9 September 2020

Sanne Group plc

(the **Group**, **SANNE** or the **Company**)

Interim Results for the six months ended 30 June 2020

SANNE, a leading global provider of alternative asset and corporate services, announces its results for the six months ended 30 June 2020.

	6 months to 30 June 2020	6 months to 30 June 2019	Change	Constant currency change[3]
Underlying[1]				
Net revenue[2]	£83.9m	£75.9m	10.7%	9.5%
Operating profit	£23.0m	£19.2m	20.0%	14.0%
Profit before tax	£22.3m	£17.5m	27%	12.1%
Diluted earnings per share	12.3p	9.4p	30.9%	12.9%
Free cash flow attributable to equity holders[4]	£15.0m	£12.9m	16.3%	n.a.
Operating profit margin	27.4%	25.3%	210bps	n.a.
Statutory				
Turnover[2]	£86.5m	£76.0m	13.8%	12.6%
Operating profit	£12.3m	£5.9m	108.5%	90.0%
Profit before tax	£11.6m	£3.8m	205.3%	141.9%
Diluted earnings per share	6.1p	1.4p	335.7%	229.4%
Interim dividend per share	4.8p	4.7p	2.1%	n.a.

1. Underlying results for the year have been presented after the exclusion of non-underlying items, third-party fund management fees and discontinued activities. Further details of non-underlying items can be found in note 3 of the consolidated financial statements

2. Net revenue comprises turnover less third-party fund management fees. More detail is provided in the Financial Review

3. Constant currency represents the 2020 performance based on applicable 2019 FX rates to eliminate movements due to FX

4. Free cash flow attributable to equity holders is the total cash generated in the year before acquisitions, capital expenditure, financing activities and cash non-underlying costs

Highlights:

- Robust financial performance:
    - Net revenue growth of 9.5%[3] with organic growth of 8.9%[3] reflecting the resilience of client book but Q2 COVID-19 related slowdown in new fund activity
    - Underlying operating profit growth of 14.0%[3]
    - Underlying operating profit margin improvement of 210bps to 27.4% in the first half resulting from actions in H2 2019
    - Strong cash generation with underlying operating cash conversion in excess of 100%
    - New business wins with annualised revenue of approximately £11.1 million secured in the first half with an encouraging pick up since June

- Fast adaptation to COVID-19 implications with no interruption to client service:
    - Well invested platform allowed smooth and immediate shift in working patterns under COVID-19 with no interruption to client service
    - Prioritised health, safety and wellbeing of our people across all locations throughout the period
    - Actively supported COVID-19 related charitable causes across the globe with colleague volunteering and financial contributions
- Progress on strategic goals:
    - Continued innovation of technology solutions for improved servicing of customers
    - Organic initiatives to sharpen focus and fuel further growth
    - Acquisition of Inbhear to increase Dublin capability and open new Cayman office
    - Bolt on acquisitions agreed in Cayman and Tokyo to augment presence and drive growth (expected to complete in the second half)
    - Completed the disposal of the Jersey Private Client business on 1 July 2020
- Interim dividend of 4.8p (2019: 4.7p), reflecting the Board's confidence in the prospects for the Group

Outlook:

- The business has shown good resilience during H1 2020 during unprecedented conditions, with the operational platform continuing to deliver quality client service and remaining in a good position to overcome any potential future lockdowns
- Whilst economic uncertainty remains around the medium and longer term impact of COVID-19 and the Brexit process, the business model is robust in that revenues are long term, margins are healthy and the resulting cash flow generation is strong
- Signs of market progress have been seen during Q3 and pipeline of new business continues to grow
- These observations give the Board confidence in delivering a full year performance in line with its expectations, and we continue to see the long-term strategic opportunity for the Group

Martin Schnaier, Chief Executive Officer of Sanne Group plc, said:

"The changes that we have made to the business over the past fifteen months have enabled the Group to deliver a resilient financial performance during the first half despite the backdrop of the COVID-19 pandemic. Our ambition remains to provide high quality, professional services to our clients and this year we have particularly focused on technology across the Group which I see as a really exciting development. Operationally we have prioritised the health, safety and wellbeing of all our people and I would like to thank everyone for their continued efforts in delivering uninterrupted quality service to our clients. We remain excited about the long-term opportunities for the business and committed to our stated strategy."

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The Company will be hosting a virtual investor and analyst presentation at 9.30am (GMT) this morning. A webcast will be provided and is available by registering at the following link: https://www.sannegroup.com/investors/results-presentations/

A dial-in facility is also available, and the details are as follows:

Dial-in numbers:	UK: +44 33 0606 1122 ITFS: International Access Numbers
Room number:	878505
Participant PIN:	4297

A PDF copy of the 2020 Interim Results presentation will be available to download on SANNE's Investor Relations results and presentation page after the live webcast has ended.

Notes:

SANNE is a leading global provider of alternative asset and corporate services. Established for over 30 years and listed on the Main Market of the London Stock Exchange and a member of the FTSE 250 index, SANNE employs more than 1,800 people worldwide and administers structures and funds that have in excess of £250 billion of assets.

Key clients include alternative asset managers, financial institutions and global corporates.

SANNE operates from a global network of offices located in leading financial jurisdictions, which are spread across the Americas, Europe, Africa and Asia-Pacific.

www.sannegroup.com

Strategic Review

Chief Executive Officer's Statement

The Group has delivered a strong performance during the first half despite the unprecedented COVID-19 conditions during the period. This performance underlines the resilience of our business during a period of considerable uncertainty within global markets that has impacted on new alternative asset fund launches. In our core closed-ended alternatives book, we continued to see healthy revenue growth despite some delays to fundraisings and a lower level of transactional activity during Q2. Overall, the Group increased profitability and continued to benefit from the structural changes that were made last year which continued to yield material improvements in overhead cost control.

The business has continued to track the key strategic ambition of providing best-in-class client service as we smoothly transitioned from office working to remote working across all our locations.

Our focus throughout the period has been to prioritise the health, safety and wellbeing of our people and I am incredibly proud of how well they have performed, globally, under such challenging conditions.

In addition to a robust organic performance, SANNE has successfully negotiated two new acquisitions in 2020. In Cayman, the Group signed an agreement to acquire Avalon Trust & Corporate Services Limited and in Japan, we have signed an agreement to lift-out Deutsche Bank's trust company operations. Both transactions are expected to complete during the second half and should help accelerate our growth ambitions in these attractive jurisdictions. The Group also completed the disposal of the Jersey Private Client business on 1 July.

As SANNE continues to build upon its reputation as a leader in our industry, providing our clients with local service excellence on a global, scalable platform, we have refreshed our branding to reflect the tangible evolution of the business during the past year. The new branding communicates a differentiated, technological evolution of our service proposition, enhanced service quality and further ambitions for the exciting opportunities that lie ahead for all our stakeholders. Initial client feedback has been positive, with many noting this better reflects SANNE's evolution to a scaled, industry leading platform focused on high quality client service.

Financial performance

Underlying Group Income Statement	**H1 2020 (£'000)**	**H1 2019 (£'000)**	***% change***	***Constant currency % change***
Net revenue	**83,949**	**75,861**	***10.7%***	***9.5%***
Gross profit	**49,752**	**45,307**	***9.8%***	***7.8%***
- Gross profit margin	*59.3%*	*59.7%*		
Overhead costs	(26,771)	(26,150)		
Underlying operating profit	**22,981**	**19,157**	***20.0%***	***14.0%***
- Underlying operating profit margin	*27.4%*	*25.3%*		

The Group delivered revenue growth of 9.5% on a constant currency basis which was nearer 11% on an actual basis. This is a robust revenue performance for the Group given the backdrop of the global COVID-19 pandemic and demonstrates the resilience of our business and the non-discretionary nature of the majority of the services we provide to clients.

While we are confident that the substantial, long term market opportunity remains for alternative assets, we did see a temporary impact from COVID-19 on our business in two main areas. Firstly, across our core closed-ended business, we saw a shift in client focus away from new fundraising activity and towards portfolio management. While this shift in focus is expected to be temporary, it has caused some delays to actual conversion of our pipeline for new business and slowed transactional activity, particularly in real estate, and therefore contributed to a softer revenue growth rate overall. Secondly, our Hedge business saw a delay in AuM ramp-up from large, new engagements that would have offset the effect of previously reported client attrition in South Africa during 2019. While we still expect these new funds to ramp up, COVID-19 conditions have delayed this, resulting in a soft performance from our principal AuM-based product line for H1 and potentially most of 2020.

Despite this slowdown in new fundraising activity, new business wins with expected annual revenue of over £11m demonstrate a positive result for the Group given the market conditions in the first half.

The Group gross profit has grown in line with revenues at a consistent gross margin compared to the prior year. This result reflects a small underlying gross margin improvement within three of the four reporting segments whilst the EMEA segment margin has been held back as a result of the reduced revenue in the Hedge business and increased costs in Luxembourg following the revenue realignment exercise that we discussed at the full year results. We have also continued to invest in the Group's Product, Business Development and Marketing teams, including work to refresh the Group's branding during the period.

