



SANLAM UK LIMITED

**Annual Report and Financial Statements
for the year ended 31 December 2017**

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COMPANIES HOUSE

Sanlam UK Limited

Directors

J Polin	(Chief Executive, Director)
R Roux	(Non-Executive Director)
I Plenderleith	(Non-Executive Director)
J Gibson	(Executive Director)
J Gibson	(Secretary) (appointed 31 March 2017)
A Tagliabue	(Executive Director) (resigned 10 November 2017)
D Kriel	(Non-Executive Director)
JAA Samuels	(Non-Executive Director)
V Oak	(Non-Executive Director)
H Ward	(Non-Executive Director)
S Haines	(Executive Director) (resigned 31 March 2017)
S Haines	(Secretary) (resigned 31 March 2017)
PR Bradshaw	(Non-Executive Director) (deceased 13 January 2017)
PB Hanratty	(Non-Executive Director) (appointed 10 November 2017)

Auditors

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Registered Office

St Bartholomew's House
Lewins Mead
Bristol
BS1 2NH

Registered Number

6575962

Sanlam UK Limited

Strategic Report

The directors have pleasure in submitting their Strategic Report for the year ended 31 December 2017.

Principal activity, review of the business and future developments

Principal activity and future developments

The Company's principal activity is to act as the strategic holding company of most of the Sanlam Limited Group's retail market investments in the United Kingdom. Accordingly, Sanlam UK Limited co-ordinates the activities of the cluster within an approved governance framework, whilst giving the individual companies the opportunity to make their own decisions within agreed strategic guidelines and with aligned priorities. This will continue to be principal activity for the foreseeable future.

Review of business

The profit before tax for the year ended 31 December 2017 amounted to £5,901,782 (2016: profit of £4,532,705). The Company has reported a profit for the year predominantly as a result of dividends received from two subsidiaries as detailed below. As the Company acts mainly as the strategic holding company for the group, it was not expected to make profits in this accounting period.

The Company received dividends of £5,000,000 from Sanlam Private Investments (UK) Holdings Limited and £2,426,847 from Nucleus IFA Company Limited, subsidiaries of the Company, during the year.

The Company impaired one of its investments, Sanlam Private Wealth Holdings UK Limited, by £450,551 and reversed £2,418,405 of the prior year Sanlam Private Investments (UK) Holdings Limited impairment due to changes in their valuations. The internal valuations of these Companies are calculated on a discounted cash flow basis which are reviewed and approved by the Sanlam Non Listed Asset Control Board internally and which fluctuate due to changes in forecast earnings.

The 2016 Statement of Total Comprehensive Income has been restated for a change in accounting treatment of charges of staff to other entities within the Sanlam UK cluster. This is a presentational change only since these charges were previously recorded as income, but have now been reclassified to net off within administrative expenses to be consistent with other companies within the Sanlam UK cluster. This has resulted in a decrease of £1,723,686 in turnover and a corresponding £1,723,686 decrease in administrative expenses.

Incorporation

The Company was incorporated in England.

Sanlam UK Limited

Strategic Report continued

Principal risks and uncertainties

During 2017, the Company had an Audit and Risk Committee which from 2018 has moved to its parent company, Sanlam Investment Holdings UK Limited. The Committee meets quarterly and reviews the Group's as well as the Company's significant risks. The principal risks and uncertainties facing the Company, as a standalone entity rather than on a consolidated group basis, are broadly grouped as credit risk and liquidity risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company policies are aimed at minimising such losses, and require that deferred terms are only granted to companies within the Sanlam Limited Group. Details of the Company's debtors are shown in Note 8 to the Financial Statements.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company aims to mitigate liquidity risk by means of borrowing only from companies within the Sanlam Limited Group, in particular its holding company, Sanlam Investment Holdings UK Limited.

Brexit Risk

It is too early to assess the impact of the UK leaving the EU.

Approved by the Board

15 MAY 2018



Jonathan Dolin
Chief Executive Officer

Sanlam UK Limited

Directors' Report

The directors have pleasure in submitting their Directors' Report and audited Financial Statements for the year ended 31 December 2017.

Directors

The directors of the Company for the year ended 31 December 2017 are shown on page 1.

Directors' interests

In accordance with the requirements of section 234 of the Companies Act 2006, qualifying third party indemnity provisions were in force throughout the year for the benefit of the directors of Sanlam UK Limited and its associated companies. Such qualifying third party indemnity provisions remain in force as at the date of approving the Directors' Report.

