

Independent Auditors' Report

to the members of Sanne Group plc

Report on the audit of the financial statements

Opinion

In our opinion, Sanne Group plc's group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Accounts 2020 (the "Annual Report"), which comprise: the Consolidated Balance Sheet as at 31 December 2020; the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group.

Other than those disclosed in the Audit Committee Report, we have provided no non-audit services to the group in the period under audit.

Our audit approach

Context

Sanne Group plc is a FTSE listed company on the London Stock Exchange. Sanne's business comprises the delivery of fund administration and fiduciary trust and related services principally to institutional markets. Sanne operates in a number of overseas territories, in particular Jersey, South Africa, Mauritius, Luxembourg and the United States of America.

Overview

Audit scope

- We performed an audit of the complete financial information of 5 financially significant components' profit before tax across a number of jurisdictions, as each represents more than 15% of absolute profit before tax.
- We also performed audit procedures on selected other balances, components, the Group consolidation adjustments and the financial statement disclosures.
- Taken together, our audit work accounted for more than 90% coverage over turnover, more than 70% coverage over direct costs and operating expenses and more than 80% coverage over profit before tax.

Key audit matters

- Revenue recognition.
- Impairment of goodwill and intangible assets.
- Accounting for business combinations.
- Impact of COVID-19.

Materiality

- Overall group materiality: £1.0 million (2019: £1.0 million) based on 5% of profit before tax ("PBT").
- Performance materiality: £0.8 million.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory principles in the jurisdictions in which Sanne Group plc operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies (Jersey) Law 1991. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journals to increase revenue, and management bias in accounting estimates and judgemental areas of the financial statements such as the accounting for business combinations, impairment of goodwill and intangible assets, as described below in our key audit matters. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with group and local management, including Internal Audit, Risk, Compliance and, where relevant, General Counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud impacting the Group and/or the component;
- Reviewing governance committee minutes for the plc Board, Audit Committee, Risk Committee and local Board meetings;
- Assessing executive and finance management remuneration structures and how closely relevant financial metric thresholds have been met (or not met) and how bias could therefore have occurred;
- Assessment of any matters reported on the Group's whistleblowing helpline and the Audit Committee's investigation of such matters, and testing the whistleblowing process;
- Reviewing correspondence with regulators in relation to compliance with laws and regulations;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Procedures relating to judgemental areas of accounting and significant estimation, including as described in the related key audit matters below; and
- Identifying and testing journal entries, in particular any journal entries posted by key decision makers of the business, journal entries posted by unexpected users who were outside of the finance team or administrative and accounting teams, as well as journal entries containing unusual account descriptions and journal entries posted with unusual account combinations, specifically in relation to revenue.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Accounting for business combinations and Impact of COVID-19 are new key audit matters this year. Otherwise, the key audit matters below are consistent with last year.

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Key audit matter

Revenue recognition

Refer to the Audit Committee Report, Note 3: Significant accounting policies and Note 6: Revenue

Auditing standards state that there is a rebuttable presumption that the auditor will identify the risk of fraud in revenue recognition as a significant risk.

We have identified three main revenue streams, being fixed, time and Net Asset Value ('NAV') based fees.

Due to the significant audit effort required as a result of the various revenue streams and number of contracts held across the Group and the significance of the revenue balance to the Consolidated financial results, the risk has not been rebutted and we have assessed revenue to be a key audit matter.

Contract assets and trade and other receivable balances include an element of judgement in respect of the level of provisions existing at each reporting date. Without applying an appropriate level of provision for irrecoverable balances, amounts may exist that are not fully recoverable leading to overstatement in account receivables and revenue. We therefore performed audit work on such year end balances.

How our audit addressed the key audit matter

We understood and evaluated management's internal controls over fixed, time and NAV based fees, including reviewing the receivables cycle, time capturing, the work-in-progress cycle and controls surrounding time recording, NAV based fees and fixed fees to identify key controls. We evaluated the design and tested the operating effectiveness of management's key internal controls over fixed and time based fee revenue streams. We also understood and evaluated the IT systems in place that support revenue and billing in the business, utilising our IT specialists.

We performed the following procedures over revenue:

- Utilised data auditing techniques for certain jurisdictions to ensure that revenue from fixed and time based fees was recognised in accordance with the accounting policies and relevant frameworks. For a sample of fixed and time based fee revenue, we agreed sampled revenue transactions to the relevant supporting documentation and client contracts;
- We recalculated NAV based fees, on a sample basis, and agreed inputs to supporting documentation, including NAV reports and relevant agreements. We reviewed the Group's oversight procedures over NAV valuations by obtaining relevant audit evidence. We performed retrospective review and considered the historical accuracy of the Sanne Group's prior year NAV estimates by comparing a sample of NAVs to audited information;
- Reviewed management's models for compliance with International Financial Reporting Standards ('IFRS'), including the assumptions therein; and
- Performed substantive testing over credit notes issued after year end and assessed whether they related to the current financial year.

We performed the following procedures over revenue:

- We obtained and reviewed Sanne Group's accounting policy for contract asset recognition and IFRS 9 expected credit loss methodology.
- We obtained management's detailed contract assets and trade and other receivables recoverability assessment as at 31 December 2020 and challenged management on their assessment, receiving appropriate supporting evidence and explanations on a sample basis and focusing on how the more significant and longest outstanding balances are being addressed.
- We also assessed the adequacy of the disclosures related to revenue and receivables within the consolidated financial statements.

No material issues were identified.

Key audit matter

Impairment of goodwill and intangible assets

Goodwill

Refer to the Audit Committee Report, Note 3: Significant accounting policies, Note 4: Critical accounting judgements and key sources of estimation uncertainty and Note 16: Goodwill

In previous years and during the current year there have been a number of acquisitions by the group resulting in a goodwill balance of £188.5 million (2019: £180.4 million) relating to 10 cash generating units as at the year-end.

An annual impairment assessment for goodwill was performed by management, as required by IAS 36, including consideration of COVID-19. Management uses an income approach (discounted cash flow model) to determine the value in use of each cash generating units (CGU) to which goodwill is allocated.

The annual impairment assessment performed by management was considered a matter of significance to our current year audit due to the complexity of the assessment process and significant judgements applied by management when determining the assumptions included in the discounted cash flow model.

The performance of financial markets and the general economic conditions in the geographical region and division within which a particular CGU operates, are determining factors in the recoverability of the asset value. Management also makes use of assumptions regarding the revenue growth rates (including the terminal growth rate), cost margins and the risk-free rate and discount rates, including the weighted average cost of capital in the discounted cash flow model.

Intangible assets

Refer to the Audit Committee Report, Note 3: Significant accounting policies, Note 4: Critical accounting judgements and key sources of estimation uncertainty and Note 17: Other intangible assets.

The group has recognised contract and customer intangible assets amounting to £29.0 million (2019: £36.9 million) and £6.6 million (2019: £8.2 million) respectively. These contract and customer intangibles were acquired as part of past business combinations, as well as from acquisitions during the year.

An annual assessment for impairment indicators was performed by management where there was objective evidence of impairment, as required by IAS 36, which included consideration of COVID-19. Three intangible assets showed indicators of impairment for both contract and customer intangibles: CCS (Comhar), IDS Group (Cape) and AgenSynd Group (Stream). In addition, Ariel and LIS Group (Lane) showed impairment indicators for contract intangibles only.

For these contract intangible assets with impairment indicators, management determined the recoverable amount based on the value in use of the assets, in order to assess whether this was lower than the carrying value and whether an impairment would be required. Using this valuation, the recoverable amount was determined to be higher than the carrying amount and therefore management determined that no impairment is required.

The impairment assessments performed by management were considered a matter of significance to our current year audit due to the complexity of the assessment process and significant judgements applied by management when determining assumptions such as: projected contract revenue after attrition, revenue growth rates, cost margins and discount rates.

How our audit addressed the key audit matter

Goodwill

Our audit procedures on the discounted cash flow model used by management in determining the value-in-use of these assets, included:

- Testing the projected cash flows used in the discounted cash flow models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the CGU;
- Comparing the projected cash flows for the next financial period with the latest approved budgets for consistency;
- Comparing the projected cash flows against historical performance;
- Testing the mathematical accuracy of the discounted cash flow model;
- Comparing the risk-free rate, discount rates and weighted average cost of capital used by management in their discounted cash flows (as disclosed in Note 16 to the consolidated financial statements) to our internally developed benchmarks, with the assistance of our valuation experts.
- Performing sensitivity analysis to determine which key assumptions are the most sensitive. We identified that the valuation was most sensitive to the key assumptions around revenue growth rates, cost margins and discount rates; and
- Performing sensitivity analysis to determine the extent to which a reduction in these key assumptions, both individually or in aggregate, would result in goodwill impairment, and considered the likelihood of such events occurring.

We concluded that no impairment was required for the year ended 31 December 2020.

We also considered the adequacy of the disclosure in the financial statements of the impairment assessment of goodwill.

Intangible assets

Value in-use was determined by management using a discounted cash flow model. The model makes use of the following key assumptions: projected contract revenue after attrition, revenue growth rates, cost margins and discount rates. We performed the following testing on the value in-use calculation:

- Comparing the projected contract revenue for the next financial period against historical performance, adjusted for contracted clients that have been lost during the year;
- Assessing the reasonability of the 5% general attrition rate used in the model for the remaining forecast period by comparing the actual contract revenue of the immediate past financial period to the projected contract revenue for the same period as per the 'at acquisition purchase price' allocation calculation;
- Assessing the reasonability of the cost margins used in the model by comparing these against historical performance;
- Testing the mathematical accuracy of the model;
- Comparing the risk-free rate and discount rates used by management in their model to our internally developed benchmarks, with the assistance of our valuation experts;
- Performing sensitivity analysis to determine the extent to which a reduction in these key assumptions, both individually or in aggregate, would result in impairment, and considered the likelihood of such events occurring; and
- The projected revenue growth rate was tested to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the contracts. This included benchmarking the revenue growth rate applied against independently established rates. We found the growth rate used by management to be comparable to the independently established rates after allowing for the expected future outlook.

No material issues were identified.

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Key audit matter

Accounting for business combinations

Refer to the Audit Committee Report, Note 3: Significant accounting policies, Note 4: Critical accounting judgements and key sources of estimation uncertainty, Note 16: Goodwill, Note 17: Other intangible assets and Note 35: Business combinations

During the year the Sanne Group completed four acquisitions with a combined total consideration of £19.3 million, including £0.3 million of contingent consideration and £0.7 million of issuance of equity instruments.

Acquired intangibles recognised in these transactions totalled £5.9 million, with goodwill totalling £7.3 million being recognised.

Management determined the fair value of consideration transferred and the net assets acquired as required by International Financial Reporting Standards ('IFRS') 3.

Due to the level of judgement applied by management in determining the valuation of the assets acquired and the consideration paid, including contingent consideration, and the significance of the goodwill and intangible assets balances recognized through business combinations to the Sanne Group's financial statements, we have determined this as a key audit matter.

The fair value assessments in relation to the net assets acquired and purchase consideration performed by management were considered a matter of significance to our current year audit due to the complexity of the assessment process and significant judgements applied by management when determining assumptions such as: projected contract revenue, attrition rate, discount rate and cost margins.

Impact of COVID-19

Refer to the Chief Executive Officer's Statement, Principal Risks, the Audit Committee Report, Note 16: Goodwill, Note 17: Intangible assets

The outbreak of the novel coronavirus (known as COVID-19) in many countries continues to rapidly evolve and the socio-economic impact is unprecedented.

The measures taken by governments around the world to tackle the COVID-19 pandemic have had wide reaching impacts on the economy and on companies.

In order to assess the impact of COVID-19 on the business, management have updated their risk assessment and going concern models to reflect the potential impacts.

The most significant potential impact to the financial statements has been in relation to the impairment assessment of goodwill and intangible assets. This is described in the key audit matter above.

Management has also modelled possible downside scenarios to their base case cash flow forecast and a severe but plausible downside scenario. Having taken into account these models, together with an assessment of planned and possible mitigating actions, management has concluded that the Group remains a going concern and that there is no material uncertainty in respect of this conclusion.

How our audit addressed the key audit matter

We obtained and reviewed management's key accounting analysis papers and purchase agreements relating to the acquisitions and assessed for compliance with IFRS, including the assumptions therein.

We obtained and tested the mathematical accuracy of management's calculations relating to the accounting for business combinations.

Our audit procedures on the valuation of the fair value of consideration transferred included:

- Agreeing consideration paid in cash to bank statements;
- Testing completeness of the consideration by reviewing the purchase agreements;
- In respect of issuance of equity instruments, confirming the share price with independent sources and, with the assistance of our valuation experts, evaluating the reasonability of the discount rate applied by management.

Our audit procedures on the fair value of the net assets acquired included:

- With the assistance of our valuation experts, evaluating the appropriateness of the valuation models applied by management;
- Comparing the projected contract revenue for the next financial period against historical performance, adjusted for contracted clients that have been lost during the year;
- Comparing the risk-free rate and discount rates used by management in their model to our internally developed benchmarks, with the assistance of our valuation experts. Our internal benchmarks were determined using our view of various economic indicators. We found that the risk-free rate and discount rates applied by management were comparable with our internally developed benchmarks;
- Assessing the cost margins used in the valuation model by comparing against the historical performance of each respective acquired business; and
- Evaluating the reasonability of the attrition rate by comparing the historical contract revenue to the forecasted contract revenue used in the model.

We also assessed the adequacy of the disclosures related to business combinations in the consolidated financial statements.

No material issues were identified.

We evaluated the Group's updated risk assessment and analysis and considered whether it addresses the relevant threats posed by COVID-19. We also evaluated management's assessment of the operational impacts, considering their consistency with other available information and our understanding of the business.

We evaluated management's assessment of accounting estimates, which could be impacted by the economic environment resulting from COVID-19, including estimates involved in the impairment assessment of goodwill and intangible assets. Our conclusions are included in our key audit matter above.

We reviewed the disclosures presented in the Annual Report in relation to COVID-19 by reading the other information, including the Principal risks set out in the Strategic Report, and assessing their consistency with the financial statements and the evidence we obtained in our audit.