The first half underlying operating profit has materially improved by 20.0% on an actual basis. This improvement reflects the successful actions taken in the second half of 2019 to manage and control overheads after a period of significant investment in our people, processes and systems. It is especially pleasing to see this performance despite our renewed focus and investment in technology.

This performance has meant that the business has delivered a good improvement in underlying operating profit margin from 25.3% in 2019 to 27.4% for the first half. Whilst this has been helped by some one-off cost savings driven by COVID-19, principally travel, most of this improvement is as expected.

The Group has also delivered another period of strong cash generation despite H1 traditionally being the slower period as a result of the timing of invoicing in our Mauritian business.

The underlying operating cash conversion for H1 was 101% with free cash flow attributable to equity holders up 16.3% on the first half of 2019 to £15.0 million. This has been driven by our continued working capital discipline as well as the resilient nature of our business model.

Continued strategic delivery

Notwithstanding the global conditions during the first half and the priority to ensure the health and safety of our people in the face of COVID-19, we have continued to make progress against our core strategic goals.

As we reported previously, we have focused on innovation and our use of technology to enhance client service and operational efficiency across the global business. As such, following the restructure of the management team in 2019, we created a new role of Chief Technology Officer. Marie Measures was appointed on 1 January and has already had a significant impact on capability, approach and delivery for the business. An example has been how well the expedited roll out of remote access technology for the entire business during Q1 was managed. This resulted in a smooth transition to remote working when lockdown conditions required and thereby allowed SANNE to continue delivering best-in-class services to our clients. In addition, a thorough review of our legacy systems, team capabilities and user experience has enabled us to identify opportunities to become more efficient in how we work and improve the use of technology internally and in a technology-led client service proposition. In addition to this internal focus, the Technology Team continue to work closely with the Group's Product Development Team to generate significant revenue opportunities through a data and technology led client offering.

Our Product Development Team continued to evolve following its launch last year and we have seen real benefits of having credible, market-leading figures interacting with our key clients, prospective clients and market intermediaries. The Team has also been built out to include enhanced, client-facing regulatory and technology expertise. Together with the Technology Team, the Product Development Team has been leading the development of the Helios4GP data analytics product that was brought into the Group following the investment in Colmore last summer. Our clients have been eager to take up this new product and we believe that this shows what an important service enhancement this will be, especially as it is a unique offering at this time. This product will be available on SANNE's new integrated client portal called Sanne.Live, through which clients will be able to access direct data, analytics and other services. This development launched this year and again shows the progression we are making in delivering a technology-led client proposition.

Despite remote working conditions in the first half, we have continued to be active in delivering on our inorganic strategic goal.

We completed the Inbhear Fund Services deal in H1 which provided the Group its first jurisdictional footprint in Cayman and enhanced our existing Irish service offering in Dublin. We have seen continued good performance from this business since acquisition and a healthy amount of cross selling from other parts of the business. Just after the period end, we agreed to enter into two new acquisitions. In Cayman, the Group further expanded by signing an agreement to acquire Avalon Trust & Corporate Services Limited. In Japan, we have signed an agreement to lift-out Deutsche Bank's trust company operations. Since opening our Tokyo office in January 2019, we have seen good progress to date and some encouraging new business wins. Both transactions are expected to complete during the second half and should help accelerate our growth ambitions in these jurisdictions by utilising the trust licences that they have. Both these jurisdictions represent large market opportunities for SANNE where the Group has historically either not been present or been significantly under represented.

The Group completed the disposal of the Jersey based Private Client business on 1 July, and now has a tighter strategic focus on our core markets. I would like to take the opportunity to thank our former colleagues and clients, as well as wishing them all the best for the future.

We continue to see many potential acquisition opportunities across our markets. SANNE has a track record of targeting and integrating high quality strategic acquisition opportunities to build out the client service offering and proposition as well as expanding our physical footprint. We will continue to be disciplined in our approach and assessment of acquisitions.

People, Diversity and ESG

Our people remain our core asset and we have worked hard to ensure that they feel highly valued. The performance of our people during unprecedented COVID-19 conditions in the first half is testament to their quality and resilience and I would like to extend my thanks to everybody for their efforts during the period. We have always prioritised the health and safety of our people during COVID-19 and we will continue to do so.

We have brought our people closer together during the first half and our organisation feels more collaborative than ever. This feeling is reflected by the number of CSR activities run by our people across the globe, voluntarily, that have helped to improve the lives of other people who are less fortunate than ourselves. We have shared many initiatives over social media and these are also shown on our website, but they have included a £40,000 donation to the Mind Charity in Jersey, a €20,000 donation to the Irish Red Cross, Focus and Basis Point Charities in Ireland, as well as donating thousands of family food packs and care kits to NGO partners in Mauritius through the SANNE Solidarity Fund.

During the period we launched an important new initiative and established our first Diversity & Inclusion Committee. This initiative was introduced to provide a channel for our business to deliver enhanced capability through our people's diversity. The Committee was formed by volunteers drawn from around our global business and will be reporting directly to the Group's Executive Committee. Together with the 2019 initiative to form a Workforce Advisory Panel made up of a selection of colleagues from around the Group and attended by several non-executive directors, we believe that our people have valuable, open avenues to help drive ideas for change across the business as well as the employee proposition at SANNE.

As reported during the 2019 full year results, we continue to make great progress in our ESG programme, both for the Group as well as for our clients. As such, we have appointed our first Global Head of ESG who will take responsibility for articulating and delivering our approach internally and in relation to helping our clients. Following the end of the period, SANNE has become a proud signatory of the United Nations supported Principles for Responsible Investment (PRI) Initiative, an international network working together to put the six Principles for Responsible Investment into practice.

Outlook

Whilst acknowledging the uncertainty around the medium and longer-term economic impacts of the global COVID-19 pandemic and the continuing lack of clarity around the Brexit process, the first half performance of the Group demonstrates the resilience of its business model that is predicated on diversified markets, long-term recurring revenues, healthy margins and strong cash generation. This, together with the performance to date and an encouraging pipeline of new business opportunities, gives the Board confidence in both delivering a full year performance in line with its expectations, as well as the long-term strategic opportunity.

Martin Schnaier

Chief Executive Officer

Operational Review

The Group's four reporting segments are: Europe, Middle East and Africa (EMEA); Channel Islands (CI); North America (NA); and, Asia-Pacific & Mauritius (APM). As highlighted in the full year result for 2019, a realignment of client revenues between EMEA and CI was undertaken at the end of 2019 to better match client revenues with the jurisdictions within which the client teams operate. Whilst this exercise was largely done by the end of 2019 and therefore the full year segmental reporting reflected this, the results below for the first half of 2019 have been re-presented to reflect the new alignment.

Unless otherwise stated, all growth rates discussed in the segmental reviews are on a constant currency basis.

Europe, Middle East and Africa (EMEA)

EMEA	H1 2020 £'000	H1 2019 £'000	% Change	% constant currency change
Revenue	**30,981**	**28,379**	**9.2%**	**8.8%**
- Alternatives	29,989	27,120		
- Corporate	992	1,259		
Gross Profit	**17,332**	**17,434**	**(0.6%)**	**(4.9%)**
Gross profit margin	***55.9%***	***61.4%***		

SANNE's EMEA segment operates across Luxembourg, Ireland, the United Kingdom, Spain, France, the Netherlands, Malta and South Africa. This division provides services across all our closed-ended investment strategies (Private Debt, Capital Markets, Real Estate, Private Equity and Loan Agency, including Depositary) as well as the Group's open-ended Hedge and corporate clients.

Following a strong revenue performance and good momentum coming out of 2019, the EMEA business saw a good start for revenue growth in 2020 which was subsequently adversely impacted by the COVID-19 pandemic from mid-March. Despite this the segment saw robust revenue growth of 8.8% versus the prior year.

The European jurisdictions saw solid performances across almost all product lines. During the period we have successfully launched our closed-ended fund administration capability in Spain with our first Real Estate fund clients. Good growth was also seen across the Loan Agency book which has benefited from a strong return to activity towards the end of the period. The Group is also well progressed in the process of applying for its AIFM Depositary licence in Ireland which would add a significant additional service offering for the jurisdiction at a time where few other third-party administrators can offer the service.

The most severe effects of the COVID-19 pandemic were seen in the first half across the Group's Hedge business in South Africa and Malta. As highlighted last year, the business had seen abnormally high one-off client losses in 2019 which were expected to be offset by particularly strong new business wins.

However, whilst the new funds came on to the platform in Q1 of this year, COVID-19 has significantly delayed the allocation of capital into the new funds. Whilst this delay in allocation is expected to be temporary, given the ad valorum fee structure in the Hedge business, this has materially impacted the first half performance.

The segment's margin in the period has been disproportionately impacted by the delay in revenues in the Hedge business as this product offering is highly operationally levered. This combined with elevated costs in Luxembourg as we reorganise the operation following the revenue reallocation exercise has led to a dilution of the margin in the first half.

The first half of the year has also seen the acquisition of the Inbhear in Dublin on 30 April 2020. During the first half the Inbhear team relocated into SANNE's office and the integration process in progressing well.