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution proposing that Ernst & Young LLP are re-appointed will be put to the Annual General Meeting.

Going concern

The Company's business activities, its financial position and its exposure to credit and liquidity risk are as described in the Strategic Report.

The Company has considerable financial resources together with support from its ultimate holding company, Sanlam Limited. As a consequence, the directors believe that the Company is well placed to manage its business risk successfully despite the current volatile economic conditions.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing their Annual Report and the Financial Statements.

Post Statement of Financial Position

Details of material post balance sheet events are included in Note 12.

Sanlam UK Limited

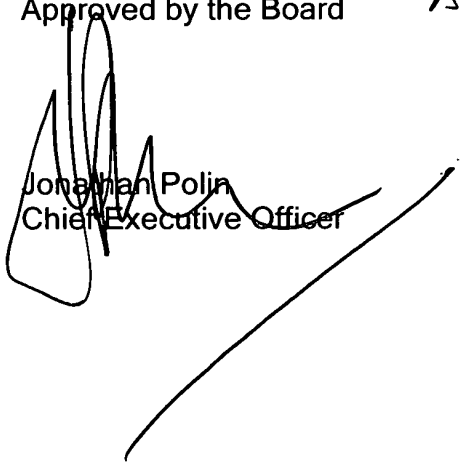
Directors' Report continued

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the Company's auditor is unaware.

Having made enquiries of the other directors and the Company's auditor, each director has taken all steps that a director might reasonably be expected to have taken to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Approved by the Board 15 MAY 2018



Jonathan Polin
Chief Executive Officer

Sanlam UK Limited

Statement of Directors' responsibilities in respect of the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Sanlam UK Limited

Independent Auditor's report to the members of Sanlam UK Limited

Opinion

We have audited the financial statements of Sanlam UK Limited ("the Company") for the year ended 31 December 2017 which comprise the Statement of Total Comprehensive Income, Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

Sanlam UK Limited

Independent Auditor's report to the members of Sanlam UK Limited continued

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

Sanlam UK Limited

Independent Auditor's report to the members of Sanlam UK Limited continued

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

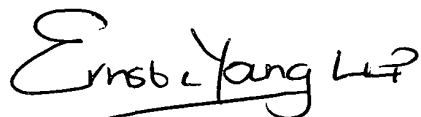
As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Sarah Williams (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

17/5/2018

Sanlam UK Limited

Statement of Total Comprehensive Income for the year ended 31 December 2017

	Note	2017 £	2016 £ Restated
TURNOVER		2,797,953	2,988,131
Administrative expenses	3	(5,991,480)	(6,643,354)
OPERATING LOSS		(3,193,527)	(3,655,223)
Interest receivable	2.1	7	1,049
Interest payable	2.2	(259,836)	(200,795)
Impairment of investments held	5	(450,551)	(315,633)
Reversal of prior period impairments	5	2,418,405	7,268,984
Ordinary dividends receivable	6	7,426,847	1,500,000
Loss on repurchase of shares		(39,563)	(65,677)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,901,782	4,532,705
Tax on ordinary activities	4	(843,662)	680,770
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION/TOTAL COMPREHENSIVE PROFIT		5,058,120	5,213,475

The Statement of Total Comprehensive Income has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those going through the Statement of Total Comprehensive Income.

The accompanying notes form an integral part of these financial statements.

Sanlam UK Limited

**Statement of Financial Position
for the year ended 31 December 2017**

	Note	2017 £	2016 £
FIXED ASSETS			
Investments in group undertakings and participating interests	5	125,312,664	120,928,281
Tangible assets	7	41,589	-
		<u>125,354,253</u>	<u>120,928,281</u>
CURRENT ASSETS			
Debtors	8	21,447,186	19,839,844
Other prepayments and accrued interest		68,816	88,925
Cash at bank		1,566,507	219,983
		<u>23,082,509</u>	<u>20,148,752</u>
CURRENT LIABILITIES			
Creditors - amounts falling due within one year	9	11,655,744	10,984,868
Accruals and deferred income		946,628	232,245
		<u>12,602,372</u>	<u>11,217,113</u>
NET CURRENT ASSETS		<u>10,480,137</u>	<u>8,931,639</u>
Provision for liabilities	11	1,261,403	200,000
NET ASSETS		<u>134,572,987</u>	<u>129,659,920</u>
CAPITAL AND RESERVES			
Called up share capital	10	116,288,188	116,415,420
Share premium account	10	3,454,216	3,472,037
Profit and Loss Account		14,830,583	9,772,463
SHAREHOLDERS' FUNDS		<u>134,572,987</u>	<u>129,659,920</u>

Approved by the Board

15 MAY 2018

Jonathan Polin
Chief Executive Officer

Registered number:
6575962

The accompanying notes form an integral part of these financial statements.