In respect of going concern, we assessed management's going concern analysis in light of COVID-19 and evaluated management's base case, downside scenarios and severe but plausible downside scenario, challenging the underlying data and adequacy and appropriateness of the underlying assumptions used to make the assessment and evaluated the directors' plans for future actions in relation to their going concern assessment, should these be required.

Our conclusions relating to going concern and other information are set out in the 'Conclusions relating to going concern' and 'Reporting on other information' sections of our report, respectively, below.

How we tailored the audit scope

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

The Group is structured on a jurisdictional basis, with significant components identified in Jersey, Luxembourg, Mauritius and the United States of America, and with significant centralised group processes and accounting functions operating out of Jersey and South Africa.

For the five significant components identified, we have instructed component auditors to perform an audit of the profit before tax for the component. We have also scoped in additional components that did not meet the significant component threshold, with either an audit of the profit before tax for the component or testing specific financial statement line items to obtain the required coverage over the Group financial statements. We have also tested centralised group processes performed in Jersey and South Africa to obtain further coverage of financial statement line items.

As the group audit team, we determined the level of involvement required at those components to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole. In our role as group auditors, we exercised oversight over the work performed by auditors of the components including performing the following procedures:

- Maintained an active dialogue with reporting component audit teams, including regular group wide audit team conference/video calls and specific conference/video calls for each reporting territory covering scope, status and results prior to inter-office reporting; and
- Video conferencing and/or remote audit workpaper reviews, to satisfy ourselves as to the sufficiency of audit work performed at the significant and additional components.

Based on the scoping procedures and detailed audit work performed across the group, we have obtained sufficient comfort across the individual account balances within the group financial statements, obtaining more than 90% coverage over turnover, more than 70% of direct costs and operating expenses and more than 80% coverage over profit before tax.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

Overall group materiality	£1.0 million (2019: £1.0 million).
How we determined it	5% of profit before tax ("PBT").
Rationale for benchmark applied	In determining our materiality, we considered financial metrics which we believed to be relevant to the users of the financial statements in assessing the performance of the Group and concluded that the Group profit before tax was the most appropriate.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £48,000 and £900,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £0.8 million for the group financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £51,000 (2019: £50,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's latest forecasts that support the Board's assessment and conclusions with respect to the going concern basis of preparation of the financial statements;
- We checked the mathematical accuracy of management's forecasts;
- We corroborated management's base case to appropriate supporting documentation; and
- We evaluated management's base case forecast and downside scenarios, challenging the underlying data and adequacy and appropriateness of the underlying assumptions used to make the assessment. We evaluated the directors' plans for future actions in relation to their going concern assessment, should these be required.

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Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's ability to continue as a going concern.

In relation to the company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies (Jersey) Law 1991 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 1 August 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 December 2019 and 31 December 2020.

Other voluntary reporting

Directors' remuneration

The company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the UK Companies Act 2006. The directors requested that we audit the part of the Directors' Remuneration Report specified by the UK Companies Act 2006 to be audited as if the company were a quoted company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the UK Companies Act 2006.

Jeremy Jensen

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Recognized Auditor

London

18 March 2021

Consolidated Income Statement

For the year ended 31 December 2020

	Note	2020 £'000	2019 ¹ £'000
Turnover	6	174,874	159,707
Third-party fund management fees		(5,186)	(2,190)
Net Revenue ²		169,688	157,517
Direct		(69,138)	(63,505)
Gross profit		100,550	94,012
Other operating income		151	185
Operating expenses		(76,760)	(79,916)
Operating profit		23,941	14,281
Comprising:			
Underlying operating profit from continuing operations	9	48,036	42,988
Non-underlying items within operating profit from continuing operations	9	(24,095)	(28,707)
		23,941	14,281
Other gains and losses		804	(216)
Finance costs	7	(4,324)	(4,672)
Finance income	8	108	158
Profit before tax		20,529	9,551
Comprising:			
Underlying profit before tax from continuing operations	9	44,877	38,715
Non-underlying items within profit before tax from continuing operations	9	(24,348)	(29,164)
		20,529	9,551
Tax	10	(4,362)	(4,007)
Profit after tax from continuing operations		16,167	5,544
Discontinued operations	11	8,679	3,330
Profit for the year		24,846	8,874
Comprising:			
Underlying profit for the year	9	37,992	34,448
Non-underlying items within profit for the year	9	(13,146)	(25,574)
		24,846	8,874
Earnings per ordinary share ("EPS") from continuing operations (expressed in pence per ordinary share)			
Basic	12	11.1	3.8
Diluted	12	11.1	3.8
Underlying basic	12	25.5	21.6
Underlying diluted	12	25.4	21.3

- Certain staff costs amounting to £1.2 million for the year ended 31 December 2019 have been reclassified and moved from Direct Costs to Other Operating expenses. This change did not affect the profit for the period. See note 5 for more detail.
- Net Revenue comprises revenue less third-party fund management fees. Direct costs comprise direct costs of £74.3 million (2019: £65.7 million) less third-party fund management fees of £5.2 million (2019: £2.2 million).

The notes on pages 123 to page 170 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Profit for the year		24,846	8,874
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit and loss:			
Actuarial loss on defined benefit retirement obligation	34	(419)	(67)
Income tax relating to items not reclassified		95	10
Revaluation and exchange rate differences of equity investments	20	(234)	(715)
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		(830)	(10,663)
Total other comprehensive expense for the year		(1,388)	(11,435)
Total comprehensive income/(expense) for the year		23,458	(2,561)
Comprising:			
Total comprehensive income/(expense) for the year from continuing operations		14,779	(5,891)
Total comprehensive income for the year from discontinued operations		8,679	3,330
Total comprehensive income/(expense) for the year		23,458	(2,561)

The notes on pages 123 to page 170 are an integral part of these Consolidated Financial Statements.

Consolidated Balance Sheet

As at 31 December 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Goodwill	16	188,478	180,414
Other intangible assets	17	38,160	45,388
Equipment	18	8,971	9,984
Minority equity investment	20	8,765	8,632
Financial asset at amortised cost	21	830	–
Right-of-use asset	22	33,724	32,733
Contract assets	24	66	–
Deferred tax asset	29	9,008	8,324
Total non-current assets		288,002	285,475
Current assets			
Trade and other receivables	23	53,713	47,941
Cash and cash equivalents		57,119	51,454
Contract assets	24	8,244	6,460
Disposal group held for sale	11	–	2,979
Total current assets		119,076	108,834
Total assets		407,078	394,309
Equity			
Share capital	26	1,474	1,466
Share premium	26	207,190	203,423
Own shares	27	(562)	(1,166)
Shares to be issued	33	3,006	7,723
Retranslation reserve		(13,964)	(13,134)
Accumulated losses		(18,751)	(26,487)
Total equity		178,393	171,825
Non-current liabilities			
Borrowings	28	133,549	129,572
Deferred tax liabilities	29	15,165	15,931
Provisions	30	2,936	2,024
Defined benefit retirement obligation	34	1,086	684
Lease liability	22	34,405	33,549
Total non-current liabilities		187,141	181,760
Current liabilities			
Trade and other payables	31	15,059	14,472
Current tax liabilities		2,661	3,301
Provisions	30	359	451
Contract liabilities	32	18,542	17,634
Lease liability	22	4,923	4,291
Disposal group held for sale	11	–	575
Total current liabilities		41,544	40,724
Total equity and liabilities		407,078	394,309

The financial statements on pages 118 to 170 were approved by the Board of Directors on 18 March 2021 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 2020

	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 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 and exchange rate differences of equity investments		–	–	–	–	–	(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	26	6	3,153	–	(3,159)	–	–	–
Dividend payments	15	–	–	–	–	–	(20,029)	(20,029)
Share-based payments	33	–	–	–	2,337	–	–	2,337
Shares vested		–	–	559	(3,733)	–	3,395	221
Net buyback of own shares	27	–	–	(255)	–	–	–	(255)
Balance at 31 December 2019		1,466	203,423	(1,166)	7,723	(13,134)	(26,487)	171,825
Profit for the year		–	–	–	–	–	24,846	24,846
Other comprehensive expense for the year								
Actuarial loss on defined benefit retirement obligation		–	–	–	–	–	(419)	(419)
Income tax relating to items not reclassified		–	–	–	–	–	95	95
Revaluation and exchange rate differences of equity investments		–	–	–	–	–	(234)	(234)
Exchange differences on translation of foreign operations		–	–	–	–	(830)	–	(830)
Total comprehensive income for the year		–	–	–	–	(830)	24,288	23,458
Issue of share capital – acquisitions	26	8	3,767	–	(3,096)	–	–	679
Dividend payments	15	–	–	–	–	–	(20,583)	(20,583)
Share-based payments	33	–	–	–	2,978	–	–	2,978
Shares vested		–	–	638	(4,599)	–	4,031	70
Net buyback of own shares	27	–	–	(34)	–	–	–	(34)
Balance at 31 December 2020		1,474	207,190	(562)	3,006	(13,964)	(18,751)	178,393

Consolidated Cash Flow Statement

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Operating profit from:			
Continuing operations		23,941	14,281
Discontinued operations		8,783	3,700
Operating profit including discontinued operations		32,724	17,981
Adjustments for:			
Depreciation of equipment	18	2,869	2,867
Depreciation of right-of-use asset	22	5,795	5,313
Lease liability interest	22	(1,530)	(1,607)
Amortisation of other intangible assets	17	15,677	16,487
Amortisation of contract assets	24	10	–
Impairment of other intangible assets	17	–	2,425
Impairment of right-of-use asset	22	497	–
Share-based payments expense	33	2,978	2,377
Disposal of equipment		175	64
Increase in provisions	30	–	(147)
Impairment loss recognised on trade receivables	23	1,458	–
Defined benefit retirement obligation		5	(68)
Gain on disposal of discontinued operations	11	(7,748)	–
Gain on bargain purchase	35	(38)	–
Deferred consideration and remuneration		(3,153)	4,242
Operating cash flows before movements in working capital		49,719	49,934
Increase in receivables		(5,750)	(3,492)
Increase in contract liabilities		292	1,874
Increase in payables		2,738	4,769
Cash generated from operations		46,999	53,085
Income taxes paid		(7,557)	(7,641)
Net cash generated from operating activities		39,442	45,444
Investing activities			
Interest income on bank deposits	8	98	158
Purchases of equipment	18	(1,954)	(3,914)
Software development costs paid	17	(2,322)	(276)
Payment of deferred consideration		–	(28,638)
Acquisition of subsidiaries	35	(11,699)	–
Acquisition of minority equity investment	20	(387)	(9,347)
Proceeds from disposal of discontinued operations	11	8,638	–
Financial assets at amortised cost granted	21	(820)	–
Net cash used in investing activities		(8,446)	(42,017)
Financing activities			
Dividend payments	15	(20,583)	(20,029)
Bank loan interest	7	(2,632)	(2,293)
Net buyback of own shares		(34)	(255)
Shares vested		(8)	–
Capitalised loan cost	28	(29)	(1,711)
Redemption of bank loans	28	(12,302)	(85,850)
New bank loans raised	28	14,821	132,060
Lease liability payments		(5,006)	(4,757)
Net cash (used in)/generated from financing activities		(25,773)	17,165
Net increase in cash and cash equivalents		5,223	20,592
Cash and cash equivalents at the beginning of the period		51,454	32,411
Effect of foreign exchange rate changes		442	(1,549)
Cash and cash equivalents at the end of the period		57,119	51,454
Cash flows from continuing operations		(5,836)	17,029
Cash flows from discontinued operations	11	11,059	3,563
Net increase in cash and cash equivalents		5,223	20,592

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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, that are not yet effective for 31 December 2020 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) Annual Improvements to IFRS Standards 2018-2020 Cycle
- (b) Covid-19-Related Rent Concessions – amendments to IFRS 16
- (c) Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- (d) Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- (e) Reference to Conceptual Framework – Amendments to IFRS 3
- (f) Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- (g) IFRS 17 Insurance Contracts – amendments to IFRS 17
- (h) Onerous contracts – Cost of Fulfilling a Contract – Amendments to IAS 37

New and revised standards effective for the year

In the current year, the Group applied a number of amendments to IFRSs and new interpretations issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020. 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) Definition of Material – amendments to IAS 1 and IAS 8
- (b) Definition of a Business – amendments to IFRS 3
- (c) Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- (d) Revised Conceptual Framework for Financial Reporting

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") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2020

3. Significant accounting policies continued

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

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for 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 Directors have assessed the potential impact that COVID-19 may have on its ability to continue as a going concern. The assessment gave the Directors reasonable reassurance that the Group will be able to continue as a going concern. The Group has healthy cash inflows through a good pipeline of existing and new customers; the Group also has finance facilities available. The assessment included an analysis of the Group's current financial position, ability to trade, principal risks facing the Group, and the effectiveness of its strategies to mitigate the impact. This was all assessed especially in light of the impact that COVID-19 had on global markets. Accordingly, they have adopted the going concern basis of accounting in preparing the consolidated financial statements. Further detail is contained in the viability statement included in the Audit Committee report on page 52.

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.

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.

3. Significant accounting policies continued

Other 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" and is considered to be a non-underlying cost.

Customer intangibles

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

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.

Software as a service ("Saas") agreements are assessed to determine if the agreement includes or may include an intangible asset. Costs incurred to obtain or develop the intangible asset are capitalised if the asset is an identifiable, non-monetary asset without physical substance that is under the Group's control and from which it is probable that expected future economic benefits attributable to the asset will flow to the entity and if the cost of the asset can be measured reliably. Costs are capitalised until the asset is ready for use as intended by management. At this point in time, cost capitalisation will cease.

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 commences when the asset is ready for use as intended by management. Amortisation is recognised to write off the cost of assets less their residual values over their useful lives. This is done using the straight-line method over a seven-year period for developed computer software.

Finance income

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

Revenue recognition

Revenue is measured at the 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 to 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:

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2020

3. Significant accounting policies continued

Step 1 – Identify the contract

Contractual agreements exist between Sanne and all clients which create 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 varies by the amount of time spent, 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. The Group 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

The Group concluded that the obligations are satisfied over time and recognises the revenue for these services on a time-spent basis as the performance obligations are satisfied over time.

