Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019[1] £'000	2018[1] £'000
Total sales including those from discontinued operations		**165,443**	143,003
Continuing operations			
Revenue	6	**159,707**	136,242
Direct costs		**(66,870)**	(51,942)
Gross profit	5	**92,837**	84,300
Other operating income		**185**	158
Operating expenses		**(78,741)**	(62,941)
Operating profit		**14,281**	21,517
Comprising:			
Underlying operating profit from continuing operations		**42,988**	40,399
Non-underlying items within operating profit from continuing operations	9	**(28,707)**	(18,882)
		14,281	21,517
Other gains and losses		**(216)**	(132)
Finance costs	7	**(4,672)**	(1,909)
Finance income	8	**158**	156
Profit before tax		**9,551**	19,632
Comprising:			
Underlying profit before tax from continuing operations		**38,715**	38,514
Non-underlying items within profit from continuing operations	9	**(29,164)**	(18,882)
		9,551	19,632
Tax	10	**(4,007)**	(5,101)
Profit after tax from continuing operations		**5,544**	14,531
Discontinued operations	11	**3,330**	3,643
Profit for the year		**8,874**	18,174
Comprising:			
Underlying operating profit from continuing operations		**42,988**	40,399
Underlying operating profit from discontinued operations		**3,700**	4,048
Total underlying operating profit		**46,688**	44,447
Non-underlying items within operating profit from continuing operations		**(28,707)**	(18,882)
Other gains and losses from continuing operations		**(216)**	(132)
Finance costs from continuing operations		**(4,215)**	(1,909)
Finance income from continuing operations		**158**	156
Non-underlying items		**(457)**	-
Total tax		**(4,377)**	(5,506)
Profit for the year		**8,874**	18,174

Consolidated Income Statement continued

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
Earnings per ordinary share ("EPS") from continuing operations (expressed in pence per ordinary share)			
Basic	12	**3.8**	10.3
Diluted	12	**3.8**	10.1
Underlying basic	12	**21.6**	22.1
Underlying diluted	12	**21.3**	21.6
Earnings per ordinary share ("EPS") from continuing and discontinued operations (expressed in pence per ordinary share)			
Basic	12	**6.2**	12.9
Diluted	12	**6.1**	12.6
Underlying basic	12	**23.9**	24.7
Underlying diluted	12	**23.6**	24.1

[1] Refer to note 11 for details relating to the discontinued operations.

The notes on pages 115 to 158 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £'000	2018 £'000
Profit for the year		**8,874**	18,174
Other comprehensive (expense)/income:			
Items that will not be reclassified subsequently to profit and loss:			
Actuarial (loss) / gain on defined benefit retirement obligation	33	**(67)**	70
Income tax relating to items not reclassified		**10**	(11)
Revaluation of minority equity investment	20	**(715)**	-
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		**(10,663)**	8,756
Total other comprehensive (expenses)/income for the year		**(11,435)**	8,815
Total comprehensive (expenses)/income for the year		**(2,561)**	26,989
Comprising:			
Total comprehensive (expenses)/income for the year from continuing operations		**(5,891)**	23,346
Total comprehensive income for the year from discontinued operations		**3,330**	3,643
Total comprehensive (expenses)/income for the year		**(2,561)**	26,989

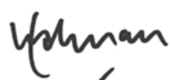
The notes on pages 115 to 158 are an integral part of these Consolidated Financial Statements.

Consolidated Balance Sheet

AS AT 31 DECEMBER 2019

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Goodwill	16	**180,414**	188,928
Other intangible assets	17	**45,388**	66,122
Equipment	18	**9,984**	9,973
Minority equity investment	20	**8,632**	-
Deferred tax asset	28	**8,324**	2,082
Right-of-use asset	21	**32,733**	-
Total non-current assets		**285,475**	267,105
Current assets			
Trade and other receivables	22	**47,941**	44,772
Cash and bank balances		**51,454**	32,411
Contract assets	23	**6,460**	6,628
Disposal group held for sale	11	**2,979**	2,488
Total current assets		**108,834**	86,299
Total assets		**394,309**	353,404
Equity			
Share capital	25	**1,466**	1,460
Share premium		**203,423**	200,270
Own shares	26	**(1,166)**	(1,470)
Shares to be issued	32	**7,723**	12,278
Retranslation reserve		**(13,134)**	(2,471)
Accumulated losses		**(26,487)**	(17,399)
Total equity		**171,825**	192,668
Non-current liabilities			
Borrowings	27	**129,572**	85,364
Deferred tax liabilities	28	**15,931**	13,395
Defined benefit retirement obligation	33	**684**	701
Other liabilities	29	**-**	4,914
Provisions	30	**2,024**	1,198
Lease liability	21	**33,549**	-
Total non-current liabilities		**181,760**	105,572
Current liabilities			
Trade and other payables	29	**14,472**	34,467
Current tax liabilities		**3,301**	3,910
Provisions	30	**451**	452
Contract liabilities	31	**17,634**	16,085
Lease liability	21	**4,291**	-
Disposal group held for sale	11	**575**	250
Total current liabilities		**40,724**	55,164
Total equity and liabilities		**394,309**	353,404

The consolidated financial statements on pages 110 to 158 were approved by the Board of Directors on 18 March 2020 and signed on its behalf by:



Martin Schnaier
Chief Executive Officer

James Ireland
Chief Financial Officer

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Share capital £'000	Share premium £'000	Own shares £'000	Shares to be issued £'000	Retranslation reserve £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2018		**1,416**	**171,850**	**(1,141)**	**13,373**	**(11,227)**	**(17,583)**	**156,688**
Profit for the year		-	-	-	-	-	18,174	18,174
Other comprehensive income for the year								
Actuarial gain on the defined benefit retirement obligation		-	-	-	-	-	70	70
Income tax relating to items not reclassified		-	-	-	-	-	(11)	(11)
Exchange differences on translation of foreign operations		-	-	-	-	8,756	-	8,756
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**8,756**	**18,233**	**26,989**
Issue of share capital - acquisitions	25	44	28,420	-	(4,043)	-	-	24,421
Dividend payments	15	-	-	-	-	-	(18,376)	(18,376)
Share-based payments	32	-	-	-	2,948	-	327	3,275
Net buyback of own shares	26	-	-	(329)	-	-	-	(329)
Balance at 31 December 2018		**1,460**	**200,270**	**(1,470)**	**12,278**	**(2,471)**	**(17,399)**	**192,668**
Change in accounting policy[1]		-	-	-	-	-	(556)	(556)
Restated balance at 1 January 2019		**1,460**	**200,270**	**(1,470)**	**12,278**	**(2,471)**	**(17,955)**	**192,112**
Profit for the year		-	-	-	-	-	8,874	8,874
Other comprehensive expense for the year								
Actuarial loss on the defined benefit retirement obligation		-	-	-	-	-	(67)	(67)
Income tax relating to items not reclassified		-	-	-	-	-	10	10
Revaluation of equity investment		-	-	-	-	-	(715)	(715)
Exchange differences on translation of foreign operations		-	-	-	-	(10,663)	-	(10,663)
Total comprehensive expense for the year		**-**	**-**	**-**	**-**	**(10,663)**	**8,102**	**(2,561)**
Issue of share capital - acquisitions	25	6	3,153	-	(3,159)	-	-	-
Dividend payments	15	-	-	-	-	-	(20,029)	(20,029)
Share-based payments	32	-	-	-	2,337	-	-	2,337
Shares vesting		-	-	559	(3,733)	-	3,395	221
Net buyback of own shares	26	-	-	(255)	-	-	-	(255)
Balance at 31 December 2019		**1,466**	**203,423**	**(1,166)**	**7,723**	**(13,134)**	**(26,487)**	**171,825**

[1] Refer to note 36 for details relating to changes in accounting policy, transitioning in the new IFRS 16 accounting standard.

> Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £'000	2018 £'000
Operating profit from:			
Continuing operations		**14,281**	21,517
Discontinued operations		**3,700**	4,048
Operating profit including discontinued operations		**17,981**	25,565
Adjustments for:			
Depreciation of equipment	18	**2,867**	1,915
Depreciation of right-of-use asset	21	**5,313**	-
Lease liability interest	21	**(1,607)**	-
Amortisation of other intangible assets	17	**16,487**	15,730
Impairment of other intangible assets	17	**2,425**	55
Share-based payment expense	32	**2,377**	3,376
Disposal of equipment	18	**64**	257
(Decrease) / increase in provisions	30	**(147)**	1,144
Defined benefit retirement obligation	33	**(68)**	11
Deferred consideration adjustment		**4,242**	-
Other liabilities		**-**	1,267
Operating cash flows before movements in working capital		**49,934**	49,320
Increase in receivables		**(3,492)**	(16,241)
Increase in contract liabilities		**1,874**	2,552
Increase / (decrease) in payables		**4,769**	(701)
Cash generated by operations		**53,085**	34,930
Income taxes paid		**(7,641)**	(7,312)
Net cash from operating activities		**45,444**	27,618
Investing activities			
Interest received		**158**	156
Purchases of equipment	18	**(3,914)**	(4,221)
Software development costs paid		**(276)**	-
Payment of deferred consideration		**(28,638)**	(14,407)
Acquisition of subsidiaries		**-**	(29,279)
Acquisition of minority equity investment	20	**(9,347)**	-
Net cash used in investing activities		**(42,017)**	(47,751)
Financing activities			
Dividends paid	15	**(20,029)**	(18,376)
Interest on bank loan		**(2,293)**	(1,732)
Buyback of own shares		**(255)**	(329)
Capitalised loan costs	27	**(1,711)**	-
Redemption of bank loans	27	**(85,850)**	(4,000)
New bank loans raised	27	**132,060**	24,850
Lease liability payments		**(4,757)**	-
Net cash from financing activities		**17,165**	413
Net increase / (decrease) in cash and cash equivalents		**20,592**	(19,720)
Cash and cash equivalents at beginning of year		**32,411**	50,803
Effect of foreign exchange rate changes		**(1,549)**	1,328
Cash and cash equivalents at end of year		**51,454**	32,411
Cash flows from continuing operations		**17,029**	(24,041)
Cash flows from discontinued operations	11	**3,563**	4,321
Net increase / (decrease) in cash and cash equivalents		**20,592**	(19,720)

> Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

Sanne Group plc (the "Company"), incorporated in Jersey on 26 January 2015, is a registered public company limited by shares with a Premium Listing on the London Stock Exchange. The registered office and principal place of business is IFC 5, St. Helier, Jersey, JE1 1ST. The principal activity of the Company and its subsidiaries (collectively the "Group") is the provision of alternative asset and corporate administration services.

In the opinion of the Directors there is no ultimate controlling party.

These consolidated financial statements are presented in Pounds Sterling. Foreign operations are included in accordance with the policies set out in note 3.

The accounting policies have been applied consistently in the current and prior year, other than as set out below.

2. Adoption of new and revised Standards

STANDARDS IN ISSUE NOT YET EFFECTIVE

Certain new accounting standards and interpretations have been published which are not yet effective for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards, listed below, are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(a) Definition of Material - Amendments to IAS 1 and IAS 8

(b) IFRS 17 Insurance Contracts

(c) Revised Conceptual Framework for Financial Reporting. The Group does not rely on the Framework in determining its accounting policies for transactions. The IFRS standards sufficiently cover all transactions.

NEW AND REVISED STANDARDS EFFECTIVE FOR THE YEAR

The Group adopted the new IFRS 16 'Leases' accounting standard on 1 January 2019, replacing IAS 17. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. It introduced a single lessee accounting model whereby a lessee is required to recognise a right-of-use asset and a lease liability for all leases with a lease term exceeding 12 months. The Group assessed the impact of the new standard to be significant. Please refer to note 36 for further details relating to the adoption of the new standard. The depreciation on the right-of-use asset will be accounted for separately from the interest expense incurred on the lease liability in the consolidated income statement. The Group elected to make use of the modified retrospective approach for transition and have not restated comparative amounts. The lease liability is measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at transition date. Right-of-use assets will be measured as if the standard has always been applied. There is no significant impact on the net profit after implementing the new standard.

The Group adopted IFRIC 23 'Uncertainty over Income Tax Treatments' on 1 January 2019. The Group's historic approach to 'Uncertainty over Income Tax Treatments' is in line with the new IFRIC 23. Thus, there was no material impact on the amounts reported in the financial statements. Additional disclosure had been made in note 10 to address the disclosure requirements of the new IFRIC.

In the current year, the Group applied a number of amendments to IFRSs and new interpretations issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements. The most significant of these standards are set out below.

(a) Annual improvements 2015-2017 Cycle
(b) Prepayment Features with Negative Compensation – Amendments to IFRS 9
(c) Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28, and
(d) Plan Amendment, Curtailment or Settlement – Amendments to IAS 19

> Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. Significant accounting policies

BASIS OF ACCOUNTING

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The consolidated financial statements have also been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") to the extent that such standards have been endorsed by the European Union.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies adopted are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) during each year. Control is achieved where the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. Where necessary, adjustments are made to the financial results of the subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Under Article 105(11) of the Companies (Jersey) Law 1991, the Directors of a holding company need not prepare separate financial statements (i.e. Company only financial statements). Company only financial statements for the Company are not prepared unless required to so by the members of the Company by ordinary resolution. The members of the Company had not passed a resolution requiring separate financial statements and, in the Directors' opinion, the Company meets the definition of a Holding company. As permitted by law, the Directors have elected not to prepare separate financial statements.