Channel Islands (CI)

Channel Islands	**H1 2020 £'000**	**H1 2019 £'000**	**% Change**	**% constant currency change**
Revenue	**20,006**	**18,200**	**9.9%**	**9.8%**
- Alternatives	14,616	13,489		
- Corporate	5,390	4,711		
Gross Profit	**11,893**	**10,030**	**18.6%**	**21.8%**
Gross profit margin	***59.4%***	***55.1%***		

Note: The results above include only continuing operations

SANNE's CI segment operates in both Jersey and Guernsey. The segment provides services across all our closed-ended investment strategies (Private Debt, Capital Markets, Real Estate and Private Equity). The segment also includes the majority of the Group's services to corporate clients. The results exclude the contribution from the Group's Jersey Private Client business in the first half following agreement to dispose of the business. The disposal completed on 1 July 2020.

Revenues from the CI segment saw growth in the period of 9.8% which reflects a similar impact from COVID-19 as seen and discussed above in EMEA. The segment saw a solid performance across all asset classes with PE and Debt funds driving much of the growth whilst Real Estate in particular saw subdued transaction activity as a result of COVID-19. The period has seen us invest in the management teams across both jurisdictions with new Heads of each appointed and settling in well. Following 2019 the Group has sought to invest in Guernsey in particular. SANNE has historically been underweight on the island but there continue to be good growth opportunities that we can target with the new team in place.

The realignment of client revenues at the start of the period has allowed local management to start driving an improved margin performance in the first half which is expected to continue to improve.

Asia Pacific and Mauritius (APM)

Asia/Pacific & Mauritius	H1 2020 £'000	H1 2019 £'000	% Change	% constant currency change
Revenue	**18,152**	**16,398**	**10.7%**	**8.3%**
Gross Profit	**12,762**	**11,260**	**13.3%**	**9.8%**
Gross profit margin	*70.3%*	*68.7%*		

SANNE's APM segment operates across Hong Kong, Singapore, Shanghai, Tokyo, Mumbai and Mauritius. This segment provides services across all core products areas.

The segment delivered revenue growth of 8.3% driven by another strong year across the Asia Pacific offices as well as encouraging growth in Mauritius.

The APAC offices delivered growth of 16.2% in the first half despite the impact of COVID-19 affecting almost the entire period. This was helped with the contribution of revenues from Japan compared with none in the prior year as well as good levels of new business, particularly across private equity. In addition to COVID-19, the region continues to see a certain level of disruption in Hong Kong due to on-going protests and unrest. However, given the non-discretionary work SANNE undertakes, this disruption has had minimal impact on existing structures.

Mauritius saw revenue growth of 4.5%. Again, the region has been impacted by COVID-19, particularly in the region's largest end market of India, but has also benefited from good levels of new business wins and continues to perform very well against the local competitors.

The segment's gross profit margins increased in the period to 70.3%. This was delivered despite the new and fast-growing office in Japan dampening margins slightly and was largely driven by an improved margin in Mauritius.

North America (NA)

North America	H1 2020 £'000	H1 2019 £'000	% Change	% constant currency change
Revenue	**14,810**	**12,884**	**14.9%**	**12.4%**
Gross Profit	**7,765**	**6,583**	**18.0%**	**16.4%**
Gross profit margin	***52.4%***	***51.1%***		

SANNE's NA segment primarily services closed-ended alternative fund clients in North America.

The first half of the year saw revenue growth of 12.4% whilst slightly improved margins helped contribute to 16.4% gross profit growth. The majority of the segment's operations are in New York which was impacted particularly heavily from mid-March onwards by COVID-19 related restrictions which have had a similar impact to the rest of the Group, dampening growth particularly in the second quarter.

This strong performance continued to be delivered from opportunities across the region's traditionally strong presence in the Private Equity sector. Travel restrictions have delayed the launch of the Group's loan agency offering in the region, but this is expected to launch later in the second half.

Financial Review

Group Income Statement

	H1 2020 £'000	H1 2019 £'000	% Change	% constant currency change
Turnover	86,475	75,994		
Less: Third-party fund management fees	(2,526)	(133)		
Net Revenue	**83,949**	**75,861**	**10.7%**	**9.5%**
Gross profit	**49,752**	**45,307**	**9.8%**	**7.8%**
Margin	59.3%	59.7%		
Overheads	(26,771)	(26,150)		
Underlying operating profit	**22,981**	**19,157**	**20.0%**	**14.0%**
Margin	27.4%	25.3%		
Non-underlying items	(10,647)	(13,309)		
Operating profit	**12,334**	**5,848**	**110.9%**	**90.0%**
Net finance cost and other gains and losses	(708)	(2,078)		
Non-underlying finance cost	-	(457)		
Profit before tax	**11,626**	**3,313**		
Taxation for the period	(2,665)	(1,783)		
Profit after tax from continuing operations	**8,961**	**1,530**		
Discontinued operations	930	1,474		
Total group profit after tax	**9,891**	**3,004**		
Underlying diluted EPS - continuing operations	**12.3p**	**9.4p**		
Reported diluted EPS - total group	**6.7p**	**2.4p**		

Turnover and Net Revenue

In these interim results, we have sought to separate out third party fund management fees for the first time. These relate to asset management fees for a small number of funds that are clients of the Group's AIFM Management Company in Luxembourg. These revenues are the management fees for the asset manager in each funds case, but contractually are paid by the fund entity to SANNE's management company before being dispersed to the relevant asset manager. This has started occurring as a result of new engagement structures through the management company that result in these fees being recognised as turnover for SANNE under IFRS 15. Given these revenues are not economically SANNE's we have sought to separate these out. Historically, these amounts have not been material, but given strong growth of management fees in H1 2020, it is deemed appropriate to split these out and refer to Net Revenue as the relevant income for SANNE. Turnover for the period grew by 12.6% on a constant currency basis and 13.8% on an actual basis in the first half when the third-party asset manager fees are included.

Net revenue increased by 9.5% on a constant currency basis in the period to £83.9 million (2019: £75.9m). Organic revenue growth in the period was up 8.9% on a constant currency basis for the whole group. This ignores the revenues earned in the period from discontinued operations.

	H1 2020 (£'000)	H1 2019 (£'000)	% growth	Constant currency growth
Net revenue	**83,949**	**75,861**	**10.7%**	**9.5%**
Inbhear H1 revenues	(462)	-		
Net organic revenue	**83,487**	**75,861**	**10.1%**	**8.9%**

Note: See the Alternative Profit Measures section for organic growth calculation methodology

<u>Gross profit</u>

Gross profit for the period was £49.8 million (2019: £45.3m). The gross profit margin was 59.3%, broadly flat on the prior period result of 59.7%. This result reflects both the negative margin impact that arises as a result of issues in the South African Hedge business, where the direct cost base is largely fixed, so the drop in revenues has a notable impact on gross margin and the continued increase in investment in the Group's Product and Business Development teams. These have been offset by improvements to resourcing controls in the EMEA and CI divisions following the reallocation of client revenues at the end of 2019.

<u>Underlying operating profit and overheads</u>

Underlying operating profit grew by 14.0% on a constant currency basis to £23.0m (2019: 19.2m). This reflected the robust net revenue and gross profit growth as well as an improvement in the overheads cost as a proportion of net revenues.

Group overheads, excluding non-underlying items, were broadly flat on the prior year despite the growth in the business. These costs represented 31.9% of net revenue for the first half compared with 34.5% for the first half of 2019. These overhead costs continue to contain the costs to support the discontinued activities which are not separated as they were not part of the disposal perimeter.

<u>Non-underlying costs and reported operating profit</u>

Non-underlying costs in 2019 saw a decrease to £10.6 million (2019: £13.8m). Non-underlying items within profit measures include share-based payments and earn-out costs where they relate to acquisitions (£1.2m); acquisition and integration costs (£1.2m); amortisation of intangible assets (£8.1m) and other costs. For further detail on non-underlying items, please see note 4 in the financial statements.

Reported operating profit for the period has increased significantly in the first half of 2020, up 90.0% on a constant currency basis and 109% on an actual basis. This is a result of both the growth in underlying profits as well as the drop in non-underlying items, most notably the lack of any impairments recognised compared with last year.

<u>Net finance expense and other gains and losses</u>

Net finance expense was broadly flat on the prior year at £2.2 million (2019: £2.3m). However, the Group benefited from £1.5m of foreign exchange gains (2019: £0.2m). The foreign exchange gains arose largely as a result of the Group holding funds to settle the Inbhear acquisition which saw some delays in completion at a time sterling devalued materially against the Euro.

<u>Taxation</u>

The Group's underlying effective tax rate for the first half was 18.4% (2019: 21.0%). When adjusted for non-underlying items, the reported effective rate for the half year for the Group was 21.0% (2019: 36.0%).

Diluted earnings per share

Underlying diluted earnings per share grew significantly to 12.3 pence (2019: 9.4p). Reported diluted earnings per share, which includes the post-tax contribution from discontinued operations, also grew significantly to 6.7 pence (2019: 2.4p).

