill was appointed as an additional Non-executive Director and he will chair the new Risk Committee. I am delighted to welcome Mel Carvill to the new Audit Committee with effect from 1 January 2018.

The addition of Mel will allow the Audit Committee to be composed of entirely independent Non-executive Directors with effect from 1 January 2018 and this ensures that going forward the Committee is in compliance with the Code.

I would like to thank the other Committee members for their support during the year and I look forward to chairing the new Audit Committee in 2018.

Committee membership

Committee members	Eligible to attend	Attendance
Andy Pomfret (Committee Chairman)	6	6
Rupert Robson	6	6
Nicola Palios	6	6

Appropriate skills and experience

Andy Pomfret and Rupert Robson have appropriate relevant financial sector experience. In addition, Andy Pomfret is a qualified Chartered Accountant and has held the positions of the Finance Director and CEO in Investment Banking. Rupert Robson has served as Chairman of financial services businesses and has extensive experience of corporate finance and investment companies. Nicola Palios brings expertise from her experience as managing a partner of a firm providing legal and Alternatives administration. The Board has determined that the Committee as a whole has competence relevant to the financial services sector in which SANNE operates and their biographies are set out on pages 40 to 41.

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

The timetable of the Committee is linked to the Group's reporting cycle, annual audit and financial reporting timetable. At the invitation of the Committee, the CEO, CFO, Chief Risk Officer and Group Compliance Officer and representatives from Internal Audit attended meetings. In addition the Deloitte audit partner and senior manager attended all meetings held in the year and other management are requested to attend meetings during the year as required.

Role and responsibility of the committee

The role of the Audit and Risk Committee was authorised by the Board and its main duties in 2017 are listed below:

- Monitoring the integrity of the financial statements of the Group including its Annual and Half-Yearly reports, any interim management statements and other formal announcements relating to SANNE's financial performance. The Committee reports to the Board on significant financial reporting issues and judgements made;
- Monitoring and reviewing the effectiveness of the Company's External Audit recommending the auditors' remuneration and assessing their independence and objectivity along with the effectiveness of the external audit process;
- Advising the Board of the Company's overall risk appetite, tolerance and strategy and overseeing the risk exposures of the Company and its future risk strategy;
- Keeping the Company's overall risk assessment processes under review and ensuring that both qualitative and quantitative metrics are used;
- Setting a standard for the accurate and timely monitoring of large exposures and certain risks, which the Company believes are of critical importance;
- Reviewing and assessing the internal audit function, including oversight of the work of internal audit with steps taken to address findings and improve the control environment;
- Reviewing the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns about possible wrongdoing in financial reporting or other matters in line with whistleblowing procedures; and
- Reviewing the performance of the risk management function and the compliance function and ensuring they have adequate resources.

Topics discussed	January	March[1]	June	September	November
Financial Statements and Reports		●			
Full Year results 2016		●			
Impairment review		●		●	
Finance		●		●	
Going concern assessment		●		●	
Other acquisitions, EBT		●			
Half year results				●	
Compliance					
Compliance Report		●	●	●	●
Policies and procedures		●	●		
Risk Management					
Risk Management Report	●	●	●	●	●
Risk Appetite	●	●	●	●	●
Risk mapping, risk matrix and scorecard	●	●	●		●
Enterprise Risk Management		●			
External Audit					
Recommendation of re-appointment		●			
Auditor's report		●			
External Audit Plan and reporting		●	●	●	●
Effectiveness review, audit quality		●	●		●
Non-audit spend		●	●	●	●
Internal Audit					
Internal Audit Reports	●	●		●	●
Internal Audit Plan	●	●			
IT Security and information security		●	●	●	
Other					
Review of Terms of Reference		●			●
Review of Whistleblowing Policy		●			●
Committee Evaluation		●			
Regulatory update		●	●		
Review of non-audit spend Policy		●			●

[1] Two meetings were held in March 2017.

Corporate Governance

Audit and Risk Committee Report

continued

Fair, balanced and understandable Assessment

As requested by the Board, the Committee has reviewed the Annual Report and Accounts in order to provide advice to the Board (as required by the Code) that the Annual Report and Accounts is fair, balanced and understandable and provides the necessary information for Shareholders and other users of the Annual Report and Accounts to enable them to assess the Group's position, performance for 2017 and its strategy and business. In order to make this assessment the Committee considered:

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

This process enabled the Committee and then the Board to confirm that the 2017 Annual Report and Accounts, taken as a whole is fair, balanced and understandable.

Risk management framework & governance

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

To assist with the assessment of risk management and internal controls, the Committee received regular reporting on the principal risks from the Chief Risk Officer and the internal audit reports on the adequacy of the control framework of the areas under review from the Head of Internal Audit.

Throughout the year and up to the date of this report, SANNE has operated a system of internal controls that provides reasonable assurance of effective operations covering all material controls including financial, operational and compliance controls. A review of the effectiveness of SANNE's risk management and internal control systems has been carried out through the work and operations of the Audit and Risk Committee and the effectiveness of the operation of the material controls has been reported to the Board.

Significant financial statement issues considered by the Committee

Significant financial and reporting issue	How the issue has been addressed
Revenue recognition, accrued income and trade receivables	Management maintains key controls over the largely quarterly billing cycles. The timings of the billing cycle are arranged to minimise accrued income balances at key reporting dates and thus give greater certainty over income which is still to be converted into cash. Management assesses the recoverability of all receivables at the year end and attest to the quality of assets considering past experience of the client, client type and liquidity issues of the client. We agreed with management's assessment that no additional provision for losses or impairment either to accrued income or trade receivables was needed.
Evaluation of impairment of intangible assets including goodwill and useful life of intangible assets	We considered the results of management's impairment assessment which reviews triggers for impairment around asset lives, valuation and verification of assets. We considered the judgements taken in relation to asset lives and the methodology applied to consider asset verification and we were satisfied that no changes in treatment were needed. With regards to Goodwill, we consider the judgements taken in relation to short and long term growth rates and discount rates used and we were again satisfied that no changes in treatment were needed.
Share based payments	We have reviewed the methodology used for the accounting of share based payments and are comfortable with the assessment by management as to the number of shares expected to vest under the terms of the Performance Share Plan and Restricted Stock Awards. In doing so we have reviewed and are satisfied with management judgments and expectations around the achievement of performance targets.
Accounting for acquisitions	We have reviewed the judgements made and used by management in the allocation of the purchase price of the acquisition completed during the year. We are satisfied that the overall allocations between goodwill and identifiable intangible assets are reasonable and also the estimated useful lives of customer and contract intangibles.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are set out in the risk management report section of the Strategic report on pages 22 to 26.

External Audit

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

The appointment of Deloitte LLP as the Group's external auditor (incumbents prior to IPO in 2015) is kept under review. The Company is required to undertake a competitive tender for the role of external auditor every ten years. The present audit partner Andy Isham has been the audit partner since listing. Considerations on the length of Deloitte's tenure and the requirements for a future tender process were considered by the Audit Committee.

Effectiveness of external audit

A review was held by the Audit and Risk Committee on the effectiveness of the external audit. Consideration was given to:

- The quality of planning;
- Communication between the audit team and management;
- The quality and knowledge of the audit team;
- Regulatory insights;
- The holding of regular meetings with the Chair of the Committee, CFO and Head of Finance; and
- The overall performance and the delivery of the audit.

Following the Committee's review it was concluded that Deloitte provided a quality audit and it was agreed to recommend to the Board the reappointment of Deloitte as auditor and a resolution proposing this has been included in the Notice of the AGM.

Audit and non-audit fees

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

The Group Audit Fee was £493,000. The fees paid for non-audit services to Deloitte were £306,000. The ratio of non-audit fee to audit fee is 62%. The level of non-audit fees is expected to reduce following the revision of the non-audit fees policy. During the year the Group incurred non-audit fees were incurred for work on: Solvas Asset Management relating to client services business systems software; services in relation to FATCA and CRS; ISE 3401 type 1 reporting; ISRS44400 (in relation to capital to South Africa); capital adequacy work in South Africa for IDS Manco; and an interim opinion under ISRE 2410. It was considered by the Committee that there was no perceived threat to auditor independence as there was no relationship to the financial reports and that these items would not impact auditor independence. The external auditors were considered the most suitable supplier for these services taking into account the alignment of these services to the work undertaken by external audit and Deloitte's skill sets.

Internal Audit function

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

The internal audit plan was discussed and approved by the Committee including subsequent changes. The Audit and Risk Committee monitors the internal audit plan to ensure the audit scope continues to focus on all relevant areas of activity. The internal audit reports detailing issues identified and management action taken to improve the control environment were presented to the Committee for their consideration.

Internal control and risk management

As part of its ongoing monitoring the Committee received written reports from Internal Audit, Compliance and Risk at its meetings. SANNE's Risk function is led by the Chief Risk Officer who monitors risk across the business. The Committee oversees the global risk matters for the business, in particular it has responsibility for identifying and assessing all risks across the Group. It ensures these risks are appropriately managed and controlled.

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

Whistleblowing

During the year the Whistleblowing Policy was reviewed by the Committee to ensure that it was effective. The Group has a Whistleblower system enabling employees who are aware of, or suspect, misconduct, illegal activities, fraud, and abuse of assets or violations of any Company policy, to report these confidentially.

Training

As part of the Group training programme, courses are provided in person and as computer based training. Courses on data security, anti-money laundering and compliance are provided Group-wide.

GDPR and cyber security

Information has been provided to the Committee on IT data security and data protection. The Chief Information Officer (CIO) has advised the Committee on information security and this is monitored by IT and the Chief Operating Officer (COO). Our data protection and GDPR implementation programme is managed by the COO.

Corporate Governance

Audit and Risk Committee Report

continued

Regulatory change and compliance

The Committee and the Board are provided with technical updates on regulatory and legislative changes at each meeting. The Committee monitors regulatory changes along with the Board.

Committee Effectiveness review

The Committee in 2017 had an external evaluation and information about the proceedings, the minutes and advisers and their roles were reviewed. The evaluation was positive and covered the operation and administration of the Committee.

Following the evaluation, the Committee was reported as being run professionally and effectively under the Chairman's guidance. The creation of a separate Risk Committee was considered to be a positive development. It was agreed that there were opportunities to have more regulatory updates. More use of the auditors and other advisers would be considered for training and technical updates going forward.

Priorities for 2018

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

- To monitor the external auditor and to assist with their understanding of the business;
- To ensure the audit is aligned with the business and its strategic objectives;
- To liaise with the newly established Risk Committee to ensure that any linked matters are fully understood;
- To monitor regulatory changes and the impact of external factors on the Group; and
- To monitor changes in corporate governance and assess their impact on the Group.

Going concern

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

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

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 current financial position of the Group and the resilience of the Group in the event of severe but reasonable scenarios. The modelling of these scenarios has taken into account the principal risks and their impact on the business model, future performance, solvency and liquidity over the period.

On the basis that the Group has limited exposure to long-term financial commitments the Directors have determined that the three year period is an appropriate period over which to provide its viability statement.

Andy Pomfret
Chairman of the Audit and Risk Committee
21 March 2018

Remuneration Committee Report

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

Nicola Palios
Chairman of the Remuneration Committee

"The Company's remuneration report was well received and obtained 98.55% support at the 2017 AGM."

Dear Shareholder

I am pleased to present, on behalf of the Board, the report of the Remuneration Committee in respect of the year ended 31 December 2017. 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 2018.

I set out below a reminder of the objectives of the remuneration policy, the performance outcomes in respect of the 2017 financial year and, following a consultation with investor bodies in early 2017, how we intend to operate the policy in 2018, the final year of the three year policy.

Objectives of the remuneration policy and link to strategy

The Company's remuneration report was well received and obtained 98.55% support at the 2017 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 Executive 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 2017

SANNE delivered strong performance in 2017 in terms of revenue, earnings and cash generation. It also completed a material strategic acquisition in Mauritius and made significant progress on the integration of that and of prior acquisitions.