Sanlam UK Limited

**Statement of Changes in Equity
as at 31 December 2017**

	Share capital	Share premium	Profit and loss account	Total shareholders' funds
	£	£	£	£
Balance at 31 December 2015	116,678,122	3,584,999	4,558,988	124,822,109
Profit for the year after taxation/Total comprehensive loss	-	-	5,213,475	5,213,475
Repurchase of shares	(262,702)	(112,962)	-	(375,664)
Balance at 31 December 2016	116,415,420	3,472,037	9,772,463	129,659,920
Profit for the year after taxation/Total comprehensive profit	-	-	5,058,120	5,058,120
Repurchase of shares	(141,296)	(60,757)	-	(202,053)
Issue of shares	14,064	42,936	-	57,000
Balance at 31 December 2017	116,288,188	3,454,216	14,830,583	134,572,987

The accompanying notes form an integral part of these financial statements.

Sanlam UK Limited

Notes to the Financial Statements

1. Accounting policies

These Financial Statements have been prepared under the historical cost convention and in accordance with applicable accounting standards (FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*).

The Financial Statements have been prepared on a going concern basis.

Consolidation

Consolidated financial statements are not presented as the Company has availed itself of the exemption provisions under s401 of the Companies Act 2006. Refer to Note 14 for further details.

Investments

Investments in unlisted assets are recognised at the lower of cost and net realisable value. Provisions for impairment are made where applicable as detailed in the impairment policy.

Turnover

Turnover represents fees for services provided by the Company's directors to other entities within the Sanlam UK cluster.

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes, accounted for on an accruals basis.

Turnover - restatement

The turnover in 2016 has been restated because it also included fees for services provided by the Company's staff to other entities within the Sanlam UK cluster. This has been changed in 2017 so that these costs are shown net within administrative expenses in line with other entities within the Sanlam UK cluster rather than as turnover. This has resulted in a decrease of £1,723,686 in turnover and a corresponding £1,723,686 decrease in administrative expenses.

Currency

The Company's functional currency and presentational currency is UK sterling (GBP).

Notes to the Financial Statements continued

Administrative expenses

Administrative expenses principally represent amounts invoiced and incurred in respect of staff resources and general overheads to facilitate the administration of the Company. Amounts expensed are based on actual costs incurred or on predetermined recharges of allocated resources.

Interest receivable and similar income

Interest receivable represents interest on funding activities and is accrued on a daily basis at rates agreed by the relevant parties from time to time. At initial recognition the funding is increased by the interest receivable for the period and reduced by repayments made in the period.

Interest payable and similar charges

Interest is payable on any amounts outstanding in respect of financing arrangements between fellow group undertakings at rates agreed by the relevant parties from time to time. At initial recognition the financing arrangement is increased by the finance cost for the period and reduced by repayments made in the period.

Pensions benefits

The cost of a defined contribution scheme is equal to the contributions payable for the accounting period and is recognised within operating profit in the Statement of Total Comprehensive Income.

Impairments

From the end of the first full year after acquisition, the carrying value of investments is assessed annually for any evidence of impairment. If such indications exist, a full impairment review is undertaken, whereby the recoverable amount of the asset concerned is estimated. If it is not possible to determine the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

An asset is subject to impairment if its carrying value is higher than its recoverable value; recoverable value being the higher of the realisable value and the value in use. Impairment provisions are recognised in the Statement of Total Comprehensive Income for the period.

Where the Company's internal valuation model indicates that a previously impaired investment has subsequently increased in value, either due to change of use or improvement in economic conditions, the previous impairment will be reversed, limited to the original cost, to the extent to which the model indicates it is necessary.

Notes to the Financial Statements continued

Cash flow statement

The Company has taken advantage of the exemption given by FRS 102 Section 7 *Statement of Cash Flows*.