Dividend

Despite the backdrop of the current global COVID-19 crisis, SANNE continues to be a highly resilient and cash generative business. This enables the Board to continue to adopt a progressive dividend policy where it seeks to increase the absolute value of the dividend each year, subject always to maintaining a sufficient level of dividend cover. Accordingly, the Board is recommending an interim dividend of 4.8 pence per ordinary share (2019: 4.7 pence). The interim dividend will be payable on 16 October 2020 to Shareholders on the register at close of business on 18 September 2020.

Cash flow and working capital

The first half of 2020 has seen another strong period of cash generation with underlying operating cash conversion of 101% (2019: 111%). The main movements in the cash flow are summarised below:

	H1 2020 (£'000)	**H1 2019 (£'000)**
Total Group Underlying operating profit	24,014	20,795
Depreciation (equipment and IFRS16)	4,536	3,962
Other (includes share based payments and movements in provisions)	(2,222)	(73)
Change in working capital	(3,541)	(51)
Total cash flows on leases recognised under IFRS16	(3,337)	(2,882)
Non-cash non-underlying items	3,668	(458)
Underlying operating cash flows	**23,118**	**21,293**
Underlying operating cash conversion	*100.6%*	*111.1%*
Capital Exp. (Equipment and Software)	(1,898)	(2,891)
Tax	(3,993)	(4,563)
Loan to minority investments	(820)	-
Net finance cost	(1,390)	(945)
Underlying free cash flow attributable to equity holders	**15,017**	**12,894**

Following the development of improved processes during 2019, SANNE has continued to manage working capital well resulting in high levels of cash conversion.

Capital expenditure in the year comprised equipment and software purchases and software development costs. The purchase of equipment and software largely relates to office fit-out costs in the Group.
The software development costs relate to the joint development project with Colmore, which will offer the Helios technology and data analytics platform to our global alternatives client base.

The payment of deferred consideration of £3.3 million shown in the Group cash flow statement and included in the above table in the cash flow statement within “Non cash non-underlying items” relates entirely to the final settlement of the earn-out payment for AgenSynd which has been accruing as a non-underlying item since the acquisition.

Capital management and financing

At 30 June 2020, the Group's net debt was £87.3 million (2019: £55.0m), including gross cash balances of £51.5m (2019: £44.2m). This reflected the strong operating cash generation seen in the year and comes after the funding of the earn-out payment for AgenSynd, the acquisition of Inbhear and dividends paid to shareholders. As a result, the Group's headline net debt to underlying earnings before interest, taxation, depreciation and amortisation calculated ignoring IFRS 16 (net debt to pre-IFRS 16 EBITDA) ratio was 1.7x at the period end (2019: 1.2x). At 30 June 2020 the cash ring fenced for regulatory capital requirements ("regulatory cash") was £13.3 million (2019: £9.0m). Excluding this regulatory cash from available cash, the Group's net debt to pre-IFRS 16 EBITDA ratio increases to 1.9x (2019: 1.4x).

Foreign Exchange

The Group's results are exposed to translation risk from the movement in currencies. Overall, the average movement from currencies has increased net revenue and underlying operating profit by £0.9 million and £1.1 million respectively. In addition, this currency movement in the first half has resulted in £13.3 million of other comprehensive income recognised in the Consolidated Statement of Changes in Equity which relates to the non-cash translation gain on the Group's goodwill balances where they are created in non-sterling currencies. During the six months ended 30 June 2020 the key individual exchange rates have moved, as shown in the table below.

	At 30 June			Half year average		
Per £ sterling	**2020**	**2019**	**%**	**2020**	**2019**	**%**
Euro	1.101	1.1175	1.5%	1.1217	1.1354	1.2%
US Dollar	1.2379	1.2695	2.5%	1.2586	1.2924	2.6%

Discontinued activities

SANNE entered into an agreement during the first half of 2020 to sell its Jersey based private client business. The results for this business are included in these financial statements as discontinued operations under IFRS 5 with further details in note 6.

Principal risks facing the business

SANNE operates an embedded risk management framework which ensures the principal risks facing the Group are reviewed regularly by the Board. There are a number of potential risks that could have a material impact on the Group's financial performance and position which remain as set out in the 2019 Annual Report. These are categorised as Acquisition Risk; Strategy Risk; Competitor & Client Demand Risk; Data & Cyber Security Risk; Process Risk; Staff Resources Risk; Compliance Risk; Financial Crime Risk; Fiduciary Risk and Financial Performance Risk. In response to the COVID-19 pandemic our Group-wide response programme was initiated during January 2020 as our APAC offices started to be impacted. The Group continued to service clients throughout the period and all of our offices have re-opened with full COVID-control measures.

ALTERNATIVE PERFORMANCE MEASURE DEFINITIONS

The Group uses alternative performance measures (APMs) to provide additional information on the underlying performance of the business. Management use these key measures to assess the underlying performance of the Group's business and the adjusted performance enables further comparability between reporting periods. The APMs used to manage the Group are as follows:

NET REVENUE

Net revenue comprises turnover less third-party fund management fees. These 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. These revenues are the management fees for the asset manager in each funds case, but contractually are paid by the fund entity to SANNE's management company before being disbursed to the relevant asset manager. SANNE has started recognising these third-party fees as turnover under IFRS 15 because of new engagement structures through the management company. Given these revenues are not economically SANNE's we have sought to separate these out and believe that net revenues are a more accurate reflection of the income that SANNE earns for its services to the relevant fund entity.

ORGANIC REVENUE GROWTH

Organic revenue growth is net revenue growth adjusted for acquisitions on a like-for-like basis. To arrive at a like-for-like basis, revenue from any acquisition made in the year is excluded. Where an acquisition was made part way through the prior year, the current year contribution will be reduced to include only the same period as had been included in the prior year. A reconciliation is included in the Financial Review. Organic revenue growth measures are a key performance indicator for the growth of the business excluding the impacts of any acquisitions undertaken.

CONSTANT CURRENCY GROWTH

To highlight our period on period performance, we discuss our results in terms of growth at constant currency. This represents growth calculated after translating both year's performance at the prior year's applicable exchange rates.

UNDERLYING PROFIT MEASURES

Underlying profit measures are used to present the period on period performance of the Group excluding one-off or non-trading related income and costs. These are arrived at by adjusting reported profit measures for non-underlying items as disclosed in note 4 of these financial statements.

UNDERLYING OPERATING CASH FLOW

Underlying operating cash flow represents the cash generated by total operations in the year, adding back the cash charges within non-underlying items and reducing for the total cash out flow in relation to the Group's leases that have been accounted for under IFRS 16. A reconciliation is included in the Financial Review.

UNDERLYING OPERATING CASH CONVERSION

Underlying operating cash conversion is the underlying operating cash flow as a percentage of continuing underlying operating profit. This measures the Group's cash-generative characteristics from its underlying operations and is used to evaluate the Group's management of working capital.

UNDERLYING FREE CASH FLOW ATTRIBUTABLE TO EQUITY HOLDERS

Free cash flow attributable to equity holders represents our underlying free cash flow prior to any acquisitions, refinancing or share capital cash flows. It is a key measure of cash earned for the shareholders of the Group that can be used to generate cash returns or be invested in the future growth of the business. A reconciliation is included in the Financial Review.

UNDERLYING EFFECTIVE TAX RATE

The underlying effective tax rate is determined as the reported tax rate for the Group adjusted for the tax effects of non-underlying costs. The underlying effective tax rate best reflects the applicable tax payable in relation to the underlying performance of the Group. A reconciliation is provided in note 5 to these financial statements for the underlying effective tax rate.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE INTERIM STATEMENT

We confirm to the best of our knowledge that:

- The unaudited condensed set of financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and give a true and fair view of the assets, liabilities, financial position and profit for the Group; and

- The interim management report includes a fair review of the information required by:

  A. DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  B. DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The interim statement contains certain forward-looking statements which are made by the directors in good faith based on the information available to them at the time of their approval of this interim statement. Forward looking statements contained within the interim statement should be treated with some caution due to the inherent uncertainties, including economic, regulatory and business risk factors, underlying any such forward looking statements.

We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise. The interim statement has been prepared by Sanne Group plc to provide information to its shareholders and should not be relied upon by any other party or for any other purpose.