Contracts with customers make provision for annual transaction price increases, generally in line with a relevant local inflation measure. 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. 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.

Costs incurred in obtaining a contract are capitalised if these costs are directly linked to obtaining a contract. Costs that would have been incurred regardless of the contract being obtained are expensed. Capitalised costs are amortised over the shorter period of seven years and the useful life of the contract. The contract assets are assessed at reporting period for impairment by determining if the carrying amount is less than the remaining consideration that the entity expects to receive in exchange for the goods or services to which the asset relates, less the costs that relate directly to providing those goods or services that have not been recognised as expenses.

Contract liabilities

Contract liabilities represent fees billed in advance in respect of services under contract and give rise to a trade receivable when recognised. Contract liabilities are released to revenue on a time apportioned basis in the appropriate accounting period.

Leases

The Group assesses contracts entered into 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 rate implicit in 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.

The Group accounts for lease and non-lease components separately, unless these are not separable based on stand-alone prices. In such instances the Group makes use of the practical expedient to account for the lease and non-lease components as a single lease component.

Subsequently, the Group allocates lease payments 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 on a straight-line basis over the shorter of the asset's useful life or the lease term.

The Group made use of the practical expedient whereby leases in a class of underlying asset to which the right of use relates, 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 are accounted for in the consolidated income statement on a straight-line basis.

3. Significant accounting policies continued

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 less.

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. Exchange differences arising from minority equity investments are recognised in the statement of comprehensive income when they arise.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all 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 retirement benefit

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 have terms to maturity approximating terms of the related defined benefit retirement obligation.

Defined benefit costs are categorised as follows:

- service cost
- net interest expense or income; and
- remeasurement

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2020

3. Significant accounting policies continued

Earnings per share

The Group presents basic and diluted earnings per share ("EPS"). 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 other periods. For diluted EPS, the weighted average number of ordinary shares is adjusted assuming 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 where profit is 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 income statement as it excludes income or expenses that are taxable or deductible in other years and it 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 at 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 taxable profit nor accounting profit.

The carrying amount of deferred tax assets are 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 in which 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 result 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 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 is recognised in the consolidated income statement, except when related to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are 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 operate without the specific software, is treated as equipment.

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

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 scrapping of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. Significant accounting policies continued

Impairment of tangible and intangible assets (excluding goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. 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 ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset is the higher of its fair value less costs of disposal 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, limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. An impairment loss reversal 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 party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on 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 call deposits held with banks.

Call deposits held with banks are redeemable in the favour of 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 cost

The Group's business model is to collect the contractual cash flows from its financial assets, excluding equity investments not held for trading. The cash flows of these financial assets consist solely of payments of principal and interest. Therefore, these financial assets are classified at amortised cost. These financial assets are subsequently measured at amortised cost using the effective interest method, less any expected credit losses. Interest income is recognised by applying the effective interest rate, excluding short-term receivables when the recognition of interest would be immaterial. Refer to note 36 disclosing the financial assets categorised as financial assets at amortised cost.

Financial assets at fair value through other comprehensive income

The Group holds equity investments that are not held for trading. The Group has made the irrevocable election to carry the investments at fair value through other comprehensive income. On initial recognition, the investments are measured at fair value, plus transaction costs. Subsequently, these investments are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income, accumulating in retained earnings. Dividends on the equity investments are recognised in profit or loss. On disposal of the equity investments, the cumulative fair value gain or loss will not be reclassified to the consolidated income statement.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on its financial assets at amortised cost. 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. The Group assesses, on a forward-looking basis, the expected credit losses associated with its financial assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2020

3. Significant accounting policies continued

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 specific to the trade receivables.

The carrying amount of a financial asset at amortised cost is reduced by the impairment loss directly except for trade receivables, where the carrying amount is reduced through the use of an allowance account. Trade receivables that are considered uncollectible are 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 issued 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 as the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments are 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.

Financial liabilities

All financial liabilities are classified as 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 period. The effective interest rate is the rate that discounts estimated future cash payments over the expected term of the financial liability, or, where appropriate, a shorter period. No interest is levied on financial liabilities that are short term and immaterial.

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

Own shares/employee share trust

Own shares represent the shares of the Company that are held in treasury and by the Group's employee share ownership trust (which forms part of the Group's 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 as the expected future cash outflows discounted at a pre-tax rate that reflects current market assessments of the risks specific to the provision.

Prepayments

Prepayments are treated as current assets, 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 relates.

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, Restricted 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 payment transactions are set out in note 33.

3. Significant accounting policies continued

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. The fair value of share plans containing market-based vesting conditions was determined using a valuation model that takes into account the share price at grant date, expected price volatility and a risk-free rate.

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.

Operating profit

The operating profit reflects the profit earned from the Group's business operations. It includes revenue and other operating income less direct and indirect costs. Furthermore, the operating profit comprises 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 regarding 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. Certain Restricted Share Award grants 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 are also deemed to be outside of the course of ordinary business. Certain expenses that are also deemed to be one-off in nature are classified as non-underlying items, and costs are assessed regularly to determine if they are non-underlying in nature, note 9 provides further details on management's reason for regarding a cost as non-underlying. Gains or losses from the disposal of subsidiaries or business lines are deemed non-underlying items.

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.

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 of disposal.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of the disposal group, but exceeding 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2020

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Group's accounting policies

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

Classification of equity investment

In the prior year the Group obtained an equity investment in Colmore A.G. and applied its judgement in determining the classification of the equity investment. 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 of 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. During the current year, the Group granted an arm's length loan to Colmore A.G. (refer to note 21). The arm's length loan granted was in proportion to Sanne's shareholding in Colmore A.G. The loan granted did not change the Group's assessment of the classification of the investment in minority interest and Sanne cannot demonstrate significant influence. Subsequently the Group will carry the investment as an investment in equity rather than an investment in an associate. Therefore equity accounting will not be applied and 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.

Other judgements

Lease term

The Group made a judgement regarding the lease terms. 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 it is reasonably certain that the lease will be extended. Exercising either the extension or termination options are case dependent and is an ongoing assessment. Therefore, should the Group apply an extension option, the lease liability and right-of-use asset would be increased. Should the Group terminate an agreement, both the lease liability and right-of-use asset would be derecognised.

Key sources of estimation uncertainty

Initial recognition of intangible assets

During the year, the Group acquired Inbhear Fund Services Limited, Avalon Trust & Corporate Services Limited and Deutsche Trust Company Limited (refer to note 35 for further details). These business combinations gave rise to the recognition of customer and contract intangibles. In valuing these intangible assets, the Multi-Period Excess Earnings Method (MEEM) was applied. This method requires various judgements to be made, of which the most significant is the number of years the customer base acquired is expected to generate revenue for the Group. The valuation was performed using seven years for the Inbhear Fund Services Limited and Avalon Trust & Corporate Services Limited acquisitions and five years for the Deutsche Trust Company Limited acquisition. These periods were based on management's best judgement and historical evidence.

The intangible assets recognised through the business acquisitions amount to £2.2 million, for Inbhear Fund Services Limited. For the acquisition of Avalon Trust & Corporate Services Limited the intangible assets recognised through the business acquisitions amount to £2.5 million. The acquisition of Deutsche Trust Company Limited resulted in the recognition of intangible assets to the value of £1.3 million. Refer to note 17 for further disclosure on intangible assets recognised and the sensitivity disclosure around the judgements and estimates made in determining the fair value of the asset at acquisition date.

Fair value measurement of investment in equity

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

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. Refer to note 24 for further disclosure regarding estimation uncertainty.

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

Other estimates

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, the discount rate and the terminal growth rate. Management has assessed that no reasonably possible changes to any CGU would cause the aggregate carrying amount of that CGU to materially exceed its recoverable amount. Note 16 sets out these rates and sensitivities.

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

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

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 Group plc. Each segment is defined as a set of business activities generating a revenue stream determined by segmental responsibility and the management information reviewed by the 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's consolidated financial statements for the year ended 31 December 2020 have four reportable segments under IFRS 8, namely EMEA, Asia-Pacific & Mauritius, Channel Islands and North America.

The Group classified its private client contracts and employee group held in Jersey as a discontinued operation due to significant contracts being 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. The reporting of various client contracts and their related costs moved between segments during the 12 months ending 31 December 2020; the comparative numbers were also adjusted to reflect this change. The change in the segmental allocation of the contracts (and related costs) was driven by the reassessment of where the revenue is generated and the work performed. The most significant of these moves was between EMEA and Channel Islands. Certain staff costs (amounting to £1.2 million) relating to support teams shown as direct costs in the Group's Annual Report and Accounts for the year ended December 2019 have been reassessed and deemed to not directly contribute to generating revenue and as a result have been reclassified to operating expenses. This classification has been made for the year ended 31 December 2020 and the prior year.

For the year ended 31 December 2020	Revenue £'000	Direct costs £'000	Gross profit £'000
Segments			
EMEA ¹	63,519	(27,916)	35,603
Third-party fund management fees	5,186	(5,186)	–
Asia-Pacific & Mauritius	36,233	(10,958)	25,275
North America	29,562	(14,130)	15,432
Channel Islands ²			
Continuing operations	40,374	(16,134)	24,240
Discontinued operations	2,006	(971)	1,035
Total	176,880	(75,295)	101,585
Other operating income			151
Operating expenses			(76,760)
Operating profit			24,976

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2020

5. Segmental reporting continued

For the year ended 31 December 2019	Revenue £'000	Direct costs £'000	Gross profit £'000
Segments			
EMEA ¹	58,659	(23,250)	35,409
Third-party fund management fees	2,190	(2,190)	–
Asia-Pacific & Mauritius	34,302	(10,880)	23,422
North America	26,897	(13,238)	13,659
Channel Islands ²			
Continuing operations	37,659	(16,137)	21,522
Discontinued operations	5,736	(2,036)	3,700
Total	165,443	(67,731)	97,712
Other operating income			185
Operating expenses			(79,916)
Operating profit			17,981

Geographical information

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

	2020 £'000	2019 £'000
Jersey and Guernsey ²		
Continuing operations	35,389	36,451
Discontinued operations	2,006	5,736
Rest of Europe ¹	69,185	59,667
Mauritius	23,061	22,984
Americas	28,017	26,376
South Africa	3,252	4,852
Asia-Pacific	10,784	7,187
Total net revenue from continuing and discontinued operations	171,694	163,253
Third-party fund management fees	5,186	2,190
Total turnover from continuing and discontinued operations	176,880	165,443

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.

- The EMEA revenue and costs are shown as net revenue and net direct costs. This is because net revenue and net direct costs exclude the impact of third-party fund management fees, which are not considered relevant in allocating resources to segments. Third-party fund management fees relate to asset management fees for a small number of funds that are clients of the Group's AIFM Management Company in Luxembourg and are limited to the EMEA operations. Given these revenues are not economically the Group's, the Group sought to separate these and believe that net revenues are a more accurate reflection of the income that the Group earned for its services to the relevant fund entity.
- The above mentioned amounts for the Channel Islands include the results from both the continuing and discontinued operations. Refer to note 11 for the total revenue and direct costs attributable to discontinued operations.

6. Turnover

	2020 £'000	2019 ¹ £'000
Disaggregation of revenue from contracts with customers		
<i>Basis for fees charged</i>		
EMEA		
– Assets under management (open-ended funds)	4,380	6,350
– Assets under management (closed-ended funds)	22,994	18,466
– Third party fund management fees	5,186	2,190
– Service-based fees	36,145	33,843
Asia-Pacific & Mauritius		
– Assets under management (closed-ended funds)	1,378	1,255
– Service-based fees	34,855	33,047
North America		
– Service-based fees	29,562	26,897
Channel Islands		
– Assets under management (closed-ended funds)	1,637	1,967
– Service-based fees	38,737	35,692
Total revenue from continuing operations	174,874	159,707

6. Turnover continued

	2020 £'000	2019 ¹ £'000
Timing of revenue recognition		
<i>Over time</i>		
EMEA	68,705	60,849
Asia-Pacific & Mauritius	36,233	34,302
North America	29,562	26,897
Channel Islands	40,374	37,659
Total revenue over time	174,874	159,707
Total revenue from continuing operations	174,874	159,707

1. The reporting of various client contracts moved between segments during the 12 months ending 31 December 2020, affecting the comparative disclosure for the disaggregation of revenue from contracts with customers. The comparative amounts were adjusted to reflect this change. The change was driven by a reassessment of where the revenue is generated and the work performed. The most significant of these moves was between EMEA and Channel Islands.

7. Finance costs

	2020 £'000	2019 £'000
Bank loan interest	2,632	2,434
Amortised loan fees	162	174
Loan fees written off	–	457
Interest on lease liabilities	1,530	1,607
Total finance costs	4,324	4,672

Details regarding the bank borrowings can be found in note 28.

8. Finance income

	2020 £'000	2019 £'000
Interest income on bank deposits	98	158
Interest income on financial assets at amortised cost	10	–
Total finance income	108	158

9. Non-underlying items

	2020 £'000	2019 £'000
Operating profit from continuing operations	23,941	14,281
Non-underlying items within operating profit from continuing operations:		
Share-based payments (i)	1,951	1,777
Amortisation of other intangible assets (ii)	15,677	16,487
Acquisition cost earn-out charges (iii)	485	6,317
Acquisition and integration costs (iii)	2,443	62
Gain on bargain purchase (iv)	(38)	–
Impairment of other intangible assets (v)	–	2,425
Impairment of right-of-use asset (vi)	497	–
Onerous lease contract (vi)	691	–
Settlement agreement costs and related legal fees (vii)	1,326	1,039
Other (iii)	1,063	600
Total non-underlying items included in operating profit from continuing operations	24,095	28,707
Underlying operating profit from continuing operations	48,036	42,988

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2020

9. Non-underlying items continued

	2020 £'000	2019 £'000
Profit before tax from continuing operations	20,529	9,551
Non-underlying items included in profit before tax from continuing operations:		
Total non-underlying items included in operating profit from continuing operations	24,095	28,707
Onerous lease contract	(vi) 16	–
Refinancing	(viii) –	457
Foreign exchange loss on acquisition restructuring	(iii) 237	–
Total non-underlying items from continuing operations	24,348	29,164
Underlying profit before tax from continuing operations	44,877	38,715
Profit for the year ¹	24,846	8,874
Non-underlying items within profit for the year from discontinued operations:		
Gain on disposal of discontinued operations before tax	(ix) (7,748)	–
Tax effect of non-underlying items	(3,454)	(3,590)
Total non-underlying items from continuing and discontinued operations	13,146	25,574
Underlying profit for the year¹	37,992	34,448

1. This figure includes profit for the year after tax from both continuing and discontinued operations.

In the opinion of the directors, as explained below, the above disclosures reflect expenses which are not representative of the underlying performance and strategy of the Group.

