IFG Group plc

Preliminary statement of results for the year ended 31 December 2017

Strategic Highlights

Group

- Strong underlying performance in both James Hay and Saunderson House in 2017
- Growth in fee revenue, clients and assets under administration and advice underpins future embedded value
- Total assets under administration and advice at year end up 15% to £30.6 billion (2016: £26.7 billion)
- Focus on the resolution of legacy matters has resulted in increased exceptional costs of £8.8 million (2016: £1.7 million), which has offset the underlying performance of the business in 2017
- Considering disposal of Saunderson House if accelerated Shareholder value can be achieved

James Hay

- Net inflows of £3.4 billion (2016: £2.6 billion), with assets under administration up 15% to £25.5 billion (2016: £22.1 billion)
- Flagship MiPlan product now represents 49% of the James Hay assets under administration
- More than 6,100 new clients added
- Pricing changes undertaken in H2 2017 provide a fairer charging structure and underpin a more predictable profit trajectory, reducing historical over-reliance on interest income

Saunderson House

- Assets under advice grew by 11% to £5.1 billion at year end (2016: £4.6 billion)
- Added 247 new clients (2016: 215), growing total clients served by 8.4% to 2,121 (2016: 1,956)
- Discretionary management product is growing ahead of expectations and is attracting a broader client range, providing scalability to underpin our growth trajectory going forward

Financial Highlights

- Revenue from James Hay and Saunderson House combined remained constant, despite £5.9 million reduction in interest income, £78.4 million (2016: £78.5 million)
- Adjusted operating profit increased 5% to £10.5 million (2016: £10.0 million) due to repricing in James Hay undertaken in H2 2017 and a focus on cost management
- Profit before tax from operations decreased to a loss of (£0.4 million) (2016: profit £6.4 million)
- Exceptional costs of £8.8 million increased materially due to a number of legacy matters relating to administration and documentation of advice, these costs being a combination of remediation and legal costs and provisions for client redress, together with previously announced reorganisation costs (2016: £1.7 million)
- Adjusted EPS increased by 10% to 8.34 pence (2016: 7.57 pence); basic loss per share of 0.32 pence (2016: earnings 4.98 pence)
- Prudent decision of Board not to pay final dividend; remain committed to a progressive dividend policy once legacy issues resolved
- Balance sheet remains strong with net cash of £24.6 million (2016: £28.2 million) and no debt
- The Group has regulatory capital resources of £49.5 million (2016: £47.6 million compared to its Pillar 1 requirement of £6.6 million (2016: £6.8 million)

Commenting on the results John Cotter, Chief Executive of IFG Group plc, said:

"We have made substantive progress in improving our businesses, increasing assets under administration and advice, growing the client base, expanding our product offering and enhancing our capability. The changes to our pricing models and the improving interest rate environment, mean we are well positioned to deliver sustainable growth and improved financial performance. We are committed to bringing closure to legacy issues, which may continue to impact financial performance, in order to return to paying a progressive dividend and delivering increasing value to our shareholders"

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Presentation of results and dial-in

There will be a presentation of these results to analysts and investors/fund managers at 9.30am today at Macquarie offices, Ropemaker Place, 28 Ropemaker Street, London EC2Y 9HD. The slides for this presentation can be downloaded from IFG's website, www.ifggroup.com.

There will also be audio conference access to the presentation. The access details for the presentation are:

Confirmation Code: **5951288**

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Germany	+49 (0)69 2222 2018
Switzerland	+41 (0)22 567 5750
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Extract from Chairman's Statement

CREATING SHAREHOLDER VALUE

STRATEGY AND PERFORMANCE

Since 2014 the Group has undergone a significant transformation, disposing of several businesses and focusing our investment to support the growth and development of James Hay and Saunderson House. Strong underlying performance pre-exceptional costs in both these businesses in 2017 reflects the benefits of the decisions we have taken, and has positioned them for growth as we go into 2018. We are also resolving a number of legacy issues, which has impacted financial performance but reflects a desire to bring closure to these issues. These matters are discussed in more detail in the Chief Executive's report. In light of these legacy issues, the Board reluctantly took a decision not to pay a final dividend in respect of 2017, on the grounds of prudently retaining capital and liquidity in the Group, but we remain committed to a progressive dividend policy and to ensuring we reward shareholders in line with the improvements to the underlying performance of our businesses.

The Board has continued to evaluate how best to deliver shareholder value and, having undertaken a strategic review, which commenced in early 2017, is considering whether a disposal of Saunderson House may accelerate value creation for shareholders, if the business proves more valuable to prospective owners who can leverage its capability more quickly. The Board will only consider a disposal if appropriate value for shareholders can be achieved.