GOING CONCERN

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of approval of these consolidated financial statements. The Directors have reviewed the Group's financial projections and cash flow forecasts and believe, based on those projections and forecasts, that it is appropriate to prepare the consolidated financial statements of the Group on the going concern basis. The Group has healthy cash inflow through a good pipeline of existing and new customers, the Group also has finance facilities available. Accordingly, they have adopted the going concern basis of accounting in preparing the consolidated financial statements. Further detail is contained in the viability statement included in the Audit Committee report on pages 68 to 73.

BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred and as non-underlying items within operating expenses.

The acquiree's identifiable assets and liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date.

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

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

3. Significant accounting policies continued

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with the corresponding gain or loss being recognised in profit or loss, as non-underlying items within operating expenses.

GOODWILL

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually or if indicators of impairment are identified. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. Refer to note 16.

INTANGIBLE ASSETS

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

The Group performs assessments at the end of each reporting period, in order to identify any possible indicators of impairment, this is a separate assessment from the annual Goodwill impairment review. Should there be any indicators of impairment, the Group estimates the recoverable amount of the asset and if an impairment should be recognised.

Contract intangibles

Contract intangibles consist of the recognition of the legal relationships gained through acquisition. On initial recognition the values are determined by relevant factors such as business product life cycles, length of notice, ease of movement and general attrition. These intangibles are amortised over their useful lives using the straight-line method, which is estimated at four to eight years, based on management's expectations and client experience. The amortisation charge for the year is included in the consolidated income statement under 'operating expenses'.

Customer intangibles

Customer intangibles consist of the recognition of value attributed to the customer lists through acquisition. On initial recognition the values are determined by relevant factors such as the Group's growth pattern and ability to cross-sell to existing clients. Subsequently, these intangibles are amortised over their useful lives using the straight-line method, which is estimated at four to ten years, based on management's expectations and client experience. The amortisation charge for the year is included in the consolidated income statement under 'operating expenses'.

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the recognition criteria are met.

The costs related to software under development are categorised between research and development expenditure. Research expenditure and development expenditure that do not meet the recognition criteria are recognised as expenses when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortisation will commence once the asset is ready for use, as intended by management.

INTEREST INCOME

Interest income is recognised using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, unless the assets subsequently become credit impaired. In the latter case, the effective interest rate is applied to the amortised cost of the financial asset. Interest is recognised on an accruals basis.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. Significant accounting policies continued

REVENUE RECOGNITION

Revenue is measured at transaction price. The transaction price is the amount of consideration that the Group expects to receive in exchange for the services rendered.

Rendering of services

Revenue is based on and charged on three principal elements per the contracts with customers: 1) Assets under management (open ended funds) where revenue is charged as a percentage of the assets under management, 2) Assets under management (closed ended funds) where fees are also charged as a percentage of assets under management, 3) Service based fees where the revenue is charged based on an agreed fee structure for various services being provided. All revenue is recognised over time as the services are rendered and clients benefit from these services.

The Group provides a number of services to its customers, ranging from trust / fiduciary services, accounting and administrative activities. As the revenue recognition under IFRS 15's "five step model" is identical for all Sanne's services the five step approach is applied as follows:

Step 1 - Identify the contract;

Contractual agreements exist between Sanne and all clients which creates enforceable rights and obligations.

Step 2 - Identify performance obligations

The services to the customer set out in the agreement are separately identifiable. Each service set out in the contract is distinct as each component can be performed and delivered separately. The different services have been identified as separate and distinct services, thus being separate performance obligations.

Step 3 - Determine transaction price

Service based fees are based on either pre-set (fixed) fees which are based on the expected amount of work (time spent at the relevant charge-out rates) to be performed or on a variable agreement where it is based on the actual amount of work (time spent at the relevant charge-out rates) but only to be determined once the work is finalised.

Determining the transaction price for these fees will vary with the amount of time spent which is supported by time sheets.

Step 4 - Allocate transaction price

The transaction prices are allocated to the performance obligations (the provision of the services) based on the stand-alone selling prices. Sanne uses the best available data to determine a price for the services rendered which is based on time spent at a specific charge out rate.

Step 5 - Recognise revenue

Sanne has concluded that the obligations are satisfied over time. We recognise the revenue for these services on a time spent basis as the performance obligations are satisfied over time.

Contracts with customers do make provision for annual transaction price increases, generally in line with a relevant local inflation measures. These increases do not change the performance obligations, and the increased prices are applied prospectively when revenue is recognised.

Revenue is recognised in the subsidiary where the contract with customers is based. The segmental reporting is presented based on the jurisdiction in which the specific client relationships are owned and managed. Therefore, the revenue stated in the segmental reporting is presented based on the jurisdiction where revenue is generated but may not be the same as the contracted jurisdiction.

Contract assets

Contract assets represent the billable provision of services which have been rendered and where performance obligations have been met but clients have not been invoiced at the reporting date. These were previously called "accrued income" in Sanne's consolidated financial statements. Contract assets are recorded based on agreed fees to be billed in arrears and time spent as performance obligations are met, based on charge-out rates in force at the work date, less any specific provisions against the value of contract assets where recovery may not be made in full.

Contract liabilities

Contract liabilities represent fees billed in advance in respect of services under contract and give rise to a trade receivable when recognised. These were previously called "deferred income" in Sanne's consolidated financial statements. Contract liabilities are released to revenue on a time apportioned basis in the appropriate accounting period.

LEASES

Up to 31 December 2018, all leases were classified as operating leases. Rentals payable under operating leases were charged to expenses on a straight-line basis over the term of the relevant lease except where another more systematic basis was more representative of the time pattern in which economic benefits from the lease asset were consumed.

On 1 January 2019 the Group adopted IFRS 16 'Leases'. The Group assesses its contracts to determine if a contract is or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period, in exchange for consideration. At initial recognition of a new lease, the lease liability is recognised as the present value of future payments, discounted using the incremental local borrowing rate (unless the interest implicit to the lease is available for use). A corresponding right-of-use asset is recognised on initial recognition and is measured at an amount equal to the lease liability, less any lease incentives and lease payments made before the commencement date, plus any initial direct costs and dilapidation costs.

3. Significant accounting policies continued

Subsequently the Group accounts for lease payments by allocating them between finance costs and the lease liability. The finance cost is charged to profit or loss over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis.

The Group made use of the practical expedient whereby leases with a lease term of 12 months or less are accounted for as a short-term lease. Consequently, no lease liability or right-of-use asset is recognised thereon and the lease payments will be accounted for in the consolidated income statement on a straight-line basis.

The Group also made use of the 'low value asset' practical expedient and defines low value assets as those assets with a purchase price for a new and unused asset of £5,000 or lower.

FOREIGN CURRENCIES

The separate financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Pounds Sterling, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

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

Exchange differences are recognised in the Consolidated Income Statement in the year in which they arise.

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

On the disposal of a foreign operations (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income and accumulated in the translation reserve in the consolidated statement of changes in equity.

DEFINED CONTRIBUTION SCHEMES

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

DEFINED BENEFIT RETIREMENT OBLIGATION

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

The liability recognised in the consolidated balance sheet in respect of the defined benefit retirement obligation is the present value of the defined benefit retirement obligation at the end of the reporting period less the fair value of plan assets, however the Group has no plan assets.

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

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

Defined benefit costs are categorised as follows:

- service cost
- net interest expense or income; and
- re-measurement

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

> Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. Significant accounting policies continued

EARNINGS PER SHARE

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

Both basic and diluted EPS measures are shown for the statutory profit position. The Group has also presented an alternative version with profit adjusted for non-underlying items to provide an additional understanding of the financial performance of the Group (note 12).

TAXATION

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

Current tax

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in the consolidated income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

EQUIPMENT

Equipment is stated at cost less accumulated depreciation and any recognised impairment loss. Software that forms an integral part of the related hardware, where the hardware cannot be operated without the specific software is treated as equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Computer equipment	3 to 5 years
Computer software	3 years
Fixtures and equipment	5 to 24 years

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

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

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS (EXCLUDING GOODWILL)

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

3. Significant accounting policies continued

The recoverable amount of an asset is the higher of its fair value less costs to sell or the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

FINANCIAL INSTRUMENTS

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

Financial assets

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

Cash and cash equivalents

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

Call deposits held with the bank are redeemable to the group within 24 hours' notice, without early payment penalties or interest forfeits. These call deposits have a maturity of three months or less from the date of acquisition.

Trapped cash represents the minimum cash balance to be held to meet regulatory capital requirements, as set out by relevant laws and regulations in the different jurisdictions. The trapped cash is determined based on certain rules that are different in each jurisdiction. Trapped cash is recognised as cash and cash equivalents.

Financial assets at amortised costs

The Group's business model is to collect the contractual cash flows from its assets. The cash flows consist solely of interest and principal payments. Therefore, the financial assets are classified as carried at amortised cost. The assets are measured at amortised cost using the effective interest method, less the expected credit losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Refer to note 34 disclosing the financial assets categorised as financial assets at amortised costs.

Financial assets at fair value through other comprehensive income

The Group has made an equity investment, that is not held for trading purposes. The Group has made the irrevocable election to carry the investment at fair value through other comprehensive income. On initial recognition the investment was measured at fair value, plus transaction costs. Subsequently, this investment will be measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. Dividends on the investment in equity instruments are recognised in profit or loss. On disposal of the equity investment the cumulative gain or loss will not be reclassified to the consolidated statement of comprehensive income; instead, it is transferred to retained earnings.

Impairment of financial assets

The Group recognises a loss allowance, for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. When the expected credit loss for trade receivables is determined, the Group makes use of the simplified approach, whereby the loss recognised is equal to the lifetime expected credit losses. Lifetime expected credit losses represent the expected losses that may result from possible default events, and the probability of such an event occurring, over the lifetime of the financial asset. The expected lifetime credit losses of the trade receivables are estimated using a provision matrix. The matrix is based on the Group's historical credit loss experience, the most significant factor being the days past due. It is then adjusted for forward-looking factors, that are specific to the trade receivables.

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

Financial liabilities and equity

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

Equity instruments

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

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

> Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. Significant accounting policies continued

Financial liabilities

All financial liabilities are classified as measured at amortised cost. These liabilities are initially measured at fair value less transaction costs and subsequently using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the amortised cost of a financial liability. Where financial liabilities are short term and immaterial, no interest is levied.

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

EMPLOYEE SHARE TRUST/OWN SHARES

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

PROVISIONS

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

FIDUCIARY ACTIVITIES

The assets and liabilities of trusts and companies under administration and held in a fiduciary capacity are not included in these consolidated financial statements.

SHARE-BASED PAYMENTS

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

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 32.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

The grant date fair value is estimated with reference to the market price of the company's shares. For share plans containing market-based vesting conditions, the fair value was determined using a valuation model that takes into account the share price at grant date, expected price volatility and a risk free rate.

OPERATING PROFIT

The operating profit reflects the profit earned from the Group's business operations. It includes revenue and other operating income less direct and indirect cost. Furthermore, the operating profit comprises of underlying and non-underlying items. Operating profit excludes finance costs, finance income and foreign exchange gains and losses.

NON-UNDERLYING ITEMS

Non-underlying items are disclosed and described separately in the consolidated financial statements where in the opinion of the directors it is appropriate to do so to provide further information of the financial performance of the Group.

The Group's core business is the administration, reporting and fiduciary services it provides in various jurisdictions. All acquisition and integration related costs are disclosed as non-underlying as these fall outside the core business of the Group. Restricted Share Awards form part of the non-underlying items as they are used as a tool to retain key personnel relating to the acquisitions and recruit senior management to support the acquisitions. Amortisation of contract and customer intangible assets recognised through the acquisitions is also included as non-underlying. These charges are based on judgements about the value and economic life of assets that, in the case of items such as customer relationships, would not be capitalised in normal operating practice. Therefore excluding the amortisation of intangible assets from underlying earnings allows the income and costs of both organically generated and acquired contracts to be presented on a like-for-like basis. Any impairment losses attributable to these intangible assets are also deemed to be outside of the course of ordinary business. Regulatory fines and the fees associated with these fines are also deemed to be one-off in nature and are classified as being non-underlying items.

3. Significant accounting policies continued

All the non-underlying items are regarded as expense items outside the normal course of business and disclosed separately to assist Shareholders to better analyse the performance of the core business. Changes to the subsequent contingent consideration arising from prior and current period business combinations are included in non-underlying items.

Further details of the nature of non-underlying items are given in note 9.

DIRECT COSTS

Direct costs are defined by management as the costs of the income generating divisions including staff payroll, marketing and travel attributable to the division in relation to the delivery of services and supporting growth.

DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

Disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of the disposal group, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the disposal group is recognised at the date of derecognition.

The disposal group includes trade receivables, contract assets and contract liabilities and consequently does not attract depreciation, amortisation or interest payable.

Assets that are part of the disposal group classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement.

PREPAYMENTS

Prepayments are treated as a current asset, and represents goods or services that the Group has paid for before the delivery thereof. The prepayment will be released to the relevant expense in the period to which the delivery of goods or services relate to.