- (i) The share-based payments expense above only relates to the costs classified as non-underlying. For details on all the share-based payments (for underlying and non-underlying in aggregate) refer to note 33. 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 underlying business and are disclosed separately.
- (ii) The amortisation charges relate to the amortisation of other intangible assets acquired through acquisitions. The amortisation of other intangible assets is directly linked to the acquisitions and is 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 such as for example customer relationships, would not be capitalised in normal operating practice.
- (iii) The Group has completed various acquisitions in the past two years. Acquisition and integration costs included deal advisory fees, one-off costs of integrating companies, accruals for cash earn-out payments and exchange rate gains/losses made during the integration period. Integration and deal costs relating to acquisitions for the year ending 31 December 2020 were £2.4 million. Also included is £0.5 million relating to the AgendSynd acquisition earn-out accrual which is expensed per IFRS 3 due to settlement being linked to continued employment. Acquisitions are outside the day-to-day activities of the Group's ongoing business. Therefore, these costs are disclosed as non-underlying to enable shareholders to assess the core ongoing performance of the Group. The majority of acquisition and integration costs are incurred in the first 2 years after acquisition. This could be longer depending on the nature of the costs. Costs incurred in relation to acquisition opportunities not yet executed or abandoned are disclosed as "Other".
- (iv) On 1 April 2020, the Group acquired all the shares in Inbhear Management Services Limited as part of the wider Inbhear transaction. As with item (iii) above, acquisitions are outside the day-to-day activities of the Group's ongoing business. With the full consideration linked to continued employment, no consideration was paid for the acquisition and consequently a gain on bargain purchase was recognised. Refer to note 35 for further information.
- (v) The Group's South African hedge fund business, acquired in 2016, suffered a one-off loss of clients during 2019. The Sorato business also incurred an impairment in 2019. The source of the impairment related to customer contracts that were entered into before the acquisition that have terminated sooner than anticipated. As a result, the contract intangibles were impaired by £2.4 million in the prior year. Refer to note 17 for further information. As with the amortisation of other intangible assets, this cost was excluded from underlying cost as it does not form part of the Group's core business.
- (vi) During the current year, the Group decided to make use of the break clause in its office lease agreement in the UK jurisdiction as the Group has moved into new premises in the UK. COVID-19 and material, prolonged building work and renovations to the building limited the Group's ability to sublease the building. It was also not possible to sublease the building in 2021 due to certain operational challenges outside the Group's control. Because the property is not in use, and the Group is not able to sublease it, the right-of-use asset was impaired as the asset became idle. This impairment is a non-underlying item to eliminate the effect of double counting premises expenses and to present only core premises expenses incurred. The Group provided for onerous lease costs. The premises rental costs are classified as lease components and the lease liability was modified for the change in lease term. Other costs payable by the Group, per the lease agreement, are classified as non-lease component costs and were provided for as onerous lease costs.
- (vii) During the year ending 31 December 2020, the Group incurred fees amounting to £1.3 million for ongoing legal cases. The regulatory fine and fees for the year ending 31 December 2019 related to a settlement with the Jersey Financial Services Commission. The fine amounted to £381k and additional costs of £658k for legal fees incurred during the settlement process. This expense is excluded from underlying cost as it is a one-off cost.
- (viii) On 1 March 2019, the Group refinanced its loan facility. The balance of the unamortised loan costs was written off and classified as non-underlying because the refinancing was done to support future acquisitions and is not part of the day-to-day operations of the Group.
- (ix) During the year ended 31 December 2020, the Group disposed of its private client business, resulting in a gain on disposal of discontinued operations. Refer to note 11 for further details.

10. Tax

	2020 £'000	2019 £'000
The tax charge comprises:		
Current period	6,935	7,184
Adjustments in respect of prior periods	(321)	(32)
Total current tax expense	6,614	7,152
Deferred tax (note 29)		
Increase in deferred tax assets	(380)	(1,065)
Decrease in deferred tax liabilities	(1,863)	(1,710)
Total deferred tax credit	(2,243)	(2,775)
Total tax charge for the year	4,371	4,377

10. Tax continued

	2020 £'000	2019 £'000
The income tax expense is attributable to:		
Profit from continuing operations	4,362	4,007
Profit from discontinued operations	104	370
Deferred tax from other comprehensive income	(95)	–
	4,371	4,377

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

	2020 £'000	2019 £'000
Deferred tax:		
Items that will not be reclassified subsequently to profit or loss:		
– Actuarial loss on defined benefit retirement obligation	(95)	(10)
Total income tax credited in other comprehensive expenses	(95)	(10)

The difference between the total current tax shown above and the amount calculated by applying the UK standard income tax rate of 19% (2019: 19%) to the profit before tax is as follows:

	2020 £'000	2019 £'000
Profit from continuing operations before tax	20,529	9,551
Profit from discontinued operations before tax	8,783	3,700
Profit on ordinary activities before tax	29,312	13,251
Tax on profit on ordinary activities at standard UK income tax rate of 19% (2019: 19%)	5,569	2,518
Effects of amounts that are not taxable/deductible in calculating income tax:		
Income not taxable/expenses not deductible for tax purposes	(1,245)	531
Non-deductible amortisation	110	153
Depreciation in excess of capital allowances	24	173
Net foreign exchange income	–	10
Foreign taxes not at UK rate ¹	122	771
Deferred tax not recognised – taxable losses ²	112	253
Adjustments in respect of prior periods	(321)	(32)
Total tax	4,371	4,377

1. With the UK tax rate at 19% (2019: 19%) 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% (2019: 19%).
2. 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 realised in future.

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% (2019: 19%). Management has chosen to reconcile to this rate as the Company is a UK tax resident.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2020

10. Tax continued

	2020 £'000	2019 £'000
Reconciliation of effective tax rates		
As per consolidated financial statements statement:		
Tax charge	4,371	4,377
Profit before tax from continuing and discontinued operations	29,312	13,251
<i>Effective tax rate on continuing and discontinued operations</i>	<i>14.9%</i>	<i>33.0%</i>
<i>Effective tax rate on continuing operations</i>	<i>21.2%</i>	<i>42.0%</i>
<i>Effective tax rate on discontinued operations</i>	<i>1.2%</i>	<i>10.0%</i>
Tax charge	4,371	4,377
Adjusted for:		
Prior period adjustments	321	32
Tax effect of non-underlying items	4,003	4,512
Deferred tax on US goodwill amortisation	(870)	(954)
Total adjustments	3,454	3,590
Underlying tax charge	7,825	7,967
	2020 £'000	2019 £'000
Profit before tax from continuing and discontinued operations	29,312	13,251
Non-underlying items	16,600	29,164
Profit before tax and non-underlying items	45,912	42,415
<i>Underlying effective tax rate on continuing and discontinued operations</i>	<i>17.0%</i>	<i>18.8%</i>
<i>Underlying effective tax rate on continuing operations</i>	<i>17.4%</i>	<i>19.6%</i>
<i>Underlying effective tax rate on discontinued operations</i>	<i>1.2%</i>	<i>10.0%</i>

The effective tax rate of 14.9% (2019: 33.0%) has decreased due to the recognition of assessed losses generated in the UK and US jurisdictions. The decrease in tax rate is further attributable to the recognition of the gain on disposal of the private client business treated as capital in nature. The underlying effective tax rate decreased to 17.0% (2019: 18.8%) and is attributable to the utilisation of group tax relief anticipated for the 2020 year. The underlying effective tax rate 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.

	2020 £'000	2019 £'000
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	589	2,647
Potential tax benefit @ 19%	112	503

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.

11. Discontinued operations

During the prior year, the Group made a strategic decision to sell the private client business in Jersey and initiated an active programme to locate a buyer. The revenue and direct costs are included in the Channel Islands reporting segment. The associated assets and liabilities were consequently presented as held for sale in the 2019 and 2020 financial statements. The acquisition, subject to the relevant regulatory approvals, was undersigned on 13 March 2020 whereby it was agreed that the designated clients and staff will transfer to JTC Plc. The transaction concluded on 1 July 2020 and the agreed-upon clients and staff members were transferred to JTC plc for a consideration of £9 million and an £0.4 million working capital adjustment. The sale of the business line was reported as a discontinued operation in the current year.

The group created a special purpose vehicle ("SPV") to facilitate the sale of the private client business. The SPV was under common control, as the entities involved in the transaction were all ultimately controlled by the same party both before and after the combination and the control was not transitory. The sale of the SPV to JTC plc after the creation of the SPV is not considered transitory control as the entity was created as a conduit to facilitate the lift-out of the private client business in the transaction.

11. Discontinued operations continued

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

	2020 £'000	2019 £'000
Revenue	2,006	5,736
Expenses	(971)	(2,036)
Profit before income tax expense	1,035	3,700
Income tax expense	(104)	(370)
Profit from discontinued operations after tax	931	3,330
Gain on disposal of discontinued operations after tax	7,748	–
Profit from discontinued operations	8,679	3,330

The following disclosure relates to the cash flows from the discontinued operations:

	2020 £'000	2019 £'000
Net cash inflow from operating activities	2,421	3,563
Net cash inflow from investing activities (inflow from the proceeds)	8,638	–
Net increase in cash generated by the disposal group	11,059	3,563

The following details relate to the gain on disposal of the discontinued operations:

	2020 £'000	2019 £'000
Cash consideration received	8,638	–
Trade and other payables	(55)	–
Carrying amount of net assets	(835)	–
Gain on sale of discontinued operations before tax	7,748	–
Income tax expense	–	–
Gain on disposal of discontinued operations after tax	7,748	–

The carrying amounts of assets and liabilities as at the date of sale (1 July 2020) were:

	2020 £'000
Contract assets	850
Trade receivables	187
Contract liabilities	(202)
Carrying amount of net assets	835

The disposal group disclosed in the prior period consisted of the trade receivables, contract assets and contract liabilities 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. The Group reclassified the trade receivables, contract assets and contract liabilities relating to these clients as a disposal group held for sale in the prior period as these balances give a reasonable representation of the value that these customer contracts hold.

Notes to the Consolidated Financial Statements continued

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11. Discontinued operations continued

The following assets and liabilities were reclassified as a disposal group held for sale in relation to the discontinued operation as at 31 December 2020:

	2020 £'000	2019 £'000
Assets of disposal group classified as held for sale		
Contract assets	–	334
Trade receivables	–	2,645
Total assets of disposal group held for sale	–	2,979
Liabilities of disposal group classified as held for sale		
Contract liabilities	–	(575)
Total liabilities of disposal group held for sale	–	(575)

12. Earnings per share

	2020 £'000	2019 £'000
Profit for the year	24,846	8,874
Non-underlying items:		
Non-underlying expenses before tax	16,600	29,164
Tax effect of non-underlying items	(3,454)	(3,590)
Underlying profit	37,992	34,448

Refer to note 9 for further detail on non-underlying items.

	Shares 2020	Shares 2019
Weighted average numbers of ordinary shares in issue	145,242,091	144,019,578
Effect of dilutive potential ordinary shares:		
Deferred consideration shares	–	636,652
Restricted Stock Awards	467,317	1,280,821
Performance Share Plan	43,009	49,501
Weighted average number of ordinary shares for the purposes of diluted EPS	145,752,417	145,986,552
Earnings per share-based on total operations	2020	2019
Basic EPS (pence)	17.1	6.2
Diluted EPS (pence)	17.1	6.1
Underlying basic EPS (pence)	26.1	23.9
Underlying diluted EPS (pence)	26.0	23.6
Earnings per share-based on continuing operations	2020	2019
Basic EPS (pence)	11.1	3.8
Diluted EPS (pence)	11.1	3.8
Underlying basic EPS (pence)	25.5	21.6
Underlying diluted EPS (pence)	25.4	21.3
Earnings per share-based on discontinued operations	2020	2019
Basic EPS (pence)	6.0	2.3
Diluted EPS (pence)	6.0	2.3
Underlying basic EPS (pence)	0.6	2.3
Underlying diluted EPS (pence)	0.6	2.3

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

12. Earnings per share continued

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 including the number of shares 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 2020.

Underlying basic EPS and underlying diluted EPS are calculated in the same way as basic EPS and diluted EPS with the only difference 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.

13. Profit for the year

	2020 £'000	2019 £'000
Profit for the year has been arrived at after (crediting)/charging:		
Net foreign exchange (gains)/losses	(1,042)	216
Depreciation of equipment (see note 18)	2,869	2,867
Depreciation of right-of-use asset (see note 22)	5,795	5,313
Gain on disposal of equipment	175	36
Gain on bargain purchase (see note 35)	(38)	—
Gain on disposal of discontinued operations before tax (see note 11)	7,748	—
Auditor remuneration for audit services for the company and subsidiaries	1,254	860
Auditor remuneration for other services	568	143
Amortisation of other intangible assets (see note 17)	15,677	16,487
Amortisation of contract assets (see note 24)	10	—
Staff costs (see note 14)	91,327	84,463
Impairment loss recognised on trade receivables (see note 23)	1,458	82
Impairment loss recognised on other intangible assets (see note 17)	—	2,425
Facilities expense	2,822	2,726

14. Staff costs

	2020 £'000	2019 £'000
The aggregate payroll costs were as follows:		
Salaries and bonuses	76,719	72,805
Social security	6,228	5,148
Pension cost	828	620
Other benefits	4,385	3,513
Share-based payments (see note 33)	3,167	2,377
	91,327	84,463

Notes to the Consolidated Financial Statements continued

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14. Staff costs continued

The average number of full time employees analysed by category and segment:

	2020	2019 ¹
Client services		
EMEA	596	489
Asia-Pacific & Mauritius	391	351
North America	170	150
Channel Islands	221	241
Group services	413	355
	1,791	1,586

Information in relation to aggregate Directors' remuneration is contained in the Directors' Remuneration Report of the Group's Annual Report and Accounts for the year which detail the remuneration payable to each Director for service in 2020.