Assets under Administration and Advice have grown by 15% to £30.6bn (2016 - £26.7bn), and we are privileged to serve over 61,000 clients (2016 - 58,000), having added more than 6,300 new clients across both businesses. Revenue was in line with 2016, a robust performance given the reduction in interest income from client balances in James Hay from £12.6 million in 2016 to £6.7 million in 2017. Whilst we increased adjusted operating profit before exceptional costs by 5%, we reported a statutory loss due to the level of exceptional costs associated with remediation of legacy issues as detailed in the Financial Review.

The regulatory landscape has continued to change, with significant initiatives such as Markets in Financial Instruments Directive ("MIFID II") and the General Data Protection Regime ("GDPR") driving higher standards of transparency and protection for consumers. We support these and other initiatives to ensure good client outcomes, and the investments we have made, and continue to make, will ensure the Group is well positioned to serve our clients.

Our clients are at the heart of our business and our ability to deliver quality advice and administration to our clients, current and prospective, will ensure strong client retention and new client growth, in competitive markets. The success we have had in 2017 in attracting more than 6,300 new clients, demonstrates the quality of our product capability, the strength of our relationships with clients and advisers, and the benefits of a commitment to our clients, which will deliver a sustainable business and long-term shareholder value. We enter 2018 with both businesses growing strongly, in markets which will continue to provide growth opportunities for high-quality businesses like ours.

The loss attributable to the Equity Shareholders of the Parent Company was £0.3 million (2016: profit £5.3 million). The Group delivered adjusted earnings per share of 8.34 pence (2016 - 7.57 pence) and a basic loss per share of 0.32 pence (2016 - earnings 4.98 pence).

RETURNS TO SHAREHOLDERS

An interim dividend of 1.60p per share was paid to Shareholders on 27th November 2017. In 2016, we articulated our commitment to a progressive dividend policy. However, given the Group's desire to conclude on a range of legacy matters, with resultant uncertainty over the quantum and timing of potentially material contingent exposures, the Board has reluctantly taken a prudent decision that no final dividend will be paid in respect of 2017 (2016: 3.35 pence per share).

The Board remains committed to a progressive dividend policy, with two businesses which are cash generative. We intend to return to paying dividends at the earliest possible time, once there is more clarity on these uncertain potential exposures.

BOARD COMPOSITION AND RENEWAL

Strong governance is important in ensuring the Group is managed to deliver on its strategy and operate in compliance with regulatory standards and expectations. During the year we completed the restructuring of the subsidiaries' governance structures, to ensure those individual businesses have the appropriate oversight and decision-making capability, which in turn has allowed the Group Board to focus on strategic matters.

The Group Board is unchanged in 2017. The Boards of both subsidiaries now have Independent Non-Executive Directors, as well as representatives from the Group and the Executive leadership teams. We were pleased to welcome Amanda Davidson to the Board of Saunderson House, and Geoffrey Clarkson to the Board of James Hay. The Independent Non-Executive Directors bring a wealth of industry experience, which ensures an effective contribution from those Boards to the strategic direction and management of the businesses.

PEOPLE

Recruiting, retaining and developing talented people is critical to our ability to build first-class client-centric businesses. We have added a number of talented management to the Group in 2017 and increased our focus on training and development of all staff. This has contributed, and will continue to contribute, to the long-term growth and capability of our businesses, in line with our strategic goals.

My thanks go to the Executive leadership of the Group and its subsidiaries, and to all our employees, for their continued diligence and contribution, in what has been a challenging year for the Group. Our success in growing both businesses, serving our existing clients and attracting new clients, is due to their hard work and commitment.

OUTLOOK

We enter 2018 with a clear strategy for two businesses that are growing strongly, winning clients, improving their capability and well positioned for improved underlying financial performance. We have addressed the historic over-reliance on interest income in James Hay through repricing and will also benefit from the recent increases in interest rates. The growth in the discretionary offering in Saunderson House offers further opportunities to accelerate the growth in that business. We are also considering the potential disposal of Saunderson House, if it will deliver appropriate shareholder value, benchmarked against the future potential of the business if held within the Group. The resolution of legacy matters and the potential disposal of Saunderson House may result in some incremental costs in 2018.

We expect both businesses to continue their growth trajectory in markets that offer strong fundamentals. We are focused on resolving legacy issues that have overshadowed the significant progress we have made in improving both of our businesses, and we believe we are well positioned for improved financial performance in 2018.

The Board is committed and confident in our ability to create value for you, our shareholders.