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

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

CLASSIFICATION OF EQUITY INVESTMENT

The Group obtained an equity investment in Colmore A.G. The Group does not hold controlling voting rights in Colmore A.G. The Group tested the requirements for significant influence. Sanne has representation on the board of directors, however, due to a single board member holding the outright majority shares, Sanne is not able to direct the daily operations or participate in policy-making processes. Even though Sanne has entered into an agreement with Colmore A.G. to develop new software, Sanne does not deem this to be a material transaction. Sanne will also not be in a position to make changes to the managerial personnel of Colmore A.G. nor will it be providing essential technical information. Sanne cannot demonstrate significant influence. Subsequently the Group will carry the investment as an investment in equity rather than an investment in associate. Therefore equity accounting will not be applied, instead the investment is measured at fair value through other comprehensive income. Refer to note 20 for related disclosure on the fair value measurement methodology applied.

DISPOSAL GROUP HELD FOR SALE

During the year Sanne made a strategic decision to try and dispose of the private client business in Jersey. Judgement was applied to determine if the planned disposal falls within the scope of held for sale. In making the judgement Sanne considered the requirements set out in IFRS 5 Non-current assets held for sale and Discontinued Operations. It was concluded that the client agreements and employee group disposed of would make up a disposal group – the rationale being that the contracts, if externally acquired in a business combination, would have been recognised as an intangible asset. As these customer relationships were internally generated, the standard prohibited the recognition as assets. Subsequently the trade receivables, contract assets and contract liabilities recognised on these clients in the prior year have been reclassified on the consolidated balance sheet as a "Disposal group held for sale".

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

FAIR VALUE MEASUREMENT OF INVESTMENT IN EQUITY

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The key inputs in the fair value assessment is the weighted average growth rate, terminal growth rate and the WACC rate. Refer to note 20 for further disclosure relating to the fair value assessment.

IMPAIRMENT TESTING

Goodwill

In the assessment of the annual impairment tests on Goodwill, the following assumptions are deemed to be key sources of estimation: the revenue growth rate and the discount rate. Management has assessed that except, for Sanne South Africa, no other CGU's reasonably possible changes would cause the aggregate carrying amount to materially exceed the recoverable amount of the CGU. Note 16 sets out these rates and sensitivities.

Contract assets

The Group recognises contract assets within revenue and as a receivable for amounts that remain unbilled at the year end, recorded at the recoverable amount. The recoverable amount of contract assets is assessed on an individual basis using the judgement of management, and takes into account an assessment of the client's financial position, the aged profile of the contract assets and an assessment of historical recovery rates. The balance at year end is £6.5 million (2018: £6.6 million), the failure to recover 15% (based on an extreme worst case scenario) of this balance would result in an impairment of £970k (2018: £994k).

OTHER ESTIMATES

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

The cumulative expense recognised in terms of the Group's share-based payment schemes reflects, in the opinion of the Directors, the number of equity instruments granted that will ultimately vest. At each reporting date, management adjust the unvested equity instruments with the forfeited instruments. Management is of the opinion that this number, adjusted for future attrition rates, represents the most accurate estimate of the number of instruments that will ultimately vest.

IMPAIRMENT TESTING

Intangible assets

During the financial year an impairment was recognised on Sanne's South African contract intangibles. The recoverable amount was calculated using a Multi-Period Excess Earnings Method (MEEM) model, requiring the following inputs: post-tax weighted average cost of capital to discount the cash flows, a general attrition rate, a direct cost and an overhead cost margin and lastly the corporate tax rate. The discount rate was identified as being the most sensitive to change; however, Sanne does not consider that a change in the discount rate to result in material changes. Refer to note 17 relating for additional information on the assumptions used.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended. Exercising either the extension or termination option is case dependent and is an ongoing assessment. Therefore, should the Group apply the extension option, the lease liability and right-of-use asset will be increased. Should the Group terminate an agreement both the lease liability and right-of-use asset will be de-recognised.

5. Segmental reporting

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

The chief operating decision-maker is considered to be the Executive Directors of Sanne. Each segment is defined as a set of business activities generating a revenue stream determined by segmental responsibility and the management information reviewed by the Executive Directors. The Executive Directors evaluate segmental performance on the basis of gross profit, after the deduction of the direct costs of staff, marketing and travel. No inter-segment sales are made.

The Group classified its private client contracts and employee group held in Jersey as a discontinued operation due to significant contracts having been designated as held for sale. This was regarded as a major business line in the past and forms part of the Channel Islands segment. Please refer to note 11 for additional details relating to the sale.

5. Segmental reporting continued

The Group's consolidated financial statements for the year ended 31 December 2018 had four reportable segments under IFRS 8, namely EMEA Alternatives, Asia-Pacific & Mauritius Alternatives, North American Alternatives and Corporate & Private Client. Given the continuing growth of the Group, these segments have been reorganised from 1 January 2019. The new segments are EMEA, Asia-Pacific & Mauritius, Channel Islands and North America. This change has been effective outside of the European regions in the Group for some time, but the scale of operations across the old EMEA Alternatives and CPC businesses meant it was necessary to change and split the European business between the Channel Islands (CI) and the rest of EMEA. This change brings with it a number of significant benefits, including a more robust governance and control framework at local levels, fostering local accountability, as well as bringing an improved focus on local employee requirements across our expanding jurisdictional footprint.

The comparative numbers for the segmental reporting have been restated to reflect the four segments created in the current reporting period, with effect from 1 January 2019.

For the year ended 31 December 2019	**Revenue £'000**	**Direct costs £'000**	**Gross profit £'000**
Segments			
EMEA	**60,561**	**(26,816)**	**33,745**
Asia-Pacific & Mauritius	**34,268**	**(11,107)**	**23,161**
North America	**26,925**	**(13,448)**	**13,477**
Channel Islands[1]	**43,689**	**(17,535)**	**26,154**
Total from continuing and discontinued operations	**165,443**	**(68,906)**	**96,537**
Other operating income			**185**
Operating expenses			**(78,741)**
Operating profit from continuing and discontinued operations			**17,981**

[1] Refer to note 11 for the total revenue and direct costs attributable to discontinued operations.

For the year ended 31 December 2018	Revenue £'000	Direct costs £'000	Gross profit £'000
Segments			
EMEA	48,100	(18,457)	29,643
Asia-Pacific & Mauritius	30,433	(8,330)	22,103
North America	21,702	(10,894)	10,808
Channel Islands	42,768	(16,974)	25,794
Total from continuing and discontinued operations	143,003	(54,655)	88,348
Other operating income			158
Operating expenses			(62,941)
Operating profit from continuing and discontinued operations			25,565

GEOGRAPHICAL INFORMATION

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

	2019 £'000	2018 £'000
Jersey and Guernsey	**42,187**	42,629
Rest of Europe	**61,857**	47,016
Mauritius	**22,984**	22,198
Americas	**26,376**	21,374
South Africa	**4,852**	5,461
Asia-Pacific	**7,187**	4,325
Total revenue from continuing and discontinued operations	**165,443**	143,003

The geographical revenue is disclosed based on the jurisdiction in which the contracting legal entity is based and is not based on the location of the client or where the work is performed. The geographic revenue split is therefore very different to the segmental reporting split.

> Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

6. Revenue

Disaggregation of revenue from contracts with customers	2019 £'000	2018 £'000
Basis for fees charged		
EMEA		
– Assets under management - open ended funds	**6,350**	6,880
– Assets under management - closed ended funds	**19,734**	13,484
– Service based fees	**34,477**	27,736
Asia-Pacific & Mauritius		
– Service based fees	**34,268**	30,433
North America		
– Service based fees	**26,925**	21,702
Channel Islands		
– Service based fees	**37,953**	36,007
Total revenue from continuing operations	**159,707**	136,242

Timing of revenue recognition	2019 £'000	2018 £'000
Over time		
– EMEA	**60,561**	48,100
– Asia-Pacific & Mauritius	**34,268**	30,433
– North America	**26,925**	21,702
– Channel Islands	**37,953**	36,007
Total revenue over time	**159,707**	136,242
Total revenue from continuing operations	**159,707**	136,242

7. Finance costs

	2019 £'000	2018 £'000
Bank loan interest	**2,434**	1,732
Amortised loan fees	**174**	177
Loan fees written off	**457**	-
Interest on lease liabilities	**1,607**	-
Total finance costs	**4,672**	1,909

Details regarding the bank borrowings can be found in note 27.

8. Finance income

	2019 £'000	2018 £'000
Interest income on bank deposits	**158**	156
Total finance income	**158**	156

9. Non-underlying items

		2019 £'000	2018 £'000
Operating profit[1]		**17,981**	25,565
Non-underlying items within operating profit:			
Share based payment	(i)	**1,777**	1,791
Amortisation of intangible assets	(ii)	**16,487**	15,730
Acquisition cost earn-out charges	(iii)	**6,317**	564
Acquisition and integration cost	(iii)	**62**	629
Impairment of intangible assets	(iv)	**2,425**	-
Regulatory fine and fees	(v)	**1,039**	-
Other items		**600**	168
Total non-underlying items included in operating profit		**28,707**	18,882
Underlying operating profit[1]		**46,688**	44,447
Profit before tax[1]		**13,251**	23,680
Non-underlying items within other costs:		**28,707**	18,882
Refinancing cost	(vi)	**457**	-
Total non-underlying items		**29,164**	18,882
Underlying profit before tax[1]		**42,415**	42,562

[1] These amounts include the profits from both continuing and discontinued operations.

The above disclosure reflects expenses which are not representative of underlying performance and strategy of the Group in the opinion of the directors as explained below.

(i) Share based payments are detailed in note 32. All acquisition related share based payments ("RSA" plan) are awards granted as part of the mechanics of acquisitions to act as retention tools for key management and to recruit senior management to support the various acquisitions. These grants are thus not in the normal course of business and will be disclosed separately.

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

(iii) During the year ended 31 December 2018, the Group completed the acquisition of the LIS and CP and Sanne AgenSynd. The Group expensed £62k of acquisition and integration expenditure during the current year and £629k in the prior year. The Group spent £6.3 million relating to earn-out payouts for the year, £4.2 million related to LIS and CP and £2.1 million to AgenSynd. These expenses include the crystallisation of earn-out payments in the period. With acquisition activities not being the core ongoing business of the Group, these costs are disclosed as non-underlying to enable Shareholders to assess the core ongoing performance of the business. The majority of acquisition and integration costs will be incurred in the first two years after acquisition; however, this could be longer depending on the nature of the costs.

(iv) The Group's South African hedge fund business, acquired in 2016, suffered a one-off loss of clients in the period. The Sorato business has also incurred an impairment. The source of the impairment relates to customer contracts that were entered into before the acquisition and that have terminated sooner than anticipated. As a result, the contract intangibles were impaired by £2.4 million in total. Refer to note 17 for further information. As with the amortisation of intangible assets this cost was excluded from underlying cost as it does not form part of the core business of the Group.

(v) Regulatory fine of £381k and related fees relates to a settlement and related costs with the Jersey Financial Services Commission. Also included are the legal fees for a case brought against former directors of a subsidiary which dates back to pre IPO.

(vi) Refinancing cost – on 1 March a new loan facility for £150 million was entered into with a consortium of five banks. The previous facility was paid off and the remaining capitalized facility fees were written off. The facility is mainly used to fund acquisitions. The write-off cost was recognised as non-underlying - £0.46 million.

> Notes to the Consolidated Financial Statements

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10. Tax

	2019 £'000	2018 £'000
The tax charge comprises:		
Current period	**7,184**	7,398
Adjustments in respect of prior periods	**(32)**	153
Total current tax expense	**7,152**	7,551
Deferred tax (note 28)		
Increase in deferred tax assets	**(1,065)**	(1,040)
Decrease in deferred tax liabilities	**(1,710)**	(1,005)
Total deferred tax credit	**(2,775)**	(2,045)
Total tax charge for the year	**4,377**	5,506
The income tax expense is attributable to:		
Profit from continuing operations	**4,007**	5,101
Profit from discontinued operations	**370**	405
	4,377	5,506

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

	2019 £'000	2018 £'000
Deferred tax:		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (loss)/gain on defined benefit retirement obligation	**(10)**	11
Total income tax (credited)/charged in other comprehensive (expense)/income	**(10)**	11

The difference between the total current tax shown above and the amount calculated by applying the UK (2018: Jersey) standard income tax rate to the profit before tax is as follows:

	2019 £'000	2018 £'000
Profit from continuing operations before tax	**9,551**	19,632
Profit from discontinued operations before tax	**3,700**	4,048
Profit on ordinary activities before tax	**13,251**	23,680
Tax on profit on ordinary activities at standard UK income tax rate of 19% (2018: Jersey income tax rate of 10%) [1]	**2,518**	2,368
Effects of amounts that are not deductible in calculating income tax:		
Expenses not deductible for tax purposes	**531**	266
Non-deductible amortisation	**153**	153
Depreciation in excess of capital allowances	**173**	143
Net foreign exchange income	**10**	14
Foreign taxes not at UK (2018: Jersey) rate [2]	**771**	2,159
Deferred tax not recognised – taxable losses [3]	**253**	250
Prior year tax adjustments	**(32)**	153
Total tax	**4,377**	5,506

[1] At the start of the financial year, the Company engaged with the tax authorities of the UK and Jersey. Sanne Group Plc moved its tax residency from Jersey to the UK with effect from 1 January 2019. Consequently the income tax rate applied in 2019 is 19% (the UK standard income tax rate). This is an increase from the prior year's Jersey income tax rate of 10%.