This performance resulted in the Remuneration Committee approving payments under the bonus plan of between 36% and 40% of base salary, which may appear low in light of the strong performance. However this reflects the fact that SANNE is part way through a transition of remuneration packages and therefore the financial and non-financial bonus targets had been set at a very challenging level. It is anticipated, as part of the planned 3 year transition explained at the time of the 2016 policy vote, that 2018 targets will be set closer to normal market levels. We expect payments to be higher if targets are met and by 2019 we expect to be inline with market norms. The transition of the remuneration packages will then be complete.

During the year, awards were made to the Directors under the Performance Share Plan. These will vest after 3 years subject to achieving challenging underlying diluted EPS targets for the 2019 financial year. Full details of the awards granted are set out in the Annual Report on Remuneration.

Corporate Governance

Remuneration Committee Report continued

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

Application of policy in 2018

Base salaries

As set out in last year's remuneration report the Committee consulted with Shareholders and agreed to adopt a phased approach to salary increases. The Committee considered both Company and personal performance to be strong during 2017 and therefore saw no reason to deviate from the proposed salary trajectory. Accordingly, the CEO's salary increased to £292,000 and the CFO's salary increased to £210,000 with effect from 1 January 2018.

While the Committee acknowledges that the percentage salary increases are high, the 2018 salaries set out above are still significantly below typical FTSE levels for a company of this size. Recognising the lower tax rates in Jersey, the 2018 salaries will give, net of tax, total target remuneration values closer in line with, but still below that of a UK taxpayer. The Company is conscious that the business is significantly larger and more complex than when it went to market in 2015. In light of this and the need to renew our policy in 2019 the Committee will consider salary positioning to attract, retain and recruit executives in our market.

2018 incentives

The annual bonus opportunity for Executive Directors for 2018 shall be unchanged at 100% of salary. For 2018, 75% of the overall bonus will continue to be based on a sliding scale of challenging underlying profit before tax targets and the remaining 25% will be based on non-financial targets. The underlying profit before tax targets and the non-financial targets 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 diluted 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).

Board and management changes

At the end of 2017, there were senior management changes at the Board that were effective from 1 January 2018.

- Phil Godley stepped down from the Board on 1 January 2018. The arrangements for Phil as a former Director are disclosed on our website at www.sannegroup.com.
- Mel Carvill joined the Board on 1 January 2018 as an additional Non-executive Director. Mel Chairs the Risk Committee, and has joined the Audit and Nomination and Governance Committees.

Other key decisions

The Chairman's fee has increased from £140,000 to £160,000 with effect from 1 January 2018. This reflects the substantial increase both in time required and also in the size and scope of the business since listing. The Non-executive Director fees are set out in the table on page 68.

Conclusion

The Company has significantly outperformed the FTSE and has become more complex through a combination of organic growth in targeted markets and successfully integrated acquisitions. Later this year, the Committee will carry out a review of executive remuneration in advance of a binding remuneration policy vote in 2019. Any substantive changes to the current policy will be subject to prior consultation with leading investors.

We will keep our approach under review to ensure the Committee considers evolving best practice, regulatory developments and the UK Corporate Governance Code.

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

I would like to thank my colleagues on the Committee for their time and support during the year.

On behalf of the Board, I look forward to your support at the 2018 AGM.

Nicola Palios

Chair of the Remuneration Committee

21 March 2018

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 2018 are provided in the Annual Report on Remuneration.

Advisers

As part of the Committee's role it obtains external advice to ensure that its remuneration practices support and are linked to the business strategy and are market competitive. During 2017 the Committee had advice from New Bridge Street (NBS) (a trading name of Aon plc). NBS did not provide any further services to the Group in the year under review.

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

In 2017 the fees paid to NBS amounted to £35,300. Charges were based upon time spent on the services and the seniority of staff performing the work.

Director Reviews

As part of our year-end review processes the Executive Directors met with the Chairman or in the case of the CFO, with the CEO, and underwent a formal performance evaluation. The reviews covered their performance and effectiveness.

Approach to recruitment

When recruiting new Executive Directors, base salary, benefits, annual bonus and long-term incentives would be set in accordance with the Remuneration Policy in place at the time of appointment. Base salaries are set to take into account the experience of the candidate subject to the Committee's judgement that the level of remuneration is in the Company's best interests. The Committee can use its authority to match previous benefits or remuneration arrangements.

If a new Chairman or Non-executive Director is appointed remuneration arrangements will be in line with the Remuneration Policy and the current rates set for Non-executive Directors.

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.

Corporate Governance

Remuneration Committee Report continued

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

Remuneration Policy table

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Salary	Essential to recruit and retain Executive Directors. Reflects an individual's experience, role, competency and performance.	Salaries are paid monthly. They are normally reviewed annually with changes effective from 1 January but may be reviewed more frequently. Decisions on changes to salaries are influenced by a variety of factors including: • the commercial need to do so; • the role, experience, responsibility and performance (of both the individual and Company); • increases applied to the broader workforce; and • 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 may be 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.

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.

Corporate Governance

Remuneration Committee Report continued

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

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.

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.

Corporate Governance

Remuneration Committee Report continued

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

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.

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
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;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment under the plan rules; and
- recovery and withholding of any award within a three year period of the later of the grant date or vesting date.

Any use of discretion would 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.

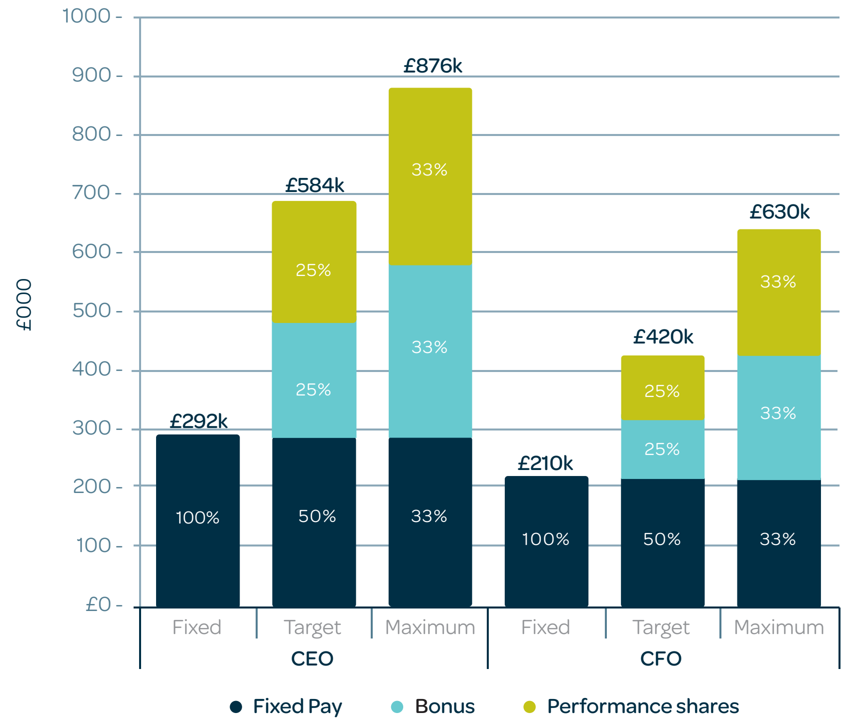
Corporate Governance

Remuneration Committee Report continued

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

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 2018 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 1 January 2018 salary).

On-Target: In respect of the 2018 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 the maximum annual bonus is paid and the 2018 PSP grant vests in full. No account has been taken of any movement in share price affecting the value of the PSP award.

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

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

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

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

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

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

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

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 or her employer, redundancy, or sale of employing company or business out of the Group or for any other reason at the discretion of the Committee) the Committee may determine that such individual shall remain eligible for consideration for the payment of a 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.

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.

Corporate Governance

Annual Report on Remuneration continued

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

Remuneration payable to each Director for service in 2017

The table below sets out the remuneration for each Director in 2017 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). It should be noted that salary increases received during the year took effect from 1 April 2017.

		Fees/ salary	Benefits[1]	Pension[2]	Bonuses[3]	Long-term Incentive[4]	Total
Executive Directors							
Dean Godwin	**2017**	**257,530**	**4,871**	**-**	**103,601**	**-**	**366,002**
	2016	235,000	4,453	-	-	-	239,453
Spencer Daley	**2017**	**192,284**	**4,612**	**-**	**80,741**	**-**	**277,637**
	2016	165,000	4,728	-	-	-	169,728
Philip Godley	**2017**	**192,284**	**4,424**	**-**	**72,741**	**-**	**269,449**
	2016	165,000	4,972	-	-	-	169,972
Non-executive Directors							
Rupert Robson	**2017**	**135,000**	**-**	**-**	**-**	**-**	**135,000**
	2016	120,000	-	-	-	-	120,000
Andy Pomfret	**2017**	**75,000**	**-**	**-**	**-**	**-**	**75,000**
	2016	75,000	-	-	-	-	75,000
Nicola Palios	**2017**	**65,000**	**-**	**-**	**-**	**-**	**65,000**
	2016	63,333	-	-	-	-	63,333

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 2016 or 2017.
3. There was no PSP award capable of vesting in 2016 or 2017. Details of the bonus in respect of 2017 performance is provided overleaf.

2017 Annual Bonus out-turn

As I have indicated in my 2016 Annual Statement, the Committee has decided to phase in the move towards an appropriate level of total remuneration for the Executive Directors over a small number of years. This approach applied in 2017 and was reflected in an extremely tough set of financial and non-financial targets. The out-turns, therefore, are not what the Committee expects to award in future years and instead arise as a result of 2017 being a transition year.

Bonuses paid in respect of the year ended 31 December 2017 were based 75% on underlying profit before tax (PBT) targets and 25% on non-financial targets.

PBT targets (75%)

Performance measure	Weighting %	Threshold	Maximum	Actual	Bonus outcome (% of maximum)
Underlying PBT targets*	75%	£33,469	£47,091	£38,077	33.8%

* Bonus would begin to accrue for achieving 2017 underlying PBT of £33.5 million, increasing to full payout for achieving £47.1 million.

Performance against non-financial targets

The Committee spent time evaluating the performance of the Executive Directors.

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

- Delivering the Group's strategy and in particular, integrating acquisitions;
- Ensuring the appropriate management and resources are in place to strengthen the management team and ensure delivery across the regions and in head-office;
- Preparing SANNE for its next stage of development and preparing strategic plans; and
- Driving inorganic growth.

Details of Spencer Daley's achievements against objectives set are as follows:

- Driving the use of Finance's IT roadmap and leading the integrations of acquisitions in terms of financial reporting infrastructure;
- Integrating acquisitions and delivery of growth targets;
- Delivering the organisation's restructuring into the Group's segmental financial and management reporting; and
- Carrying out fund raising exercises for acquisitions.

Details of Phil Godley's achievements against objectives are set as follow:

- Securing acquisitions and delivering integration;
- Ensuring focus on client service and delivery; and
- Working to prepare the Company for its next stage in development.

For the non-financial targets, the Committee determined a rating of 13 out 25 for Dean Godwin, equating to 13% of base salary, 15 out 25 for Spencer Daley, equating to 15% of base salary and 11 out 25 for Phil Godley, equating to 11% of base salary.

Bonus out-turn

The total bonus payable for each executive is therefore:

	Maximum bonus payable (% of salary)	Actual bonus payable (% of maximum)
Dean Godwin	100%	38%
Spencer Daley	100%	40%
Philip Godley	100%	36%

Performance Share Plan awards with performance period ending during the year

There were no PSP awards with performance periods ending during the year or shortly after the year end. The first award under the PSP was granted in 2016 and is based on performance for the period ending 31 December 2018. Full disclosure on the vesting of this award will be provided in next year's report.