1. Certain staff members moved between client services and Group service, as the functions they perform are deemed to be more overhead in nature than direct costs. Refer to note 5 for more details on the move between direct costs and overhead costs.

15. Dividends

	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the prior year	13,624	13,254
Interim for the current year	6,959	6,775
Total dividends	20,583	20,029
Proposed final dividend	14,591	13,784

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 laws and can be distributed from all reserves.

	2020 Pence per share	2019 Pence per share
Dividend per share ("DPS"):		
Interim for the current year	4.8	4.7
Final proposed for the current year	9.9	9.4
Total dividend per share	14.7	14.1

	2020	2019
Weighted average number of ordinary shares in issue	145,242,091	144,019,578

16. Goodwill

Goodwill represents the excess of the cost of the acquisition over the 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 2019	188,928
Exchange differences	(8,514)
At 31 December 2019	180,414
Inbhear Fund Services Limited	4,432
Sanne Trustees (Cayman) Limited	2,799
Sanne Group Japan Trust Company	145
Exchange differences	688
At 31 December 2020	188,478

During the year, the Group acquired Inbhear Fund Services Limited, Sanne Trustees (Cayman) Limited (previously known as Avalon Trust & Corporate Services Limited) and Sanne Group Japan Trust Company (previously known as Deutsche Trust Company Limited). Refer to note 35 for further detail.

16. Goodwill continued

The goodwill has been allocated to the following CGUs:

	2020 Carrying value £'000	2019 Carrying value £'000
Sanne South Africa	7,567	8,177
Sanne Netherlands	1,649	1,649
Sanne North Americas	40,224	41,400
Sanne Mauritius	55,452	57,076
Luxembourg Investment Solutions S.A. ¹	61,686	58,307
Sanne Luxembourg ¹	6,260	5,917
Sanne Spain	8,345	7,888
Sanne Ireland	4,521	—
Sanne Cayman Islands	2,647	—
Sanne Japan	127	—
	188,478	180,414

1. In the past the Luxembourg Investment Solutions S.A. ("LIS") and Compliance Partners S.A. ("CP") operations were managed as a single CGU. During the current year the CP and Sanne Group (Luxembourg) S.A. ("SGLUX") operations were legally merged into a single legal entity (Sanne Luxembourg), after obtaining regulatory approval, resulting in two CGUs, namely LIS and Sanne Luxembourg. This new legal entity is regarded to be a single CGU as this is the smallest identifiable group of assets that can generate a cash inflow from clients the legal entity engages with and is managed separately as a stand-alone legal entity. In the prior year the two entities (CP and SGLUX) were operationally merged in assessing the Group's CGUs for testing. The goodwill acquired upon the purchase of LIS and CP was 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 the new merged Luxembourg operations 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 (LIS and CP).

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 for each CGU. The key assumptions applied in the value in use calculations are the discount rates and the projected cash flows.

The calculations of the recoverable amounts of all CGUs are based on key assumptions. The values of these assumptions are specific to each CGU. The future cash flows, on which the value in use calculations are based, take into consideration the impact that the recent COVID-19 pandemic has had on markets globally. The result of the goodwill impairment assessment undertaken is that each CGU maintained sufficient headroom. As a result, none of the CGUs are impaired.

The recoverable amount of each CGU is its value in use calculated using certain assumptions. The most significant assumptions are the cash flows (mainly driven by revenue growth and the cost margin), the discount rate and the terminal growth rate. The expected cash flows are based on a combination of the Group's budgeted and historic data. Refer to note 17 for details relating to the assessment performed on contract and customer intangible assets and the discount rate and other key assumptions used.

Discount rates

Management estimates the discount rates to be used in calculating the value in use 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) Cost of equity based on an adjusted beta for the relevant jurisdiction; and
- (iii) Risk premium to reflect the increased risk of investing in equities.

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 by assessing historic revenues from existing clients, the pipeline of new projects, historic pricing, and the required resource base needed to service new and existing clients, coupled with their knowledge of wider industry trends and the economic environment. Cash flows are projected for five years with a terminal value at the end of year five.

Projected revenue and costs are calculated using the prior period actual result, excluding lost client revenue. These results are compounded by the budgeted numbers. Growth rates used are specific to the CGUs and vary between 3% and 13% (2019: 1% and 13%). The expected revenue growth was adjusted to incorporate a downturn in future revenues due to the impact of COVID-19 on global markets and was based on conservative cash flow projections. The terminal growth rate applied after five years was based on the forecasted nominal GDP and inflation of the operating jurisdiction, accounting for the expected mid-term effect that COVID-19 may have on global markets.

Material movements have been seen in the weighted average revenue growth rates for Sanne Netherlands, Sanne South Africa and Sanne Spain. Sanne Netherlands saw strong client wins in the prior year; this is expected to slow down in the mid-term, resulting in a lower weighted average revenue growth rate. In the case of South Africa, the revised growth rate reflects the recent increase in client wins. Sanne Spain saw strong growth with continued new client wins from a small base. This is reflected in a higher weighted average revenue growth rate.

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16. Goodwill continued

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 2020 and 2019 other than for Sanne South Africa, which is due to the economic environment in which the CGU operates. 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.

	Discount rate 2020	Discount rate 2019	Weighted average revenue growth rate 2020	Weighted average revenue growth rate 2019	Terminal growth rate 2020	Terminal growth rate 2019
Sanne South Africa	25%	19%	12%	4%	5%	6%
Sanne Netherlands	9%	9%	12%	19%	3%	3%
Sanne North Americas	9%	10%	10%	12%	3%	3%
Sanne Mauritius	12%	11%	4%	3%	6%	5%
Luxembourg Investment Solutions S.A.	7%	6%	11%	7%	4%	3%
Sanne Luxembourg ¹	7%	6%	11%	14%	4%	3%
Sanne Spain	10%	9%	13%	7%	3%	3%
Sanne Ireland	8%	—	8%	—	4%	—
Sanne Cayman Islands	9%	—	18%	—	3%	—
Sanne Japan	10%	—	15%	—	1%	—

1. Refer to the goodwill allocation for the discussion relating to the CP and Sanne Group (Luxembourg) S.A. merger.

Based on the value in use calculations, no CGU requires impairment.

Sensitivity to changes in assumptions

The impairment review of the Group is sensitive to changes in key assumptions, most notably projected cash flows and the pre-tax discount rate. Management has independently performed a sensitivity analysis on each CGU where the discount rate used was increased by between 0.5% and 1.0%, the expected mid-term growth decreased by between 1.0% and 3.0% and the expected cost margin increased by between 2.0% and 4.0%, with all other assumptions constant. None of the CGUs showed indications of impairment. Management believes that any reasonably possible change in the key assumptions, on which the recoverable amount of a CGU is based, would not cause the aggregate carrying amount to materially exceed the recoverable amount of any CGU.

17. Other intangible assets

	Contract £'000	Customer £'000	Developed computer software £'000	Software under development £'000	Total £'000
Cost					
At 1 January 2019	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
Acquired during the year	4,928	1,050	—	—	5,978
Additions due to software development	—	—	—	2,322	2,322
Transfer between asset classes	—	—	1,191	(1,191)	—
Exchange difference	(729)	(171)	—	—	(900)
At 31 December 2020	84,366	16,716	1,191	1,407	103,680

17. Other intangible assets continued

	Contract £'000	Customer £'000	Developed computer software £'000	Software under development £'000	Total £'000
Accumulated amortisation					
At 1 January 2019	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
Charge for the year	13,024	2,653	–	–	15,677
Exchange difference	(881)	(168)	–	–	(1,049)
At 31 December 2020	55,416	10,104	–	–	65,520
Carrying amount					
At 31 December 2020	28,950	6,612	1,191	1,407	38,160
At 31 December 2019	36,894	8,218	–	276	45,388

Annual amortisation on the contract and customer intangibles is recognised in operating expenses and is a non-underlying item.

Refer to note 35 for further details relating to the acquisitions of Inbhear Fund Services Limited, Sanne Trustees (Cayman) Limited (previously known as Avalon Trust & Corporate Services Limited) and Sanne Group Japan Trust Company (previously known as Deutsche Trust Company Limited). The intangible assets recognised through the business acquisitions amount to £2.2 million (using seven years as the expected useful life for the forecast of cash flows in the MEEM model), for Inbhear Fund Services Limited. If the valuation was performed using six years as the expected useful life in the model to determine the fair value of the assets, the fair value would be £0.2 million lower, and if the fair value estimate was performed over eight years, the asset value would be £0.2 million higher. For the acquisition of Avalon Trust & Corporate Services Limited the intangible assets recognised through the business acquisitions amount to £2.5 million (using seven years as the expected useful life for the forecast of cash flows in the MEEM model). If the valuation was performed using six years as the expected useful life in the model the asset value would be £0.3 million lower and if the fair value was determined using eight years in the model as the forecast period, the fair value would be £0.3 million higher. The acquisition of Deutsche Trust Company Limited resulted in the recognition of intangible assets to the value of £1.3 million (using five years as the expected useful life for the forecast of cash flows in the MEEM model). If the valuation was performed using four years the fair value would be £0.2 million lower and if it was performed over six years it would be £0.2 million higher.

In the prior period, Sanne South Africa experienced a one-off loss of clients triggering an indicator for impairment. Sanne's South African contract intangibles were impaired by £2.3 million. An £84k impairment was recognised for the Sorato contract intangibles. The source of the impairment on the Sorato contract intangible related to customer contracts that were entered into before the acquisition that terminated sooner than anticipated. The impairments were included in the operating expenses on the consolidated income statement and are considered to be non-underlying items.

The method of valuation and subsequent review of the carrying value of intangible assets is outlined in note 3. Triggers for impairment are assessed by comparing the actual revenue results and cost margins in the current period to the forecast revenues and cost margins as at acquisition for the same period. Lower actual results are considered a to be a trigger for an impairment assessment.

As part of that subsequent review, triggers for impairment were detected and impairment assessments performed for the intangible assets relating to Ariel, IDS Group, CCS, LIS Group and AgenSynd Group. Triggers for impairment were not identified in the current year for Delorean, IFS Group, or Sorato.

The recoverable amount is determined using the fair value less costs of disposal method. The fair value less costs of disposal is determined using the multi-period-excess-earnings method (MEEM). This model requires the use of a post-tax discount rate. If the fair value less costs of disposal is lower than the carrying value of the intangible asset, the value in use is also determined. For the intangible assets with impairment indicators, the Group determined the recoverable amount using the value in use approach. A pre-tax WACC is used to discount pre-tax cash flows in the value in use assessments.

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17. Other intangible assets continued

In the current year, the value in use method was used to determine the recoverable amount. In the prior year the fair value less costs of disposal method was used. This results in different discount rates used between the two financial years presented. The current year's discount rates are slightly different to the rates used in the goodwill impairment assessment due to the difference in cash flows that are discounted.

	Discount rate 2020	Discount rate 2019	Remaining useful life 2020	Remaining useful life 2019
Ariel (<i>Various jurisdictions</i>)	8%	7%	<1 year	1 year
CCS (<i>Sanne Ireland</i>)	8%	7%	2 years	3 years
IDS Group (<i>Sanne South Africa</i>)	20%	13%	3 years	4 years
AgenSynd Group (<i>Sanne Spain</i>)	11%	7%	5 years	6 years
LIS Group (<i>LIS and CP</i>)	6%	5%	4 years	5 years

Analyses of the carrying amounts of the intangible assets acquired are as follows:

Acquisition	Acquisition date	Amortisation period end	Carrying amount 2020 £'000	Carrying amount 2019 £'000
Contract intangible				
Delorean (<i>Various jurisdictions</i>)	1 June 2013	31 May 2020	—	540
Ariel (<i>Various jurisdictions</i>)	1 May 2014	30 April 2021	75	301
CCS (<i>Sanne Ireland</i>)	1 March 2016	28 February 2023	281	388
IDS Group (<i>Sanne South Africa</i>)	1 June 2016	31 May 2024	850	1,188
FLSV FAS (<i>Sanne North America</i>)	1 November 2016	31 October 2022	2,900	4,614
Sorato (<i>Sanne Netherlands</i>)	1 December 2016	30 November 2023	—	—
IFS Group (<i>Sanne Mauritius</i>)	1 January 2017	31 December 2022	12,741	19,666
LIS Group (<i>LIS and CP</i>)	6 February 2018	31 January 2023	5,946	8,318
AgenSynd Group (<i>Sanne Spain</i>)	3 September 2018	31 August 2025	1,638	1,879
Inbhear (<i>Sanne Ireland</i>)	1 May 2020	30 April 2027	1,663	—
Avalon (<i>Sanne Cayman Islands</i>)	1 October 2020	30 September 2027	1,870	—
DTC (<i>Sanne Japan</i>)	1 October 2020	30 September 2025	986	—
Total			28,950	36,894

Acquisition	Acquisition date	Amortisation period end	Carrying amount 2020 £'000	Carrying amount 2019 £'000
Customer intangible				
Delorean (<i>Various jurisdictions</i>)	1 June 2013	31 May 2023	287	409
Ariel (<i>Various jurisdictions</i>)	1 May 2014	30 April 2024	27	29
CCS (<i>Sanne Ireland</i>)	1 March 2016	28 February 2023	229	317
IDS Group (<i>Sanne South Africa</i>)	1 June 2016	31 May 2024	579	809
FLSV FAS (<i>Sanne North America</i>)	1 November 2016	31 October 2022	553	880
Sorato (<i>Sanne Netherlands</i>)	1 December 2016	30 November 2023	25	34
IFS Group (<i>Sanne Mauritius</i>)	1 January 2017	31 December 2022	2,422	3,736
LIS Group (<i>LIS and CP</i>)	6 February 2018	31 January 2023	1,001	1,400
AgenSynd Group (<i>Sanne Spain</i>)	3 September 2018	31 August 2025	526	604
Inbhear (<i>Sanne Ireland</i>)	1 May 2020	30 April 2027	373	—
Avalon (<i>Sanne Cayman Islands</i>)	1 October 2020	30 September 2027	418	—
DTC (<i>Sanne Japan</i>)	1 October 2020	30 September 2025	172	—
Total			6,612	8,218

17. Other intangible assets continued

Software Intangibles

	Carrying amount 2020 £'000	Carrying amount 2019 £'000
Developed computer software	1,191	—
Software under development	1,407	276

When the Group enters into cloud computing agreements in the form of "software as a service" agreements, the Group determines if the agreement contains an intangible asset. This is done by assessing if the agreement provides the Group with a resource that it can control (i.e. if the Group has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits). This is done by determining if the Group has the contractual right to take possession of the software during the hosting period without significant penalty and if it is feasible for the Group to run the software on its own hardware or contract with another party, unrelated to the supplier, to host the software. If both conditions are met, the Group accounts for the implementation costs, those costs incurred in preparing the intangible asset to be capable of operating in the manner intended by management, as an intangible asset. All other costs are expensed in profit or loss.