[2] With the UK tax rate at 19% (2018: Jersey rate of 10%) the impact of the 2017 and 2018 acquisitions on the tax expense is significant as all the acquired jurisdictions have higher tax rates than 19% (2018: 10%).

[3] Deferred tax not recognised refers to jurisdictions where management is doubtful that future deferred tax assets would be able to be utilised through taxable profits being recognised.

10. Tax continued

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

The UK standard income tax rate is 19% (2018: Jersey rate of 10%); management has chosen to reconcile to this rate as the Company is a UK tax resident.

	2019 £'000	2018 £'000
Reconciliation of effective tax rates		
Tax charge	**4,377**	5,506
Profit before tax	**13,251**	23,680
Effective tax rate on continuing and discontinued operations	***33.0%***	*23.3%*
Effective tax rate on continuing operations	**42.0%**	26.0%
Effective tax rate on continuing and discontinued operations	**10%**	10%
Tax charge	**4,377**	5,506
Adjusted for:		
Prior period adjustments	**32**	(153)
Tax effect of non-underlying items	**4,512**	3,328
Deferred tax on US Goodwill amortisation	**(954)**	(948)
Total underlying tax charge	**7,967**	7,733
Profit before tax	**13,251**	23,680
Non-underlying items	**29,164**	18,882
Profit before tax and non-underlying items	**42,415**	42,562
Underlying effective tax rate on continuing and discontinued operations	***18.8%***	*18.2%*
Underlying effective tax rate on continuing operations	**19.6%**	19%
Underlying effective tax rate on discontinuing operations	**10%**	10%

The effective tax rate of 33.0% (2018: 23.3%) has increased due to a larger proportion of taxable profits being earned in higher tax jurisdictions. The increase in the underlying effective tax rate of 18.8% (2018: 18.2%) is also due to proportionally higher profits being earned in higher tax jurisdictions. This was calculated against the underlying profit before tax after having excluded the tax effect of non-underlying expenses and the deferred tax in relation to the tax allowance for the amortisation of goodwill in the US. The reduction in tax rates in Luxembourg to 24.93% (2018: 26.01%) mitigated the tax on profits generated in higher taxing jurisdictions.

	2019 £'000	2018 £'000
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**2,647**	2,500
Potential tax benefit @ 19% (2019: 10%)	**503**	250

The unused tax losses were incurred by loss making subsidiaries. These subsidiaries are not likely to generate taxable income in the foreseeable future, but can be carried forward indefinitely.

> Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

11. Discontinued operations

During the year Sanne made a strategic decision to sell the private client business in Jersey, within the next twelve months after the Balance Sheet date for a cash consideration. The Group classified its private client book in Jersey as a discontinued operation, due to significant contracts having been designated as held for sale. This was regarded to be a major business line in the past. The disposal group consists of the trade receivables relating to the contracts. Due to the fact that internally generated customer relationships are prohibited from being recognised as assets, the Group did not account for these customer contracts as assets. Sanne deemed it necessary to reclassify the trade receivables stemming from these clients into a disposal group held for sale as these balances give a reasonable representation of the value that these customer contracts hold. The revenue and direct costs are included in the Channel Islands operating segment.

The financial information relating to the discontinued operations is set out below:

	2019 **£'000**	2018 £'000
Revenue	**5,736**	6,761
Expenses	**(2,036)**	(2,713)
Profit before income tax	**3,700**	4,048
Income tax expense	**(370)**	(405)
Profit from discontinued operations	**3,330**	3,643
The following disclosure relates to the cash flows from the discontinued operations:		
Net cash inflow from operating activities	**3,563**	4,321
Net increase in cash generated by the subsidiary	**3,563**	4,321

Assets of disposal group classified as held for sale	**2019** **£'000**	2018 £'000
Assets classified as held for sale		
Contract assets	**334**	9
Trade receivables	**2,645**	2,479
Total assets of disposal group held for sale	**2,979**	2,488
Liabilities of disposal group classified as held for sale		
Liabilities classified as held for sale		
Contract liabilities	**(575)**	(250)
Total liabilities of disposal group held for sale	**(575)**	(250)

12. Earnings per share

	2019 £'000	2018 £'000
Profit for the year	**8,874**	18,174
Non-underlying items:		
Non-underlying expenses	**29,164**	18,882
Tax effect of non-underlying items	**(3,590)**	(2,227)
Underlying profit	**34,448**	34,829

	Shares	Shares
Weighted average numbers of ordinary shares in issue	**144,019,578**	141,269,560
Effect of dilutive potential ordinary shares:		
Deferred consideration shares	**636,652**	1,273,308
Restricted stock awards	**1,280,821**	1,288,585
Performance share plan	**49,501**	619,862
Weighted average number of ordinary shares for the purposes of diluted EPS	**145,986,552**	144,451,315

Earnings per share based on total operations	2019	2018
Basic EPS (pence)	**6.2**	12.9
Diluted EPS (pence)	**6.1**	12.6
Underlying basic EPS (pence)	**23.9**	24.7
Underlying diluted EPS (pence)	**23.6**	24.1

Earnings per share based on continuing operations	2019	2018
Basic EPS (pence)	**3.8**	10.3
Diluted EPS (pence)	**3.8**	10.1
Underlying basic EPS (pence)	**21.6**	22.1
Underlying diluted EPS (pence)	**21.3**	21.6

Earnings per share based on discontinued operations	2019	2018
Basic EPS (pence)	**2.3**	2.6
Diluted EPS (pence)	**2.3**	2.5
Underlying basic EPS (pence)	**2.3**	2.6
Underlying diluted EPS (pence)	**2.3**	2.5

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

Diluted EPS takes into consideration the Company's dilutive contingently issuable shares as disclosed above. These arrangements have no impact on the earnings or underlying earnings figures used to calculate diluted EPS. The weighted average number of ordinary shares used in the diluted calculation is inclusive of the number of shares which are expected to be issued to satisfy the awards when they become due and where the performance criteria, if any, have been deemed to have been met as at 31 December 2019.

Underlying basic EPS and underlying diluted EPS are calculated in the same way as basic EPS and diluted EPS with the only exception being that the earnings used are the underlying earnings, being the profit for the year adjusted for non-underlying items and the tax impact of non-underlying items. This is a change in approach from the prior year where the profit for the year was just adjusted for non-underlying items. The comparative numbers were also updated to reflect this approach.

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13. Profit for the year

	2019 £'000	2018 £'000
Profit for the year has been arrived at after charging/(crediting):		
Net foreign exchange losses	**216**	132
Depreciation of equipment	**2,867**	1,915
Depreciation of right-of-use asset (see note 21)	**5,313**	-
Gain on disposal of equipment	**36**	-
Auditors' remuneration for audit services (PwC: £695k (2019), Deloitte: £165k (2018))	**860**	587
Auditors' remuneration for other services, pre-appointment of new auditors[1] (2019 PwC, 2018 Deloitte)		
– FATCA	**-**	14
– ISAE 3402	**33**	-
– Software licence	**3**	167
– Other services	**102**	-
Auditors' remuneration for other services, post-appointment of new auditors[1]		
– ISAE 3402	**5**	-
Amortisation of intangible assets (see note 17)	**16,487**	15,730
Staff costs (see note 14)	**84,463**	70,713
Impairment loss recognised on trade receivables (see note 22)	**82**	575
Impairment loss recognised on intangible assets (see note 17)	**2,425**	55
Facilities expense	**2,726**	7,339

[1] Deloitte LLP resigned as the Group auditor on 5 August 2018. The Group has engaged the services of PricewaterhouseCoopers LLP as Group auditors, with their first engagement being the independent review of the interim financial statements 2019. The other services principally represented internal audit services which ceased at PricewaterhouseCoopers LLP's appointment.

14. Staff cost

The aggregate payroll costs were as follows:	2019 £'000	2018 £'000
Salaries and bonuses	**72,805**	60,753
Social security	**5,148**	3,815
Pension cost	**620**	547
Other benefits	**3,513**	2,222
Share based payments	**2,377**	3,376
	84,463	70,713

The average number of full time employees analysed by category and segment:	2019	2018
Client services		
– EMEA	**495**	374
– Asia-Pacific & Mauritius	**351**	266
– North America	**154**	122
– Channel Islands	**269**	268
Group services	**317**	254
	1,586	1,284

Information in relation to aggregate directors' remuneration is contained in the Directors' Remuneration Report which details the remuneration payable to each director for service in 2019.

15. Dividends

	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the prior year	**13,254**	11,816
Interim for the current year	**6,775**	6,560
Total dividends	**20,029**	18,376
Proposed final dividend	**13,784**	13,432

The proposed final dividend is subject to approval at the forthcoming AGM and has not been included as a liability in these consolidated financial statements. Dividends are declared in accordance with Jersey company law and can be distributed from all reserves.

	2019 Pence per share	2018 Pence per share
Dividend per share ("DPS"):		
Interim for the current year	**4.7**	4.6
Final proposed for the current year	**9.4**	9.2
Total dividend per share	**14.1**	13.8

	2019	2018
Weighted average number of ordinary shares in issue	**144,019,578**	141,269,560

16. Goodwill

Goodwill represents the excess of the cost of the acquisition over fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill movements	**£'000**
At 1 January 2018	107,271
LIS and CP acquisition	67,572
Sanne AgenSynd acquisition	8,404
Exchange differences	5,681
At 31 December 2018	188,928
Exchange differences	(8,514)
At 31 December 2019	**180,414**

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

The goodwill has been allocated to the CGUs as follows:

		2019 Carrying value £'000	2018 Carrying value £'000
Sanne South Africa		**8,177**	8,272
Sanne Netherlands		**1,649**	1,649
Sanne North Americas		**41,400**	43,079
Sanne Mauritius		**57,076**	59,391
Sanne Luxembourg	(i)	**-**	68,165
Luxembourg Investment Solutions S.A.	(i)	**58,307**	-
Compliance Partners S.A.	(i)	**5,917**	-
Sanne Spain		**7,888**	8,372
		180,414	188,928

(i) In the prior year the LIS and CP operations were managed as a single CGU. During the current year the CP and Sanne Group Luxembourg operations were merged. Therefore, the Group assessed the previous Sanne Luxembourg CGU to be two separate CGUs in the current year. Goodwill acquired in a business combination is allocated to each of the CGUs that is expected to benefit from the synergies of the combination. Thus when it was assessed that LIS and CP form two separate CGUs it was evident that the allocation of goodwill must be reallocated to the two new CGUs. The allocation was done based on the weighting of the purchase consideration between the two legal entities as at acquisition date. The combined total for LIS and CP in 2019 is £64.2 million (2018: £68.2 million), with the difference due to FX.

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16. Goodwill continued

The recoverable amounts of all CGUs are based on the same key assumptions and the values of those assumptions are specific to, and in some cases differ across, each CGU. The result of the goodwill impairment assessment undertaken is that the headroom on the total carrying value of the goodwill, across all CGUs, more than doubled compared with the same assessment performed in the prior year.

DISCOUNT RATES

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money. In assessing the discount rate applicable to the Group the following factors have been considered:

(i) Long-term treasury bond rate for the relevant jurisdiction

(ii) The cost of equity based on an adjusted Beta for the relevant jurisdiction

(iii) The risk premium to reflect the increased risk of investing in equities

The discount rate used to assess goodwill is a pre-tax WACC, as required by the accounting standards. The discount rate used in the assessment of the recoverable amount of intangible assets is a post-tax WACC, as per the Multi-Period Excess Earnings Method (MEEM), which is the method applied to determine the fair value less cost to sell. Refer to note 17 for details relating to the assessment performed on contract and customer intangible assets.

PROJECTED REVENUE AND COSTS

Projected revenue and costs are calculated with reference to each CGU's latest budget and business plan which are subject to a rigorous review and challenge process. Management prepares the budgets through an assessment of historic revenues from existing clients, the pipeline of new projects, historic pricing, and the required resource base needed to service new and existing clients, coupled with its knowledge of wider industry trends and the economic environment. Cash flows are projected over five years and a final terminal value is applied.

Projected revenue and costs are calculated using the prior period actual result and compounding these results by the budgeted numbers. The terminal growth rate is applied after five years. The rate used is unique to each jurisdiction and is based on the GDP and/or inflation rate.

Material movements have been seen in the weighted average revenue growth rates for Sanne Netherlands, Sanne Mauritius, Sanne Spain and LIS. For Sanne Netherlands the business has seen strong growth with continued new client wins from a small base. In the case of Mauritius, the revised growth rate reflects the recent increase in client attrition. For both Sanne Spain and LIS a conservative approach has been adopted with growth rates significantly below historic rates. Refer to the key assumptions.