A cash flow statement is prepared by the ultimate parent undertaking that includes the cash flows of the company. Details of the ultimate parent undertaking are given in Note 14 to the Financial Statements.

Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, taxation, with the following exceptions:

- Provision is made for taxation on gains arising from the revaluation (and similar fair value adjustments) of fixed assets and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that at the Statement of Financial Position date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the Statement of Financial Position date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to taxation only where the replacement assets are sold;
- Deferred taxation assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred taxation is measured on an undiscounted basis at the taxation rates that are expected to apply in the periods in which timing differences reverse, based on taxation rates and laws enacted or substantively enacted at the Statement of Financial Position date.

Share based payments

The cost of prospective share based payments is measured by reference to the fair value of the ordinary shares of the Company at each date of granting of share appreciation rights and the dates at which they vest in full, where the fair value of the Company's ordinary shares is deemed to equal the combined fair value of the entities within, and other assets of, the Sanlam UK cluster, as at the most recent valuation date (in respect of historic periods) and as per the Company's approved business plan (in respect of future periods).

Any liability for share based payments is recognised over the period in which they vest and, until settled, is re-measured at each reporting date, with changes in the fair value thereof recognised in the Statement of Total Comprehensive Income.

Sanlam UK Limited

Notes to the Financial Statements continued

Growth Shares

The Company operates a growth scheme under which the Company receives services from Directors and staff as consideration for G Ordinary Shares. This scheme is accounted for as an equity-settled share based payment in accordance with FRS 102. Consequently, the fair value of services received in exchange for the grant of growth shares is recognised as an expense in the profit and loss account during the vesting period.

In March 2017 the Company obtained Shareholder consent to issue 14,064,493 G1 Ordinary Shares. The vesting periods associated with the new issue are 30 June 2019, 30 June 2020 and 30 June 2021.

G Ordinary Shares form part of the share capital of the Company, are not transferable, are not eligible to receive dividends and do not have any voting rights. Holders of Unrealised G Ordinary Shares are subject to good and bad leaver provisions and enter into individual subscription agreements that specify certain performance targets where applicable.

G Ordinary Shares are issued in tranches, each tranche determined by the date of issue and the applicable performance conditions attached. As at the date of signing, three tranches of shares have been issued. G Ordinary Shares have the right to participate in any proceeds of a sale of the Company capital distribution amongst shareholders or participate in the proceeds of a sale of the Company should either occur before 30 June 2019 (for 30% of the G1 Shares), 30 June 2020 (for another 30% of the G1 Shares), and 30 June 2021 (for the remaining 40% of the G1 shares). In the event of a listing of the Company on a recognised stock exchange on or before 30 June 2019 (for 30% of the G1 Shares), 30 June 2020 (for another 30% of the G1 Shares), and 30 June 2021 (for the remaining 40% of the G1 shares), whichever is the earlier, any G Ordinary Shares that are deemed to have become Realised are converted into Ordinary Shares at a rate determined by the relative open market values of G Ordinary Shares and Ordinary Shares. In the event of a listing, the Company also has the option to settle the value of the Realised G Ordinary Shares in cash rather than issue Ordinary shares before the listing occurs. The Realised G Ordinary Shares only participate in any capital distribution or sale of the Company to the extent that the value generated exceeds a specified hurdle. This valuation hurdle is also taken into consideration in determining the open market value of a Realised G Ordinary Share.

The total amount to be recognised in the financial statements in respect of the Growth Share scheme is determined by reference to the fair value of the Unrealised G Ordinary Shares at the date of grant, calculated using the Black-Scholes methodology. Details of the assumptions used are included in note 11. At the end of each reporting period, the Company reviews its estimate of the number of Unrealised G Ordinary Shares that is expected to become realised at 30 June 2019, 30 June 2020 and 30 June 2021 and then

Notes to the Financial Statements continued

recognised the associated charge in the profit and loss account throughout the remainder of the vesting period, with a corresponding adjustment to equity.

2. -1. Interest receivable

	2017 £	2016 £
Interest receivable on cash at bank	7	1,049
	<u>7</u>	<u>1,049</u>

-2. Interest payable

Interest payable on loans from Sanlam Asset Management Ireland Limited	259,836	200,795
	<u>259,836</u>	<u>200,795</u>

3. Administrative expenses

Administrative expenses relate principally to amounts invoiced and incurred in respect of staff and general overheads. The Company has seventy one (2016: fifty one) staff members directly in its employment at the Statement of Financial Position date.