The Group entered into agreements with various suppliers, whereby new software will be developed for the Group's exclusive use. These assets are classified as "software under development" where they give rise to an intangible asset. Once the "software under development" is ready for use, as intended by management, cost capitalisation will cease. The asset is transferred from being classified as "software under development" to the "developed computer software" asset class and amortisation commences.

Management has applied judgement to determine if the software being developed is an intangible asset and what development costs can be capitalised. The software is identifiable because it arises from contractual rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations. The Group concluded that it controls the assets classified as "software under development" and "developed computer software" because it is able to take possession of the software as there are no financial penalties or operational barriers that act as significant disincentives to the Group. Control is further strengthened in instances where the Group can operate and/or host the software without reliance on the supplier and the Group can determine when and how upgrades to the software are made. Where the agreement also provides exclusive use of the software, it further supports instances where the Group controls the software. When these conditions are met, the Group recognises the costs incurred as an intangible asset. The software will enable the Group to add value to its clients as clients will be able to use the software to engage with the Group when the Group renders its services. It will also enhance the efficiency of services rendered, thereby saving future potential expenses.

Costs incurred during the planning phase of the project are research costs and have been expensed. The total research costs amounted to £0k (2019: £78k).

18. Equipment

	Computer equipment £'000	Computer software £'000	Fixtures and equipment £'000	Total £'000
Cost				
At 1 January 2019	4,878	3,034	10,429	18,341
Additions	1,428	395	2,091	3,914
Change in accounting policy ¹	—	—	(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
Additions	1,067	171	716	1,954
Additions through acquisitions	85	267	47	399
Disposals	(272)	—	(270)	(542)
Exchange differences	(47)	(41)	94	6
At 31 December 2020	6,838	3,432	11,728	21,998

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For the year ended 31 December 2020

18. Equipment continued

	Computer equipment £'000	Computer software £'000	Fixtures and equipment £'000	Total £'000
Accumulated depreciation				
At 1 January 2019	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
Charge for the year	1,431	290	1,148	2,869
Additions through acquisitions	80	267	42	389
Disposals	(126)	—	(241)	(367)
Exchange differences	(46)	(34)	19	(61)
At 31 December 2020	5,373	3,043	4,611	13,027
Carrying amount:				
At 31 December 2020	1,465	389	7,117	8,971
At 31 December 2019	1,971	515	7,498	9,984

As at 31 December 2020 £7.7 million (2019: £5.8 million) of fixed assets are fully depreciated and still in use.

- In the prior year, the Group adopted the new IFRS 16 "Leases" accounting standard. Certain dismantling costs were historically capitalised as assets and were subsequently removed with the implementation of the new standard as equipment and capitalised against the right-of-use asset.

19. Subsidiaries

Detailed below is a list of subsidiaries of the Company as at 31 December 2020 which, in the opinion of the Directors, principally affect the profit and/or the net assets of the Group. All 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. All subsidiaries only have ordinary shares.

Subsidiaries	Country of incorporation
Sanne Capital Markets Ireland Limited	Republic of Ireland
Sanne Fiduciary Services (UK) Limited	England and Wales
Sanne Fiduciary Services Limited	Jersey
Sanne Finance Limited	Jersey
Sanne Financial Management Consulting (Shanghai) Co Ltd	Peoples Republic of China
Sanne Fund Administration Limited	Jersey
Sanne Group (Guernsey) Limited	Guernsey
Sanne Group (Luxembourg) SA	Luxembourg
Sanne Group (UK) Limited	England and Wales
Sanne Group Administration Services (UK) Limited	England and Wales
Sanne Group Asia Limited	Hong Kong
Sanne Holdings Limited	Jersey
Sanne International Limited	Jersey
Sanne (Singapore) PTE Limited	Singapore
Sanne Trustee Company UK Limited	England and Wales
Sanne Trustee Services Limited	Jersey
Sanne Corporate Administration Services Ireland Limited	Republic of Ireland
Sanne Group U.S. LLC	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.	Luxembourg
Sanne (Luxembourg) Holdings 2 Sarl	Luxembourg
AgenSynd S.L.	Spain
AgenSynd Limited	England and Wales
AgenSynd France SAS	France
Sanne Group Services (UK) Limited	England and Wales
Sanne Group Japan KK	Japan
Sanne (Cayman) Holdings Limited	England and Wales
Acquired or incorporated during the year	
Inbhear Management Services Limited	Cayman Islands
Inbhear Fund Services Limited	Ireland
Sanne Trustees (Cayman) Limited ¹	Cayman Islands
Sanne Group Japan Trust Company ²	Japan

1. Sanne Trustees (Cayman) Limited was formerly known as Avalon Trust & Corporate Services Limited.

2. Sanne Group Japan Trust Company was formerly known as Deutsche Trust Company Limited.

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For the year ended 31 December 2020

20. Minority equity investments

The Group acquired a minority interest in certain entities, as listed below. The shares are not held for trading and, at initial recognition, the Group made the irrevocable election to carry the investments at fair value through other comprehensive income. The Group regards the transactions to be strategic investments and the classification to be the most relevant, based on the Group's business model.

	2020 £'000	2019 £'000
Non-current assets		
<i>Unlisted securities</i>		
Colmore A.G.	8,398	8,632
Alternative Assets Accounting Software Inc.	367	—
	8,765	8,632

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

	2020 £'000	2019 £'000
At 1 January	8,632	—
Additions	387	9,347
Exchange differences	(254)	(715)
At 31 December	8,765	8,632

Colmore A.G.

The fair value was based on a combination of the income approach (discounted cash flow model) and the market approach. The discounted cash flow approach 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 of 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 revenue growth between 15% and 25%, terminal growth rate of 2%, and WACC of 17% 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 in the broader financial services industry. The valuation was based on the revenue multiple. A revenue multiple of 6.3x was used in the estimate.

The Group performed a sensitivity analysis on the fair value. Because a combined approach is used, the Group assessed the combined impact of changes in key assumptions. Should the WACC increase to 18% and the long-term growth rate only yield 1.5% for the income approach and a multiple of 5.6x be used for the market approach, the fair value would be £0.6 million lower. If the WACC decreased to 16% and the long-term growth rate increased to 2.5% for the income approach, and the Group used a multiple of 6.9x for the market approach, the fair value would be £0.6 million higher. The sensitivity analysis was performed based on the current capital structure and expected performance of Colmore A.G.

Alternative Assets Accounting Software Inc.

The company is in the process of developing technology that will generate income 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. Considerations such as time and condition of sale and terms of agreements are analysed for comparable businesses and are adjusted to arrive at an estimation of the fair value of the subject business.

In the income approach, the profit after tax was forecasted over a ten-year period, allowing for the expenses incurred during the development phase and a steady revenue growth as the product is launched over time. The following unobservable inputs were used: average EBIT of 39%, a terminal growth rate of 2%, and WACC of 28% to discount the cash flows.

20. Minority equity investments continued

In the market approach a list of broadly comparable listed companies, with similar lines of business and common factors like the demand for their products and services, were identified through public sources. Since there are a limited number of public companies offering technology solutions to fund administration business services, the Group considered comparable companies offering technology and software services to companies engaged in the broader financial services industry. Because Alternative Assets Accounting Software Inc. has not yet started to generate revenue, a comparison analysis was not viable. Consequently, the valuation was determined by considering the developments in the market between the investment date and the reporting date in the context of Alternative Assets Accounting Software Inc.'s latest available financial projection which have remained similar between the two dates. The technology development is progressing according to the pace set out at the investment date and there have been no large fluctuations given the proximity of the investment date to the reporting date. In performing the assessment, the enterprise value-to-revenue multiple of the identified comparable companies was assessed to determine if there were any large fluctuations in the market. None were noted. It was concluded that Alternative Assets Accounting Software Inc.'s investment value at investment date is representative of the fair value at reporting date.

The Group has concluded that, due to the size of the investment, any changes to key assumptions will not result in material changes to the value of the investment.

21. Financial asset at amortised cost

Financial assets at amortised cost include the following:

	2020 £'000	2019 £'000
Non-current asset		
Loan granted and interest accrued	830	—

The Group classifies its financial assets at amortised cost only if both the following criteria are met:

- (i) the asset is held within a business model whose objective is to collect the contractual cash flows, and
- (ii) the contractual terms give rise to cash flows that are solely payments of principal and interest.

The transaction was raised outside the usual operating activities of the Group. Interest is charged at commercial rates where the terms of repayment exceed twelve months. Collateral is not obtained. The non-current asset is due and payable after 12 months.

The financial assets at amortised cost are denominated in Pound Sterling. As a result, there is no exposure to foreign currency risk. There is also no exposure to price risk as the financial asset at amortised cost will be held to maturity.

The Group considers the probability of default of financial assets carried at amortised cost and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The probability of default at the reporting date is not materially different from the probability of default when the asset was initially recognised. No expected credit loss is recognised on the loan as the loss given default is immaterial. Refer to note 36 for further credit risk disclosure.

22. Leases

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

	2020 £'000	2019 £'000
Right-of-use assets	33,724	32,733
	2020 £'000	2019 £'000
Lease liabilities		
Non-current	34,405	33,549
Current	4,923	4,291
Total lease liabilities	39,328	37,840

During the 2020 financial year, the Group made £4.5 million (2019: £7.5 million) in additions to the right-of-use assets. The total cash outflow for leases amounted to £6.5 million (2019: £6.4 million).

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For the year ended 31 December 2020

22. Leases continued

The Group impaired the right-of-use asset relating to its previous London premises. During the current year, the Group decided to make use of the break clause in its office lease agreement in the UK jurisdiction. COVID-19 and material, prolonged building work and renovations to the building limited the Group's ability to sublease the building. It was also not possible to sublease the building in 2021 due to certain operational challenges outside the Group's control. Consequently the change in the estimated lease term was treated as a lease modification, decreasing both the lease liability and the right-of-use asset. The right-of-use asset was assessed as a standalone CGU as it has the capability of generating income if it is subleased. The recoverable amount was less than the carrying value and resulted in the right-of-use asset being impaired.

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

	2020 £'000	2019 £'000
Depreciation on right-of-use assets	5,795	5,313
Interest expense (included in finance costs)	1,530	1,607
Expenses relating to short-term leases	650	706
Impairment of right-of-use asset	497	—

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 10 months to 22 years. 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 if the Group considers it highly probable that it will extend the agreement per the extension clauses.

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, using the incremental borrowing rate as at commencement date, and adjusted against the right-of-use asset.

During the year, certain leases were extended by exercising extension clauses included in the leases. These lease extensions were treated as lease modifications by discounting the remaining lease payments based on the extended agreement, discounted at the incremental borrowing rate as at the modification date. The increase in the lease liability increased the right-of-use asset. The right-of-use asset is depreciated over its remaining useful life at modification date.

The incremental borrowing rate is determined by making reference to the operating jurisdiction's risk-free rate, adjusted for credit risk, using the interest rate premium as per the 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. 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%.

23. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	47,934	43,457
Allowance for doubtful receivables	(1,498)	(862)
	46,436	42,595
Prepayments	4,807	4,089
Other debtors	2,470	1,257
Total trade and other receivables	53,713	47,941

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 current year, an institutional client represented 5% of the total trade receivables balance. In the prior year no clients represented more than 5% of the total prior period trade receivables balance.

23. Trade and other receivables continued

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

Movement in the allowance for doubtful receivables:

	2020 £'000	2019 £'000
Balance at the beginning of the year	862	766
Recognised through acquisitions	30	–
Impairment losses recognised	1,458	656
Amounts written off during the year as uncollectable	(550)	(52)
Amounts recovered during the year	(374)	(504)
Exchange differences	72	(4)
Total allowance for doubtful receivables	1,498	862

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 indicating that the Group will not be able to collect the debts or bill the customers. All impairment losses relate to receivables resulting from contracts with customers.

The following tables provide information about expected credit losses for trade receivables, from individual customers as at 31 December 2020 and 31 December 2019.

31 December 2020	2020 Expected loss rate	Gross carrying amount £'000	Loss allowance £'000	Net carrying amount £'000
<31 days	0%	34,037	26	34,011
31-60 days	0%	1,459	–	1,459
61-90 days	0%	2,276	9	2,267
91-120 days	0%	4,653	16	4,637
121-180 days	0%	1,021	–	1,021
180+ days	32%	4,488	1,447	3,041
Total		47,934	1,498	46,436

31 December 2019	2019 Expected loss rate	Gross carrying amount £'000	Loss allowance £'000	Net carrying amount £'000
<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

All age buckets disclosed above have expected credit losses applied. Buckets where the expected credit loss rate is 0% have no material credit losses.