KEY ASSUMPTIONS

The following discount rates (pre-tax WACC rates), weighted average revenue growth rates and terminal growth rates have been used in the assessments. No material movements were identified in the WACC rates used between 2019 and 2018. The only material movements identified in the terminal growth rates, between 2019 and 2018, is the rate for Sanne South Africa and Sanne Mauritius. In 2018 the Group used long-term market consensus for terminal growth on all CGUs. In the current year the Group used the average between long-term inflation and GDP for each specific jurisdiction. This resulted in a material change in terminal growth for the South Africa and Mauritius CGUs. Where the terminal growth exceeds the weighted average revenue growth rate, the Group made use of a conservative approach to the mid-term growth rate, whereas the terminal growth rate was based on external observable sources.

	2019 Discount rate	2018 Discount rate	2019 Weighted average revenue growth rate	2018 Weighted average revenue growth rate	2019 Terminal growth rate	2018 Terminal growth rate
Sanne South Africa	19%	21%	4%	4%	6%	2%
Sanne Netherlands	9%	9%	19%	6%	3%	2%
Sanne North Americas	10%	12%	12%	11%	3%	2%
Sanne Mauritius	11%	13%	3%	6%	5%	2%
Luxembourg Investment Solutions S.A.	6%	8%	7%	14%	3%	2%
Compliance Partners S.A.	6%	8%	14%	14%	3%	2%
Sanne Spain	9%	10%	7%	14%	3%	2%

Based on the value-in-use calculations none of the CGUs require impairment.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

Management believes that any reasonably possible change in the key assumptions, on which the recoverable amount per CGU is based, would not cause the aggregate carrying amount to materially exceed the recoverable amount of the CGUs, except for Sanne South Africa. If the expected terminal growth used in the value-in-use calculation had been 1% lower than management's estimate made at 31 December 2019 (5.4% instead of 6.4%) and if the discount rate increased from 18.82% to 20.56% the goodwill would be impaired by £1.2 million. Management does not expect an increase in the discount rate. Part of the acquisition rationale was to create a "rightshoring centre" for talent and expertise which has proven to have significant value for the wider Group. Refer to note 17 for the outcome of the intangible assets' impairment assessments and the key assumptions made.

17. Other intangible assets

	Contract £'000	Customer £'000	Software under development £'000	Total £'000
Cost				
At 1 January 2018	66,574	12,841	-	79,415
Acquired during the year	16,621	3,176	-	19,797
Impairments	(55)	-	-	(55)
Exchange difference	2,562	455	-	3,017
At 31 December 2018	85,702	16,472	-	102,174
Additions due to software development	-	-	276	276
Impairments	(2,425)	-	-	(2,425)
Exchange difference	(3,110)	(635)	-	(3,745)
At 31 December 2019	80,167	15,837	276	96,280

	Contract £'000	Customer £'000	Software under development £'000	Total £'000
Accumulated amortisation				
At 1 January 2018	16,732	2,685	-	19,417
Charge for the year	13,282	2,448	-	15,730
Exchange difference	767	138	-	905
At 31 December 2018	30,781	5,271	-	36,052
Charge for the year	13,870	2,617	-	16,487
Exchange difference	(1,378)	(269)	-	(1,647)
At 31 December 2019	43,273	7,619	-	50,892
Carrying amount				
At 31 December 2019	**36,894**	**8,218**	**276**	**45,388**
At 31 December 2018	54,921	11,201	-	66,122

Due to a one-off loss of clients in Sanne South Africa, an indicator for impairment was triggered. Sanne's South African contract intangibles were impaired by £2.3 million. This was included in the operating expenses line item on the consolidated income statement. The recoverable amount was determined using a Multi-Period Excess Earnings Method (MEEM) model, requiring the following inputs: post-tax weighted average cost of capital to discount the cash flows, a general attrition rate, a direct cost and an overhead cost margin and lastly the corporate tax rate. The discount rate was identified as being the most sensitive to change. Should the discount rate increase by 1%, the impairment would have been £52k higher. Sanne does not consider this to be a material increase.

The method of valuation and subsequent review of the carrying value of intangible assets is outlined in note 3. As part of that subsequent review, triggers for impairment were detected and impairment assessments performed for the intangible assets relating to the Delorean, Ariel, CCS, IDS Group, Sorato and IFS Group acquisitions. An £84k impairment was recognised in operating expenses for the Sorato intangibles. The source of the impairment relates to customer contracts that were entered into before the acquisition and that have terminated sooner than anticipated. The Netherlands acquired a large client during the year and have exceeded expectations in the 2019 financial year showing a healthy growth with promising client relationships. The Group determined the recoverable amount with reference to the fair value less cost to sell per asset. The multi-period-excess-earnings method (MEEM) model was used to determine the fair value less cost to sell of each asset. This model requires the use of a post-tax discount rate. The WACC rates used to discount the post-tax cash flows are post-tax WACC rates. The recoverable amounts for all other assets with indicators of impairment exceeded their current carrying value.

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17. Other Intangible assets continued

The post-tax weighted average cost of capital was used to discount the cash flows. The rates and remaining useful lives used in the assessment of the recoverable amounts for assets with indicators were:

	2019 Discount rate	2018 Discount rate	**2019 Remaining useful life**	2018 Remaining useful life
Ariel (various jurisdictions)	**7%**	7%	**1 year**	2 years
Delorean (various jurisdictions)	**7%**	7%	**1 year**	2 years
CCS (Sanne Ireland)	**7%**	7%	**3 years**	4 years
IDS Group (Sanne South Africa)	**13%**	15%	**4 years**	5 years
Sorato (Sanne Netherlands)	**7%**	7%	**0 years**	5 years
IFS Group (Sanne Mauritius)	**10%**	11%	**4 years**	4 years
AgenSynd Group (Sanne Spain)	**7%**	8%	**6 years**	7 years

Annual amortisation on the contract and customer intangibles is recognised in operating expenses and are regarded to be non-underlying items.

Sanne has entered into an agreement with Colmore A.G., whereby Colmore A.G. will be developing new software for Sanne's exclusive use. This agreement is classified as "software under development".

Sanne has applied its judgement to determine that the software under development is an intangible asset and that the development costs can be capitalised. The software is identifiable, as it is separable from the entity due to the willingness of the investee to grant Sanne exclusive usage of the software. Furthermore, Sanne's exclusive rights to usage are legally enforceable. Due to the exclusive right to use the asset, Sanne has control over it and will be receiving the future economic benefits from the asset in the form of improved production processes by applying the intellectual property. The software is still under development at year end, and is not yet ready for its intended use. The development costs will be capitalised until the software is ready for use.

Costs incurred during the planning phase of the project have been assessed to be research costs and have consequently been expensed. The total research costs amounted to £78k (2018: £nil).

Once the software under development is ready for use, as intended by management, cost capitalisation will cease and amortisation will commence.

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

Acquisition	Acquisition date	Amortisation period end	**2019 Carrying amount £'000**	2018 Carrying amount £'000
Contract intangible				
Delorean (Various Jurisdictions)	1 June 2013	31 May 2020	**540**	1,849
Ariel (Various Jurisdictions)	1 May 2014	30 April 2021	**301**	526
CCS (Sanne Ireland)	1 March 2016	28 February 2023	**388**	543
IDS Group (Sanne South Africa)	1 June 2016	31 May 2024	**1,188**	4,071
FAS (Sanne North Americas)	1 November 2016	31 October 2022	**4,614**	6,494
Sorato (Sanne Netherlands)	1 December 2016	30 November 2023	**-**	114
IFS Group (Sanne Mauritius)	1 January 2017	31 December 2022	**19,666**	27,285
LIS Group (Sanne Luxembourg)	6 February 2018	31 January 2025	**8,318**	11,692
AgenSynd Group (Sanne Spain)	3 September 2018	31 August 2025	**1,879**	2,347
Total			**36,894**	54,921

The IDS Group and Sorato are shown after impairment, at their recoverable amount.

17. Other Intangible assets continued

Acquisition	Acquisition date	Amortisation period end	**2019 Carrying amount £'000**	2018 Carrying amount £'000
Customer intangible				
Delorean (Various Jurisdictions)	1 June 2013	31 May 2023	**409**	525
Ariel (Various Jurisdictions)	1 May 2014	30 April 2024	**29**	44
CCS (Sanne Ireland)	1 March 2016	28 February 2023	**317**	443
IDS Group (Sanne South Africa)	1 June 2016	31 May 2024	**809**	1,004
FAS (Sanne North America)	1 November 2016	31 October 2022	**880**	1,236
Sorato (Sanne Netherlands)	1 December 2016	30 November 2023	**34**	43
IFS Group (Sanne Mauritius)	1 January 2017	31 December 2022	**3,736**	5,184
LIS Group (Sanne Luxembourg)	6 February 2018	31 January 2023	**1,400**	1,968
AgenSynd Group (Sanne Spain)	3 September 2018	31 August 2025	**604**	754
Total			**8,218**	11,201

18. Equipment

	Computer equipment £'000	Computer software £'000	Fixtures and equipment £'000	Total £'000
Cost				
At 1 January 2018	4,181	2,586	4,715	11,482
Additions	1,555	143	6,170	7,868
Additions through acquisitions	67	306	818	1,191
Disposals	(881)	(26)	(1,331)	(2,238)
Exchange differences	(44)	25	57	38
At 31 December 2018	4,878	3,034	10,429	18,341
Additions	1,428	395	2,091	3,914
Change in accounting policy	-	-	(924)	(924)
Disposals	(212)	(359)	(291)	(862)
Exchange differences	(89)	(35)	(164)	(288)
At 31 December 2019	**6,005**	**3,035**	**11,141**	**20,181**

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18. Equipment continued

	Computer equipment £'000	Computer software £'000	Fixtures and equipment £'000	Total £'000
Accumulated depreciation				
At 1 January 2018	2,512	2,436	2,721	7,669
Charge for the year	406	110	1,399	1,915
Reclassification within equipment[1]	660	-	(660)	-
Additions through acquisitions	38	203	468	709
Disposals	(724)	(26)	(1,231)	(1,981)
Exchange differences	47	(49)	58	56
At 31 December 2018	2,939	2,674	2,755	8,368
Charge for the year	1,383	239	1,245	2,867
Disposals	(204)	(359)	(233)	(796)
Exchange differences	(84)	(34)	(124)	(242)
At 31 December 2019	**4,034**	**2,520**	**3,643**	**10,197**
Carrying amount:				
At 31 December 2019	**1,971**	**515**	**7,498**	**9,984**
At 31 December 2018	1,939	360	7,674	9,973

As at 31 December 2019 £5.8 million (2018: £5.5 million) of fixed assets are fully depreciated and still in use.

In 2018 Sanne reported equipment additions of £7.9 million. Sanne funded £4.2 million of these additions. The remaining £3.6 million was for fit out works in new rented premises. These additions were funded by the landlord as part of the rental agreement and have been included in the right-of-use asset balance.

[1] The Group reclassified accumulated depreciation between the asset classes in the prior year between computer equipment and fixtures and equipment to the value of £660k; this had no impact on the profit and loss. In the prior year this was classified in the incorrect asset class.

19. Subsidiaries

Detailed below is a list of subsidiaries of the Company as at 31 December 2019 which, in the opinion of the Directors, principally affects the profit and/or the net assets of the Group. All of these subsidiaries are 100% owned by the Group, with 100% of voting power held. They all engage in the provision of alternative asset and corporate administration and fiduciary services. Each subsidiary only has ordinary shares.

Subsidiaries	Country of incorporation
Sanne Capital Markets Ireland Limited	Republic of Ireland
Sanne Fiduciary Services (UK) Limited	England and Wales
Sanne Fiduciary Services Limited	Jersey
Sanne Finance Limited	Jersey
Sanne Financial Management Consulting (Shanghai) Co Ltd	People's Republic of China
Sanne Fund Administration Limited	Jersey
Sanne Group (Guernsey) Limited	Guernsey
Sanne Group (Luxembourg) SA	Luxembourg
Sanne Group (UK) Limited	England and Wales
Sanne Group Administration Services (UK) Limited	England and Wales
Sanne Group Asia Limited	Hong Kong
Sanne Holdings Limited	Jersey
Sanne International Limited	Jersey
Sanne (Singapore) PTE. Limited	Singapore
Sanne Trustee Company UK Limited	England and Wales
Sanne Trustee Services Limited	Jersey
Sanne Corporate Administration Services Ireland Limited	Republic of Ireland
Sanne Group U.S. LLC	United States of America
Sanne Group d.o.o. Beograd	Serbia
Sanne Management Company RF (PTY) Limited	Republic of South Africa
Sanne Fund Services SA (PTY) Limited	Republic of South Africa
Sanne Fund Services Malta Limited	Republic of Malta
Sanne Group Delaware Inc.	United States of America
Sanne Group South Africa (PTY) Limited	Republic of South Africa
Sanne (Mauritius) Limited	Mauritius
Sanne Group (Netherlands) B.V.	Netherlands
SANNE Mauritius	Mauritius
SANNE Trustees (Mauritius)	Mauritius
Sanne (Luxembourg) Holdings Sarl	Luxembourg
Sanne Group Funding Limited	Jersey
Luxembourg Investment Solutions S.A. ("LIS")	Luxembourg
Compliance Partners S.A. ("CP")	Luxembourg
Sanne (Luxembourg) Holdings 2 Sarl	Luxembourg
Sanne AgenSynd S.L.U.	Spain
AgenSynd Limited	England and Wales
AgenSynd France SAS	France
Sanne Group Services (UK) Limited	England and Wales
Sanne Group Japan KK	Japan

On 22 November 2019 the Group disposed of its Dubai operations. The Dubai operations are not considered as a separate major line of business and were immaterial.