John Gallagher
Chairman
20 March 2018

Extract from Group Chief Executive’s statement

DELIVERING SUSTAINABLE GROWTH IN PERFORMANCE

2017 IN REVIEW

2017 was a challenging year for the Group, with strong growth and improving underlying financial performance in both businesses overshadowed by the impact of materially lower interest income and the resolution of a number of legacy issues. It was with reluctance that I recommended to the Board the decision not to pay a final dividend for 2017, but it was a prudent position to take to ensure we retain a strong capital base and liquidity within the businesses whilst we resolve these legacy matters. It is my desire to ensure we are in a position to return to our progressive dividend policy as soon as possible.

The legacy issues, some of which have come to light as we make changes and improvements to our businesses, have resulted in materially increased exceptional costs, but we believe that identifying all legacy issues and bringing them to closure, will better position our two businesses to focus on sustainable growth and improving profitability going forward. These legacy issues relate to administration and documentation of advice, which may result in HMRC sanction charges, client remediation payments and legal costs. The costs and provisions relating to these and other exceptional expenditure relating to restructuring in James Hay, have consumed the underlying contribution from the businesses in 2017. Resolving these legacy issues is the priority to allow the businesses to move forward and focus on achieving their potential, free of legacy risk. The Elysian issue is potentially material, with a potential maximum exposure of £20 million. Based on advice from the Group's legal advisers, the Directors are confident that the outcome at Tribunal and/or any settlement with HMRC would be substantially lower than the maximum potential sanction charge. The Directors are confident that any financial exposure would be fundable from the Group's cash resources. The potential exposure remains uncertain and is expected to remain so whilst discussions with HMRC and/or any Tribunal proceedings continue.

We have improved the quality and capability of both James Hay and Saunderson House through targeted investment in people and technology, and these improvements have translated into strong growth in clients and assets. The low interest rate environment in 2017 necessitated structural changes to James Hay's pricing model and business, but we are now well positioned in a growing pensions and retirement market for improved financial performance in 2018. In Saunderson House, the growth of the discretionary management proposition has exceeded our expectations, and this will be an increasingly important part of the growth of Saunderson House going forward.

We have also announced that, following a strategic review early in 2017, we are considering whether a sale of Saunderson House would create greater shareholder value. We are in discussions with interested parties, but will only proceed to a transaction if appropriate value, reflecting the quality of this business, is realised for Shareholders.

We have made substantial progress in 2017 in achieving our strategic goals, which positions both businesses and the Group strongly, as we look forward to 2018 and beyond.

CULTURE AND VALUES

Successful businesses have strong cultural values, which motivate people, deliver good behaviours and result in a focus on delivering better outcomes for clients. Our two businesses serve clients who are often high net worth clients, and who seek a differentiated level of advice and administration to help them manage their wealth, through their working lives and beyond. In 2017, having reassessed in 2016 how we deliver on our commitment to serving our clients well, we continued to invest in enhancements to our business model to ensure we can exceed our clients’ expectations. This ongoing investment in people and in technology, allied to a ‘tone from the top’ which reinforces the standards we expect, has positioned both businesses with enhanced capability to deliver growth and improved financial performance, whilst meeting ever increasing client and regulatory expectations.

CLIENTS

In 2016, we established a new Group-wide conduct framework which reinforced our desire to put the client at the heart of everything we do: delivering better client experience, enhancing our ability to add value to our clients and improving the attractiveness of our businesses to discerning clients. In 2017, this framework has been embedded in the businesses, leading to changes in the way we deliver our services. We have seen the benefits of these changes in increased numbers of new clients coming to both businesses, and strong retention of existing clients.

MARKET AND ENVIRONMENT

The markets in which we operate, UK high net worth platform and advisory services, are growing in line with economic recovery and supported by long-term structural changes. With increasing life expectancy and changes to the pensions market increasingly requiring individuals to own and manage their retirement planning in a more systematic manner, the longer-term growth trajectory for our businesses remains strong. The increasing complexity of retirement planning, growing freedoms and taxation changes in pension and savings legislation and a low interest rate environment, place a premium on the services we offer to our clients. We expect the recent trend of asset flows from legacy pension arrangements, including Defined Benefit Schemes, into Self Invested Personal Pensions ("SIPPs") to continue. In 2017 a significant component of James Hay's new business was as a result of such movement, and we expect that this will continue, notwithstanding increased regulatory focus, as members of defined benefit schemes continue to transfer out into alternative pension arrangements, and individuals take ownership of managing their own pensions into retirement. Market surveys indicate that up to £50 billion of existing assets will move into SIPPs over the coming three years. The need for good advice in this regard has never been higher, and our focus on strategic relationships with the larger IFAs, will position the businesses well in helping clients to take control of their pension arrangements.