	2017 £	2016 £ Restated
Salary costs	3,955,037	3,492,145
Auditors' remuneration	48,653	139,066
Other administration expenses	1,980,070	3,012,143
Depreciation	7,720	-
	<u>5,991,480</u>	<u>6,643,354</u>

Salary costs include the following:

a) Directors' remuneration		
- Directors' emoluments	1,449,133	1,556,119
- Consideration payable to third parties for making available the services of a director	75,000	111,930

Included in directors' remuneration is £nil (2016: £2,346) accrued in respect

Sanlam UK Limited

Notes to the Financial Statements continued

of share based payments. No directors received options during the year.

The amount in respect of the highest paid director totalled £611,500 (2016: £496,500). No directors exercised options during 2017 (2016: one director).

b) Other staff costs

- Wages and Salaries	1,617,220	1,230,870
- Social Security Costs	607,786	432,146
- Other pension costs	205,898	161,080
	<u>2,430,904</u>	<u>1,824,096</u>

4. Taxation

The tax on profit for the period shown in the Statement of Total Comprehensive Income is:

	2017 £	2016 £
Current Tax		
UK Corporation tax on profits for the year	(456,985)	(816,264)
Adjustment in respect of prior periods	1,286,107	-
Total current tax liability/(asset)	<u>829,122</u>	<u>(816,264)</u>
Deferred Tax		
Origination and reversal of timing differences	14,540	129,407
Adjustment in respect of prior periods	-	6,087
Total deferred tax liability	<u>14,540</u>	<u>135,494</u>
Tax on profit on ordinary activities	<u>843,662</u>	<u>(680,770)</u>

Reconciliation of tax charge

The difference between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

Profit on ordinary activities before tax	5,901,782	4,532,705
Profit multiplied by the standard rate of tax in the UK of 19.25% (2016:20%)	1,136,093	906,541
Effects of:		
- Expenses not deductible for tax	314,098	(1,377,535)

Sanlam UK Limited

Notes to the Financial Statements continued

purposes		
- Adjustments in respect of prior years	1,286,107	-
- Income not subject to tax	(1,895,211)	(300,000)
- Re-measurement of deferred tax	2,575	90,224
	<u>843,662</u>	<u>(680,770)</u>

Tax rate changes

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020.

Deferred tax

The provision for deferred tax consists of the following deferred tax assets/(liabilities):

	2017	2016
	£	£
Fixed asset timing differences	(196)	-
Employee share scheme	23,630	37,974
Total current tax liability/asset	<u>23,434</u>	<u>37,974</u>

The net deferred tax asset primarily relates to expected tax deductions for when payments are made to utilise provisions. This is offset by the reversal of timing differences on acquired tangible assets through capital allowances and depreciation. The majority of this difference is expected to unwind at the substantively enacted UK corporation tax rate of 17% (from 1 April 2020) and has been recognised in full at 17% accordingly.

A deferred tax asset has not been recognised in respect of the £3,872,869 loss carried forward at the balance sheet date as it is not considered probable that future profits will exist to recover it.

5. Investments in group undertakings and participating interests

	2017	2016
	£	£
Cost		
At 1 January	139,773,695	139,522,671
Additions	2,416,529	840,965
Disposal	-	(589,941)
At 31 December	<u>142,190,224</u>	<u>139,773,695</u>

Sanlam UK Limited

Notes to the Financial Statements continued

Revaluation and impairment		
At 1 January	(18,845,414)	(25,798,765)
Impairment during the year	(450,551)	(315,633)
Reversal of impairment	2,418,405	7,268,984
At 31 December	<u>(16,877,560)</u>	<u>(18,845,414)</u>
Net book value		
At 1 January	<u>120,928,281</u>	<u>113,723,906</u>
At 31 December	<u>125,312,664</u>	<u>120,928,281</u>
Directors' Valuation at 31 December	<u>218,204,855</u>	<u>194,845,137</u>

Additions

During the year the Company acquired 1,100,000 ordinary shares "B" ordinary shares in the issued share capital of Sanlam Partnerships Limited at a cost of £1,912,000.

In February 2017, the Company acquired 3,505 ordinary shares of £1.00 each at £20.25 per share and 1,606 performance shares of £1.00 each at £10.56 per share in the issued share capital of Sanlam FOUR Investment Holdings UK Limited at a cost of £82,611.