Martin Schnaier

Chief Executive Officer

9 September 2020

Report on the consolidated financial statements

Our conclusion

We have reviewed Sanne Group plc's consolidated financial statements (the "interim financial statements") in the Interim Results of Sanne Group plc for the 6 month period ended 30 June 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Consolidated Balance Sheet as at 30 June 2020;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated Cash Flow Statement for the period then ended;
- the Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants
London

8 September 2020

Sanne Group plc

Consolidated Income Statement

For the period 1 January 2020 to 30 June 2020

	Note	Unaudited 6 Months to 30 Jun 2020 £'000	Unaudited 6 Months to 30 Jun 2019 [1] £'000	Audited 12 Months to 31 Dec 2019 [1] £'000
Turnover		86,475	75,994	159,707
Third-party fund management fees		(2,526)	(133)	(2,190)
Net Revenue [2]		83,949	75,861	157,517
Direct costs [2]		(34,197)	(30,554)	(63,505)
Gross profit		**49,752**	**45,307**	**94,012**
Other operating income		14	121	185
Operating expenses		(37,432)	(39,580)	(79,916)
Operating profit		**12,334**	**5,848**	**14,281**
Comprising:				
Underlying operating profit from continuing operations	**4**	22,981	19,157	42,988
Non-underlying items within operating profit from continuing operations	**4**	(10,647)	(13,309)	(28,707)
		12,334	5,848	14,281
Other gains and losses		1,463	186	(216)
Finance costs		(2,241)	(2,340)	(4,672)
Finance income		70	76	158
Profit before tax		**11,626**	**3,770**	**9,551**

	Note			
Comprising:				
Underlying profit before tax from continuing operations	**4**	22,273	17,536	38,715
Non-underlying items within profit from continuing operations	**4**	(10,647)	(13,766)	(29,164)
		11,626	3,770	9,551
Tax	**5**	(2,665)	(1,783)	(4,007)
Profit after tax from continuing operations		**8,961**	**1,987**	**5,544**
Discontinued operations	**6**	930	1,474	3,330
Profit for the period		**9,891**	**3,461**	**8,874**
Earnings per ordinary share ("EPS") from continuing operations (expressed in pence per ordinary share)				
Basic	**7**	6.2	1.4	3.8
Diluted	**7**	6.1	1.4	3.8
Underlying basic	**7**	12.4	9.5	21.6
Underlying diluted	**7**	12.3	9.4	21.3
Earnings per ordinary share ("EPS") from continuing and discontinued operations (expressed in pence per ordinary share)				
Basic	**7**	6.8	2.4	6.2
Diluted	**7**	6.7	2.4	6.1
Underlying basic	**7**	13.0	10.5	23.9
Underlying diluted	**7**	12.9	10.4	23.6

[1] Certain expenses amounting £683k for June 2019 and £1,175k for December 2019 were reclassified between direct costs and operating expenses. This change did not affect the profit for the period. Please see note 3 for more detail.

[2] Net Revenue comprises revenue less third-party fund management fees. Direct costs comprise direct costs of £36,723k less third-party fund management fees of £2,526k.

Sanne Group plc

Consolidated Statement of Comprehensive Income

For the period 1 January 2020 to 30 June 2020

	Unaudited 6 Months to 30 Jun 2020 £'000	**Unaudited 6 Months to 30 Jun 2019 £'000**	**Audited 12 Months to 31 Dec 2019 £'000**
Profit for the period	**9,891**	**3,461**	**8,874**
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit and loss:			
Actuarial (loss) / gain on defined benefit retirement obligation [2]	(558)	44	(67)
Deferred tax relating to items not reclassified	107	(6)	10
Revaluation of minority equity investment	595	-	(715)
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations [1]	13,301	270	(10,663)
Total other comprehensive income/(expenses) for the period	**13,445**	**308**	**(11,435)**
Total comprehensive income/(expenses) for the period	**23,336**	**3,769**	**(2,561)**
Comprising:			
Total comprehensive income/(expenses) for the period from continuing operations	22,406	2,295	(5,891)
Total comprehensive income for the period from discontinued operations	930	1,474	3,330
Total comprehensive income/(expense) for the period	**23,336**	**3,769**	**(2,561)**

[1] Refer to the "Financial review" section for further information relating to the movement in the exchange differences on translation of foreign operations.

[2] The actuarial loss in the period relates to the Group's retirement gratuity obligations in Mauritius under the Mauritian Employments Rights Act which is recognised on the Group balance sheet as a defined benefit pension obligation.

Sanne Group plc

Consolidated Balance Sheet

As at 30 June 2020

	Note	Unaudited 30 Jun 2020 £'000	Unaudited 30 Jun 2019 £'000	Audited 31 Dec 2019 £'000
Assets				
Non-current assets				
Goodwill	**9**	196,160	189,226	180,414
Other intangible assets	**10**	43,122	56,019	45,388
Equipment		9,473	10,537	9,984
Minority equity investment		9,227	-	8,632
Contract assets		63	-	-
Deferred tax asset		9,316	8,787	8,324
Right-of-use asset		34,234	34,491	32,733
Financial asset at amortised cost		822	-	-
Total non-current assets		**302,417**	**299,060**	**285,475**
Current assets				
Trade and other receivables		49,065	44,546	47,941
Cash and bank balances		51,501	44,228	51,454
Contract assets		9,916	8,330	6,460
Disposal group held for sale	**6**	1,220	2,324	2,979
Total current assets		**111,702**	**99,428**	**108,834**
Total assets		**414,119**	**398,488**	**394,309**
Equity				
Share capital	**11**	1,466	1,460	1,466
Share premium		203,423	200,270	203,423
Own shares		(1,064)	(1,102)	(1,166)
Shares to be issued		8,415	10,178	7,723
Retranslation reserve		167	(2,201)	(13,134)

Accumulated losses		(29,052)	(24,549)	(26,487)
Total equity		**183,355**	**184,056**	**171,825**
Non-current liabilities				
Borrowings	**13**	138,786	99,275	129,572
Deferred tax liabilities		16,457	18,219	15,931
Defined benefit retirement obligation		1,272	568	684
Provisions		2,084	2,108	2,024
Lease liability		35,373	35,104	33,549
Total non-current liabilities		**193,972**	**155,274**	**181,760**
Current liabilities				
Trade and other payables		13,061	37,412	14,472
Current tax liabilities		3,359	2,666	3,301
Provisions		472	2	451
Contract liabilities		15,355	13,964	17,634
Lease liability		4,343	4,832	4,291
Disposal group held for sale	**6**	202	282	575
Total current liabilities		**36,792**	**59,158**	**40,724**
Total equity and liabilities		**414,119**	**398,488**	**394,309**

Sanne Group plc

Consolidated Statement of Changes in Equity

For the period 1 January 2020 to 30 June 2020

	Share Capital £'000	Share Premium £'000	Own shares £'000	Shares to be issued £'000	Retrans-lation reserve £'000	Accumu-lated 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 period as previously reported	-	-	-	-	-	3,461	3,461
Other comprehensive income for the period	-	-	-	-	270	38	308
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**270**	**3,499**	**3,769**
Dividend payments	-	-	-	-	-	(13,254)	(13,254)
Share-based payments	-	-	-	1,391	-	-	1,391
Shares vesting	-	-	559	(3,491)	-	3,161	229
Net buyback of own shares	-	-	(191)	-	-	-	(191)
Balance at 30 June 2019	**1,460**	**200,270**	**(1,102)**	**10,178**	**(2,201)**	**(24,549)**	**184,056**
Profit for the period	-	-	-	-	-	5,413	5,413
Other comprehensive expense for the period	-	-	-	-	(10,933)	(810)	(11,743)
Total comprehensive income/(expense) for the period	**-**	**-**	**-**	**-**	**(10,933)**	**4,603**	**(6,330)**
Issue of share capital - acquisitions	6	3,153	-	(3,159)	-	-	-
Dividend payments	-	-	-	-	-	(6,775)	(6,775)
Share-based payments	-	-	-	946	-	-	946
Shares vesting	-	-	-	(242)	-	234	(8)
Net buyback of own shares	-	-	(64)	-	-	-	(64)
Balance at 31 December 2019	**1,466**	**203,423**	**(1,166)**	**7,723**	**(13,134)**	**(26,487)**	**171,825**

Profit for the period	-	-	-	-	-	9,891	9,891
Other comprehensive income for the period	-	-	-	-	13,301	144	13,445
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**13,301**	**10,035**	**23,336**
Dividend payments	-	-	-	-	-	(13,624)	(13,624)
Share-based payments	-	-	-	1,789	-	-	1,789
Shares vesting	-	-	122	(1,097)	-	1,024	49
Net buyback of own shares	-	-	(20)	-	-	-	(20)
Balance at 30 June 2020	**1,466**	**203,423**	**(1,064)**	**8,415**	**167**	**(29,052)**	**183,355**

Sanne Group plc

Consolidated Cash Flow Statement

For the period 1 January 2020 to 30 June 2020

	Unaudited 30 Jun 2020 £'000	Unaudited 30 Jun 2019 £'000	Audited 31 Dec 2019 £'000
Operating profit from:			
Continuing operations	12,334	5,848	14,281
Discontinued operations	1,033	1,638	3,700
Operating profit including discontinued operations	13,367	7,486	17,981
Adjustments for:			
Depreciation of equipment	1,466	1,353	2,867
Depreciation of right-of-use asset	3,027	2,609	5,313
Lease liability interest	(773)	(680)	(1,607)
Amortisation of other intangible assets	8,070	8,266	16,487
Amortisation of contract assets	3	-	-
Impairment of other intangible assets	-	1,879	2,425
Share-based payments expense	1,789	1,475	2,377
Disposal of equipment	43	-	64
Increase in provisions	-	(400)	(147)
Defined benefit retirement obligation	(19)	(100)	(68)
Deferred consideration and remuneration	(3,153)	-	4,242
Operating cash flows before movements in working capital	**23,820**	**21,888**	**49,934**
Increase in receivables	(2,555)	(1,312)	(3,492)
(Decrease)/Increase in contract liabilities	(2,652)	(2,089)	1,874
Increase in payables	1,666	3,350	4,769
Cash generated by operations	20,279	21,837	53,085
Income taxes paid	(3,993)	(4,563)	(7,641)
Net cash from operating activities	**16,286**	**17,274**	**45,444**