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20. Minority equity investment

During the year the Group acquired a minority interest in Colmore A.G. The shares are not held for trading and at initial measurement the Group made the irrevocable election to carry the investment at fair value through other comprehensive income. The Group regards the transaction to be a strategic investment and the classification to be the most relevant, based on the Group's business model.

Non-current assets	**2019 £'000**	2018 £'000
Unlisted securities		
Colmore A.G.	**8,632**	-

Reconciliation of Level 3 fair value measurements of financial instruments (other than trade and other receivables):

	2019 £'000	2018 £'000
Balance at 1 January	**-**	-
Additions	**9,347**	-
Foreign exchange losses	**(715)**	-
Balance at 31 December	**8,632**	-

The fair value was based on a combination of the income approach (discounted cash flow model) and the market approach. The discounted cash flow provides an estimation of the fair value based on the cash flows that a business can be expected to generate in the future. The market approach provides an estimation of the fair value based on market prices on actual transactions and asking prices for businesses. The process is a comparison between the subject business and other similar businesses.

In the income approach, the revenue was forecasted over a ten year period. The following unobservable inputs were used: weighted average growth in revenue between 15% and 25%, terminal growth rate of 2% and WACC of 18% which was used to discount the cash flows. The discount rate and the terminal growth rate have been identified to be the assumptions that are the most sensitive to change.

In the market approach a list of broadly comparable listed companies was identified through public sources. Since there are a limited number of public companies offering technology solutions to fund administration businesses services, the Group considered comparable companies offering technology and software services to companies engaged in the broader financial services industry. The valuation was based on a revenue multiple. A revenue multiple of 7.5x was used in the estimate. The Group performed a sensitivity analysis on the fair value. Because a combined approach is used for the valuation, the Group assessed the combined effect of changes in key assumptions. Should WACC increase to 19% and the long-term growth rate only yield 1.5% in the income approach and on the market approach a multiple of 6.7 is used instead of 7.5, the value would have been £866k lower.

21. Leases

This note provides information for leases where the Group is a lessee. The Group leases office space in various jurisdictions. The Group only applied the IFRS 16 lease accounting to its qualifying leases.

	31 Dec 2019 £'000	1 Jan 2019[1] £'000
Right-of-use assets	**32,733**	30,828
Lease liabilities		
Current	**4,291**	3,902
Non-current	**33,549**	31,926
Total	**37,840**	35,828

[1] In the previous year, the Group recognised its operating leases in profit and loss on the straight-line basis, under IAS 17 Leases. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 36.

During the 2019 financial year the Group made £7.5 million in additions to the right-of-use assets.

The consolidated income statement included the following amounts relating to leases:

	2019 £'000	2018 £'000
Depreciation on right-of-use assets	**5,313**	-
Interest expense (included in finance costs)	**1,607**	-
Expenses relating to short-term leases	**706**	-
Expenses relating to premises rent recognised on a straight-line basis	-	5,502

In the prior period the Group expensed £5.5 million for premises rent based on the previous IAS 17 straight-line accounting policy.

The total cash outflow for leases was £6.4 million.

21. Leases continued

Leases are negotiated for a variety of terms over which rentals are fixed with break clauses and options to extend for a further period at the then prevailing market rate. Rental agreements which qualify for IFRS 16 span from 13 months to 24 years. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Judgement was applied in assessing the lease term over which the lease liability should be recognised. The fixed duration per the rental agreement was used as a starting point. Thereafter the term is adjusted based on the contract clauses, should the Group assess it will make use of a break clause, the lease term is adjusted for the break clause and should the Group consider it highly probable that it will extend the agreement per the extension clauses, the lease term is lengthened.

The Group is exposed to potential future increases in variable lease payments based on consumer price indexes, which are not included in the lease liability until they take effect. When adjustments to lease payments based on the consumer price index take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

On initial recognition of a new lease, the lease liability is recognised as the present value of future payments, discounted using the incremental borrowing rate (unless the interest implicit to the lease is available for use). The incremental borrowing rate was determined by making reference to the operating jurisdiction's risk-free rate, adjusted for credit risk, using the interest rate premium as per Group's current borrowings and the liquidity premium, by adjusting the interest rate up or down based on the remaining duration of the rental agreement. Judgement was applied to determine the point where the upward or downward adjustment is made to the interest rate. The Group applied a different incremental borrowing rate to each lease in each jurisdiction as stated here. The unique discount rate best represents the monetary environment, in which the subsidiary operates, at commencement (or transition date). This approach best reflects what the Group would have to pay to obtain a similar asset in the economic environment in which the subsidiary operates. The incremental borrowing rates ranged between 0.81% and 9.77%.

The right-of-use asset for lease agreements entered into after transition date is measured on initial recognition as the amount equal to the lease liability on initial measurement, less any lease incentives and lease payments made before the commencement date, plus any initial direct costs and dilapidation costs.

The Group accounts for lease payments by allocating them between finance costs and the lease liability. The finance cost is charged to profit or loss over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

22. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	**43,457**	41,034
Allowance for doubtful receivables	**(862)**	(766)
	42,595	40,268
Prepayments	**4,089**	3,141
Other debtors	**1,257**	1,363
Total trade and other receivables	**47,941**	44,772

TRADE RECEIVABLES

Trade receivables disclosed above are amounts due to services rendered in the ordinary course of business. At initial measurement, they are recognised at fair value and subsequently at amortised cost, using the effective interest method.

The Group considers all receivables over 60 days to be past due.

In the year no customer represented more than five per cent of the total balance of trade receivables. In the prior year two customers, across multiple contracting entities, represented 13.1% of the 2018 debtors balance.

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

Movement in the allowance for doubtful receivables:	**2019 £'000**	2018 £'000
Balance at the beginning of the year	**766**	639
Recognised through acquisitions	**-**	138
Impairment losses recognised	**656**	468
Amounts written off during the year as uncollectable	**(52)**	(261)
Amounts recovered during the year	**(504)**	(229)
FX losses	**(4)**	11
Total allowance for doubtful receivables	**862**	766

The expected credit losses were measured by grouping the trade receivables in a manner that reflects shared credit risk characteristics and days past due. The expected loss rates are based on the payment profiles of the respective trade receivable groups. In assessing the payment profiles the Group considers the expected future economic changes in the operating jurisdiction, specific client relationships and the expected future client and fund liquidity. This is then adjusted for forward-looking evidence that the Group will not be able to collect the debts or bill the customer. All impairment losses are related to receivables arising from contracts with customers.

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22. Trade and other receivables continued

The following table provides information about expected credit losses for trade receivables, from individual customers as at 31 December 2019 and 31 December 2018:

31 December 2019	2019 Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
<31 days	0%	31,313	-	31,313
31-60 days	0%	1,214	-	1,214
61-90 days	0%	1,441	1	1,440
91-120 days	0%	4,129	-	4,129
121-180 days	1%	805	7	798
180+ days	19%	4,555	854	3,701
Total		**43,457**	**862**	**42,595**

31 December 2018	2018 Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
<31 days	0%	27,740	-	27,740
31-60 days	0%	2,527	-	2,527
61-90 days	0%	2,423	–	2,423
91-120 days	1%	5,399	32	5,367
121-180 days	0%	470	–	470
180+ days	30%	2,475	734	1,741
Total		41,034	766	40,268

The age buckets disclosed above have expected credit losses applied. Where the expected credit loss rate is 0%, the buckets have immaterial expected credit losses.

23. Contract assets

	2019 £'000	2018 £'000
EMEA	2,856	2,942
Asia-Pacific & Mauritius	2,644	2,559
North America	527	593
Channel Islands	433	534
Balance at 31 December	**6,460**	6,628

The prior year comparative figures were restated, due to the change in segments. Please refer to note 5 for more information relating to the change.

	2019 £'000	2018 £'000
Contract assets relating to contracts with customers 1 January	6,628	3,096
Increase in contract assets for the period	7,003	6,306
Contract assets released	(6,334)	(3,127)
Disposal group held for sale	(325)	(9)
Exchange differences	(512)	362
Balance at 31 December	**6,460**	6,628

Contract assets are all classified as current based on expected recoverability. The contract assets are subject to the impairment requirements of IFRS 9. The contract assets relate to unbilled work recognised on time spend basis as performance obligations are met and substantially have the same risk characteristics as the trade receivables and the simplified approach was also applied to contract assets. The Group has therefore concluded that the expected loss rates applied to trade receivables <31 days, are an appropriate estimation of the expected credit losses.

Payments are due as soon as invoices are raised.

24. Net (debt)/cash

		2019 £'000	2018 £'000
Bank loan (see note 27)		**(129,572)**	(85,364)
Trapped cash	(i)	**(10,065)**	(8,936)
Less: Cash and cash equivalents		**51,454**	32,411
Total net (debt)/cash		**(88,183)**	(61,889)

The Group had undrawn borrowings at 31 December 2019 of £88 million (2018: £14.2 million) and an accordion of £70 million. See note 27.

(i) Trapped cash is the aggregate of the minimum amounts of cash our legal entities are required to hold in order to maintain compliance with any regulatory or legal capital or liquidity requirements that apply to them. The balance of trapped cash is somewhat fluid and will depend on the other assets of the respective entities, it is not specifically held in segregated accounts. Trapped cash can be used by the business; however, it could lead to a breach of the regulatory compliance requirements. Refer to note 34 for additional information on capital management.

25. Share capital

	2019 £'000	2018 £'000
Authorised		
500,000,000 (2018: 500,000,000) ordinary shares of £0.01 each	5,000	5,000
Called up, issued and fully paid		
146,633,168 (2018: 145,996,512) ordinary shares of £0.01 each	1,466	1,460

1,730,901 Ordinary shares (1.2% of the issued share capital) are held by Sanne Group Employees' Share Trust ("EBT") (2018: 2,622,846) and have been treated as treasury shares in accordance with IAS 32 Financial Instruments.

At 31 December 2019 the Company held 98,533 (2018: 98,533) treasury shares.

Movements in share capital during the year ended 31 December	2019 £'000	2018 £'000
Balance at 1 January	**1,460**	1,416
Issue of shares:		
FAS deferred consideration	**6**	8
LIS acquisition	**-**	30
Sanne AgenSynd acquisition	**-**	6
Balance at 31 December	**1,466**	1,460

Movements in share premium during the year ended 31 December	2019 £'000	2018 £'000
Balance at 1 January	**200,270**	171,850
Issue of shares:		
FAS deferred consideration	**3,153**	4,036
LIS acquisition	**-**	20,885
Sanne AgenSynd acquisition	**-**	3,499
Balance at 31 December	**203,423**	200,270

Shares to the value of £3.2 million (2018: £4.0 million) were issued from the "shares to be issued" reserve rather than raised through the issuance of ordinary shares.

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26. Own shares

	Shares		£'000	
	2019	2018	**2019**	2018
EBT	**1,730,901**	2,622,846	**1,166**	1,470
Treasury	**98,533**	98,533	**-**	-
Total	**1,829,434**	2,721,379	**1,166**	1,470

SANNE GROUP EMPLOYEES' SHARE TRUST ("EBT")

During the year, the EBT settled commitments under share based payments of 936,892 shares. The EBT also repurchased 44,947 shares during the year from employees.

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

TREASURY SHARES

The Company held 98,533 (2018: 98,533) shares in treasury resulting from repurchases of shares which are held under restrictive sale agreements, at a total cost of £2.

27. Borrowings

On 1 March 2019, the Group refinanced its loan facility and repaid the existing loan in full. The facility has a maturity of February 2023 with extension options of up to two years. Interest is charged at LIBOR plus a variable margin. The balance of the unamortised loan costs was written off.

The new loan facility is for £150 million plus an accordion facility of £70 million with a consortium of five banks namely HSBC, Bank of Ireland, Lloyds, Royal Bank of Canada and Santander. The new loan is now structured solely as a revolving credit facility that can be drawn down and repaid by the Group at any time. The loan and accordion have a maturity of February 2023 and pay commercial rates.

Covenants attached to the loan relate to interest cover and leverage. Undrawn funds in the revolving credit facility are charged at 40% of the interest margin while the accordion facility attracts no interest until drawn.

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

	2019 £'000	2018 £'000
Available		
Term loan	**-**	46,000
Revolving credit facility	**150,000**	44,000
Accordion facility	**70,000**	10,000
	220,000	100,000
Drawn		
Term loan	**-**	46,000
Revolving credit facility	**131,175**	39,850
	131,175	85,850
Capitalised loan fees	**(1,603)**	(486)
Total borrowings	**129,572**	85,364

Reconciliation of loan balance	**2019 £'000**	2018 £'000
Balance at 1 January	**85,364**	64,335
Redemption of bank loans	**(85,850)**	(4,000)
New bank loans raised	**131,175**	24,850
Amortisation for the year	**174**	179
Loan fees accrued	**(37)**	-
Loan fees paid	**(1,711)**	-
Loan fees written off	**457**	-
Balance at 31 December	**129,572**	85,364

During the year to 31 December 2019, the Group drew down from the revolving credit facility a net total of £131.2 million with £85.9 million used to repay the previous facility.