In August 2017, the Company acquired 6,199 ordinary shares of £1.00 each at £20.29 per share, 3,673 performance shares of £1.00 each at £10.56 per share and 50,000 European Equity shares (focussed strategy shares) of £0.00001 each at £0.17 per share in the issued share capital of Sanlam FOUR Investment Holdings UK Limited at a cost of £172,820.

In September 2017, the Company acquired 1,538 ordinary shares of £1.00 each at £20.29 per share, 9,630 performance shares of £1.00 each at £10.56 per share and 50,000 European Equity shares (focussed strategy shares) of £0.00001 each at £0.17 per share in the issued share capital of Sanlam FOUR Investment Holdings UK Limited at a cost of £49,098.

During the year the Company acquired 200,000 "C" ordinary shares of £1 in the issued share capital of Cameron Hume Limited at a cost of £200,000.

Disposals

There were no disposals during the year.

Impairments

During the year the Company provided £450,551 against its investment in Sanlam Wealth Planning Holdings UK Limited.

Sanlam UK Limited

Notes to the Financial Statements continued

Reversal of impairment

The Company reversed £2,418,405 of its prior year's impairment against Sanlam Private Investments (UK) Holdings Limited.

Subsidiary and associated undertakings

The following are investments in which the Company holds 20% or more of the nominal value of any class of share capital:

Name	Country of incorporation	Proportion of ordinary share capital held	Nature of business
Sanlam Life and Pensions UK Limited	England	100%	Life assurance and pensions
Sanlam Private Investments (UK) Holdings Limited	England	97%	Investment management
Sanlam Wealth Planning Holdings UK Limited	England	99%	Financial advice
Sanlam Funds Services Limited	England	100%	Dormant
Nucleus Financial Group Limited	England	57%*	Wrap platform service provider
English Mutual Limited	England	100%	Financial advice
Cameron Hume Limited	England	20%	Investment management
Sanlam FOUR Investment Holdings UK Limited	England	95%	Investment management
Sanlam Partnerships Limited	England	100%	Financial Advice

* Sanlam UK has 44% voting rights in Nucleus Financial Group Limited

Sanlam UK Limited

Notes to the Financial Statements continued

Fair value of investments based on internal valuations:

The internal valuation techniques used to value the businesses are a combination of actuarial embedded value methodologies, discounted cash flow analysis, industry comparable multiple techniques and independent valuations.

Name	Carrying Value of investments before impairment and reversal of impairment for the year	Internal valuation of investments
	£	£
Sanlam Life and Pensions UK Limited	37,508,308	75,769,898
Sanlam Private Investments (UK) Holdings Limited	56,269,580	62,538,649
Sanlam Wealth Planning Holdings UK Limited	3,797,698	3,347,147
Sanlam Funds Services Limited	270,001	270,001
Morgan Ash Limited	56,000	56,000
Nucleus Financial Group Limited	14,101,107	51,744,489
English Mutual Limited	-	-
Nucleus IFA Company Limited	21,512	21,512
Cameron Hume Limited	2,059,121	2,059,121
Sanlam FOUR Investment Holdings UK Limited	7,349,484	20,486,038
Sanlam Partnerships Limited	1,912,000	1,912,000
Total	123,344,811	218,204,855

Sanlam UK Limited

Notes to the Financial Statements continued

6. Ordinary dividends received

	2017 £	2016 £
Ordinary dividends received from:		
Sanlam Life and Pensions UK Limited	-	1,500,000
Sanlam Private Investments (UK) Holdings Limited	5,000,000	-
Nucleus IFA Company Limited	2,426,847	-
	<u>7,426,847</u>	<u>1,500,000</u>

The Company received a £2,426,847 dividend from Nucleus IFA Company Limited and a £5,000,000 dividend from Sanlam Private Investments (UK) Holdings Limited during 2017.

7. Tangible Assets

	Computer equipment £
Cost	
At 1 January 2017	-
Additions	49,309
At 31 December 2017	<u>49,309</u>
Depreciation	
At 1 January 2017	-
Charged in year	7,720
At 31 December 2017	<u>7,720</u>
Net book value	
At 1 January 2017	-
At 31 December 2017	<u>41,589</u>

8. Debtors

	2017 £	2016 £
Deferred tax	23,434	37,974
Loans to Sanlam Wealth Planning Holdings UK Limited	9,720,303	8,510,303
Amounts owed by fellow group companies	11,703,449	11,291,567
	<u>21,447,186</u>	<u>19,839,844</u>

Sanlam UK Limited

Notes to the Financial Statements continued

The deferred tax asset arose as a result of the provision for share based payments. Refer to Note 11 for further details.