Investing activities			
Interest received	68	76	158
Purchases of equipment	(949)	(2,891)	(3,914)
Software development costs paid	(949)	-	(276)
Payment of deferred consideration	-	-	(28,638)
Acquisition of subsidiaries	(6,409)	-	-
Acquisition of minority equity investment	-	-	(9,347)
Loan granted	(820)	-	-
Net cash used in investing activities	**(9,059)**	**(2,815)**	**(42,017)**
Financing activities			
Dividends paid	(13,624)	(13,254)	(20,029)
Interest on bank loan	(1,390)	(945)	(2,293)
Buyback of own shares	(20)	(191)	(255)
Shares vested	(8)	-	-
Capitalised loan cost	(28)	(1,255)	(1,711)
Redemption of bank loans	(7,302)	(85,850)	(85,850)
New bank loans raised	14,821	100,800	132,060
Lease liability payments	(2,564)	(2,202)	(4,757)
Net cash used in financing activities	**(10,115)**	**(2,897)**	**17,165**
Net (decrease)/increase in cash and cash equivalents	**(2,888)**	**11,562**	**20,592**
Cash and cash equivalents at the beginning of the period	51,454	32,411	32,411
Effect of foreign exchange rate changes	2,935	255	(1,549)
Cash and cash equivalents at the end of the period	**51,501**	**44,228**	**51,454**
Cash flows from continuing operations	(5,309)	10,034	17,029
Cash flows from discontinued operations	2,421	1,528	3,563
Net (decrease)/increase in cash and cash equivalents	**(2,888)**	**11,562**	**20,592**

Notes to the condensed financial statements

For the period from 1 January 2020 to 30 June 2020

1. Basis of preparation

Sanne Group plc ("the Company") is a company incorporated in Jersey, Channel Islands. The unaudited, condensed and consolidated financial statements for the six months ended 30 June 2020 comprise of the Company and its subsidiaries (collectively the "Group").

The consolidated results have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union ("EU"). The financial statements are therefore presented on a condensed basis as permitted and do not include all disclosures that would otherwise be required in a full set of financial statements. These financial statements should be read in conjunction with the Annual Report for the year ended 31 December 2019, available at www.sannegroup.com.

Going concern

The Directors have considered the potential impact that COVID-19 may have on its ability to continue as a going concern. They assessed the Group's current financial position, principal risks facing the Group and the effectiveness of its strategies to mitigate the impact. An assessment was performed to determine the potential impact of COVID-19 on the Group's ability to trade. The Directors reasonably expect that the Group has adequate resources to continue to operate for the foreseeable future. The Directors have reviewed the Group's financial projections and cash flow forecasts and believe, based on those projections and forecasts, that it is appropriate to prepare these condensed interim consolidated financial statements on a going concern basis. Accordingly, the Directors have adopted the going concern basis of accounting in preparing these condensed interim consolidated financial statements.

Accounting policies

The financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2019, except as disclosed below.

The following changes to accounting standards have been issued and applied from 1 January 2020, however none of these standards had an effect on the preparation of the financial statements.

(a) Definition of Material – amendments to IAS 1 and IAS 8

(b) Definition of a Business – amendments to IFRS 3

(c) Revised Conceptual Framework for Financial Reporting

(d) Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7

2. Estimates, critical accounting judgements and key sources of estimation uncertainty

When applying the Group's accounting policies, 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 continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Annual Report for the year ended 31 December 2019 set out the critical judgements and estimations of uncertainty, made by the Directors during the application of the Group's accounting policies, at the balance sheet date, that have the most significant effect on the amounts recognised in the financial statements.

The world is currently experiencing a global outbreak of Coronavirus (COVID-19) which is having an unprecedented impact on global markets. Management is actively monitoring the situation and has assessed the expected impact on the financial results. While there can be no guarantees as to the future operations or performance, the most significant immediate impact is on the forward-looking assumptions made in the various impairment tests. Given the impact COVID-19 had on global markets, the judgements made at 31 December 2019 were assessed and no material changes have been noted between the assessment made at 31 December and those made at 30 June 2020. The group believes that the judgements and estimates made at the end of 31 December 2019 are still relevant, as the assumptions made were stretched to include potential impacts from the Coronavirus outbreak. Management further stretched the reasonable possible change scenario based on the current distressed market conditions and while this could potentially change in the future, there were no material differences from the sensitivities disclosed in the 31 December 2019 annual report.

Seasonality

Given the composition of the Group's customers and contracts, seasonality is not expected to have a significant bearing on the financial performance of the Group.

3. 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 Group’s Annual Report for the year ended 31 December 2019 had four reportable segments under IFRS 8, namely EMEA, Asia-Pacific & Mauritius, North America and Channel Islands.

The chief operating decision-makers are 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 evaluates segmental performance on the basis of gross profit, after the deduction of the direct costs of staff, marketing and travel. No inter-segment sales are made.

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 6 for additional details relating to the sale. The reporting of various client contracts and their related costs moved between segments during the six months ending 30 June 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 the where the revenue is generated and the work performed. The most significant of these moves was between EMEA and Channel Islands. Staff costs incurred in two departments were previously included in direct costs. These were reassessed and it was concluded that these costs don't directly contribute to generating revenue and were consequently reclassified to operating expenses. The reclassified costs were £683k for June 2019 and £1,175k for December 2019.

Unaudited 6 Months to 30 Jun 2020	Revenue	Direct costs	Gross profit
	£'000	£'000	£'000
Segments			
EMEA [1]	30,981	(13,649)	17,332
Third-party fund management fees	2,526	(2,526)	-
Asia-Pacific & Mauritius	18,152	(5,390)	12,762
North America	14,810	(7,045)	7,765
Channel Islands [2]			
Continuing operations	20,006	(8,113)	11,893
Discontinued operations	2,006	(973)	1,033
Total	**88,481**	**(37,696)**	**50,785**
Other operating income			14
Operating expenses			(37,432)
Operating profit			**13,367**

Unaudited 6 Months to 30 Jun 2019	Revenue	Direct costs	Gross profit
	£'000	£'000	£'000
Segments			
EMEA [1]	28,379	(10,945)	17,434
Third-party fund management fees	133	(133)	-
Asia-Pacific & Mauritius	16,398	(5,138)	11,260
North America	12,884	(6,301)	6,583
Channel Islands [2]			
Continuing operations	18,200	(8,170)	10,030
Discontinued operations	2,726	(1,088)	1,638
Total	**78,720**	**(31,775)**	**46,945**
Other operating income			121
Operating expenses			(39,580)
Operating profit			**7,486**

Audited 12 Months to 31 Dec 2019	Revenue	Direct costs	Gross profit
	£'000	£'000	£'000
Segments			
EMEA [1]	58,659	(22,756)	35,903
Third-party fund management fees	2,190	(2,190)	-
Asia/Pacific & Mauritius	34,302	(10,920)	23,382

North America	26,897	(13,211)	13,686
Channel Islands [2]			
Continuing operations	37,659	(16,618)	21,041
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. The jurisdiction of the contracting entity can differ from the jurisdiction for segment reporting purposes.

	Unaudited 6 Months to 30 Jun 2020 £'000	**Unaudited 6 Months to 30 Jun 2019 £'000**	**Audited 12 Months to 31 Dec 2019 £'000**
Jersey and Guernsey [2]	20,621	20,747	42,187
Rest of Europe [1]	33,569	28,238	59,667
Mauritius	11,938	11,096	22,984
Americas	14,051	12,726	26,376
South Africa	1,558	2,617	4,852
Asia-Pacific	4,218	3,163	7,187
Total Net Revenue from continuing and discontinued operations	85,955	78,587	163,253
Third-party fund management fees	2,526	133	2,190
Total Turnover from continuing and discontinued operations	88,481	78,720	165,443

[1] 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 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.

[2] The above mentioned amounts for the Channel Islands include the results from both the continuing and discontinued operations. Refer to note 6 for the total revenue and direct costs attributable to discontinued operations.

4. Non-underlying items

		Unaudited 6 Months to 30 Jun 2020 £'000	Unaudited 6 Months to 30 Jun 2019 £'000	Audited 12 Months to 31 Dec 2019 £'000
Operating profit [1]		13,367	7,486	17,981
Non-underlying items within operating expenses:				
Share based payments	(i)	839	1,048	1,777
Amortisation of intangible assets	(ii)	8,070	8,266	16,487
Acquisition cost earn out charges	(iii)	485	1,610	6,317
Acquisition and integration costs	(iii)	1,206	73	662
Bargain purchase	(iv)	(38)	-	-
Impairment of intangible assets	(v)	-	1,879	2,425
Regulatory fine and fees	(vi)	85	433	1,039
		10,647	13,309	28,707
Underlying operating profit [1]		**24,014**	**20,795**	**46,688**
Profit before tax [1]		12,659	5,408	13,251
Non-underlying items within other costs:				
Refinancing	(vii)	-	457	457
Total non-underlying items		10,647	13,766	29,164
Underlying profit before tax [1]		**23,306**	**19,174**	**42,415**

[1] These amounts include the profits 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 12.