28. Deferred taxation

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

	2019 £'000	2018 £'000
Deferred tax asset	**8,324**	2,082
Deferred tax liability	**(15,931)**	(13,395)
	(7,607)	(11,313)

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

	2019 £'000	2018 £'000
Intangible assets	**(9,063)**	(10,692)
Other timing differences	**1,456**	(621)
	(7,607)	(11,313)

The movement in the year is analysed as follows:

	2019 £'000	2018 £'000
Balance at 1 January	**(11,313)**	(7,930)
Recognised through acquisitions	**-**	(5,162)
Other comprehensive income	**10**	(11)
Income statement movements		
Intangible assets	**1,629**	(738)
Leases – right of use assets	**5,370**	-
Leases – lease liabilities	**(4,822)**	-
Tangible assets	**(122)**	(169)
Share based payments	**145**	1,052
Other timing differences – income statement	**1,122**	1,900
Foreign exchange	**374**	(255)
Balance at 31 December	**(7,607)**	(11,313)

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

The Group expects the deferred tax asset to be recovered as follows:

	2019 £'000	2018 £'000
Deferred tax asset		
recovered in no more than 12 months after the reporting period	**5,123**	771
recovered in more than 12 months after the reporting period	**3,201**	1,311
Balance at 31 December	**8,324**	2,082

The Group expects the deferred tax liability to be settled as follows:	**2019 £'000**	2018 £'000
Deferred tax liability		
settled in no more than 12 months after the reporting period	**(10,856)**	(9,303)
settled in more than 12 months after the reporting period	**(5,075)**	(4,092)
Balance at 31 December	**(15,931)**	(13,395)

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29. Trade and other payables

		2019 £'000	2018 £'000
Trade creditors		**1,320**	287
Other payables		**1,148**	1,482
Other taxes and social security		**3,139**	2,834
Accruals		**8,865**	5,536
Deferred consideration	(i)	**-**	24,328
Total trade and other payables		**14,472**	34,467
Other liabilities	(ii)	**-**	4,914
Total other liabilities		**-**	4,914

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

(i) The prior year deferred consideration relates to the LIS acquisition and was settled in cash in the current year.

(ii) In the prior year other liabilities relate to the non-current liability recognised for lease incentives received. In the current year the lease incentives decrease the right-of-use asset balances as set out in IFRS 16. Refer to note 21 for further information relating to the lease accounting.

30. Provisions

	2019 £'000	2018 £'000
Balance at 1 January	**1,650**	506
Provisions utilised during the year	**(546)**	(60)
Provisions recognised during the year	**1,352**	-
Recognised through acquisitions	**-**	180
Provisions grossed up	**-**	1,030
Foreign exchange loss/(gain)	**19**	(6)
Balance at 31 December	**2,475**	1,650
Of which are:		
Current lease liabilities	**451**	452
Non-current lease liabilities	**2,024**	1,198
Balance at 31 December	**2,475**	1,650

The provision carried principally relates to dilapidations for property leases and will be utilised upon the dismantling of the fixtures in the properties leased, which is expected to occur at the end of rental agreements. The rental agreements span from 1 year to 24 years. A best estimate of the dismantling costs was made; however, the final costs will be determined based on the state of the property and the work required. The Group expects the cash outflow to occur at the end of the lease term. In the prior year the Group incorrectly carried all of its provisions as current. This was split in the current year, as above, between current and non-current. The prior year balance moving from current liabilities to non-current liabilities is £1.2 million, because as at 31 December 2018 it was due after more than 12 months. There was no impact on the profit and loss.

31. Contract liabilities

	2019 £'000	2018 £'000
EMEA	**7,479**	5,910
Asia-Pacific & Mauritius	**4,302**	4,475
North America	**71**	119
Channel Islands	**5,782**	5,581
Balance at 31 December	**17,634**	16,085

The following disclosure indicates how much revenue, recognised in the current reporting period, relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

The prior year comparative figures were restated, due to the change in segments (the cumulative balance remained unchanged). Please refer to note 5 for more information relating to the change.

	2019 £'000	2018 £'000
Contract liabilities at 1 January	**16,085**	12,850
Revenue recognised in the current period that was included in the contract liability balance at the beginning of the period	**(16,195)**	(12,855)
Contract liabilities recognised during the year	**18,551**	16,098
Disposal group held for sale	**(325)**	(250)
Exchange differences	**(482)**	242
Balance at 31 December	**17,634**	16,085

Payments are due as soon as invoices are raised. Revenue is recognised over time, as the performance obligations are met.

32. Share-based payments

	2019 £'000	2018 £'000
Sanne Group plc		
Performance Share Plan	**(40)**	1,192
Restricted Stock Awards	**2,482**	2,184
Social security accrual	**(65)**	-
Total share based payments	**2,377**	3,376

PERFORMANCE SHARE PLAN

During the current and prior years the Group granted awards over its ordinary shares under the terms of its Performance Share Plan ("PSP"). The exercise of awards under the PSP is conditional upon the achievement of one or more challenging performance targets set at the time of the grant and measured over a three-year performance period from grant date. All the awards were granted for nil consideration.

The fair value for Performance Share Plans containing a market condition were valued on grant date using the Geometric Brownian Motion, which incorporated a Monte Carlo simulation. This was performed by determining the share price at grant date and applying the module under certain assumptions, for example the reinvesting of dividends and a risk free rate linked to a three-year UK government bond.

Management estimates the number of shares to be vested based on the performance targets set to be achieved and the current performance of the Group. This is then grown by 13% as per market expectation to determine the probable performance at vesting date. The fair value of share awards granted during the period amounted to £5.4 million.

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

RESTRICTED STOCK AWARDS

During the current and prior years the Group granted awards over its ordinary shares in the form of Restrictive Stock Awards ("RSA"). The awards are granted as part of the mechanics of an acquisition to act as retentions for staff. The vesting of the awards is subject to continued employment over an agreed period. All the awards were granted for nil consideration.

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32. Share based payments continued

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

	Number of shares 2019	Number of shares 2018
Performance share plan		
Outstanding at 1 January	**1,413,030**	1,229,280
Granted during the year	**376,783**	326,289
Forfeited during the year	**(197,726)**	(142,539)
Vested during the year	**(575,539)**	-
Outstanding at 31 December	**1,016,548**	1,413,030

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

	Number of shares 2019	Number of shares 2018
Restricted Stock Awards		
Outstanding at 1 January	**1,546,998**	1,355,554
Granted during the year	**540,704**	386,138
Forfeited during the year	**(97,219)**	(151,413)
Vested during the year	**(311,419)**	(43,281)
Outstanding at 31 December	**1,679,064**	1,546,998

The fair value of services received in return for share awards granted are measured by reference to the fair value of the shares granted. The RSA scheme has vesting dates from 2019 to 2023. The PSP scheme has vesting dates between 2019 and 2021.

Shares to be issued comprise the following:	**2019 £'000**	2018 £'000
Balance at 1 January	**12,278**	13,373
New share plans for employees	**2,337**	2,948
FAS acquisition – deferred consideration settled	**(3,159)**	(4,043)
Shares vested	**(3,733)**	-
Balance at 31 December	**7,723**	12,278

33. Long-term employee benefits

DEFINED CONTRIBUTION PLAN

The Group participates in various defined contribution pension plans, to which it makes monthly contributions in specific jurisdictions. The total contributions during the year were £560k (2018: £451k), paid in full by the employer.

DEFINED BENEFIT RETIREMENT OBLIGATION

The Group has a defined benefit retirement obligation in respect of the Mauritius Employment Rights Act 2008 ("the Act"). In terms of the Act, an employer is obligated to pay a lump sum to the employee upon retirement in proportion to the years of service employed at the company.

The Group has no specific assets to cover the obligation as it is all self funded by the Group.

The Group recognised a net defined benefit retirement obligation of £684k (2018: £701k) on the consolidated balance sheet in respect of amounts that are expected to be paid out to employees under the Act. The Group does not expect a significant change in contributions for the following year.

The most recent actuarial valuation of the defined benefit retirement obligation was carried out at 31 December 2019 by the State Insurance Company of Mauritius.

33. Long-term employee benefits continued

Defined benefit retirement obligation	2019 £'000	2018 £'000
Present value of defined benefit retirement obligation at the beginning of the year	**701**	718
Amounts recognised in the Consolidated Income Statement		
– Current service cost	**54**	48
– Net interest expense	**42**	48
Amounts recognised in the Consolidated Statement of Other Comprehensive Income		
– Actuarial loss/(gain) on defined benefit retirement obligation	**67**	(70)
Direct benefits paid	**(118)**	(85)
FX gain	**(62)**	42
Present value of defined benefit retirement obligation at 31 December	**684**	701

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

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

	2019	2018
Discount rate[1]	**6.5%**	6.6%
Future salary increases	**3%**	3%
Future pension increases	**3%**	3%
Withdrawal rate	**17%**	17%
Retirement age	**65 years**	65 years

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

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

	2019 £'000	2018 £'000
– Increase due to 1% decrease in discount rate	**129**	115
– Decrease due to 1% increase in discount rate	**182**	89
– Increase due to 1% increase in future salary increases	**132**	157
– Decrease due to 1% decrease in future salary increases	**167**	123
Weighted average duration of the defined benefit obligation (years)	**22.7 years**	16.3 years

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34. Financial instruments

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

Categories of financial instruments		Level	2019 £'000	2018 £'000
Financial assets				
Financial assets recorded at amortised cost				
Cash and bank balances			**51,454**	32,411
Trade and other receivables	(i)		**49,055**	46,896
Financial assets recorded at fair value				
Investment in equity	(ii)	3	**8,632**	-
Financial liabilities				
Financial liabilities recorded at amortised cost				
Bank loan			**129,572**	85,364
Deferred consideration	(iii)	3	-	24,328
Trade and other payables	(iv)		**11,333**	7,305

(i) Includes contract assets but excludes other debtors and prepayments.

(ii) Refer to note 20 for further information relating to the minority equity investment and the fair value thereof.

(iii) The deferred consideration relates to the acquisition of LIS and CP. The consideration had a contingent element where it was based on the 2018 multiple and payment was deferred until the 2018 audit of LIS and CP was finalised.

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

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

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

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

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

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

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The managed capital refers to the Group's debt and equity balances. Refer to note 25 for the quantitative disclosure of the share capital.

As disclosed in note 27, the Group has a loan which requires it to meet cash flow, leverage and interest cover covenants. Refer to note 27 for the quantitative disclosure of the borrowings. In order to achieve the Group's capital risk management objective, the Group aims to ensure that it meets financial covenants attached to the borrowings. Breaches in meeting the financial covenants would permit the lender to immediately call the loan.

In line with the loan agreement, the Group tests compliance with the financial covenants on a quarterly basis and considers the results in making decisions affecting dividend payments to shareholders or issue of new shares.

Individual regulated entities within the Group are subject to regulatory requirements to ensure adequate capital and liquidity to meet local requirements in Jersey, UK, Guernsey, Ireland, Netherlands, Luxembourg and South Africa, which are monitored monthly to ensure compliance. There have been no breaches of applicable regulatory requirements during the year or at year end. These regulatory requirements of adequate capital are referred to by Sanne as "trapped cash", the quantitative balance of which can be observed in note 24.

FINANCIAL RISK MANAGEMENT OBJECTIVES

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

MARKET RISK

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

34. Financial instruments continued

INTEREST RATE RISK MANAGEMENT

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. The interest rates are directly linked to the LIBOR plus a margin based on the leverage ratio of the Group. The higher the leverage ratio the higher the margin on the LIBOR. The risk is managed by the Group maintaining an appropriate leverage ratio and through this ensuring that the interest rate is kept as low as possible. The Group is currently considering the proposed LIBOR reforms, but it does not expect a material impact on the financial results.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

INTEREST RATE SENSITIVITY ANALYSIS

The sensitivity analysis below has been determined based on the floating rate liabilities.

The Group considers a reasonable interest rate movement in LIBOR to be 25 basis points based on historical changes to interest rates. If interest rates had been higher/lower by 25 basis points and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would decrease/increase by £363k (2018: £229k).

FOREIGN CURRENCY RISK MANAGEMENT

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

	Assets		Liabilities	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Euro	**35,051**	29,846	**168**	324
United States Dollar	**25,979**	18,261	**281**	8
South African Rand	**1,258**	2,410	**71**	(2)
	62,288	50,517	**520**	330

FOREIGN CURRENCY RISK MANAGEMENT SENSITIVITY ANALYSIS

The principal currency of the Group's financial assets and liabilities is Pounds Sterling. The Group, however, does own trading subsidiaries based in the United States of America, South Africa, Mauritius, Asia and Europe which are denominated in a currency other than the principal currency. The Group therefore faces currency exposures.

The following table illustrates management's assessment of the foreign currency impact on the year-end consolidated balance sheet and present the possible impact on the Group's total comprehensive income for the year and net assets arising from potential changes in the Euro, United States Dollar or South African Rand exchange rates, with all other variables remaining constant. A strengthening or weakening of Sterling by 20% is considered an appropriate variable for the sensitivity analysis given the scale of foreign exchange fluctuations over the last two years. This is based on the most volatile currency, namely the South African Rand for which it is not uncommon to see a 20% fluctuation.