In 2016, we saw significant macro-political events, including the Brexit vote, that increased volatility in global markets. In 2017 markets performed strongly with less volatility, though the need for advice has remained strong. Ongoing market volatility, which may be exacerbated in the UK by the finalisation of the Brexit process, will mean the need for advice and the ability to manage retirement assets efficiently will remain critical to our clients.

The reduction, in late 2016, in Bank of England base rates had a significant impact on revenues in James Hay, where a component of revenues is a function of interest rates. This necessitated a change to the pricing philosophy and a move away from an over-reliance on interest income. These changes were implemented successfully during 2017, following appropriate consultation with clients and advisers, ensuring that our already transparent pricing model remains competitive, appropriate to the expectations of our clients and charges fairly for the services we provide. The increase, in late 2017, in the Bank of England base rates will support revenue growth in 2018.

COMMENTARY ON KPIS

We are pleased with the underlying performance of the Group in 2017 which is discussed in detail in the Financial Review. However, the overall financial result has been materially impacted by exceptional costs related to legacy matters and restructuring.

- The Group reported a loss in 2017 as operating performance, and consequently earnings per share, was materially impacted by exceptional costs, see note 6. These costs, which are a combination of remediation and legal costs within the business, provisions for redress for clients and reorganisation costs, are necessary to ensure we address all historic issues within the Group, so we can move forward with a focus on the future.
- Adjusted operating profit and adjusted EPS increased despite lower interest revenues, due to repricing in James Hay, a focus on cost control and lower levels of performance related remuneration.
- Assets under administration and advice increased from £26.7 billion to £30.6 billion helped by high retention rates, good growth in our discretionary offering in Saunderson House, strong inflows from new and existing clients in both businesses, and positive market movements.
- Client retention remains strong in both businesses and the quality of new client activity continues to improve, with average AUA of new clients in both businesses increasing.
- The business consumed cash overall due to the lower than anticipated profits and exceptional costs, however, free cashflows increased marginally from £5.5 million to £5.7 million reflecting the Group's ability to generate cash from the underlying business operations. Contingent consideration of £4.0 million in respect of 2014 disposals was received in Q1 2017. The business is expected to return to strong cash generation in 2018, subject to any impact from resolving legacy matters.

THE BUSINESSES

James Hay

James Hay is continuing its development from being a specialist Self-Invested Personal Pension (SIPP) provider to becoming a broader platform for retirement wealth management, offering Individual Savings Account (ISA) and General Investment Account (GIA) capability to its existing broad range of pension products. We offer a tailored service, a broad range of investment options, together with online capability in account opening, trading and access to valuation and documentation.

The distribution strategy for James Hay focuses on building strategic partnerships with larger IFAs, enhancing our technological interfaces with them, so we serve both the adviser and the end clients effectively and efficiently. This has contributed to the increased number of new clients coming to James Hay in 2017, with more than 52% of new clients being advised by our Top 25 key relationships. The average level of client assets has also increased materially from £394,000 to £436,000, thereby improving the quality and consistency of new business flows. We retain our direct to consumer offering, but our focus remains on the intermediated advised business.

The investment programme in James Hay, in terms of the senior leadership team, the training and development of all of our staff and investment in technology, has delivered a much-improved business capability, with a lower level of staffing in support functions, increasing our ability to grow the business without commensurate increases in the cost base. We believe these investments will not only mitigate increases in the cost base going forward, but will support accelerated growth at lower marginal cost.

Whilst the revenue in 2017 was adversely affected by the changes to Bank of England base rates in 2016, the changes we have made to pricing have addressed this in the second half of 2017, leading to an improved and more sustainable margin going forward. We expect the underlying financial performance in 2018 to improve and also benefit from the increase in base rates in late 2017. We believe the business is well positioned for strong growth in clients and assets given current market conditions in the pensions market.

Saunderson House

Saunderson House continues to perform in line with expectations, growing assets under advice, revenues and profits in 2017, aided by the success of its discretionary management offering which is attracting a broader range of clients to the business. Saunderson House’s deep relationships with its circa 2,100 clients, its continued excellence in investment performance and delivery of tailored client service, differentiates the business from many of its competitors.

We continue to invest in the capability of the business, as it has grown from less than 100 people in 2013 to 180 people at the end of 2017. We made further investments in technology to support the investment proposition. This is designed to enhance the analytics to manage the £5.1 billion under advice, and provide scalability to the growing discretionary offering, which is growing ahead of expectations. It is also enabling an enhanced and more efficient delivery of service to our clients which is proving beneficial to clients across the wealth spectrum.