2017 Performance Share Plan Grants

On 28 April 2017 the following awards under the PSP were granted to the Executive Directors.

	Basis of award granted	Shares awarded	Share price of 2017 grant	Face value of award	% of face value vesting at threshold performance	Vesting determined by performance over
Dean Godwin	100% of salary	35,429	663.3p	£235,000	25%	Three financial years to 31 December 2019
Spencer Daley	100% of salary	24,876	663.3p	£165,000	25%	
Philip Godley	100% of salary	24,876	663.3p	£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 will vest subject to achievement against a sliding scale of underlying diluted EPS targets and continued employment.

Adjusted diluted EPS for FY 2019	Proportion of award vesting
Less than 32.5 pence	Zero
32.5 pence	25%
36.5 pence or more	100%

Awards vest on a straight line basis for performance between 32.5 pence and 36.5 pence.

During the year, the adjustments used to derive underlying profit and earnings were amended. Specifically, share based payment charges relating to share awards granted as part of management's normal remuneration are no longer adjusted for when deriving underlying profit and earnings. The unvested 2016 and 2017 PSP awards are subject to EPS targets that were set on the basis that all share based payment charges were non underlying. When determining the vesting outcomes of these awards in 2018 and 2019, the Committee will seek to ensure that the profit assessment is on a like-for-like basis with the original targets.

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 (as at 31 December 2017)	Legally owned (as at 31 December 2016)	Subject to Extended Restriction Period	Unvested PSP awards	% of salary held under share ownership policy [1]
Executive Directors					
Dean Godwin	1,064,383	2,128,766	1,064,383	101,621	3,197%
Spencer Daley	523,597	1,047,194	523,597	71,351	2,123%
Philip Godley	864,419	1,728,838	864,419	71,351	3,505%
Non-executive Directors					
Rupert Robson	14,582	14,582	n/a	n/a	n/a
Andy Pomfret	54,483	53,333	n/a	n/a	n/a
Nicola Palios	5,499	5,499	n/a	n/a	n/a

1. Calculated as legally owned shares held on 31 December 2017 multiplied by the share price on that date divided by 2018 base salary. The share ownership guideline is set out in the Remuneration Policy on page 65.

Corporate Governance

Annual Report on Remuneration continued

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

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

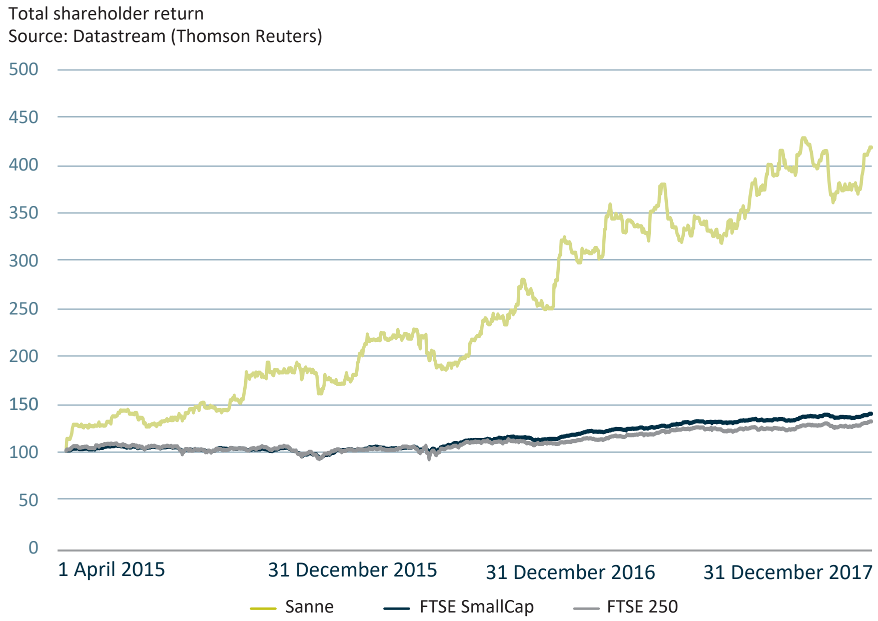
During the period 31 December 2017 to 23 February 2018, being the latest possible date, there have been no changes in the Directors' share interests.

Loss of office payment and payments to past Directors

No Directors departed during 2017 and there were no payments to past Directors of the Company in the year under review. Phil Godley stepped down from the Board but remained in employment with SANNE and accordingly no payment has been made.

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

The graph below illustrates the Company's Total Shareholder Return (TSR) performance relative to the FTSE Small Cap Index and FTSE 250 indices.



Performance is shown from Admission on 1 April 2015 (using the 200p offer price as the base) to 31 December 2017. 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. Both indices are shown as the Company moved from the FTSE Small Cap into the FTSE 250 during the year.

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	2017
Total remuneration	£227,162	£239,453	£366,002
Annual bonus outcome (% of max)	n/a	0%	38%
PSP vesting (% of max)	n/a	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, pay-rises granted within the businesses acquired in 2016 and 2017 have been excluded from the below.

	Base salary % Change	Benefits % Change	Annual bonus % Change
CEO	14.8%	N/A	N/A
Employees	3.2%	0.7%	N/A

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 2017 compared to 2016:

	2017	2016	% Change
Staff costs	£51.8m	£29.4m	76.2%
Distributions to Shareholders	£14.7m	£10.0m	47.0%
Underlying profit before tax	£38.1m	£21.3m	78.9%

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

Membership of the Remuneration Committee (unaudited)

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

The table below shows the Committee members during the year and their attendance:

	Eligible to attend	Attended
Nicola Palios (Chair)	4	4
Rupert Robson	4	4
Andy Pomfret	4	4

None of the Committee has any personal financial interest (other than as a Shareholder), conflicts of interest from cross-directorships or day-to-day involvement in the running of the business. Mel Carvill joined the Board as an independent Non-executive Director on 1 January 2018 and joined the Remuneration Committee from that date. Rupert Robson is no longer a member of the Remuneration Committee but will be invited to attend meetings, as appropriate.

The Chief Executive Officer, Chief Financial Officer, Group Company Secretary and Head of Human Resources are invited to attend selected meetings although they are not present when matters affecting their own remuneration are being discussed. The Group Company Secretary acts as secretary to the Committee. In addition NBS can be invited to attend as advisers.

The role of the committee (unaudited)

The key responsibilities of the Committee are:

- to determine and agree with the Board the framework and policy for remuneration of the Chief Executive Officer, Chairman, the Executive Directors and senior management;
- review and have regard to pay and employment conditions across the Company or Group, especially when determining annual salary increases;
- review the ongoing appropriateness and relevance of the remuneration policy;
- to determine the total individual remuneration package of each Executive Director, the Company Chairman and other designated senior executives including bonuses, incentive payments and share options or other share awards;
- obtain information about remuneration in other companies of comparable scale;
- to appoint remuneration consultants and to commission reports;
- approve the design of, any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes (in accordance with the provisions in Schedule A of the Code);
- ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company;
- oversee any major changes in employee benefits structures throughout the Company or Group;
- agree the policy for authorising claims for expenses from the Directors; and
- work and liaise as necessary with all other Board committees.

Effectiveness review (unaudited)

During the year the Committee had an external evaluation and members of the Committee were interviewed and questionnaires completed. The results of the evaluation were generally positive, the Committee has operated and functioned well. The remit of the Committee will need to be expanded to deliver future requirements and an action plan will be prepared on all matters raised. Additional governance information will be shared via the Committee portal.

Corporate Governance

Annual Report on Remuneration continued

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

Remuneration Committee Activities in 2017

The following provides a summary of the key areas of focus of the Committee meetings during the year.

Remuneration	31 January 2017	28 March 2017	6 September 2017	8 November 2017
Strategy and Policy				
Consideration/approval of Remuneration Policy	●	●	●	
Discussion of DRR	●	●		
Approval of DRR		●		
Gender Pay	●	●	●	●
Annual Salary				
Review of salaries for Executive Directors	●	●		
Annual Bonus				
Review of executives personal objectives	●	●		●
Review of personal performance	●	●		
Determining bonus outcomes	●	●		●
Setting measures and targets, including non-financial metrics	●			
PSP				
Determine vesting levels	●			
Share ownership/retention guidelines	●			
Setting measures and targets	●			
Effectiveness Review				
Committee Effectiveness		●		
Reports from advisers				
Briefings (including Governance)	●	●	●	●
Benchmark data	●			
Corporate Governance				
Governance	●	●	●	●
Review Terms of Reference	●			
Regulation updates			●	●
Other				●
Approval of the Chairman's fees	●			
Other issues as required	●	●	●	

SANNE

Implementation of the Remuneration Policy for 2018

Basic annual salary

In 2015 we stated 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.

Last year the Committee 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.

As set out in last year's report, it is proposed that the Executive Directors' base salaries will be increased by 8% p.a. for the CEO and 5% p.a. for the CFO in 2019, reflecting strong individual and company performance.

	CURRENT	2019
CEO	£292,000	£315,000
CFO	£210,000	£220,000

Pension arrangements

No pension contribution will be provided in 2018 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 2018 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 2018 bonus profit component will be based on underlying profit before tax. Underlying profit before tax is one of the key financial metrics at SANNE and the targets have been set by the Committee after taking account of the Company's business plan and external expectations, with full payment being made only in the case of exceptionally strong performance.

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

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

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

Performance Share Plan Awards

PSP awards with a face value of 100% of salary will be granted to Executive Directors in 2018.

The Committee reviewed the choice of measures and in light of the Company's strategic outlook has set a stretching range of underlying diluted EPS growth targets required to be achieved in the year ending 31 December 2020 as set out below:

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

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

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.

Corporate Governance

Annual Report on Remuneration continued

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

Chairman and Non-executive Directors' fees

The Chairman's fee from 1 January 2018 is £160,000 increased from £140,000 to reflect the increased time commitment associated with the role as the Company has grown in size, scale and complexity. 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 any of the Audit, Risk and the Remuneration Committees. The fee for holding the Senior Independent Director position is £5,000.

Directors' service contracts

	Date of Appointment	Expiry date of current service agreement or letter of appointment, or date of resignation
Executive Directors		
Dean Godwin	26 January 2015	N/A
Spencer Daley	26 January 2015	N/A
Phil Godley	10 March 2015	Resigned 1 January 2018*
Chairman and Non-executive Directors		
Rupert Robson	1 March 2015 Reappointed 30 January 2018	27 February 2021
Andy Pomfret	24 March 2015 Reappointed 30 January 2018	23 March 2021
Nicola Palios	26 March 2015 Reappointed 30 January 2018	25 March 2021

*Phil Godley remained an employee of the Company.

Statement of voting at the Annual General Meeting

The Committee is directly accountable to Shareholders and in this context is committed to an open and transparent dialogue with Shareholders on the issue of executive remuneration.

The Committee Chairman is available to answer questions.

At the 2017 AGM, the Directors' Annual Report on Remuneration received the following votes from Shareholders:

Annual Report on Remuneration	Total number of votes	% of votes cast
For	115,989,344	98.55%
Against	1,707,751	1.45%
Abstentions	1	0.00%
Total	**117,697,096**	**100%**

Votes for include those registered as "Discretion".

Compliance

In carrying out its duties, the Committee gives full consideration to best practice.

Following the appointment of Mel Carvill to the Committee on 1 January 2018 the Committee with comply with the principles of the Code going forward.

For and on behalf of the Board.

Nicola Palios
Chair of the Remuneration Committee

21 March 2018

Directors' Responsibility Statement

"The Directors are responsible for keeping proper accounting records that disclose, with reasonable accuracy, at any time, the financial position of the Company."

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period.

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

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

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

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

The Directors confirm that they have complied with the above in preparing these financial statements. The Directors prepared an unaudited interim report covering the six month period ended 30 June 2017.