The loans to Sanlam Wealth Planning Holdings UK Limited represent interest free loans. The Company retains the right to adjust the interest rate from time to time. There has been no interest charged during 2017. The facility remains unsecured and repayable on 31 December 2018.

The other amounts owed by fellow group companies represent interest free working capital loans all of which owing are repayable on demand.

9. Creditors - Amounts falling due within one year

	2017 £	2016 £
Amounts owed to fellow group companies	2,468,798	1,149,550
Loan from Sanlam Asset Management Ireland Limited	8,904,173	9,463,748
Other creditors	42,525	103,114
Deferred consideration from Sanlam Four Investment Holdings UK Limited	99	99
Social security costs	240,149	268,357
	<u>11,655,744</u>	<u>10,984,868</u>

The amounts owed to fellow group companies represent interest free loans which are payable on demand.

The amount owed to Sanlam Asset Management Ireland Limited bears interest at the rate at which that Company can place funds on deposit with its bankers. The effective interest rate for 2017 is 5.4%. The loans do not have a fixed repayment date but are repayable on 30 business days' notice.

Sanlam UK Limited

Notes to the Financial Statements continued

10. Share capital and share premium

Share capital

	2017 £	2016 £
Authorised		
Ordinary shares and A ordinary shares of £1 each	<u>250,000,000</u>	<u>250,000,000</u>
	<u>250,000,000</u>	<u>250,000,000</u>

Issued, Called Up and Fully Paid

Ordinary shares of £1 each	116,288,188	116,274,124
A ordinary shares of £1 each	-	141,296
	<u>116,288,188</u>	<u>116,415,420</u>

Share premium

	2017 £	2016 £
Opening balance	3,472,037	3,584,999
Repurchase of shares	(60,757)	(112,962)
Issue of shares	42,936	-
Closing balance	<u>3,454,216</u>	<u>3,472,037</u>

The Company repurchased 141,296 of its own A ordinary shares during 2017. When these shares were originally issued they were issued at a premium of £60,757. The Company's share premium has reduced by this amount during the year as a result of the repurchase of these shares.

During the year the Company issued 14,064,493 G1 Ordinary shares with a par value at £0.001 each. The Company's share capital has increased by £14,064 and share premium has increased by £42,936 during the year as a result of this share issue.

11. Provision for share based payments

Legacy scheme

The Company has a long term incentive scheme for certain key employees, in terms of which such employees may receive cash payments based on the increase in the value of the Company over the period from the date of the granting of share appreciation rights to the date of their exercise.

Sanlam UK Limited

Notes to the Financial Statements continued

In terms of the above scheme, the exercise price of each option is equal to the value of an ordinary share in the Company (before the value dilution impact of the scheme) at the date of issue of the options, which value will be deemed to equal the aggregate fair value of all the entities within, and other assets of, the Sanlam UK cluster divided by the number of shares of the Company, both as at the most recent valuation date ('Sanlam UK Fair Value per share'). The options vest in tranches over a period of five years from their date of issue (40% after 3 years, 30% after 4 years and the final 30% after 5 years), subject to target growth rates in the Sanlam UK Fair Value per share being achieved.

Participants may exercise options that have vested at any time up until eight years from their issue date. No shares will be issued or transferred to participants at any stage, and consequently there will be no dilution of the Company's issued share capital.

	Number	2017 Exercise price £/share	Number	2016 Exercise price £/share
Options in issue at start of the year	4,035	-	13,437	-
Options issued during the year	-	-	-	-
Options vested and exercised during the year	(177)	-	(2,187)	-
Options forfeited during the year	(452)	-	(7,215)	-
Options forfeited or cancelled in prior years				
Options in issue at the end of the year	3,406	-	4,035	-

The share based payment expense for 2017 was £200,000 (2016: £400,000 expense) and £257,407 released (2016: £851,290). Options that vested and paid during the year totalled £3,593 resulting in a decrease in the provision in 2017 to £139,000 (2016: £200,000). A deferred tax asset totalling £23,630 has been recognised against the provision.