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

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

(iii) 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 and accruals for cash earn-out payments. Integration and deal costs relating to acquisitions for the period ending 30 June 2020 were £0.5 million. Also included was £0.5 million relating to the AgenSynd acquisition earn-out accrual which is expensed per IFRS 3 due to settlement being linked to continued employment. With acquisitions being outside the day-to-day activities of the ongoing business of the Group, 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.

(iv) On 1 April 2020 the Group acquired all the shares in Inbhear Management Services Limited. No consideration was paid for the acquisition and consequently a gain on bargain purchase was recognised. Refer to note 15 for further information.

(v) The Group's South African hedge fund business, acquired in 2016, suffered a one-off loss of clients during 2019. As a result, the contract intangibles were impaired by £1.9 million at the end of June 2019. The total impairments for the year ending 31 December 2019 on Intangible Assets amounted to £2.4 million. As with the amortisation of intangible assets, this cost was excluded from underlying cost as it does not form part of the core business of the Group.

(vi) Regulatory fine and fees relates to a settlement and related costs with the Jersey Financial Services Commission. This expense is excluded from underlying cost as it is one-off in nature. The fine amounted to £381k, with the additional costs of £658k being the legal fees incurred during the settlement process, for the year ending 31 December 2019. During the period ended 30 June 2020 the Group incurred fees amounting to £85k for on-going legal cases.

(vii) 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.

5. Tax

	Unaudited	**Unaudited**	**Audited**
	6 Months to	**6 Months to**	**12 Months to**
	30 Jun	**30 Jun**	**31 Dec**
	2020	**2019**	**2019**
	£'000	**£'000**	**£'000**
Current income tax expense	3,870	3,293	7,152
Deferred income tax expense	(1,209)	(1,340)	(2,785)
Total income tax expense	**2,661**	**1,953**	**4,367**
The income tax expense is attributable to profit from:			
Continuing operations	2,665	1,783	4,007
Discontinued operations	103	164	370
Deferred tax from other comprehensive income	(107)	6	(10)
Total income tax expense	**2,661**	**1,953**	**4,367**

■■■ Income tax expense is calculated across the Group based on the prevailing income tax rates in the jurisdictions in which profits are earned.

	Unaudited 6 Months to 30 Jun 2020 £'000	Unaudited 6 Months to 30 Jun 2019 £'000	Audited 12 Months to 31 Dec 2019 £'000
Reconciliation of effective tax rates			
As per the consolidated income statement:			
Tax charge from continuing and discontinued operations	2,661	1,953	4,367
Profit before tax from continuing and discontinued operations	12,659	5,408	13,251
Effective tax rate	*21.0%*	*36.0%*	*33.0%*
Tax charge from continuing and discontinued operations	2,661	1,953	4,367
Adjusted for non-underlying tax charge	1,629	2,076	3,590
Underlying tax charge	**4,290**	**4,029**	**7,957**
Profit before tax from continuing and discontinued operations	12,659	5,408	13,251
Non-underlying items	10,647	13,766	29,164
Profit before tax and non-underlying items	**23,306**	**19,174**	**42,415**
Underlying effective tax rate	*18.4%*	*21.0%*	*18.8%*

6. Discontinued operations

During the prior year, the Group made a strategic decision to sell the private client business in Jersey, within the next twelve months after balance sheet date for a cash consideration. The group classified its private client book in Jersey as a discontinued operation, due to significant contracts having been designated as held for sale. This was regarded to be a major business line in the past. The disposal group consists of the trade receivables, 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 deemed it necessary to reclassify the trade receivables relating to these clients as a disposal group held for sale as these balances give a reasonable representation of the value that these customer contracts hold. The revenue and direct costs are included in the Channel Islands operating segment. The acquisition, subject to the relevant regulatory approvals, was signed on 13 March 2020 and saw the designated clients and staff, transferring to JTC Plc. The transaction concluded on 1 July 2020 and the agreed upon clients and staff members were transferred to JTC for a consideration of £9 million.

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

	Unaudited 6 Months to 30 Jun 2020 £'000	Unaudited 6 Months to 30 Jun 2019 £'000	Audited 12 Months to 31 Dec 2019 £'000
Revenue	2,006	2,726	5,736
Expenses	(973)	(1,088)	(2,036)
Profit before income tax expense	1,033	1,638	3,700
Income tax expense	(103)	(164)	(370)
Profit from discontinued operations	930	1,474	3,330

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

Net cash inflow from operating activities	2,421	1,528	3,563
Net increase in cash generated by the subsidiary	2,421	1,528	3,563

	Unaudited 6 Months to 30 Jun 2020 £'000	Unaudited 6 Months to 30 Jun 2019 £'000	Audited 12 Months to 31 Dec 2019 £'000
Assets of disposal group classified as held for sale			
Contract assets	784	24	334
Trade receivables	436	2,300	2,645
Total assets of disposal group held for sale	1,220	2,324	2,979
Liabilities of disposal group classified as held for sale			
Contract liabilities	(202)	(282)	(575)
Total liabilities of disposal group held for sale	(202)	(282)	(575)

7. Earnings per share

	Unaudited 6 Months to 30 Jun 2020 £'000	Unaudited 6 Months to 30 Jun 2019 £'000	Audited 12 Months to 31 Dec 2019 £'000
Profit for the period	9,891	3,461	8,874
Non-underlying items within:			
Non-underlying operating expenses	10,647	13,309	28,707
Non-underlying other costs	-	457	457
Tax effect of non-underlying items	(1,629)	(2,076)	(3,590)
Underlying earnings	18,909	15,151	34,448
Weighted average number of ordinary shares in issue	144,907,974	143,677,970	144,019,578
Effect of dilutive potential ordinary shares:			
Deferred consideration shares	636,652	1,273,308	636,652
Restricted Stock Awards	1,096,547	1,241,272	1,280,821
Performance Share Plan	-	64,364	49,501
Weighted average number of ordinary shares for the purposes of diluted earnings per share	146,641,173	146,256,914	145,986,552

	Unaudited 6 Months to 30 Jun 2020	Unaudited 6 Months to 30 Jun 2019	Audited 12 Months to 31 Dec 2019
Earnings per share based on total operations			
Basic earnings per share (pence)	6.8	2.4	6.2
Diluted earnings per share (pence)	6.7	2.4	6.1
Underlying basic earnings per share (pence)	13.0	10.5	23.9
Underlying diluted earnings per share (pence)	12.9	10.4	23.6

	Unaudited 6 Months to 30 Jun 2020	Unaudited 6 Months to 30 Jun 2019	Audited 12 Months to 31 Dec 2019
Earnings per share based on continuing operations			
Basic earnings per share (pence)	6.2	1.4	3.8
Diluted earnings per share (pence)	6.1	1.4	3.8
Underlying basic earnings per share (pence)	12.4	9.5	21.6
Underlying diluted earnings per share (pence)	12.3	9.4	21.3

	Unaudited 6 Months to 30 Jun 2020	Unaudited 6 Months to 30 Jun 2019	Audited 12 Months to 31 Dec 2019
Earnings per share based on discontinued operations			
Basic earnings per share (pence)	0.6	1.0	2.3
Diluted earnings per share (pence)	0.6	1.0	2.3
Underlying basic earnings per share (pence)	0.6	1.0	2.3
Underlying diluted earnings per share (pence)	0.6	1.0	2.3

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

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

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

8. Dividends

An interim dividend of 4.8 pence per ordinary share (2019: 4.7 pence) was declared by the Directors on 4 September 2020 and will be payable on 16 October 2020 to shareholders on the record on 18 September 2020. The 2019 final dividend of 9.4 pence was paid on 20 May 2020.

9. 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.

	Unaudited 30 Jun 2020 £'000	Unaudited 30 Jun 2019 £'000	Audited 31 Dec 2019 £'000
Opening balance	180,414	188,928	188,928
Acquired during the period	4,433	-	-
Exchange difference	11,313	298	(8,514)
Closing balance	**196,160**	**189,226**	**180,414**

On 1 May 2020 it acquired Inbhear Fund Services Limited. Refer to note 15 for further details on the acquisitions.

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 or when there is an indicator for impairment as listed in IAS 36. The review assesses whether the carrying value of goodwill could be supported by the recoverable amount (which is determined to be the higher of the value in use or fair value less cost of disposal) for each cash-generating unit (CGU). Due to the impact the recent COVID-19 pandemic has had on markets globally, the group assessed its goodwill for impairment. Value-in-use calculations were performed. The result of the goodwill impairment assessment undertaken is that each of the CGUs maintained sufficient headroom. As a result none of the cash generating units are impaired.

The value-in-use calculation is based on assumptions. The most significant of which are revenue growth, the cost margin, discount rate and the terminal growth rate. The expected cash flows are based on a combination of the reforested budgets and historic data. Projected revenue and costs are calculated using the prior period actual result, excluding the lost client revenue and, compounding these results by the budgeted numbers. Growth rates used are specific to the cash generating units and vary between 1% to 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, these were also adjusted for the expected long term effect that COVID-19 may have on global markets.