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

We confirm that to the best of our knowledge:

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

This responsibility statement has been approved by the Board of Directors of Sanne Group plc on 21 March 2018 and is signed on its behalf by:

Dean Godwin
Chief Executive Officer
21 March 2018

Spencer Daley
Chief Financial Officer
21 March 2018

Corporate Governance

Independent Auditor's Report

to the Members of Sanne Group plc

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as issued by the International Accounting Standards Board (IASB);
- have been properly prepared in accordance with Companies (Jersey) Law, 1991.

We have audited the financial statements of Sanne Group plc (the 'parent company') and its subsidiaries (the 'Group') which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Balance Sheet;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- the related notes 1 to 31.

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

Basis for opinion

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

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

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

Summary of our audit approach

Key audit matters	The key risks that we identified in the current year were: • revenue recognition – valuation of accrued income in Mauritius; • impairment of intangible assets, specifically goodwill; and • accounting for acquisitions. 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 for the Group financial statements was £1.1m which was determined on the basis of Group profit before tax.
Scoping	Included within the scope of the audit were twelve components across eight jurisdictions – Jersey, Guernsey, the United Kingdom, Ireland, Luxembourg, South Africa, the United States and Mauritius.
Significant changes in our approach	Since the acquisition of the Mauritian business with effect from 1 January 2017, the scope of our audit changed to also include this reporting component as a significant component of the Group. There were no other significant changes in our audit approach, from the prior year.

Conclusions relating to going concern, principal risks and viability statement

Going concern

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

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

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

Principal risks and viability statement

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

- the disclosures on pages 23-26 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 22 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 56 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the prior year we referred to key audit matters related to the valuation of trade receivables and share based payments. We have not referred to these in the current year because in the overall context of the audit of the Group as a whole, these areas did not take up the most significant efforts or resources of the engagement team.

Revenue recognition – valuation of accrued income in Mauritius	
Key audit matter description	At the year-end there is £3.1m (2016: £1.5m) of time which has been spent working on client matters which has not been billed or which has been accrued, of which £2.0m pertains to Sanne Mauritius Limited ("SML"). The valuation of accrued income was included in the prior year audit report however in the current year this key audit matter is focused specifically on SML. The accrued income is required to be stated at the amount which is recoverable and because SML is on a different billing cycle to the rest of the Group and the accrued income is aged, there is a risk of material misstatement that is not recoverable. There is a high level of judgement applied by management in assessing and determining the value of the accrued income. The accounting policy is detailed in note 3 to the consolidated financial statements. The judgements are set out in the Audit and Risk Committee Report on page 54.

Corporate Governance

Independent Auditor's Report

continued

How the scope of our audit responded to the key audit matter	We have evaluated the design and implementation of controls around the quarterly billing and accrued income evaluation process specific to the valuation of accrued income in SML. For a sample of clients for which accrued income has been recognised, we have reviewed the level of bills raised and recovered post year end. For those amounts not billed or recovered post year end, we have challenged management's judgement and rationale around the recoverability of the amounts through reviewing fee agreements and communications with clients to verify the amounts which are able to be charged and through reviewing historical billing and payment patterns in respect of those clients to support judgments to the extent required.
Key observations	We consider management's judgements around the recoverability of the accrued income amounts in SML to be reasonable.

Impairment of intangible assets, specifically goodwill

Key audit matter description	In previous years and during the current year there have been a number of acquisitions by entities within the Group resulting in a goodwill balance of £100.4m (2016: £55.1m) as at the year end. Acquisitions were made in Ireland, South Africa, North America, and the Netherlands in prior year and a further acquisition was made in Mauritius at the start of the current year. The initial valuation of the intangible assets, including the allocation of goodwill, was determined in the year of acquisition, however continual judgement is applied by management in performing impairment reviews in respect of the carrying value of goodwill. The impairment of intangible assets was included in the prior year audit report and this year there is a specific focus on goodwill due to the increased balance. Accounting policy detailed in note 3 to the consolidated financial statements. The assumptions and judgements which are made in respect of these areas are set out in the Audit and Risk Committee Report on page 54 and in note 13.
How the scope of our audit responded to the risk	We have evaluated the design and implementation of controls around the preparation and review of impairment models. We evaluated and challenged management's future cash flow forecasts and the process by which they were drawn up through assessing the reasonableness of the underlying assumptions applied based our understanding of the business. We tested the underlying value in use calculations. We compared management's forecast with the latest approved budgets and found them to be materially consistent. We challenged the key assumptions for short and long-term growth rates in the forecasts by comparing them with historical results and we also challenged the discount rate used in the calculations by assessing the cost of capital for the Group and comparable organisations and assessed the specific risk premium applied to each cash generating unit ("CGU") in question. We performed sensitivity analysis to identify the key assumption of growth rate as being important to the valuation and then evaluated management's rationale for the applied rates. We ascertained the extent to which a reduction in these assumptions, both individually or in aggregate, would result in goodwill impairment, and considered the likelihood of such events occurring.
Key observations	Given the level of headroom identified as a result of the above procedures we were satisfied that the carrying value of goodwill is reasonable. We identified that the CGU with the least headroom is Sorato which has £0.4m headroom in the calculations performed by management.

Accounting for acquisitions

Key audit matter description	The accounting for business combinations is complex. There has been one acquisition on 1 January 2017, IFS Group in Mauritius, which is 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 of the assets, growth rates, attrition rates and the discount rate. The accounting policy is detailed in note 3 to the consolidated financial statements. The initial recognition of intangible assets related to this acquisition is disclosed as a critical judgement in note 4 of the annual report. The judgements are also set out in the Audit and Risk Committee report on page 54.
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. We performed sensitivity analysis on the key assumptions within the model. This included sensitising the discount rates and attrition rates. In addition we challenged management around certain methodology matters relating to the models including the exclusion of brand value. Our challenges were made with reference to cumulatively acquired knowledge of the Group, the acquired entity and other market and industry factors.
Key observations	We considered management's overall estimate in respect of the purchase price allocation to be reasonable.

Our application of materiality

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

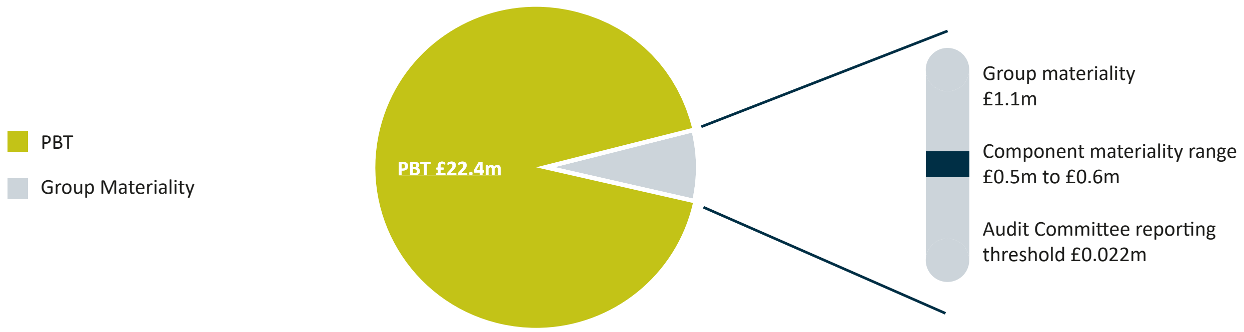
Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£1.1m (2016: £0.7m)
Basis for determining materiality	5% of Group profit before tax (2016: 5% of Group profit before tax)
Rationale for the benchmark applied	Based on our professional judgement, we determined materiality by applying a benchmark of 5% of Group profit before tax. We believe that Group profit before tax is the most appropriate benchmark as it is a key statutory measure.

Corporate Governance

Independent Auditor's Report

continued



We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £22,000 (2016: £15,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

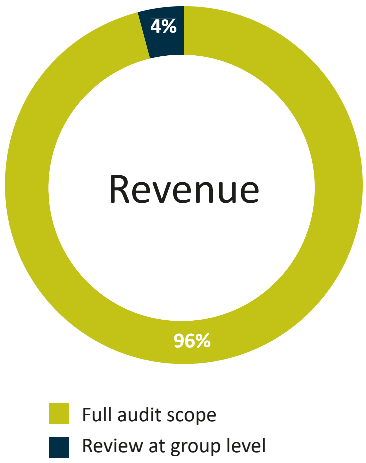
The Group's accounting process is structured around a local finance function in each of the territories in which the Group operates which maintain their own accounting records and controls and report to a Head Office finance team in Jersey, supported by South Africa, through submission of management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

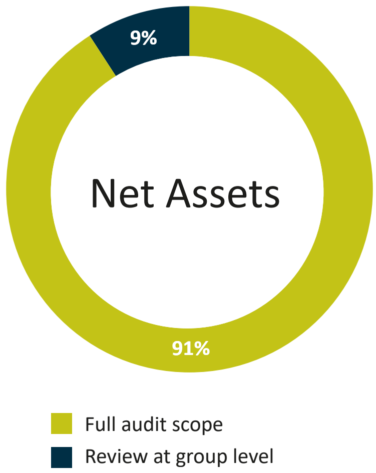
At a Group level, the head office finance team consolidates the reporting of all reporting components. In our view, due to their financial significance and/or risk characteristics, those businesses in Luxembourg, Mauritius, the United States and certain entities in Jersey required an audit of their complete financial information. Component auditors from Deloitte network firms in Luxembourg and Mauritius who are familiar with the local laws and regulations in those territories supported this audit work. The component materialities used were betwenn 45% and 55% of Group materiality based on the percentage of the Group benchmark represented by each component. Specific risk-based audit procedures were performed by the local team in South Africa.

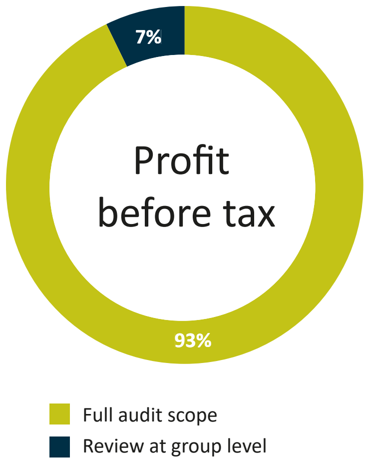
The work on the valuation of accrued income was performed by Deloitte Mauritius as the component auditor and senior members of the Group engagement team performed a detail review of the component's working papers as well as having detailed discussions with local client management and staff to obtain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

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

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







Other information

We have nothing to report in respect of these matters.

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

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

Corporate Governance

Independent Auditor’s Report

continued

Responsibilities of directors

As explained more fully in the statement of directors’ responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Use of our report

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

Report on other legal and regulatory requirements

Opinion on other matter prescribed by our engagement letter

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Andrew Isham, BA, FCA

for and on behalf of Deloitte LLP
Recognized Auditor
Jersey

21 March 2018

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Consolidated Financial Statements

Consolidated Financial Statements

Consolidated Income Statement

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Revenue		113,168	63,847
Direct costs		(40,711)	(23,412)
Gross profit	5	72,457	**40,435**
Other operating income		179	122
Operating expenses		(49,494)	(25,893)
Operating profit		23,142	**14,664**
Comprising:			
Underlying operating profit		38,812	21,976
Non-underlying items within operating expenses	8	(15,670)	(7,312)
		23,142	14,664
Other gains and losses		348	1,096
Finance costs	6	(1,194)	(914)
Finance income	7	111	115
Profit before tax		22,407	**14,961**
Comprising:			
Underlying profit before tax		38,077	21,318
Non-underlying items	8	(15,670)	(6,357)
		22,407	14,961
Tax	9	(4,277)	(2,013)
Profit for the year		18,130	**12,948**
Earnings per ordinary share ("EPS") (expressed in pence per ordinary share)			
Basic	10	13.1	11.4
Diluted	10	12.7	11.3
Underlying basic	10	24.4	17.0
Underlying diluted	10	23.7	16.9

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

The notes on pages 91 to 120 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Profit for the year		18,130	12,948
Other comprehensive income:			
Items that will not be reclassified subsequently to profit and loss:			
Actuarial loss on pension scheme	28	(83)	–
Income tax relating to items not reclassified		12	–
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		(14,377)	3,317
Total comprehensive income for the year		3,682	16,265

The notes on pages 91 to 120 are an integral part of these Consolidated Financial Statements.