We expect Saunderson House to continue to grow, in line with its current trajectory, and we believe this will deliver an increase in operating margins over time. The growth of the discretionary offering will increasingly contribute to the development of the business as we go forward. We continue to invest in training and developing our staff to develop a sharper focus on how we engage with prospective clients in light of the evolving proposition, which will allow Saunderson House to penetrate existing and adjacent markets more effectively and efficiently.

We are also considering the potential disposal of Saunderson House, if it will deliver appropriate Shareholder value.

PEOPLE

The quality of our people, both in our operating businesses and in Group functions, supports our success and our future growth plans. Providing a culture and an environment that supports and facilitates high performance is a key priority for executive management.

Our approach to employee reward and development recognises our staff’s contribution to our business, aligns senior management compensation and Shareholder interests and, importantly, ensures we have the capability and capacity to meet current and future expectations of our clients.

I would like to thank all colleagues throughout the Group for their professionalism, their commitment to our clients and their contribution to our success in 2017.

LOOKING FORWARD

Whilst 2017 has been a challenging year in terms of financial performance and dealing with legacy issues, we enter 2018 with both businesses having strengthened governance and control, and with both positioned strongly to continue their growth trajectory whilst better serving clients. Our markets remain highly competitive, the landscape in the pension markets sees continued change and client and regulatory expectations require businesses to continue to evolve. Our clients demand best in class advice and administration, and our success is founded upon delivering on those expectations. We will continue to invest and to innovate, building our capability and increasing efficiency, so we can effectively scale our businesses and drive improved operating margins.

We see 2018 in a positive light. The decisions we have taken on pricing combined with a more favourable interest rate environment and the investments we have made, will deliver a stronger, more profitable, more client-centric business with an improved growth trajectory going forward. We will continue our disciplined focus on cost control, but the resolution of legacy matters and the potential disposal of Saunderson House may result in some incremental costs in 2018. Whilst we expect meaningful organic growth in 2018, subject to progress on resolving legacy issues, we will be mindful of opportunities to accelerate that trajectory through acquisition, principally in the platform business. A sale of Saunderson House will be considered only if we believe it delivers a value for shareholders which reflects the capability and quality of this business.

John Cotter
Group Chief Executive
20 March 2018

Extract from financial review

STRONG FUNDAMENTALS AND GOOD GROWTH

REVIEW AND COMMENTARY ON THE RESULTS

The Group's businesses both delivered strong underlying performance in 2017, despite the challenges of a low interest rate environment, which materially impacted H1 performance, but was partly offset in H2 by the pricing changes we successfully implemented. Our platform business, James Hay, continued to grow assets under administration organically, adding more than 6,100 new clients whilst delivering further improvements to our operating model. In Saunderson House, the new Discretionary Management Service accounted for 60% of our new clients, exceeding our expectations both in terms of new clients and average assets per client. The strong underlying performance, which positions both businesses strongly going into 2018, was, however, adversely affected by significant exceptional costs relating to ongoing legacy matters, which impacted statutory results and contributed to a decision to not pay a final dividend in respect of 2017.

Due to the statutory loss in 2017, and despite a focus on working capital management, the business consumed cash in 2017. The Board remains committed to the progressive dividend policy implemented in 2015, and is focused on resolving all legacy issues so that we can return to paying dividends as quickly as possible. The Group remains well capitalised, with a strong and liquid balance sheet.

This financial review provides an overview of the Group’s financial performance for the year to 31 December 2017, and of the Group’s financial position at that date. The two businesses are separately disclosed as segments, with additional disclosure of the central Group costs. The results include exceptional costs relating to the ongoing legacy matters, as well as residual costs associated with the business disposals made in 2014, and the costs associated with the restructuring of the Group functions, principally the closure of the Dublin and Swavesey offices and the previously announced restructuring in James Hay.

- Overall, revenue remained in line with 2016, with Saunderson House increasing revenue by 4% to £32.2 million and James Hay being slightly below 2016 due to the impact of lower interest income only partly offset by increased fee revenue.
- The results for 2017 show strong growth in the key metrics of clients and assets under administration and advice.
- The loss after tax of £0.3 million is materially lower than 2016 profits of £5.3 million, due to lower than expected revenues which were impacted by the Bank of England base rate reduction together with the material increase in exceptional costs.
- Adjusted operating profits increased by 5% to £10.5 million, reflecting a lower contribution from James Hay, with Saunderson House increasing its profits on the back of continued client and asset growth and increased demand for its Discretionary Management Services.
- The statement of financial position is strong and liquid, with capital in excess of regulatory requirements, which is important in light of the material uncertainty over the contingent exposure in relation to certain legacy issues.
- Lower operating profits impacted cash flow, with a net reduction in cash of £3.6 million from £28.2 million in 2016 to £24.6 million.