	Strengthening / (weakening) of Sterling	Effect on Group comprehensive income and net assets	
		2019 £'000	2018 £'000
Euro	+20%	**(6,977)**	(5,904)
United States Dollar	+20%	**(5,140)**	(3,650)
South African Rand	+20%	**(237)**	(482)
Euro	(20%)	**5,814**	4,920
United States Dollar	(20%)	**4,283**	3,042
South African Rand	(20%)	**198**	402

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's principal exposure to credit risk arises from the Group's receivables from clients.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. The carrying amount of financial assets recorded in the historical financial information, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Cash and cash equivalents are subject to the impairment requirements of IFRS 9. As balances are mainly held with reputable international banking institutions, they were assessed to have low credit risk and no loss allowance is recognised. Cash and cash equivalents are held mainly with banks which are rated 'A-' or higher, with the exception of a few BBB rated institutions, by Standard & Poor's Rating Services.

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34. Financial instruments continued

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

The Group manages credit risk by review at take-on around:

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

Subsequently, customer credit risk is managed by each of the Group entities subject to the Group's policies, procedures and controls relating to customer credit risk management. Outstanding customer receivables are monitored and followed up continuously. Provisions are made when there is objective, forward-looking, evidence that the Group will not be able to collect the debts or bill the customer. This evidence can include the following: indication that the customer is experiencing significant financial difficulty or default, probability of the fund being liquidated, or similar factors. Analysis is done on a case by case basis in line with the Group policy. The ageing of trade receivables and loss allowance at the reporting date is disclosed in note 22. Note 23 sets out the expected credit loss of contract assets.

The Group has rebutted the presumption that there have been significant increases in credit risk since initial recognition of trade receivables by considering the payment profiles of the trade receivables past due on a case by case basis. Historically the Group has had immaterial debt write-offs, supporting the fact that the clients do not incur significant increases in their credit risk when becoming past due.

LIQUIDITY RISK MANAGEMENT

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

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

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

LIQUIDITY AND INTEREST RISK TABLES

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment years. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from interest rates at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	< 3 months £'000	3-12 months £'000	1-5 years £'000	> 5 years £'000	Total £'000
31 December 2019					
Bank loans (i)	**666**	**2,013**	**139,203**	**-**	**141,882**
Trade payables and accruals (ii)	**14,331**	**-**	**-**	**-**	**14,331**
Provisions	**-**	**451**	**500**	**1,524**	**2,475**
Lease liability	**1,084**	**3,287**	**11,195**	**22,274**	**37,840**
	16,081	**5,751**	**150,898**	**23,798**	**196,528**
31 December 2018					
Bank loans (i)	524	1,562	89,498	-	91,584
Trade payables and accruals (ii)	10,069	-	-	-	10,069
Provisions	506	-	-	-	506
	11,099	1,562	89,498	-	102,159

For the purpose of the above liquidity risk analysis the amortised value has been adjusted for:

(i) The future interest payments not yet accrued and the repayment of capital upon maturity.

(ii) The accrued bank loan interest payable at the balance sheet date.

FAIR VALUE OF FINANCIAL INSTRUMENTS

For all the financial instruments, excluding the instruments classified as carried at fair value through other comprehensive income, the directors consider that the carrying amounts of financial assets and financial liabilities in the historical financial information approximate their fair values.

35. Related party transactions

The Group's related parties are key management personnel, comprising all members of the plc Board and the Executive Committee who are responsible for planning and controlling the activities of the Group.

The remuneration of any employee who met the definition of key management personnel of the Group at the end of the period is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures for the period they served as key management personnel.

	2019 £'000	2018 £'000
Short-term employee benefits	**2,289**	2,789
Share based payments (see note 32)	**222**	573
Contracted through consultancy firm	**60**	-
Total short-term payments	**2,571**	3,362

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below:

	2019 £'000	2018 £'000
Consulting services – Arema Risk Limited	**70**	185

Arema Risk Limited is a related party of the Group as a member of the key management personnel is a shareholder of the entity. The Group engaged the entity for consultancy services at an arm's length basis.

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

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

36. Changes in accounting policies

On adoption of IFRS 16 'Leases', the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The incremental borrowing rate was determined on 1 January 2019 as set out in note 21. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.21%.

The Group made use of the practical expedient on transition whereby leases with a remaining lease term of less than 12 months, as at 1 January 2019, will be accounted for as a short-term lease. Consequently, no lease liability or right-of-use asset was calculated thereon. Initial direct costs were also excluded for the measurement of the right-of-use asset at initial application of the new standard.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 'Leases' and IFRIC 4 Determining whether an arrangement contains a Lease.

The Group defines low value assets as those assets with a purchase price, for a new and unused asset, of £5,000 or lower.

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36. Changes in accounting policies continued

The discounted remaining lease payments are reconciled to the lease liability recognised on initial application as follows:

	1 Jan 2019 £'000
Operating lease commitments disclosed as at 31 December 2018	60,265
Discounted using the average incremental borrowing rate	40,243
Less: short-term leases recognised as an expense on a straight-line basis	(67)
Less: low value assets recognised as an expense on a straight-line basis	(15)
Plus: adjustment due to jurisdictional incremental borrowing rate used	327
Leases committed to in 2018 with a 1 January 2019 commencement date	(4,660)
Lease liability recognised as at 1 January 2019	**35,828**
Of which are:	
Current lease liabilities	3,902
Non-current lease liabilities	31,926
	35,828

The associated right-of-use assets for property leases were measured on a simplified retrospective basis, thereby recognising the right-of-use asset at the carrying value it would have been on 1 January, if the new standard was always in effect. Using the practical expedient, the Group only recognised a right-of-use-asset on property. The impact on 1 January 2019 is set out below. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The cumulative effect of initially applying IFRS 16 'Leases' was accounted for as an adjustment to the opening balance of retained earnings.

Right-of-use assets were only recognised on the rental properties.

	31 Dec 2019 £'000	1 Jan 2019 £'000
Right-of-use assets	**32,733**	30,828
Lease liabilities	**(37,840)**	(35,828)

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:		£'000
Right-of-use assets	Increase by	30,828
Lease liabilities	Increase by	35,828
Deferred tax liabilities	Increase by	4,426
Deferred tax assets	Increase by	4,976
Trade and other payables	Decrease by	5,403
Property, plant and equipment	Decrease by	1,109
Retained earnings	Decrease by	556
Provisions	Increase by	400
Basic EPS (pence)	Decrease by	0.40
Diluted EPS (pence)	Decrease by	0.39
Underlying basic EPS (pence)	Decrease by	0.40
Underlying diluted EPS (pence)	Decrease by	0.39

The lease liability disclosed in the 31 December 2018 consolidated financial statements included two leases with a 1 January 2019 commencement date. The two leases amounted to £ 4.7 million and were included in the consolidated financial statements to be prudent.

Refer to note 21 relating to the current year disclosure of the lease liabilities and right of use asset. Note 21 also details the Group's approach to the assessment of the lease terms, variable lease payments and the calculation of the incremental borrowing rates applied.

37. Business combinations

There have been no business combinations in the current year. In the prior year Sanne acquired 100% of the issued shares of Investment Solutions S.A., Compliance Partners S.A. and AgenSynd S.L. The following note sets out the impact of the prior year business combinations on the comparative period.

LUXEMBOURG INVESTMENTS SOLUTIONS S.A. AND COMPLIANCE PARTNERS S.A.

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

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

The consideration for the acquisition was satisfied by a total payment of approximately £60.2 million (€66.6 million) in cash during 2018 and 2019, and the issuance of 3,022,841 shares.

		EUR '000	GBP '000
Recognised amounts of identifiable net assets (at fair value):			
Non-current assets	**Useful economic life**		
Equipment	3 – 5 years	426	378
Customer & contract intangibles	5 years	18,616	16,527
		19,042	16,905
Current assets			
Trade and other receivables		2,117	1,879
Cash and cash equivalents		3,983	3,536
Accrued income		4,143	3,678
		10,243	9,093
Current liabilities			
Trade and other payables		2,425	2,153
Current tax liabilities		1,163	1,032
Deferred revenue		74	66
		3,662	3,251
Non-current liabilities			
Deferred tax liabilities		4,842	4,299
		4,842	4,299
Identifiable net assets		**20,781**	**18,448**
Goodwill		75,868	67,572
Total consideration		**96,649**	**86,020**
Total consideration satisfied by:			
Cash consideration – on acquisition		29,878	26,525
Equity instruments – ordinary shares (3,022,841 shares in Sanne Group plc)		13,923	12,361
Deferred consideration		52,848	47,134
Fair value of consideration payable at acquisition date		**96,649**	**86,020**
Net cash outflow arising on acquisition:			
Cash consideration		29,878	26,525
Less: cash and cash equivalent balances acquired		(3,983)	(3,536)
Net cash outflow arising on acquisition		**25,895**	**22,989**

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37. Business combinations continued

FAIR VALUE OF CONSIDERATION

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

Included in the prior year was deferred consideration of £24.3 million (€27.1 million). The deferred consideration was paid in 2019 and based on a multiple 2018 EBITDA for the LIS Group.

TRANSACTION COSTS

The Group incurred £117k of acquisition and integration expense in 2018; these costs have been expensed within operating expenses in this financial period and have further been identified as non-underlying as detailed in note 9.

TRADE AND OTHER RECEIVABLES

The fair value of the financial assets acquired is £119k, included in the balance is an amount of £170k, relating to the gross balance of trade receivables, of which £130k was expected to be uncollectible.

GOODWILL

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

EFFECT ON THE RESULTS

During 2018 the LIS Group contributed £16.1 million of revenue and a net profit for the year of £5.2 million to the Group's profit for the period between the date of acquisition and the balance sheet date. If the business had been acquired at 1 January 2018 on a pro rata basis the Group revenue for the period would have been £144.5 million (£1.5 million higher) and net profit for the year £19.8 million (£469k higher).

37. Business combinations continued

AGENSYND S.L ("STREAM GROUP")

On 14 August 2018, the Group entered into a conditional agreement to acquire 100% of the issued share capital of AgenSynd S.L. The Group has entities in Spain, the United Kingdom and France. The acquisition provided the Group with an opportunity to expand its platform in Spain and its existing EMEA operations and completed on 3 September 2018.

The consideration for the acquisitions was satisfied through payments of approximately £6.7 million (€ 7.4 million) in cash, and the issuance of 568,986 consideration shares.

		EUR '000	GBP '000
Recognised amounts of identifiable net assets (at fair value):			
Non-current assets	**Useful economic life**		
Equipment	3 – 7 years	115	104
Customer & contract intangibles	7 years	3,625	3,269
		3,740	3,373
Current assets			
Trade and other receivables		133	119
Cash and cash equivalents		460	415
		593	534
Current liabilities			
Trade and other payables		247	223
Current tax liabilities		165	150
Deferred revenue		961	867
		1,373	1,240
Non-current liabilities			
Deferred tax liability		960	863
		960	863
Identifiable net assets		**2,000**	**1,804**
Goodwill		9,318	8,404
Total consideration		**11,318**	**10,208**
Total consideration satisfied by:			
Cash consideration – on acquisition		7,434	6,705
Equity instruments – ordinary shares (568,986 shares in Sanne Group plc)		3,884	3,503
Fair value of consideration payable at acquisition date		**11,318**	**10,208**
Net cash outflow arising on acquisition:			
Cash consideration		7,434	6,705
Less: cash and cash equivalent balances acquired		(460)	(415)
Net cash outflow arising on acquisition		**6,974**	**6,290**

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37. Business combinations continued

FAIR VALUE OF CONSIDERATION

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

TRANSACTION COSTS

The Group incurred £971k of acquisition and integration expense in 2018, these costs have been expensed within operating expenses in this financial period and have further been identified as non-underlying as detailed in note 9. Due to the legal form of the deferred consideration on this deal there are also additional payments to be made estimated at £3.2 million which are treated as ongoing remuneration of key management personnel and being expensed over this and future accounting periods; £564k has been expensed for this in the 2018 financial period, shown in operating expenses and further identified as non-underlying as detailed in note 9.

TRADE AND OTHER RECEIVABLES

The fair value of the financial assets acquired includes trade and other receivables with a fair value of £119k. The gross amount receivable is £170k, of which £130k was expected to be uncollectible.

GOODWILL

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

EFFECT ON THE RESULTS

During the 2018 period The AgenSynd Group contributed £1.1 million of revenue and a profit for the year of £528k, excluding acquisition costs regarded as non-underlying, for the period between the date of acquisition and the balance sheet date. If the business had been acquired at 1 January 2018 on a pro rata basis the Group revenue for the period would have been £145.3 million (£2.3 million higher) and net profit for the year of £20.2 million (£0.8 million higher, if non-underlying acquisition costs are excluded).

38. Contingent liabilities

In the ordinary course of business the Group could be subject to legal claims and/or proceedings. Should such an event arise, the Board would consider its best estimate of the amount required to settle the obligation and, where appropriate, establish a provision. While there can be no assurances that circumstances will not change, based upon information currently available, the Directors do not believe there is any such claim or proceeding that could have a material adverse effect on the Group's financial position.

39. Post balance sheet events

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

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

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

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