Consolidated Financial Statements

Consolidated Balance Sheet

As at 31 December 2017

	Notes	2017 £'000	2016 £'000
Assets			
Non-current assets			
Goodwill	13	100,387	55,094
Other intangible assets	14	59,998	27,587
Equipment	15	3,813	2,832
Deferred tax asset	23	1,042	–
Total non-current assets		165,240	85,513
Current assets			
Trade and other receivables	17	28,874	22,746
Cash and bank balances		50,803	108,673
Accrued income		3,096	1,535
Total current assets		82,773	132,954
Total assets		248,013	218,467
Equity			
Share capital	20	1,416	1,353
Share premium		171,850	135,354
Own shares	21	(1,141)	(562)
Shares to be issued	27	13,373	13,867
Retranslation reserve		(11,280)	3,097
Retained losses		(17,586)	(21,745)
Total equity		156,632	131,364
Non-current liabilities			
Borrowings	22	64,335	59,518
Deferred tax liabilities	23	2,144	2,288
Retirement gratuity liability	28	718	–
Total non-current liabilities		67,197	61,806
Current liabilities			
Trade and other payables	24	8,522	13,695
Current tax liabilities		2,306	2,609
Provisions	25	506	353
Deferred revenue		12,850	8,640
Total current liabilities		24,184	25,297
Total equity and liabilities		248,013	218,467

The notes on pages 91 to 120 are an integral part of these Consolidated Financial Statements.

The Financial Statements were approved by the Board of Directors and authorised for issue on 21 March 2018. They were signed on its behalf by:

Dean Godwin
Chief Executive Officer

21 March 2018

Spencer Daley
Chief Financial Officer

Consolidated Statement of Changes in Equity

As at 31 December 2017

	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 2016		**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**
Profit for the year		–	–	–	–	–	18,130	18,130
Other comprehensive income for the year		–	–	–	–	(14,377)	(71)	(14,448)
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(14,377)**	**18,059**	**3,682**
Issue of share capital - acquisitions	20	63	36,590	–	(2,463)	–	–	34,190
Cost of share issuance	20	–	(94)	–	–	–	–	(94)
Dividend payments	12	–	–	–	–	–	(14,669)	(14,669)
Share-based payment	27	–	–	–	1,969	–	769	2,738
Net buyback of own shares	21	–	–	(579)	–	–	–	(579)
Balance at 31 December 2017		**1,416**	**171,850**	**(1,141)**	**13,373**	**(11,280)**	**(17,586)**	**156,632**

The notes on pages 91 to 120 are an integral part of these Consolidated Financial Statements.

Consolidated Financial Statements

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Operating profit		23,142	14,664
Adjustments for:			
Depreciation of equipment	15	1,742	1,085
Amortisation of intangible assets	14	12,972	2,707
Impairment of intangible assets	14	20	–
Share-based payment expense	27	2,927	1,383
Disposal of equipment	15	15	14
Increase in provisions	25	153	219
Retirement gratuity reserve movement	28	99	–
Operating cash flows before movements in working capital		41,070	20,072
Increase in receivables		(4,262)	(3,207)
Decrease/(increase) in deferred revenue		1,441	(1,434)
(Decrease)/increase in payables		(698)	3,234
Cash generated by operations		37,551	18,665
Income taxes paid		(6,301)	(985)
Net cash from operating activities		31,250	17,680
Investing activities			
Interest received		111	115
Purchases of equipment	15	(2,454)	(1,515)
Decrease in deferred consideration		(5,757)	–
Acquisition of subsidiaries	26	(68,543)	(50,114)
Net cash used in investing activities		(76,643)	(51,514)
Financing activities			
Dividends paid	12	(14,669)	(9,953)
Interest on bank loan		(1,069)	(585)
Proceeds on issue of shares	20	–	94,506
Costs of share issuance		(94)	(3,217)
Buyback of own shares		(579)	(462)
Capitalised loan costs		(308)	(482)
Net proceeds on ordinary shares by EBT		–	629
Redemption of bank loans	22	(19,000)	(18,000)
New bank loans raised	22	24,000	60,000
Net cash (used in)/from financing activities		(11,719)	122,436
Net (decrease)/increase in cash and cash equivalents		(57,112)	88,602
Cash and cash equivalents at beginning of year		108,673	19,445
Effect of foreign exchange rate changes		(758)	626
Cash and cash equivalents at end of year		50,803	108,673

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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. 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. IFRS 9 changes the classification and measurement of financial assets and the timing and extent of credit provisioning. The Group has not adopted the standard early. The Group has performed a preliminary assessment of the impact on the current reporting of financial instruments, although the possible impact has not been quantified yet.

Under IFRS 9, the financial assets will be categorised as amortised cost, fair value through profit and loss or fair value through other comprehensive income. The held to maturity, loans and receivables and available for sale categories per IAS 39 have been removed.

The new categories per IFRS 9 are not expected to have a material impact on the financial assets as trade receivables will continue to be carried at amortised cost.

An expected credit loss model replaces the incurred loss model; under IFRS 9 a provision must be recorded for the amount of any loss expected to arise over the life of the financial asset where under IAS 39 credit losses were recognised when they were incurred.

A dual measurement approach applies under the new expected credit loss model, where a financial asset will attract a loss allowance to either 12 month expected credit losses or lifetime expected losses. This requires an assessment of the likelihood of default and any potential loss that may arise in the event of default.

The Group does not believe that the new standard would cause a material change in the provision for bad debts on trade receivables or any other financial assets because of the short-term nature of the trade receivables and the specific provisions currently being raised for them.

- IFRS 15 Revenue from contracts with customers (effective for periods beginning on or after 1 January 2018). This 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. The Group performed an analysis of the new five-step approach to recognise revenue and the impact on the reporting of revenue for the Group. Based on the analysis performed, the Group found that IFRS 15 will have no significant impact on the recognition and reporting of revenue.
- 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 depreciated lease assets separately from interest in the income statement. The standard replaces IAS 17 Leases. The Group currently recognises operating lease payments as an expense on the straight-line basis with a corresponding asset or liability in the Consolidated Balance Sheet for the straight-line effect. The asset or liability is released over the lifetime of the lease and this will change with the new standard grossing up the Group's assets and liabilities. The Group has not performed a full assessment of the impact of the new standard on the reported results from 1 January 2019.

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 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

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.

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

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence at least for the next 12 months. 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 Audit and Risk Committee Report on page 56.

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 IFRS 3 (2008) are recognised at their fair value at the acquisition date.

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

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

3. Significant accounting policies (continued)

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.

Intangible assets

Intangible assets acquired in a business combination are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, separately intangible assets acquired in a business combination are reported at cost less accumulated amortisation and any impairment losses.

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" and further identified as non-underlying.

Customer intangibles

Customer intangibles consist of the recognition of value attributed to the customer lists through acquisition. On initial recognition, the values are determined by relevant factors such as the Company's growth pattern and ability to cross-sell to existing clients. Subsequently, this class of intangibles is amortised over the intangibles' 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" and further identified as non-underlying.

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. Contractual rental increases are straight-lined over the lease term.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

3. Significant accounting policies (continued)

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the Consolidated Financial Statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise.

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group's operations with a functional currency other than pounds sterling are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the exchange rates at the date of the transactions. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity in the translation reserve.

On the disposal of a foreign 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.

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

The liability recognised in the statement of financial position in respect of the defined benefit retirement obligation is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The Group has no plan assets.

The defined benefit obligation is calculated at half year and year end by qualified actuaries using the projected unit credit method.

The present value of the defined obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Defined benefit costs are categorised as follows:

- Service cost
- Net interest expense or income; and
- Remeasurement

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

Earnings per share

The Group presents basic and diluted earnings per share. In calculating the weighted average number of shares outstanding during the period, any share restructuring is adjusted by a factor to make it comparable with the other periods. For diluted EPS, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares.

Both basic and diluted EPS measures are shown for statutory profit position; the Group has also presented an alternative version with profit adjusted for non-underlying items to provide better understanding of the financial performance of the Group (note 8).

3. Significant accounting policies (continued)

Taxation

Tax on the profit or loss for the period comprises current and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement as it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. 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.

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.

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

3. Significant accounting policies (continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value.

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.

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.

3. Significant accounting policies (continued)

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.

Employee share trust/own shares

Own shares represent the shares of the Company that are held in treasury and by employee share ownership trusts (which is consolidated in the Group financial statements). Own shares are recorded at cost and deducted from equity. When shares vest unconditionally, are cancelled or are reissued they are transferred from the own shares reserve at their weighted average cost. Any consideration paid or received by the employee share trust for the purchase or sale of the Company's own shares is shown as a movement in shareholders' equity.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are determined by the expected future cash flows at a pre-tax rate that reflects current market assessments of the risks specific to the liability. Onerous lease provisions are measured at the lower of the net cost to fulfil, or to exit the contract, discounted as appropriate.

Fiduciary activities

The assets and liabilities of trusts and companies under administration and held in a fiduciary capacity are not included in these Consolidated Financial Statements.

Share-based payments

Employees of the Group receive bonus allocations in the form of share-based payments under Performance Share Plan, Restrictive Stock Awards and Annual Performance Bonuses, whereby eligible employees render services as consideration for equity instruments (shares).

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 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.

The Group's core business is the administration, reporting and fiduciary services it provides in various jurisdictions. All acquisition and integration-related costs are disclosed as non-underlying as these fall outside the core business of the Group. Restricted Share Awards form part of the non-underlying items as they are used as a tool to retain key personnel relating to the acquisitions and recruit senior management to support the acquisitions. Amortisation of intangible assets recognised through the acquisitions is also included as non-underlying due to their direct link with the acquisitions. All the non-underlying items are regarded as expense items outside the normal course of business and disclosed seperately to assist users of the financial statements to better analyse the performance of the core business. In the 2016 year all share-based payments were deemed to be non-underlying. This was changed in the current year as the PSP and Annual Bonus Plan were deemed to be part of management's normal remuneration and do not form part of non-underlying costs. The 2016 numbers have been adjusted for this approach.

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.

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements at the balance sheet date that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Interpretation of tax legislation

The Group has to comply with tax laws and legislation in all jurisdictions in which it operates. Various tax laws are open for interpretation and management use their best judgement to interpret the tax legislation of the various jurisdictions to comply with the regulations. The Group consults with tax authorities to clarify the interpretation of tax law, as required. Where uncertainty exists, the Directors will seek the opinion of professional advisers and apply judgement.

Initial recognition of intangible assets

On 1 January 2017, the Group acquired IFS Group. The business combination gave rise to the recognition of customer and contract intangibles. The valuation of these intangible assets requires various judgements of which the most significant is the number of years the customer base acquired would generate revenue for the Group. The valuation was performed using six years which is based on management's best judgement and historical evidence. The intangible assets recognised through the business acquisition amounts to £50.3 million.

Key sources of estimation uncertainty

Probability of vesting of equity instruments granted in terms of share-based schemes

The cumulative expense recognised in terms of the Group's share-based payment schemes reflects, in the opinion of the Directors, the number of equity instruments granted that will ultimately vest. At each reporting date, management adjusts the unvested equity instruments with the forfeited instruments. Management is of the opinion that this number, adjusted for future attrition rates, represents the most accurate estimate of the number of instruments that will ultimately vest. Based on current performance, management estimates the future performance of the Group will have an annual growth rate of 12%. The current year share-based payment charge for the performance share plan is £912k; should the performance of the Group exceed the 12% growth assumption and have 20% growth, then the 2018 financial statements will have an additional charge of £420k in respect of share-based payment catch-up with regards to 2017.