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

10. Other intangible assets

	Unaudited 30 Jun 2020 £'000	Unaudited 30 Jun 2019 £'000	Audited 31 Dec 2019 £'000
Opening balance	45,388	66,122	66,122

Acquired during the period through acquisitions	2,207	-	-
Software under development costs	949	-	276
Amortisation charge for the period/year	(8,070)	(8,266)	(16,487)
Impairments	-	(1,879)	(2,425)
Exchange difference	2,648	42	(2,098)
Closing balance	**43,122**	**56,019**	**45,388**

Refer to note 15 for further details relating to the acquisition of Inbhear Fund Services Limited on 1 May 2020.

At 30 June 2020 all intangible assets were tested for indicators of impairment. No indicators were noted. The group recognised impairment losses at 30 June 2019 and 31 December 2019, due to one off client losses in South Africa. This was a one off occurrence and did not reoccur as at 30 June 2020.

11. Share capital

		Unaudited	**Unaudited**	**Audited**
		6 Months to	**6 Months to**	**12 Months to**
		30 Jun	**30 Jun**	**31 Dec**
		2020	**2019**	**2019**
		£'000	**£'000**	**£'000**
Opening balance		1,466	1,460	1,460
Issue of shares	(i)	-	-	6
Closing balance		**1,466**	**1,460**	**1,466**

(i) The Company issued 636,656 shares on 1 November 2019 in relation to the Company's acquisition of FLSV Fund Administration Services LLC which completed on 1 November 2016. The shares issued represent an element of the deferred share consideration.

12. Share based payments

		Unaudited	**Unaudited**	**Audited**
		30 Jun	**30 Jun**	**31 Dec**
		2020	**2019**	**2019**
		£'000	**£'000**	**£'000**
Sanne Group plc				
Performance Share Plan	(i)	263	129	(40)
Restricted Stock Awards	(ii)	1,674	1,346	2,482
Social security accrual		13	-	(65)
Total share based payments		**1,950**	**1,475**	**2,377**

(i) During the current and prior year periods, the Group granted awards over its ordinary shares under the terms of its Performance Share Plan ("PSP").

- The exercise of awards under the PSP is conditional upon the achievement of one or more challenging performance targets set at the time of the grant and measured over a three-year performance period from grant date. All the awards were granted for a nil consideration. New awards were made throughout the year. The Group estimates the number of shares to be vested based on the performance targets set to be achieved and the current performance of the Group. This is then increased by an assumed rate in line with Group forecast as per market expectation to determine the probable performance at vesting date. The vesting periods of the grants are not more than 3 years.

  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 module under certain assumptions, for example the reinvesting of dividends and a risk free rate linked to a 3-year UK government bond.

(ii) During the current and prior periods, the Group granted awards over its ordinary shares in the form of Restrictive Stock Awards ("RSA"). The awards are granted as part of the mechanics of an acquisition to act as a retention incentive for staff, they are also used as Annual Performance Bonuses for senior management. The vesting of the awards is subject to continued employment over an agreed period. All the awards were granted for a nil consideration. RSA's awarded as part of Annual Performance Bonuses are considered to be an underlying cost for the Group. RSA's granted in relation to acquisitions or the recruitment of senior management, are deemed to be non-underlying costs.

13. Borrowings

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

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

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

The balances available and drawn are as follows:

	Unaudited as at 30 Jun 2020 £'000	Unaudited as at 30 Jun 2019 £'000	Audited as at 31 Dec 2019 £'000
Available			
Revolving credit facility	150,000	150,000	150,000
Accordion	70,000	70,000	70,000
	220,000	220,000	220,000
Drawn			
Revolving credit facility	140,234	100,800	131,175
	140,234	100,800	131,175

Capitalised loan fees	1,448	1,525	1,603
Total borrowings	**138,786**	**99,275**	**129,572**

During the 6 months ending 30 June 2020, the Group repaid £7.3 million on the revolving credit facility and drew down a total of £15.0 million from the revolving credit facility.

14. Fair value measurement of financial instruments

The following table presents the Group's financial assets and liabilities measured at fair value as at 30 June 2020 and 31 December 2019. There were no financial assets or liabilities carried at fair value at 30 June 2019.

	Level	Unaudited as at 30 Jun 2020 £'000	Unaudited as at 30 Jun 2019 £'000	Audited as at 31 Dec 2019 £'000
Categories of financial instruments				
Financial assets				
Financial assets recorded at fair value				
Minority equity investment	3	9,227	-	8,632

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

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

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

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

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

Fair value measurement of the minority equity investment

Reconciliation of Level 3 fair value measurements of financial instruments:

	Unaudited as at 30 Jun 2020 £'000	Unaudited as at 30 Jun 2019 £'000	Audited as at 31 Dec 2019 £'000
Balance at start of period	8,632	-	-
Additions	-	-	9,347
Foreign exchange gains/(losses)	595	-	(715)
Balance at end of period	**9,227**	**-**	**8,632**

Fair value measurement of the minority equity investment

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

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

In the market approach a list of broadly comparable listed companies was identified through public sources. Since there are a limited number of public companies offering technology solutions to fund administration businesses services, the group considered comparable companies offering technology and software services to companies engaged in the broader financial services industry. The valuation was based on revenue multiple. A revenue multiple of 7.5x was used in the estimate. The unlisted shares are held in a company trading in the same industry as the Group. The world-wide pandemic known as COVID-19 has caused a downturn in a number of markets. The market multiple used as an estimate remained unchanged from the assumptions made in the 31 December 2019 annual report, as the Group and the target entity trade in a reasonably stable market segment. The segment saw a slight down turn at the start of the reporting period, but has since then recovered to a near normal state.

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 19% and the long term growth rate only yield 1.5% in the income approach and on the market approach a multiple of 6.7 is used instead of 7.5, the value would be £1.5 million lower.

15. 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 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 £1.2million (€1.4 million) and is linked to the employment of key management.

The consideration for the Inbhear Management Services Limited acquisition will be accounted for as a contingent payment and will amount to the issuance of approximately 711,155 consideration shares. At 30 June 2020 no issuance of shares has occurred. The contingent consideration will be based on a multiple of the average gross profit generated by the business operations over the next three years.

	Useful economic life	EUR '000	GBP '000
Recognised amounts of identifiable net assets (at fair value) at acquisition:			
Non-current assets			
Equipment	3 - 5 years	11	10
Customer & 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
		314	276
Identifiable net assets		**4,382**	**3,849**
Goodwill		5,048	4,433
Gain on bargain purchase		(43)	(39)
Total consideration		**9,387**	**8,243**
Total consideration satisfied by:			
Cash consideration - on acquisition		9,387	8,243
Fair value of consideration payable at acquisition date		**9,387**	**8,243**
Net cash inflow arising on acquisition:			
Cash consideration		9,387	8,243
Less: cash and cash equivalent 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 will solely be made 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 was paid for the controlling interest in Inbhear Fund Services Limited on the date of acquisition to the value of £8.2 million (€9.4 million). A contingent payment will be made in 2022 to an estimated value of £1.2 million (€1.4 million), depending on the continued employment of the previous owners.

Transaction costs

The Group incurred £0.2 million relating to acquisition and integration expenses in 2020 during the first half of 2020. These costs have been expensed within operating expenses and are disclosed as non-underlying expenses in note 4.

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 on Inbhear Fund Services Limited.

Gain on bargain purchase

A gain on bargain purchase was recognised 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. A gain of bargain purchase is not taxable and was recognised on the acquisition on Inbhear Management Services Limited.

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 £0.5 million of revenue and a profit of £0.1 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 £89.1 million (£0.9 million higher) and net profit £9.6 million (£0.2 million higher) for the period ended 30 June 2020.

16. Related party transactions

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

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

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

	Unaudited	Unaudited	Audited

	as at 30 Jun 2020 £'000	as at 30 Jun 2019 £'000	as at 31 Dec 2019 £'000
Short-term employee benefits	1,493	1,882	2,289
Share based payments (see note 12)	225	245	222
Contracted through consultancy firm	-	-	60
Total short term payments	**1,718**	**2,127**	**2,571**

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

17. Contingent liabilities

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

18. Post balance sheet events

On 1 July 2020 the Group completed its sale of its private client business line to the value of £9.0 million. The Group will recognise a gain on disposal of £7.8 million after the reporting period. Please refer to note 6 for further detail on the discontinued operations.

On 13 July 2020, the Group entered into an agreement to purchase 100% of the ordinary shares of Avalon Trust & Corporate Services Ltd, incorporated in the Cayman Islands. This acquisition provides the Group with a opportunity to expand its platform in the Cayman Islands and enhance the Group's proposition in its existing North American operations. The total consideration is estimated to be £7.5 million. The accounting for this transaction is incomplete as at the date of issue of these condensed interim consolidated financial statements.

On 15 July 2020, the Group entered into an agreement to purchase 100% of the ordinary shares of Deutsche Trust Company Limited, incorporated in Japan. This acquisition provides the Group with an opportunity to expand its platform in the Japan and enhance the Group's proposition in its existing Asia-Pacific operations. The accounting for this transaction is incomplete as at the date of issue of these condensed interim consolidated financial statements. The total consideration was not yet finalised at the date of signing.