Revenue

	2017 £’000	2016 £’000
Platform	**46,169**	47,478
Independent wealth management	**32,225**	30,987
Total revenue	**78,394**	78,465

Revenue was in line with the prior year at £78.4 million (2016 - £78.5 million), with James Hay decreasing by 3% from £47.5 million to £46.2 million, and Saunderson House increasing by 4% from £31.0 million to £32.2 million.

In James Hay, the full year effect of the lower interest rate environment contributed to decreased revenue, though this impact was partly offset by pricing changes in H2 2017. Interest income fell by £5.9 million, from £12.6 million to £6.7 million, whereas fee revenue increased to £39.5 million from £34.9 million. Following changes to pricing, fee revenue in H2 increased from £19.1 million to £20.4 million, which together with the increase in interest rates in late 2017, positions the business well for material revenue growth in 2018.

Saunderson House benefitted from the full year effect of the growth in client numbers in prior years, though the increased demand for Discretionary Management Services has resulted in lower average fees per client from clients who are often in an earlier stage of wealth accumulation, compared to advisory clients. Markets were less volatile in 2017, compared to 2016 where the Brexit referendum was a factor. As a result, demand from existing clients lessened somewhat, which facilitated an increased focus on new client activity, which positions Saunderson House well in 2018.

Operating profit

The Group incurred an operating loss, after amortisation of intangibles and exceptional costs, of £0.4 million (2016 Profit - £6.2 million). Amortisation of intangibles, principally related to the James Hay acquisition in 2010, remained in line with 2016 at £2.1 million. However, exceptional costs increased materially to £8.8 million (2016 - £1.7 million) due to the remediation of legacy issues and restructuring in James Hay as outlined below. These costs are net of actual and/or assumed recoveries under the Group's insurance arrangements.

Adjusted operating profit

	2017 £'000	2016 £'000
Platform	6,079	7,085
Independent wealth management	8,599	7,058
Group/other	(4,179)	(4,176)
Total adjusted operating profit	10,499	9,967
Amortisation of intangibles	(2,137)	(2,014)
Exceptional costs	(8,795)	(1,727)
Operating (loss)/profit	(433)	6,226
Finance income	52	414
Finance costs	-	(437)
Dividend from associate	-	242
(Loss)/profit before income tax	(381)	6,445
Income tax credit/(expense)	43	(1,195)
(Loss)/profit for the year from operations	(338)	5,250

Adjusted operating profit, before amortisation of intangibles and exceptional costs, increased by 5% from £10.0 million to £10.5 million, principally driven by the repricing in James Hay and a focus on costs, mainly staff related, which together offset the impact of lower revenues from interest income. The contribution from Saunderson House increased by 22% from £7.1 million to £8.6 million, but James Hay's contribution fell 14% from £7.1 million to £6.1 million. However, James Hay delivered an adjusted profit of £4.3 million in H2 2017, compared to £1.8 million in H1 2017, an improvement in the operating margin from 8% to 18%, which we believe is sustainable as we go into 2018. Group costs remained broadly in line with 2016 at £4.2 million.

Adjusted EPS and adjusted earnings

The Group uses adjusted operating profit and adjusted earnings as measures of performance to eliminate the impact of items it does not consider indicative of ongoing underlying performance due to their unusual, exceptional or non-recurring nature.

	Year ended 31 December 2017		Year ended 31 December 2016	
	Per share pence	Earnings £'000	Per share pence	Earnings £'000
(Loss)/Profit attributable to owners of the Parent Company	(0.32)	(338)	4.98	5,250
Amortisation of acquisition related intangible assets	1.83	1,933	1.47	1,552
Exceptional items	6.39	6,732	1.79	1,886
Release of provision against receivable from associate	-	-	(0.49)	(516)
Discontinued operations	0.44	469	-	-
Unwinding of discount applicable to contingent consideration	-	-	(0.18)	(192)
Adjusted earnings	8.34	8,796	7.57	7,980

The table above shows how we calculate adjusted EPS and adjusted earnings. The above amounts are net of tax, if applicable.

Group/other

Group costs include costs associated with our London based Group teams, the Board of Directors, governance and oversight committees and other costs associated with being a publicly listed company.