5. Segmental reporting

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

The Group's Consolidated Financial Statements for the year ended 31 December 2016 had nine reportable segments under IFRS 8: Debt, Real Estate, Private Equity, Corporate and Institutional, Executive Incentives, Private Client, Treasury, Hedge and North American Alternatives. Given the continuing growth of the Group, these nine segments have been reorganised into four segments from 1 January 2017. The four new segments are EMEA Alternatives (EMEA), Asia - Pacific & Mauritius Alternatives (APM), North American Alternatives (NA) and Corporate & Private Client (CPC). No customer represents more than 10% of 2017 revenue.

The comparative numbers for the segmental reporting have been restated to reflect the four new segments created in the current reporting period.

The chief operating decision-maker is considered to be the Board of Directors of Sanne Group plc. Each segment is defined as a set of business activities generating a revenue stream determined by segmental 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.

5. Segmental reporting (continued)

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

For the year ended 31 December 2016	Revenue £'000	Direct costs £'000	Gross profit £'000
Segments			
EMEA Alternatives	38,668	(14,040)	24,628
Asia - Pacific & Mauritius Alternatives	4,196	(1,511)	2,685
North America Alternatives	3,092	(1,396)	1,696
Corporate & Private Client	17,891	(6,465)	11,426
Total	63,847	(23,412)	40,435
Other operating income			122
Operating expenses			(25,893)
Operating profit			14,664

Geographical information

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

	2017 £'000	2016 £'000
Jersey	38,882	36,747
Rest of Europe	25,005	19,475
Mauritius	21,503	–
Americas	19,140	3,092
South Africa	6,110	3,341
Asia - Pacific	2,528	1,192
Total revenue	113,168	63,847

6. Finance costs

	2017 £'000	2016 £'000
HSBC interest	1,069	592
HSBC amortised loan fees	125	77
HSBC accelerated amortised loan fees	–	245
Total finance costs	1,194	914

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

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

7. Finance income

	2017 £'000	2016 £'000
Interest income on bank deposits	111	115

8 . Non-underlying items

		2017 £'000	2016 £'000
Operating profit		23,142	14,664
Non-underlying items within operating expenses:			
Share-based payment	(i)	1,323	715
Acquisition and integration cost:			
Chartered Corporate Services ("CCS")	(ii)	430	998
IDS Fund Services ("IDS")	(ii)	16	344
FLSV Fund Administration Services ("FAS")	(ii)	131	658
Sorato Trust B.V ("Sorato")	(ii)	16	66
International Financial Services Limited ("IFS Group")	(ii)	152	1,804
Investment Solutions S.A. ("LIS Group")	(ii)	610	–
Amortisation of intangible assets	(iii)	12,972	2,707
Other items		20	20
Total non-underlying items included in Operating Profit		15,670	7,312
Underlying operating profit		38,812	21,976
Profit before tax		22,407	14,961
Non-underlying items within other costs:		15,670	7,312
Loan restructuring	(iv)	–	245
FX gains and losses	(v)	–	(1,200)
Total non-underlying items		15,670	6,357
Underlying profit before tax		38,077	21,318

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

(i) Share-based payments are detailed in note 27. All acquisition related share-based payments ("RSA" plan) are disclosed as non-underlying as these are not part of the normal cost of business; these are awarded to employees as part of the acquisitions to retain key workforce and to recruit key management to support the acquisitions. These costs are recorded as non-underlying to enable Shareholders to assess the core performance of the business. In the 2016 year all share-based payments were deemed to be non-underlying. This was changed in the current year as the PSP and Annual Bonus Plan ("ABP") were deemed to be part of management's normal remuneration and do not form part of non-underlying costs. The 2016 numbers have been adjusted for this approach.

(ii) During the year ended 31 December 2017, the Group completed the acquisition of the IFS Group as detailed in note 26 and signed a share purchase agreement with LIS Group which completed on 6 February 2018. The Group also completed four acquisitions during the year ending 31 December 2016. The Group expensed £1.4 million of acquisition and integration expenditure during the current year and £3.9 million in the prior year. With acquisitions not being the core ongoing business of the Group, these costs are disclosed as non-underlying to enable Shareholders to assess the core performance of the business.

(iii) The amortisation charges relates to the amortisation of intangible assets acquired through acquisitions. As with the acquisition costs, the amortisation of intangibles is directly linked to the acquisitions which do not form part of the core ongoing business of the Group. These costs are disclosed as non-underlying to enable Shareholders to assess the core performance of the business.

(iv) During the prior year, as part of the loan restructuring, accelerated amortisation on issuance costs of £245k was expensed, see note 22.

(v) During the prior year, 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

	2017 £'000	2016 £'000
The tax charge comprises:		
Current period:		
Jersey income tax	1,912	1,630
Other foreign tax	3,681	1,282
	5,593	2,912
Deferred tax (note 23)	(1,131)	(276)
Total tax charge for the year	4,462	2,636
Adjustments in respect of prior periods:		
Jersey income tax	(442)	(504)
Other foreign tax	257	(119)
Tax on profit on ordinary activities	4,277	2,013

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

Deferred tax:		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial loss on pension scheme	(12)	–
Total income tax recognised in other comprehensive income	(12)	–

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

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	22,407	14,961
Tax on profit on ordinary activities at standard Jersey income tax rate of 10% (2016: 10%)	2,241	1,496
Effects of:		
Expenses not deductible for tax purposes	51	466
Non-deductible amortisation	209	167
Depreciation in excess of capital allowances	130	45
Deferred tax not recognised - Goodwill[1]	(290)	(48)
Net foreign exchange income	17	(87)
Foreign taxes not at Jersey rate[2]	1,219	566
Deferred tax not recognised - Taxable losses[3]	884	32
Prior year adjustments	(184)	(624)
Total tax	4,277	2,013

1. Deferred tax not recognised for the tax deductions received in the US on goodwill; during 2016 the US business had only been part of the Group for two months.
2. With the Jersey tax rate at 10%, the impact of the 2016 and 2017 acquisitions is significant on the tax expense as all the acquired jurisdictions have higher tax rates than 10%.
3. Deferred tax not recognised refers to jurisdictions where there is doubt that future deferred tax assets would be able to be utilised.

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

The Jersey standard income tax rate is 10%. With the Company being a Jersey registered entity and the majority of revenue generated in Jersey we reconciled the effective tax rate to 10%.

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

9. Tax (continued)

Reconciliation of effective tax rates	2017 £'000	2016 £'000
As per Consolidated Income Statement:		
Tax charge	4,277	2,013
Profit before tax	22,407	14,961
Effective tax rate	*19.1%*	*13.5%*
Adjusted for:		
Tax charge	4,277	2,013
Prior period adjustments	184	624
Tax on non-underlying items	1,641	874
	6,102	3,511
Profit before tax	22,407	14,961
Non-underlying items	15,670	6,357
Profit before tax and non-underlying items	38,077	21,318
Normalised effective tax rate	16.0%	16.5%

The effective tax rate of 19.1% (2016: 13.5%) is higher due to a larger percentage of taxable profits being earned in higher tax jurisdictions, this being the first full year with all the acquisitions reflecting in the results which pushed the effective tax rate up. The normalised effective tax rate of 16.0% (2016: 16.5%) is in line with prior year due to adjustments being £184k where it was £624k for 2016.

10. Earnings per share

	2017 £'000	2016 £'000
Profit for the year	18,130	12,948
Non-underlying items:		
Non-underlying operating expenses	15,670	7,312
Non-underlying other costs	–	(955)
Underlying earnings	33,800	19,305

	Shares	Shares
Weighted average numbers of ordinary shares in issue	138,433,199	113,693,355
Effect of dilutive potential ordinary shares:		
Deferred consideration shares	2,387,219	417,480
Restricted Stock Awards	1,102,475	202,172
Performance Share Plan	484,130	235,974
Weighted average number of ordinary shares for the purposes of diluted EPS	142,407,023	114,548,981

Basic EPS (pence)	13.1	11.4
Diluted EPS (pence)	12.7	11.3
Underlying basic EPS (pence)	24.4	17.0
Underlying diluted EPS (pence)	23.7	16.9

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.

10. Earnings per share (continued)

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 2017.

Underlying basic EPS and Underlying diluted EPS are calculated on the same basis as Basic EPS and Diluted EPS with the only difference being that the earnings used are the underlying earnings which is the profit for the year adjusted for non-underlying items as detailed in note 8. No adjustment has been made for the tax impact of the non-underlying items.

1,786,173 ordinary shares were issued on 7 February 2018 as part of the LIS Group acquisition (note 31).

11. Profit for the year

	2017 £'000	2016 £'000
Profit for the year has been arrived at after charging/(crediting):		
Net foreign exchange gains	(348)	(1,096)
Depreciation of equipment	1,742	1,085
(Loss)/gain on disposal of equipment	(25)	14
Auditor's remuneration for audit services	493	386
Auditor's remuneration for other services:		
- FATCA	17	104
- Acquisitions	–	582
- ISAE 3402	30	–
- Software	195	172
- Other assurance services	64	–
Amortisation of intangible assets (see note 14)	12,972	2,707
Staff costs	51,842	29,364
Impairment loss recognised on trade receivables (see note 17)	453	271
Premises expense	5,424	3,377

12. Dividends

	2017 £'000	2016 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend	8,858	6,327
Interim for the current year	5,811	3,626
Total dividends	**14,669**	**9,953**
Proposed final dividend	**11,364**	**8,658**

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.

	2017 Pence per share	2016 Pence per share
Dividend per share ("DPS"):		
Interim for the current year	4.2	3.2
Final proposed for the current year	8.4	6.4
Total dividend per share	**12.6**	**9.6**

	2017	2016
Weighted average numbers of ordinary shares in issue	138,433,199	113,693,355

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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
At 1 January 2016	–
IDS acquisition	6,727
FLSV acquisition	44,868
Sorato acquisition	1,649
Exchange differences	1,850
At 31 December 2016	55,094
IFS Group acquisition	53,797
Exchange differences	(8,504)
At 31 December 2017	**100,387**

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

The goodwill has been allocated to the CGUs as follows:

	Carrying value £'000
Sanne South Africa	9,049
Sanne Netherlands	1,649
Sanne Americas	40,601
Sanne Mauritius	49,088
	100,387

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:

(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 has resulted in weighted average cost of capital of 17.7% for Sanne South Africa, 13.9% for Sanne Netherlands, 13.0% for Sanne Americas and 15.7% for Sanne Mauritius.

Projected cash flows

Projected cash flows are calculated with reference to each CGU's latest budget and business plan which are subject to a rigorous review and challenge process. Management prepares the budgets through an assessment of historic revenues from existing clients, the pipeline of new projects, historic pricing, and the required resource base needed to service new and existing clients, coupled with 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 the budgeted numbers. Sanne Netherlands has a specific growth strategy and revenue growth is based on up to 12.0% and replacement of previous client losses, driven by specific business plans, for all other CGUs we used 7.0%-10.2%. The terminal value growth rate used is 2.58% and is applied after five years.

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

Sensitivity to changes in assumptions

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

14. Intangible assets

	Contract £'000	Customer £'000	Total £'000
Cost			
At 1 January 2016	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
Acquired during the year	42,275	8,031	50,306
Impairments	(20)	–	(20)
Exchange difference	(4,446)	(822)	(5,268)
At 31 December 2017	**66,574**	**12,841**	**79,415**
Amortisation			
At 1 January 2016	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
Charge for the year	10,931	2,041	12,972
Exchange difference	(308)	(57)	(365)
At 31 December 2017	**16,732**	**2,685**	**19,417**
Carrying amount			
At 31 December 2017	**49,842**	**10,156**	**59,998**
At 31 December 2016	22,656	4,931	27,587

The method of valuation and subsequent review of the carrying value of intangible assets is outlined in note 3. As part of that subsequent review, triggers for impairment were detected and value in use calculations were performed for the intangible assets relating to the Sorato acquisition. The trigger related to the Group choosing to terminate a client relationship where the client's risk profile had increased significantly. A £20k impairment was recognised in operating expenses.