24. Contract assets

	2020 £'000	2019 £'000
EMEA	3,832	2,856
Asia-Pacific & Mauritius	2,817	2,644
North America	762	527
Channel Islands	833	433
Balance at 31 December	8,244	6,460

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24. Contract assets continued

	2020 £'000	2019 £'000
Contract assets relating to contracts with customers 1 January	6,460	6,628
Increase in contract assets for the period	9,228	7,003
Contract assets released to revenue	(5,908)	(6,334)
Disposal group held for sale	(850)	(325)
Exchange differences	(686)	(512)
Balance at 31 December	8,244	6,460

The contract assets listed above relate to unbilled work recognised on time spent as performance obligations are met. These assets are all current and based on expected recoverability. The contract assets are subject to the impairment requirements of IFRS 9. Contract assets substantially have the same risk characteristics as the trade receivables and therefore the simplified approach is applied to contract assets. The Group concluded that the expected loss rates applied to trade receivables in the <31 days category are an appropriate estimation of the expected credit losses for contract assets. Payments are due as soon as invoices are raised.

The failure to recover 15% (based on an extreme worst case scenario) of the £8.2 million year end balance (2019: £6.5 million) would result in an impairment of £1.2 million (2019: £1.0 million).

Contract assets recognised from costs incurred to obtain a contract

In addition to the contract balances disclosed above, the Group recognised contract assets in relation to costs incurred to obtain customer contracts. The contract assets are recognised as non-current assets.

	2020 £'000	2019 £'000
Balance at 1 January	–	–
Contract assets recognised to obtain a customer contract	76	–
Accumulated amortisation recognised as a cost to provide the service	(10)	–
Balance at 31 December	66	–

No impairment losses were recognised on the contract assets recognised for costs incurred to obtain a contract.

The Group incurs costs when entering into certain contracts with customers which are only incurred if the contracts are successfully obtained. The Group renders services in terms of these new contracts, generating revenue over the duration of the contract. The Group realises the cost of entering into the contracts over the useful life of the contractual agreement or seven years (whichever period is shorter). This matches the expense to the revenue that is generated by the contract over time.

25. Net (debt)/cash

	2020 £'000	2019 £'000
Bank loan (see note 28)	(133,549)	(129,572)
Trapped cash (i)	(13,353)	(10,065)
Less: Cash and cash equivalents	57,119	51,454
Total net (debt)/cash	(89,783)	(88,183)

The Group had undrawn borrowings at 31 December 2020 of £15 million (2019: £88 million) and an uncommitted accordion of £70 million. See note 28.

- (i) Trapped cash is the aggregate of the minimum amounts of cash legal entities within the Group 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 36 for additional information on capital management.

26. Share capital

	2020 £'000	2019 £'000
Authorised		
500,000,000 (2019: 500,000,000) ordinary shares of £0.01 each	5,000	5,000
Called up, issued and fully paid		
147,388,877 (2019: 146,633,168) ordinary shares of £0.01 each	1,474	1,466

804,585 Ordinary shares (0.5% of the issued share capital) are held by Sanne Group Employees' Share Trust ("EBT") (2019: 1,730,901) and have been treated as treasury shares in accordance with IAS 32 Financial Instruments.

At 31 December 2020 the Company held 98,533 (2019: 98,533) treasury shares.

Movements in share capital during the year ended 31 December

	2020 £'000	2019 £'000
Balance at 1 January	1,466	1,460
Issue of shares:		
FAS deferred consideration	6	6
Avalon Trust & Corporate Services Limited acquisition consideration	2	—
Balance at 31 December	1,474	1,466

Movements in share premium during the year ended 31 December

	2020 £'000	2019 £'000
Balance at 1 January	203,423	200,270
Issue of shares:		
FAS deferred consideration	3,089	3,153
Avalon Trust & Corporate Services Limited acquisition consideration	678	—
Balance at 31 December	207,190	203,423

Shares to the value of £3.1 million (2019: £3.2 million) were issued from the "shares to be issued" reserve rather than raised through the issuance of ordinary shares.

27. Own shares

	2020 Shares	2019 Shares	2020 £'000	2019 £'000
EBT	804,585	1,730,901	562	1,166
Treasury	98,533	98,533	—	—
Total	903,118	1,829,434	562	1,166

Sanne Group Employees' Share Trust ("EBT")

During the year, the EBT settled commitments under share-based payments of 931,747 shares. The EBT also repurchased 5,431 shares during the year from employees.

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

Treasury shares

The Company held 98,533 (2019: 98,533) shares in treasury resulting from repurchases of shares which are held under restrictive sale agreements, at a total cost of £2.

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28. Borrowings

The Group's loan facility is for £150m plus an uncommitted accordion facility of £70m with a consortium of five banks namely HSBC, Bank of Ireland, Lloyds, Royal Bank of Canada and Santander. The loan is structured solely as a revolving credit facility that can be drawn down and repaid by the Group at any time. The loan and uncommitted accordion have a maturity of February 2023 and commercial interest rates of LIBOR plus a variable margin are charged.

Covenants attached to the loan relate to interest cover and leverage. Undrawn funds in the revolving credit facility are charged at 35% of the interest margin whilst the uncommitted accordion facility attracts no interest until drawn.

The balances available and drawn are as follows:

	2020 £'000	2019 £'000
Available		
Revolving credit facility	150,000	150,000
Uncommitted accordion facility	70,000	70,000
	220,000	220,000
Drawn		
Revolving credit facility	134,913	131,175
Capitalised loan fees	(1,364)	(1,603)
Total borrowings	133,549	129,572

Reconciliation of loan balance

	2020 £'000	2019 £'000
Balance at 1 January	129,572	85,364
Redemption of bank loans	(12,302)	(85,850)
New bank loans raised	14,821	131,175
Amortisation for the year	162	174
Loan fees accrued	–	(37)
Loan fees paid	(29)	(1,711)
Loan fees written off	–	457
Exchange gain	1,325	–
Balance at 31 December	133,549	129,572

The directors consider the carrying amount of the borrowings approximates its fair value.

During the year ending 31 December 2020, the Group repaid £12.3 million of the revolving credit facility and drew down a total of £15.0 million from the revolving credit facility.

29. Deferred taxation

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

	2020 £'000	2019 £'000
Deferred tax asset	9,008	8,324
Deferred tax liability	(15,165)	(15,931)
	(6,157)	(7,607)

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

	2020 £'000	2019 £'000
Other intangible assets	(7,907)	(9,063)
Other timing differences	1,750	1,456
	(6,157)	(7,607)

The movement in the year is analysed as follows:

	2020 £'000	2019 £'000
Balance at 1 January	(7,607)	(11,313)
Recognised through acquisitions	(715)	—
Other comprehensive income	95	10
Income statement movements		
Other intangible assets	1,156	1,629
Leases – right-of-use assets	325	5,370
Leases – lease liabilities	(188)	(4,822)
Tangible assets	(155)	(122)
Share-based payments	(683)	145
Other timing differences – income statement	1,694	1,122
Foreign exchange	(79)	374
Balance at 31 December	(6,157)	(7,607)

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:

	2020 £'000	2019 £'000
Deferred tax asset		
Recovered in no more than 12 months after the reporting period	6,005	5,123
Recovered in more than 12 months after the reporting period	3,003	3,201
Balance at 31 December	9,008	8,324

The group expects the deferred tax liability to be settled as follows:

	2020 £'000	2019 £'000
Deferred tax liability		
Settled in no more than 12 months after the reporting period	(7,276)	(10,856)
Settled in more than 12 months after the reporting period	(7,889)	(5,075)
Balance at 31 December	(15,165)	(15,931)

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For the year ended 31 December 2020

30. Provisions

	2020 £'000	2019 £'000
Balance at 1 January	2,475	1,650
Provisions utilised during the year	–	(546)
Provisions recognised during the year	792	1,352
Foreign exchange loss	28	19
Balance at 31 December	3,295	2,475
Of which are:		
Non-current provision	2,936	2,024
Current provision	359	451
Balance at 31 December	3,295	2,475

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.

31. Trade and other payables

	2020 £'000	2019 £'000
Trade creditors	599	1,320
Other payables	3,590	1,148
Other taxes and social security	3,634	3,139
Accruals	6,949	8,865
Contingent consideration	287	–
Total trade and other payables	15,059	14,472

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 the fair value.

Refer to note 36 regarding the fair value assumptions made in valuating the contingent consideration at the end of the reporting period.

32. Contract liabilities

	2020 £'000	2019 £'000
EMEA	7,809	7,479
Asia-Pacific & Mauritius	4,121	4,302
North America	336	71
Channel Islands	6,276	5,782
Balance at 31 December	18,542	17,634

32. Contract liabilities continued

The following disclosure indicates how much of the revenue, recognised in the current reporting period, relates to carried-forward contract liabilities and how much revenue is billed in advance.

	2020 £'000	2019 £'000
Contract liabilities at 1 January	17,634	16,085
Revenue recognised in the current period that was included in the contract liability balance at the beginning of the period	(17,985)	(16,195)
Contract liabilities recognised during the year	18,886	18,551
Disposal group held for sale	(202)	(325)
Exchange differences	209	(482)
Balance at 31 December	18,542	17,634

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

33. Share-based payments

	2020 £'000	2019 £'000
Sanne Group plc		
Performance Share Plan	374	(40)
Restricted Stock Awards	2,779	2,482
Social security accrual	14	(65)
Total share-based payments expense recognised in the income statement	3,167	2,377

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 was 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 model 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 10% as per market expectation to determine the probable performance at vesting date. The fair value of share awards granted during the period amounted to £2.2 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 Restricted Stock Awards ("RSA"). The awards are granted as part of the mechanics of an acquisition to act as retentions for staff. The vesting of the awards is subject to continued employment over an agreed period. All the awards were granted for nil consideration. The fair value of share awards granted during the period amounted to £2.5 million.

The number of PSP share-based payment awards granted are as follows:

	Number of shares 2020	Number of shares 2019
Performance Share Plan		
Outstanding at 1 January	1,016,548	1,413,030
Granted during the year	558,379	376,783
Forfeited during the year	(89,060)	(197,726)
Vested during the year	(38,275)	(575,539)
Outstanding at 31 December	1,447,592	1,016,548

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33. Share-based payments continued

The number of RSA share-based payment awards granted are as follows:

	Number of shares 2020	Number of shares 2019
Restricted Stock Awards		
Outstanding at 1 January	1,679,064	1,546,998
Granted during the year	381,973	540,704
Forfeited during the year	(63,997)	(97,219)
Vested during the year	(824,479)	(311,419)
Outstanding at 31 December	1,172,561	1,679,064

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

Shares to be issued per the consolidated balance sheet comprise the following:

	2020 £'000	2019 £'000
Balance at 1 January	7,723	12,278
Increase in share-based payments	2,978	2,337
FAS acquisition – deferred consideration settled	(3,096)	(3,159)
Shares vested	(4,599)	(3,733)
Balance at 31 December	3,006	7,723

34. Long-term employee benefits

Defined contribution retirement benefit

The Group participates in various defined contribution retirement benefit plans, to which it makes monthly contributions in specific jurisdictions. The total contributions during the year were £686k (2019: £560k), paid in full by the employer.

Defined benefit retirement obligation

The Group has a defined benefit retirement obligation in respect of the Workers Rights Act 2019 ("the Act"). In terms of the act in Mauritius, an employer is obligated to pay a lump sum to the employee upon retirement in proportion to the years of service employed at the company.

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

The Group recognised a net defined benefit retirement obligation of £1,086k (2019: £684k) 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 2020 by the State Insurance Company of Mauritius.

	2020 £'000	2019 £'000
Defined benefit retirement obligation		
Present value of defined benefit retirement obligation at the beginning of the year	684	701
Amounts recognised in the consolidated income statement		
– Current service cost	105	54
– Net interest expense	37	42
Amounts recognised in the consolidated statement of comprehensive income		
– Actuarial loss on defined benefit retirement obligation	419	67
Direct benefits paid	(81)	(118)
Exchange difference	(78)	(62)
Present value of defined benefit retirement obligation at 31 December	1,086	684

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

34. Long term employee benefits continued

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:

	2020	2019
Discount rate ¹	3.9%	6.5%
Future salary increases	2.5%	3.0%
Future pension increases	3.0%	3.0%
Withdrawal rate	17.0%	17.0%
Retirement age	65 years	65 years

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

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

	2020 £'000	2019 £'000
Increase due to 1% decrease in discount rate	251	129
Decrease due to 1% increase in discount rate	194	182
Increase due to 1% increase in future salary increases	301	132
Decrease due to 1% decrease in future salary increases	236	167
Weighted average duration of the defined benefit obligation (years)	20.4 years	22.7 years

35. Business combinations

Inbhear Management Services Limited and Inbhear Fund Services Limited

On 1 April 2020 the Group acquired 100% of the issued share capital of Inbhear Management Services Limited, incorporated in the Cayman Islands.

As part of the same acquisition, the Group acquired 100% of the issued share capital of Inbhear Fund Services Limited on 1 May 2020. The acquired companies position themselves as a partner to managers who have a long-term investment horizon. The entities have a valued institutional client base and are well known for providing high levels of client service.

The acquisition provides the Group with an opportunity to expand its platform into the Cayman Islands and Ireland, growing its existing North America and EMEA operations.

The consideration for the Inbhear Fund Services Limited acquisition is satisfied through a payment of £8.2 million (€9.4 million) in cash. A contingent payment will be made in 2022, estimated to be £1.2 million (€1.4 million), and is linked to the employment of key management; this will consequently be treated as remuneration instead of consideration.

The consideration for the Inbhear Management Services Limited acquisition is accounted for as a contingent payment and amounts to the issuance of approximately 711,155 shares. At 31 December 2020, no issuance of shares has occurred. The contingent consideration is based on a multiple of the average gross profit generated by the business operations over the next three years. Should the required target not be met, no shares will be granted. Should actual results of the business exceed the target amount a maximum of 746,295 shares will be granted.