Exceptional costs

Exceptional costs were £8.8 million (2016: £1.7 million), principally driven by remediation costs and legal fees in relation to the ongoing investigation and resolution of legacy issues in relation to Elysian Fuels, pension administration and advice on historical pension transfers where there are safeguarded benefits (£5.4 million), previously announced James Hay redundancy costs (£1.3 million), consultancy fees paid in relation to the detailed review of legacy matters (£1.5 million), legal costs in relation to the First Names claim (£0.5 million, including £0.3m of costs awarded to First Names) and closure costs associated with the Dublin and Swavesey offices (£0.1 million).

Tax

The effective tax rate for the Group reduced to 11.3% from 18.5% in the prior year. The effective reduction in rate is primarily due to a reduction in non-allowable expenses related to exceptional costs which were expensed in UK subsidiaries. While mindful of our obligations to Shareholders to ensure tax efficiency, we use only legitimate tax reliefs for the purposes for which they were intended and do not take part in aggressive tax planning or condone tax avoidance as both would contravene our cultural values. See note 5 for a full reconciliation of income tax.

Cash flows

	2017	2016
	£'000	£'000
Cash flows from operating activities	**10,132**	11,769
Capital expenditure	**(4,388)**	(6,236)
Free cash flow	**5,744**	5,533
Interest and tax	**(2,213)**	229
Dividend from associate	**-**	242
Disposals of subsidiaries	**550**	(66)
Deferred consideration	**4,037**	-
Head office restructuring and exceptional costs	**(6,650)**	-
Dividends paid	**(5,217)**	(5,106)
Repayment of borrowings	**-**	(7,000)
Cash settlement of share awards	**(35)**	-
Share issues	**-**	162
Net cash outflow	**(3,784)**	(6,006)

The Group generated £10.1 million (2016 - £11.8 million) from operations, reflecting adjusted profits generated, offset by small movements in working capital. The Group paid a net corporate tax payment of £2.2 million in 2017 (2016: £0.2 million refund), and invested a total of £4.4 million in capital expenditure (2016: £6.2 million), compared to depreciation and amortisation of £5.3 million (2016: £4.8 million). Total dividends paid during 2017 were £5.2 million (2016: £5.1 million), resulting in a decrease in net cash of £3.6 million to £24.6 million.

The businesses will continue to generate cash to fund ongoing investment, subject to the resolution of a number of legacy matters. The dividend policy will be kept under review and, pending resolution of the legacy issues, the Board will seek to resume the payment of dividends at the earliest possible date.

Return on capital employed

Return On Capital Employed is calculated as earnings before finance income and/or costs and tax, divided by capital employed. It measures how efficiently the Group generates profits from its capital employed by comparing it to net operating profit.

The return on capital employed in 2017 has fallen to -0.6% (2016: 7.8%), which was significantly impacted by the material exceptional costs associated with legacy issues and restructuring, as well as the full year effect of the lower interest rate environment which contributed to decreased revenue.

Financial and capital position

The Consolidated Statement of Financial Position remains strong and highly liquid. Net cash decreased from £28.2 million to £24.6 million in the year (see note 9).

The Pillar 1 capital resource requirement for the Group have been calculated in accordance with the Financial Conduct Authority regulations. The Group has regulatory capital resources of £49.5 million (2016: £47.6 million) compared to its Pillar 1 requirement of £6.6 million (2016: £6.8 million), a coverage of over 7.5 (2016: 7.0). The Group has also assessed its Pillar 2 capital resource requirements and confirms that it has sufficient capital resources to meet these requirements for the foreseeable future. Resolution of legacy matters will impact the actual capital position of the Group, but will also reduce Pillar 2 requirements going forward, as the assessment of potential capital requirements will reduce when these legacy matters are resolved.

Financial risk management

The Group's Finance function oversees the management of the Group's exposure to exchange risk, credit risk, liquidity and interest rate risk, in line with defined policies and procedures. The Group does not trade in financial instruments, except as necessary to hedge foreign currency exposures. The Group does not enter into leveraged derivative transactions. The Group treasury function, under the management of the Group Financial Controller, manages the overall Group funding and liquidity requirements, working closely with the divisional finance teams.

The Group's financial reporting currency is Sterling, reflecting the primary economic environment in which the businesses operate. The Group's revenue is principally earned in Sterling, and the majority of its expenditure is incurred in Sterling. The Group incurs certain Euro-denominated costs, principally related to its Irish subsidiary.

Share price and market capitalisation

The Company's shares traded in a range of between 130 pence and 184 pence during the year. The share price at 31 December 2017 was 184 pence (31 December 2016: 155 pence), reflecting an increase of 19% in the year. The market capitalisation at 31 December 2017 was £194.0 million (2016: £163.4 million). There were 105,405,665 shares in issue at 31 December 2017.