The Group has a contractual commitment for the purchase of LIS Group the purchase accounting for which will include the acquisition of intangible assets. See note 31 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:

Acquisition	Acquisition date	Amortisation period end	Carrying amount £'000
Contract intangible			
Delorean	1 June 2013	31 May 2020	3,147
Ariel	1 May 2014	30 April 2021	751
FAS	1 November 2016	31 October 2022	7,718
IFS	1 January 2017	31 December 2022	32,090
CCS	1 March 2016	28 February 2023	664
Sorato	1 December 2016	30 November 2023	202
IDS	1 June 2016	31 May 2024	5,270
Total			**49,842**
Customer intangible			
FAS	1 November 2016	31 October 2022	1,471
IFS	1 January 2017	31 December 2022	6,097
CCS	1 March 2016	28 February 2023	542
Delorean	1 June 2013	31 May 2023	641
Sorato	1 December 2016	30 November 2023	52
Ariel	1 May 2014	30 April 2024	51
IDS	1 June 2016	31 May 2024	1,302
Total			**10,156**

15. Equipment

	Computer equipment £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 1 January 2016	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
Additions	1,397	1,057	2,454
Additions through acquisitions	858	1,232	2,090
Disposals	(100)	(489)	(589)
Exchange differences	(93)	(146)	(239)
At 31 December 2017	**6,767**	**4,715**	**11,482**
Accumulated depreciation			
At 1 January 2016	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
Charge for the year	1,058	684	1,742
Additions through acquisitions	665	1,115	1,780
Disposals	(88)	(486)	(574)
Exchange differences	(87)	(126)	(213)
At 31 December 2017	**4,948**	**2,721**	**7,669**
Carrying amount			
At 31 December 2017	**1,819**	**1,994**	**3,813**
At 31 December 2016	1,305	1,527	2,832

As at 31 December 2017, £2.7 million (2016: £1.9 million) of computer equipment and £1.4 million (2016: £669k) 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 2017 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.

Subsidiaries	Country of incorporation
Sanne Capital Markets Ireland Limited	Republic of Ireland
Sanne Fiduciary Services (UK) Limited	England and Wales
Sanne Fiduciary Services Limited	Jersey
Sanne Finance Limited	Jersey
Sanne Financial Management Consulting (Shanghai) Co Ltd	People's Republic of China
Sanne Fund Administration Limited	Jersey
Sanne Group (Guernsey) Limited	Guernsey
Sanne Group (Luxembourg) SA	Luxembourg
Sanne Group (UK) Limited	England and Wales
Sanne Group Administration Services (UK) Limited	England and Wales
Sanne Group Asia Limited	Hong Kong
Sanne Holdings Limited	Jersey
Sanne International Limited	Jersey
Sanne (Singapore) PTE. Limited	Singapore
Sanne Trustee Company UK Limited	England and Wales
Sanne Trustee Services Limited	Jersey
Sanne Corporate Administration Services Ireland Limited[1]	Republic of Ireland
FLSV Fund Administration Services LLC	United States of America
Sanne Group d.o.o. Beograd[2]	Serbia
Sanne Management Company RF (PTY) Limited[3]	Republic of South Africa
Sanne Fund Services SA (PTY) Limited	Republic of South Africa
Sanne Fund Services Malta Limited	Republic of Malta
Sanne Group Delaware Inc.	United States of America
Sanne Group South Africa (PTY) Limited	Republic of South Africa
Sanne (Mauritius) Limited [4]	Mauritius
Sanne Group (Netherlands) B.V.	Netherlands
Acquired or incorporated during the year	
SANNE Mauritius[5]	Mauritius
SANNE Trustees (Mauritius)[6]	Mauritius
Sanne (Luxembourg) Holdings S.a.r.l	Luxembourg
Sanne Group Funding Limited	Jersey

1. Sanne Corporate Administration Services Ireland Limited was formerly known as Castlewood Corporate Services Limited.
2. Sanne Group d.o.o. Beograd was formerly known as FLSV FAS Beograd-Stari Grad
3. Sanne Management Company RF (PTY) Limited was formerly known as IDS Management Company (PTY) Limited.
4. Sanne (Mauritius) Limited was formerly known as Sanne Holdings (Mauritius) Limited
5. SANNE Mauritius was formerly known as International Financial Services Limited
6. Sanne trustees (Mauritius) was formerly known as IFS Trustees

17. Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	26,911	21,629
Allowance for doubtful debts	(945)	(522)
	25,966	21,107
Other debtors and prepayments	2,908	1,639
Total trade and other receivables	28,874	22,746

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.

One customer across multiple contracting entities represents more than 5% of the total balance of trade receivables.

Institutional Client A - 7.6% (2016: 6%)

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

Movement in the allowance for doubtful debts:	2017 £'000	2016 £'000
Balance at the beginning of the year	522	588
Recognised through acquisitions	292	–
Impairment losses recognised	453	271
Amounts written off during the year as uncollectable	(193)	(275)
Amounts recovered during the year	(129)	(62)
Total allowance for doubtful debts	945	522

Ageing of past due but not impaired receivables:	2017 £'000	2016 £'000
61–90 days	1,325	184
91–120 days	2,529	1,971
121–180 days	387	153
180+ days	197	148
Total	4,438	2,456

Ageing of impaired receivables:	2017 £'000	2016 £'000
<31 days	4	10
31–60 days	3	–
61–90 days	–	–
91–120 days	6	10
121-180 days	–	–
180+ days	932	502
Total	945	522

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18. Net (debt)/cash

	2017 £'000	2016 £'000
Bank loan (see note 22)	(64,335)	(59,518)
Trapped cash (i)	(6,867)	(3,046)
Less: Cash and cash equivalents (ii)	50,803	108,673
Total net (debt)/cash	**(20,399)**	**46,109**

The Group has undrawn borrowings at 31 December 2017 of £35 million (2016: £40 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 26.

19. Operating lease arrangements

	2017 £'000	2016 £'000
The Group as lessee:		
Total lease payments under operating leases recognised as an expense	4,056	1,973

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:

	2017 £'000	2016 £'000
Within one year	4,050	3,043
In the second to fifth years inclusive	13,556	7,456
After five years	34,896	3,752
	52,502	14,251

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

	2017 £'000	2016 £'000
Authorised		
500,000,000 ordinary shares of £0.01 each	5,000	5,000
Called up, issued and fully paid		
141,608,934 (2016: 135,286,860) ordinary shares of £0.01 each	1,416	1,353

2,610,246 ordinary shares (2% of the issued share capital) are held by Sanne Group Employees' Share Trust ("EBT") (2016: 2,644,046) and have been treated as treasury shares in accordance with IAS 32 Financial Instruments.

At 31 December 2017, the Company held 98,533 (2016: 98,533) treasury shares.

Movements in share capital during the year ended 31 December 2017	2017 £'000
Balance at 1 January 2017	1,353
Issue of shares (i)	63
Balance at 31 December 2017	**1,416**

(i) The Company issued 5,844,507 shares on 1 January 2017 as part consideration in the acquisition of IFS Group (note 8). The Company also issued 477,567 shares on 1 November 2017 which relates to the Company's acquisition of FLSV Fund Administration Services LLC which completed on 1 November 2016. The shares issued represent the element of the first tranche of the deferred share consideration.

21. Own shares

	Shares		£'000	
	2017	2016	2017	2016
EBT	2,610,246	2,644,046	1,141	562
Treasury	98,533	98,533	–	–
Total	2,708,779	2,742,579	1,141	562

Sanne Group Employees' Share Trust ("EBT")

During the year, the EBT settled commitments under share-based payments of 110,327 shares. The EBT also repurchased 76,527 shares during the year from employees.

The remaining shares and cash are held by the trust to fulfil the Group's future obligations under share plans.

Treasury shares

The Company held 98,533 (2016: 98,533) shares in treasury resulting from the repurchases under restrictive sale agreements at a total cost of £2.

22. Borrowings

	2017 £'000	2016 £'000
Bank loan	64,335	59,518
Total borrowings	64,335	59,518

On 30 September 2016, the Group entered into a new loan facility totalling £100 million with HSBC, to replace the previous HSBC facility, all balances to be repayable by 30 September 2021. This new facility consists of a £46 million term loan, a £14 million revolving credit facility and a £40 million accordion facility. On 28 September 2017, the loan facility was renegotiated to provide a £46 million term loan, a £44 million revolving credit facility and a £10 million accordion facility.

As a result of the settlement of the previous term loan of £18 million, accelerated amortisation of capitalised loan costs of £245k was recognised during the prior year.

On 1 November 2016, the £46 million loan was drawn to repay the previous £18 million term loan as well as part-fund the acquisition of FLSV and this loan remains outstanding at the date of these accounts. Also on 1 November 2016, the £14 million revolving credit facility was drawn to part-fund the acquisition of FLSV – this was repaid on 6 January 2017. On 17 May 2017, £5 million was drawn down from the revolving credit facility and this was repaid on 30 August 2017. On 27 December 2017, £19 million was drawn down against the revolving credit facility to part-fund the acquisition of Luxembourg Investment Solutions SA and Compliance Partners SA in Luxembourg, an acquisition that completed on 6 February 2018.

Covenants, attached to the loan, monitor interest cover and leverage. Undrawn funds in the revolving credit facility are charged at 40% of the interest margin whilst the accordion facility attracts no interest. £524k of capitalised loan costs are being amortised over the term from 1 November 2016 until the repayment date of 30 September 2021, whilst £283k of capitalised loan costs are being amortised from 28 September 2017 to the same repayment date. 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 other Group subsidiaries that are party to the facility by virtue of being deemed a material company.

23. Deferred taxation

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

	2017 £'000	2016 £'000
Deferred tax asset	1,042	–
Deferred tax liability	(2,144)	(2,288)
	(1,102)	(2,288)

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

	2017 £'000	2016 £'000
Intangible assets	(1,497)	(2,253)
Other timing differences	395	(35)
	(1,102)	(2,288)

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23. Deferred taxation (continued)

The movement in the year is analysed as follows:

	2017 £'000	2016 £'000
Balance at 1 January 2016	(2,288)	–
Recognised through acquisitions	91	(2,010)
Income statement	1,131	276
Other comprehensive income	12	–
Foreign exchange (to other comprehensive income)	(48)	(554)
Balance at 31 December 2016	**(1,102)**	**(2,288)**

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

24. Trade and other payables

	2017 £'000	2016 £'000
Trade creditors	555	1,081
Other payables	1,320	375
Other taxes and social security	1,610	1,668
Accruals	4,878	4,655
Deferred consideration (i)	159	5,916
Total trade and other payables	**8,522**	**13,695**

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 is approximate to their fair value.

(i) Included in deferred consideration is £nil (2016: £5.2 million) payable for the FAS acquisition and £0.2 million (2016: £0.7 million) for the CCS acquisition.

25. Provisions

	2017 £'000	2016 £'000
Balance at 1 January	353	134
Movement through profit and loss	153	219
Balance at 31 December	**506**	**353**

The provision carried relates to dilapidations for the property leases. The provision is raised over the lease terms of the applicable properties and based on management's best estimates.

26. Business combinations

IFS

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.

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 forms the core of the Asia-Pacific & Mauritius Alternatives segment.

The consideration for the acquisition was satisfied through a payment of approximately £74.6 million (US$92 million) in cash, and the issuance of 5,844,507 consideration shares.