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35. Business combinations continued

		EUR '000	GBP '000
Recognised amounts of identifiable net assets (at fair value) at acquisition:			
Non-current assets			
	Useful economic life		
Equipment	3 – 5 years	11	10
Customer and contract intangibles	7 years	2,513	2,207
Deferred tax assets		3	3
		2,527	2,220
Current assets			
Trade and other receivables		377	332
Cash and cash equivalents		2,130	1,870
		2,507	2,202
Current liabilities			
Trade and other payables		268	235
Current tax liabilities		70	62
		338	297
Non-current liabilities			
Deferred tax liabilities		314	276
Identifiable net assets		4,382	3,849
Goodwill		5,048	4,432
Gain on bargain purchase		(43)	(38)
Total consideration		9,387	8,243
Total consideration satisfied by:			
Cash consideration – at acquisition		9,387	8,243
Fair value of consideration payable at acquisition date		9,387	8,243
Net cash inflow arising at acquisition:			
Cash consideration		9,387	8,243
Less: cash and cash equivalents balances acquired		(2,130)	(1,870)
Net cash outflow at acquisition		7,257	6,373

Fair value of consideration

The payment for the controlling interest in Inbhear Management Services Limited is made solely in the form of share-based payments, to the value of £3.8 million (\$4.8 million). The number of shares that will be issued is based on the performance of Inbhear Management Services Limited in 2020, 2021 and 2022. The consideration will be accounted for as non-underlying share-based payments.

A cash consideration of £8.2 million (€9.4 million) was paid for the controlling interest in Inbhear Fund Services Limited on acquisition date. A contingent payment (depending on the continued employment of the previous owners) will be made in 2022 at an estimated value of £1.2 million (€1.4 million).

35. Business combinations continued

Transaction costs

The Group incurred £0.7 million relating to acquisition and integration expenses during 2020. These costs have been expensed within operating expenses and are disclosed as non-underlying expenses in note 9.

Goodwill

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

Gain on bargain purchase

A gain on bargain purchase was recognised on the acquisition on Inbhear Management Services Limited because the fair value of the assets exceeded the consideration paid in terms of the accounting standards. The Group believes the new acquisition will yield opportunities for new business wins, the effects of an assembled workforce and synergies from combining operations of the acquiree and the acquirer. The gain on bargain purchase is not taxable.

Trade and other receivables

The fair value of the financial assets acquired includes trade and other receivables with a fair value of £332k. The gross amount receivable is £332k of which all debt is expected to be collected.

Effect on the results

Inbhear Management Services Limited and Inbhear Fund Services Limited contributed revenue of £1.7 million and a profit of £0.5 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 on 1 January 2020, on a pro rata basis, the Group revenue for the period would have been £170.5 million (£0.8 million higher) and net profit £25.1 million (£0.3 million higher) for the year ended 31 December 2020.

Avalon Trust & Corporate Services Limited

On 1 October 2020, the Group acquired 100% of the issued share capital of Avalon Trust & Corporate Services Limited, incorporated in the Cayman Islands. The company is a highly regarded trust and corporate services provider. The legal entity was subsequently renamed to Sanne Trustees (Cayman) Limited.

The acquisition of Avalon Trust & Corporate Services Limited strengthens the Group's Cayman Islands offering, which was established with the acquisition of Inbhear Management Services Limited, and grows its existing North America operations.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2020

35. Business combinations continued

The consideration for the Avalon Trust & Corporate Services Limited acquisition is satisfied through a payment of £5.4 million (\$6.9 million) in cash and 119,053 in restricted shares.

		USD '000	GBP '000
Recognised amounts of identifiable net assets (at fair value) at acquisition:			
Non-current assets			
Customer and contract intangibles	Useful economic life 7 years	3,240	2,509
Current assets			
Trade and other receivables		588	455
Cash and cash equivalents		769	596
		1,357	1,051
Current liabilities			
Trade and other payables		75	58
Contract liabilities		314	243
		389	301
Identifiable net assets		4,208	3,259
Goodwill		3,614	2,799
Total consideration		7,822	6,058
Total consideration satisfied by:			
Cash consideration – at acquisition		6,945	5,379
Equity instruments (119,053 shares in Sanne Group plc)		877	679
Fair value of consideration payable at acquisition date		7,822	6,058
Net cash inflow arising at acquisition:			
Cash consideration		6,945	5,379
Less: cash and cash equivalents balances acquired		(769)	(596)
Net cash outflow at acquisition		6,176	4,783

Fair value of consideration

A cash consideration (£5.4 million (\$6.9 million)) was paid for the controlling interest in Avalon Trust & Corporate Services Limited on the date of acquisition. The remainder of the consideration was settled in the form of 119,053 shares. The shares in Sanne Group plc was adjusted for the lack of marketability (due to the trade restriction), using the Finnerty Average-Strike Put Option Model.

Transaction costs

The Group incurred £16k relating to acquisition and integration expenses during 2020. These costs have been expensed within operating expenses and are disclosed as non-underlying expenses in note 9.

Goodwill

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

Trade and other receivables

The fair value of the financial assets acquired includes trade and other receivables with a fair value of £455k. The gross amount receivable is £455k of which all debt is expected to be collected.

35. Business combinations continued

Effect on the results

Avalon Trust & Corporate Services Limited contributed revenue of £0.4 million and a profit of £0.3 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 2020, on a pro rata basis, the Group revenue for the period would have been £170.8 million (£1.1 million higher) and net profit £25.6 million (£0.8 million higher) for the year ended 31 December 2020.

Deutsche Trust Company Limited

On 1 October 2020 the Group acquired 100% of the issued share capital of Deutsche Trust Company Limited (subsequently renamed to Sanne Group Japan Trust Company), incorporated in Japan. This company offers trust services.

The acquisition provides the Group with an opportunity to expand its platform and service offering in Japan and grow its existing Asia-Pacific operations.

The consideration for the Deutsche Trust Company Limited acquisition is satisfied through a payment of £4.7 million (¥633.8 million) in cash. The consideration price was lower due to the cash balances being acquired on a Pound for Pound basis. A contingent payment will be made in 2021, estimated to be £0.3 million (¥40.5 million), and is based on the expected revenue from the existing trust structures for the next 12 months.

	JPY '000	GBP '000
Recognised amounts of identifiable net assets (at fair value) at acquisition:		
Non-current assets		
Customer and contract intangibles	Useful economic life 5 years 171,947	1,262
Current assets		
Trade and other receivables	67,728	497
Cash and cash equivalents	561,681	4,122
Contract assets	7,827	57
	637,236	4,676
Current liabilities		
Trade and other payables	74,085	542
Current tax liabilities	18,512	136
	92,597	678
Non-current liabilities		
Deferred tax liabilities	60,182	442
	60,182	442
Identifiable net assets	656,404	4,818
Goodwill	17,891	145
Total consideration	674,295	4,963
Total consideration satisfied by:		
Cash consideration – at acquisition	633,836	4,665
Contingent consideration	40,459	298
Fair value of consideration payable at acquisition date	674,295	4,963
Net cash inflow arising at acquisition:		
Cash consideration	633,836	4,665
Less: cash and cash equivalents balances acquired	(561,681)	(4,122)
Net cash outflow at acquisition	72,155	543

Notes to the Consolidated Financial Statements continued

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35. Business combinations continued

Fair value of consideration

A cash consideration of £4.7 million (¥633.8 million) was paid for the controlling interest in Deutsche Trust Company Limited on the date of acquisition. A contingent payment will be made in 2021 for an estimated value of £0.3 million (¥40.5 million) and is based on the expected revenue from the existing trust structures for the next twelve months.

Transaction costs

The Group incurred £0.5 million relating to acquisition and integration expenses during 2020. These costs have been expensed within operating expenses and are disclosed as non-underlying expenses in note 9.

Goodwill

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

Trade and other receivables

The fair value of the financial assets acquired includes trade and other receivables with a fair value of £497k. The gross amount receivable is £497k of which all debt is expected to be collected.

Effect on the results

Deutsche Trust Company Limited contributed revenue of £0.4 million and a profit of £0.4 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 2020, on a pro rata basis, the Group revenue for the period would have been £170.9 million (£1.2 million higher) and net profit £25.9 million (£1.1 million higher) for the year ended 31 December 2020.

36. Financial instruments

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

	Level	2020 £'000	2019 £'000
Categories of financial instruments			
Financial assets			
<i>Financial assets at amortised cost</i>			
Cash and bank balances		57,119	51,454
Trade and other receivables	(i)	54,680	49,055
Loan granted	(ii)	830	—
<i>Financial assets at fair value</i>			
Minority equity investments	(iii) 3	8,765	8,632
Financial liabilities			
<i>Financial liabilities at amortised cost</i>			
Bank loan		133,549	129,572
Trade and other payables	(iv)	11,138	11,333
<i>Financial liabilities at fair value</i>			
Contingent consideration	(v) 3	287	—

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

(ii) This relates to a loan that was granted. Refer to note 21 for further details.

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

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

(v) This represents the contingent consideration payable on the Deutsche Trust Company Limited acquisition. The contingent consideration is carried at fair value and is measured as 50% of the revenue generated within the 12 months after acquisition, less the initial purchase price. The fair value is determined as an estimate of the amount of revenue that will be generated in the 12 months after acquisition.

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.

36. Financial instruments continued

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 in which they occur.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern 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 26 for the quantitative disclosure of the share capital.

As disclosed in note 28, the Group has a loan which requires it to meet cash flow, leverage and interest cover covenants. Refer to note 28 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 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. The Group complied with the financial covenants of its borrowing facilities during the 2020 and 2019 reporting periods.

Individual regulated entities within the Group are subject to regulatory requirements to ensure adequate capital and liquidity to meet local requirements in Jersey, Guernsey, Ireland, the Netherlands, Luxembourg, the Cayman Islands 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. The regulatory requirement of adequate capital is referred to by Sanne as "trapped cash", the quantitative balance of which can be observed in note 25.

Financial risk management objectives

The financial risk management policies are discussed by management on a regular basis to ensure that they are in line with the overall business strategies and risk management philosophy. Management set policies which seek to minimise the potential adverse effects affecting the financial performance of the Group. Management provide 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.

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 change to the financial statements.

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 2020 would decrease/increase by £237k (2019: £363k).

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36. Financial instruments continued

Foreign currency risk management

The Group manages exposure to foreign exchange rates by carrying out the majority of its transactions in the functional currency of the Group company in the jurisdiction in which it operates. The Group entities maintain assets in foreign currencies sufficient for regulatory capital purposes in each jurisdiction. The volatility of the Sterling is due to the uncertainty of the United Kingdom leaving the European Union at the start of 2021 and the effect this might have on global markets. The Group's strong momentum and diverse geographic presence, as well as the favourable underlying trends in the markets in which the Group operates, give the Directors confidence in the continued management of the impact on the Group after the United Kingdom left the EU. The carrying amounts of the Group's material foreign currency denominated monetary assets and monetary liabilities are as follows:

	Assets		Liabilities	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Euro	42,021	35,051	7,163	168
United States Dollar	23,620	25,979	2,895	281
South African Rand	1,838	1,258	48	71
	67,479	62,288	10,106	520

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

	Strengthening/ (weakening) of Sterling	Effect on Group comprehensive income and net assets	
		2020 £'000	2019 £'000
Euro	+20%	(5,810)	(6,977)
United States Dollar	+20%	(3,454)	(5,140)
South African Rand	+20%	(298)	(237)
Euro	(20%)	6,972	5,814
United States Dollar	(20%)	4,145	4,283
South African Rand	(20%)	358	198

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 trade 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.

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.

36. Financial instruments continued

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: an 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 the loss allowance at the reporting date is disclosed in note 23. Note 24 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 balances.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment terms. 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 from floating rates, the undiscounted amount is derived from interest rates at the balance sheet date.

	< 3 months £'000	3-12 months £'000	1-5 years £'000	> 5 years £'000	Total £'000
31 December 2020					
Bank loans (i)	571	1,744	144,173	—	146,488
Trade payables and accruals (ii)	14,758	—	—	—	14,758
Provisions	184	175	947	1,989	3,295
Lease liability	1,187	3,735	13,898	20,507	39,327
	16,700	5,561	159,018	22,496	203,775
	< 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

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2020

37. 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 year 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.

	2020 £'000	2019 £'000
Short-term employee benefits	2,719	2,289
Share-based payments	516	222
Contracted through consultancy firm	–	60
Total short-term payments	3,235	2,571

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.

	2020 £'000	2019 £'000
Consulting services – Arema Risk Limited	–	70

Arema Risk Limited was a related party of the Group because a member of the Group's key management personnel was a shareholder of the entity up until it was dissolved in the second half of 2020. In the prior year 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.

Refer to note 19 for a list of subsidiaries of the Company as at 31 December 2020 which, in the opinion of the Directors, principally affect the profit and/or the net assets of the Group.

38. Contingent liabilities

In the ordinary course of business, the Group could be subject to legal claims and/or proceedings. Should such an event occur, 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 entered into a sale and purchase agreement to acquire the shares of Private Equity Administrators ApS (an entity incorporated in Denmark), PEA Depository Services ApS (an entity incorporated in Denmark), Private Equity Administrators Ltd (an entity incorporated in Guernsey) and Private Equity Administrators Sweden AB (an entity incorporated in Sweden), whereby it will obtain control over the entities, subject to regulatory approvals. The agreement was entered into at the end of 2020, and was finalised on 1 March 2021. The consideration as set out in the sale and purchase agreement amounts to an upfront payment of £16.4 million and the issuance of 1,288,502 shares. The additional consideration will be made within one year after the acquisition date. An earn-out payment will be made within two years after the acquisition date. Both the additional consideration as well as the earn-out payment will be finalised with the acquisition accounting and will be disclosed in the interim financial statements of 2021. This acquisition provides the Group with the opportunity to expand into the Nordics and enhance the Group's position in Guernsey, expanding on its EMEA and Channel Islands operations. At year end the Group had not yet obtained control over the entities, due to contractual requirements that have not yet been met. Consequently, the acquisition accounting is not disclosed under business combinations. Acquisition accounting for this transaction is incomplete at issuance of these financial statements and therefore not disclosed. The results of the acquisition accounting will be available in the interim financial statements of 2021.

On 18 March 2021, the Group refinanced the loan facility. The new loan facility is for committed facilities of £210 million and a further accordion facility of £100 million with a consortium of six banks. The new facility has a maturity of 18 March 2024. The new loan is structured similarly to the old facility as a revolving credit facility that can be drawn down and repaid by the Group at any time. There has been no change in the definitions of the covenants that monitor interest cover and leverage and no change to the charges held by the syndicate against the shares of certain Group companies.