The share option price at the year end was £235.51 (2016: £238.77).

G Shares

G1 Ordinary Shares are granted to Directors and employees. Details of the rights and the conditions attached to these shares are included in note 1.

Sanlam UK Limited

Notes to the Financial Statements continued

The G Shares granted were valued as at the date of grant using the Black-Scholes model. The significant assumptions used are shown in the table below:

	G1 Shares Tranche 1	G1 Shares Tranche 2	G1 Shares Tranche 3
Date granted	31/03/2017	31/03/2017	31/03/2017
Par value	£0.001	£0.001	£0.001
Realisable	30/06/2019	30/06/2020	30/06/2021
Shares in issue	4,219,348	4,219,348	5,625,797
Expected volatility of the share price	29.6%	29.3%	29.2%
Risk free interest rate over the life of the G Ordinary Share	0.17%	0.27%	0.40%
Dividend Yield	0%	0%	0%
Fair value per G Ordinary Share at grant date	£0.291	£0.341	£0.384
Aggregate fair value	£1,227,830	£1,438,798	£2,160,306
Expected term	2.75 years	3.75 years	4.75 years
Equity value at grant	£199.5 million	£199.5 million	£199.5 million
G1 Share Primary Threshold	£222.3 million	£222.3 million	£222.3 million
G1 Share Secondary Threshold	£444.6 million	£444.6 million	£444.6 million

During the year £622,403 (2016: £nil) was charged to the profit and loss account in respect of these shares. The provision was increased by a further £500,000 to £1,122,403 (2016: £nil) but is offset by an intercompany recharge within the profit and loss account as the £500,000 expense is held in Sanlam Private Investments (UK) Holdings Limited. This has resulted in an intercompany debtor balance increase of £500,000 with Sanlam Private Investments (UK) Holdings Limited.

12. Post Statement of Financial Position

Sanlam Wealth Planning UK Limited (a subsidiary of Sanlam UK Limited) purchased Grennan Advisers Limited for £472,500 on 15 February 2018.

The Company granted 4,010,344 additional G shares with an aggregate nominal value of £4,010 on 28 February 2018.

13. Related party disclosure

The Company has taken advantage of the exemption given by FRS 102 Section 33 Related Party Disclosures to wholly owned subsidiary undertakings

Sanlam UK Limited

Notes to the Financial Statements continued

within the group, by not disclosing information on related party transactions with entities that are part of the group, or investees of the group qualifying as related parties. The Company has related party transactions with Sanlam Wealth Planning Holdings UK Limited, Sanlam Private Investments (UK) Holdings Limited, Sanlam Four Investment Holdings UK Limited and Nucleus Financial Group Limited, which are not wholly owned subsidiaries within the Sanlam group. These transactions are all on an arm's length basis.

The transactions with Sanlam Wealth Planning Holdings UK Limited relate to loans granted amounting to £1,210,000 (2016: £nil). There were also directors fees receivable totalling £nil (2016: £11,124) for the services of the Company's directors. A balance of £1,915,042 (2016: £1,979,521) was still outstanding at the year end.

The transactions with Sanlam Private Investments UK Holdings Limited relate to distribution fees of £517,080 (2016: £503,575) for services of the Company's staff. There was a £613,938 debtor outstanding in respect of intercompany fees at the year end including £500,000 relating to the Growth share scheme (2016: creditor £245,090).

The transactions with Sanlam FOUR Investment Holdings UK Limited relate to 60% of SFS Investment Income totalling £1,218,894 (2016: 1,032,600). A debtor of £154,562 (2016: £1,093,245) was still outstanding at the year end.

The net transactions with Nucleus Financial Group relate to directors fees receivable totalling £nil (2016: £6,165). A debtor of £nil (2016: debtor £49,410) was still outstanding at the year end.

14. Parent undertaking

The ultimate parent undertaking, Sanlam Limited, is incorporated in South Africa and is the parent of the only group of undertakings for which group Financial Statements are drawn up and of which the Company is a member.

Copies of its group Financial Statements are available on request from Sanlam Limited, 2 Strand Road, Bellville, South Africa (PO Box 1, Sanlamhof, 7532, South Africa). www.sanlam.co.za

The immediate parent undertaking is Sanlam Investment Holdings UK Limited.

15. Capital commitments

The company had no commitments at 31 December 2017 and 31 December 2016.