		USD '000	GBP '000
Recognised amounts of identifiable net assets (at fair value):			
Non-current assets	**Useful economic life**		
Equipment	3-7 years	383	310
Customer and contract intangible	6 years	62,078	50,306
Deferred tax		111	91
		62,572	50,707
Current assets			
Trade and other receivables		1,769	1,433
Cash and cash equivalents		7,463	6,048
Accrued income		2,460	1,994
		11,692	9,475
Current liabilities			
Trade and other payables		1,349	1,093
Current tax liabilities		961	778
Deferred income		3,416	2,769
		5,726	4,640
Non-current liabilities			
Retirement gratuity liability		691	560
		691	560
Identifiable net assets		**67,847**	**54,982**
Goodwill		66,389	53,799
Total consideration		**134,236**	**108,781**
Total consideration satisfied by:			
Cash consideration - on acquisition		92,045	74,591
Equity instruments - ordinary shares (5,844,507 shares in Sanne Group plc)		42,191	34,190
Fair value of consideration payable at acquisition date		**134,236**	**108,781**
Net cash outflow arising on acquisition:			
Cash consideration		92,045	74,591
Less: cash and cash equivalent balances acquired		(7,463)	(6,048)
Net cash outflow arising on acquisition:		**84,582**	**68,543**

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26. Business combinations (continued)

Fair value of consideration

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

Transaction costs

The Group incurred £319k (net of FX gain of £1.5 million) of acquisition and integration expense in 2016. During 2017 the Group incurred integration costs of £152k. 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 the opportunities for new business wins from new customers, the effects of an assembled workforce and synergies from combining operations of the acquiree and the acquirer.

Effect on the results

IFS contributed £21.5 million revenue and a profit of £3.17 million to the Group's profit for the period between the date of acquisition and the balance sheet date. The date of acquisition was 1 January 2017 and therefore there are no differences in the revenue and profit which would have been contributed on a pro rata basis from the start of the period.

27. Share-based payments

	2017 £'000	2016 £'000
Sanne Group plc		
Employee Share Gift award	–	276
Performance Share Plan	912	676
Restricted Stock Awards	2,015	439
Total share-based payments	**2,927**	**1,391**
Employee Shares settled from Employee Benefit Trust	(35)	(8)
Net share-based payments	**2,892**	**1,383**

Sanne Group Employees' Share Gift award

During 2016, 61,576 shares were gifted to employees of the newly acquired businesses to welcome them to the Group. 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 current and prior years, the Group granted awards over its ordinary shares under the terms of its Performance Share Plan ("PSP"). The exercise of awards under the PSP is conditional upon the achievement of one or more challenging performance targets set at the time of the grant and measured over a three-year performance period from grant date. All the awards were granted for a nil consideration. Further awards were made through the year.

The Group estimates the number of shares to be vested based on the performance targets set to be achieved and the current performance of the Group, and this is then grown by 12% as per market expectation to determine the probable performance at vesting date. The leavers assumption set by the Group is nil for PSPs as only senior management receive share grants and historical data have shown that senior management do not leave in such a short period. The vesting periods of the grants are not more than three years.

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

27. Share-based payments

Restricted Stock Awards

During the current and prior years, the Group granted awards over its ordinary shares in the form of Restrictive Stock Awards ("RSA"). The awards are granted as part of the mechanics of an acquisition to act as retentions for staff. The vesting of the awards is subject to continued employment over an agreed period. All the awards were granted for a nil consideration. The Group makes use of a leavers assumption for specific jurisdictions where these awards were granted to all staff and not only senior management. The assumptions are based on historical data. With these grants also relating to acquisitions or senior management to support the acquisitions they are disclosed as non-underlying.

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

	Weighted average exercise price (£)	Number of shares 2017	Number of shares 2016
Performance Share Plan			
Outstanding at 1 January	–	757,787	–
Granted during the year	–	535,413	833,270
Forfeited during the year	–	(63,920)	(75,483)
Outstanding at 31 December		**1,229,280**	**757,787**
Restricted Stock Awards			
Outstanding at 1 January	–	935,302	–
Granted during the year	–	544,210	1,066,562
Forfeited during the year	–	(32,862)	(131,260)
Vested during the year	7.59	(91,096)	–
Outstanding at 31 December		**1,355,554**	**935,302**

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

Shares to be issued were comprised of the following:

	2017 £'000	2016 £'000
Balance at 1 January	13,867	–
New share plans for employees	1,969	1,107
FAS acquisition - deferred consideration raised	–	12,760
FAS acquisition - deferred consideration settled	(2,463)	–
Balance at 31 December	**13,373**	**13,867**

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28. Long-term employee benefits

Defined contribution plan

The Group participates in a defined contribution pension plan to which it makes monthly contributions in specific jurisdictions. The total contributions during the year were £240k.

Retirement benefit obligation

The Group has a retirement benefit obligation in respect of the Mauritius Employment Rights Act 2008 which arose through the IFS acquisition (note 26). In terms of the act in Mauritius, an employer is obligated to pay a lump sum to the employee upon retirement in proportion to the years of service employed at the company.

The Group recognised a net retirement benefit liability of £718k (2016: £nil) on the balance sheet in respect of amounts that are expected to be paid out to employees under the retirement gratuities Employment Rights Act 2008. The Group has no specific assets to cover the obligation as it is all self-funded by the Group.

The most recent actuarial valuations of the retirement benefit liability was carried out at 31 December 2017 by the State Insurance Company of Mauritius.

Retirement benefit obligation	2017 £'000
Liability at acquisition of IFS Group (note 26)	560
Amounts recognised in Income Statement	
– Current service cost	66
– Net interest expense	33
Amounts recognised as Other Comprehensive Income	
– Actuarial (gain)/loss on retirement benefit obligation	83
FX gain	(24)
Present value of retirement benefit obligation at 31 December 2017	**718**

The plan is exposed to actuarial risks such as interest rate risk and salary risk.

The cost of providing the benefits is determined using the Projected Unit Method. The principal assumptions used for the purpose of actuarial valuation were as follows:

	2017
Discount rate[1]	5.5%
Future salary increases	3%
Future pension increases	3%
Withdrawal rate	15%
Retirement age	60 years

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

Significant actuarial assumptions for determination of the retirement benefit obligation are discount rate and expected salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period.

	2017 £'000
– Increase due to 1% decrease in discount rate	124
– Decrease due to 1% increase in discount rate	99
– Increase due to 1% increase in future salary increases	158
– Decrease due to 1% decrease in future salary increases	127
Weighted average duration of the retirement benefit obligation (years)	17.3 years

29. Financial instruments

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

Categories of financial instruments	Level	2017 £'000	2016 £'000
Financial assets			
Cash and bank balances	1	50,803	108,673
Loans and receivables (i)	3	29,062	22,643
Financial liabilities			
Financial liabilities recorded at amortised cost			
Bank loan	1	64,335	59,518
Trade and other payables (ii)	3	6,753	6,111

(i) Includes accrued income but excludes other debtors and prepayments.

(ii) Excludes other taxes and social security and deferred consideration but includes accrued interest payable.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

Level 1: Quoted prices in active markets for identical items;

Level 2: Observable direct or indirect inputs other than Level 1 inputs; and

Level 3: Unobservable inputs, thus not derived from market data.

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to Shareholders through the optimisation of the debt and equity balance.

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, Ireland, Netherlands, Luxembourg and South Africa, which are monitored monthly to ensure compliance. There have been no breaches of applicable regulatory requirements during the year.

Financial risk management objectives

The financial risk management policies are discussed by the management of the Group on a regular basis to ensure that these are in line with the overall business strategies and its risk management philosophy. Management sets policies which seek to minimise the potential adverse effects affecting the financial performance of the Group. Management provides necessary guidance and instructions to the employees covering specific areas, such as market risk (foreign exchange and interest rate risk), credit risk, liquidity risk, and in investing excess cash. The Group does not hold or issue derivative financial instruments for speculative purposes.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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29. Financial instruments (continued)

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. The interest rates are directly linked to the LIBOR plus a margin based on the leverage ratio of the Group; the higher the leverage ratio the higher the margin on the LIBOR. The risk is managed by the Group maintaining an appropriate leverage ratio and through this 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 2017 would decrease/increase by £172k (2016: £63k).

Foreign currency risk management

The Group manages exposure to foreign exchange rates by carrying out the majority of its transactions in the functional currency of the Group company in the jurisdiction in which it operates. The Group entities maintain assets in foreign currencies sufficient for regulatory capital purposes in each jurisdiction. The Group continues to appraise the potential impacts of the United Kingdom's referendum on EU membership ("Brexit"). The volatility of the sterling is due to the uncertainties around the effect it might have but the Group's strong momentum and diverse geographic presence, as well as the favourable underlying trends in the markets in which we operate, give the Directors confidence in the continued management of the possible Brexit effect. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are as follows:

	Assets		Liabilities	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Euro[1]	30,931	7,422	256	369
United States dollar[2]	16,442	78,444	1,130	1,037
South African rand	2,106	1,481	1,031	560
	49,479	87,347	2,417	1,966

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

[2] Included in the United States dollar exposure during the prior year was £73.8 million cash for the Kestrel acquisition which completed on 1 January 2017.

Where considered necessary, the Group will manage its foreign currency risk through hedging arrangements. A foreign currency contract was entered into during the current year to buy euro for the LIS acquisition, and this contract was closed by year end. Foreign currency contracts were also entered into during the prior 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 the 2016 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, Mauritius, Asia and Europe which are denominated in a currency other than the principal currency. The Group therefore faces currency exposures.

The following table illustrates management's assessment on the foreign currency impact on the year-end balance sheet and presents the possible impact on 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.

	Strengthening / (weakening) of sterling	Effect on Group comprehensive income and net assets 2017 £'000	2016 £'000
Euro	+20%	(6,135)	(1,176)
United States dollar	+20%	(3,062)	(12,901)
South African rand	+20%	(215)	(153)
Euro	–20%	5,113	1,411
United States dollar	–20%	2,552	15,481
South African rand	–20%	179	184

29. Financial instruments (continued)

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.

The credit risk on liquid funds and borrowings is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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.

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

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.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

30. 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.

	2017 £'000	2016 £'000
Short-term employee benefits	2,278	1,956
Share-based payments (see note 27)	549	477
Total short-term payments	2,827	2,433
Other		
Ordinary dividends	632	764
Total other payments	632	764

31. Post balance sheet events

LIS

On 6 February 2018, the Group acquired 100% of the issued share capital of Investment Solutions S.A. and Compliance Partners S.A. These entities are incorporated in Luxembourg.

This acquisition provides the Group with a opportunity to expand its platform in Luxembourg, enhance the Group's new funds proposition in Dublin and grow its existing EMEA operations.

Acquisition accounting for this transaction is incomplete at issuance of these financial statements.

Shareholder and Corporate Information

Shareholder enquiries

Any Shareholder with enquiries relating to their shareholding should in the first instance contact our Registrar, Equiniti using the contact information provided on this page.

Electronic Shareholder communications

Shareholders who would prefer to view documentation electronically can elect to receive automatic notifications by email each time the Company distributes documents, instead of paper copies. Registering for electronic communications is very straightforward and can be done via Shareview, at www.shareview.co.uk. Shareview is Equiniti's suite of online services that helps Shareholders manage their holdings and gives access to useful information.

There is no fee for using this service and you will automatically receive confirmation that a request has been registered. The facility allows Shareholders to view details of their holdings, submit a proxy vote for Shareholder meetings, complete a change of address and provide dividend mandates online, so that dividends can be paid into a mandated bank account.

Share price information

Information on the Company's share price is available on the Company's website at www.sannegroup.com.

Investor relations

info@sannegroup.com

Financial calendar

Year-end results:	22 March 2018
Dividend record date:	3 April 2018
Annual General Meeting:	3 May 2018 - 11.30am
Dividend payment date:	15 May 2018
Half year results:	10 September 2018
Dividend record date:	21 September 2018
Dividend payment date:	19 October 2018

Registered office

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Registered Company Number:
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London Stock Exchange, Symbol:
Lon: SNN
FTSE 250

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