Extract from operational review – James Hay

HIGHLIGHTS

- Revenue £46.2 million
- Adjusted operating profit £6.1 million
- Assets under administration £25.5 billion
- Total SIPPs 54,924

INDUSTRY OVERVIEW – PLATFORM

The platform market has seen increased asset growth over the year of 22% rising to just under £490bn[1]. The market has benefitted from the migration of pension assets away from Defined Benefit Pension schemes. This trend is expected to continue. The sector continues to experience disruption due to consolidation, re-platforming and migration to third party providers.

The regulatory agenda continues to impact the market with MiFID II and GDPR absorbing much resource. In addition, the FCA are currently conducting a platform review, with the sector required to furnish information to support the review, and the Senior Managers and Certification Regime ('SMCR'). The government continues to evolve its pension strategy. The industry has experienced significant change over recent years and will continue to evolve as the focus for savings for retirement, broadens from a "pension" focus to a wider "retirement wealth" focus.

Brexit continues to dominate the macro-political landscape, and may contribute to market volatility in 2018, as the terms of the UK's departure from the EU are finalised. We will ensure we are well placed to react to our clients' and advisors needs, both in terms of the quality of our administration and the flow of information and analysis which our clients and advisors require to properly manage their retirement assets.

GOAL

Our goal is to be a successful, sustainable and increasingly profitable business by supporting advisers and delivering good outcomes to clients as they navigate their way through pre-retirement and during retirement.

Our platform facilitates this by enabling clients and advisers to manage their retirement wealth safely and securely via an easy-to-use digital interface.

BUSINESS STRATEGY

Distribution

The distribution strategy focuses on high quality Independent Financial Advisor ('IFA') relationships, and we continue to invest in enhancements to our client services. We will increase efficiency by making better use of digital and self-serve capabilities.

Capabilities

The focus remains on creating a 'digital platform' for the future responding to adviser and investor demand. This continues the development programme, which delivered a range of new online services. This contributes to increasing scalability and supports our journey to becoming a fully functional platform for retirement wealth management. Output from our Insight programme has provided valuable information on what advisers and clients expect from a platform. One of our responses to this was to introduce more simplified language in our communication with clients.

Product

James Hay has a strong position in its core SIPP markets, recognised for its capability at the complex end of the market. However, this is yet to be reflected in adjacent ISA and GIA markets, where we will continue to invest in enhancing our capability. The platform space continues to see consolidation of pension and savings assets from those with multiple products/pensions, which we see as an opportunity to attract incremental pension and non-pension assets from the existing investor base.

GOVERNANCE

The addition of Geoffrey Clarkson as an independent Non-Executive Director to the Board in February 2017, has increased the experience of the Board, bringing extensive expertise in the financial services industry, specialising in corporate governance, risk management and regulatory standards and practice.

BUSINESS REVIEW

The retirement market continues to remain buoyant, underpinned by strong pension transfer business. Independent data from Origo, published in Money Marketing in early 2018, confirms that pension transfer volumes increased by 30% in 2017.

The quality of new client flows has continued to improve as we continue to focus our distribution strategy on higher quality adviser relationships.

The reduction in interest rates during the second half of 2016 materially impacted 2017 results. However, the pricing initiatives rolled out throughout the year helped to materially mitigate this. We ensured that the re-pricing exercise was appropriately considered from a

[1] Platforum Q3 2017

client and adviser perspective, and that our offering remained both transparent and competitive in our chosen markets. The business will benefit from the increase in interest rates in late 2017.

Attrition remained stable year on year at 6.2% for the SIPP business (2016 - 6.3%). We continue to rationalise our legacy products and have been successful in transferring circa 1,100 clients from our legacy products to our flagship MiPlan. The business ended 2017 having made substantial progress in its conduct agenda, as well as establishing greater clarity on the required remediation work to address legacy issues. We have enhanced the senior management team and delivered our best ever year for organic sales.

Meeting the needs of our clients is a guiding principle that will ultimately drive the success of the business. Our investment in the digital capabilities of our offering will further enhance the quality of our service both to direct and advised clients. Our growth focus will remain on the primary distribution channel of financial advisers.

LEGACY MATTERS

It is disappointing that a number of legacy matters have impacted the performance of the business, which are discussed in more detail in the CEO report.

PERFORMANCE

- Assets under administration increased 15% to £25.5bn
- Revenue fell marginally from £47.5 million to £46.2 million, a decrease of 3%
- Operating profit decreased from £5.2 million to a loss of £2.3 million
- Adjusted profits decreased from £7.1 million to £6.1 million, a decrease of 14%
- Total net flows were £3.4 billion, including market movement
- Total new clients of 6,116
- Total new SIPP cases of 5,836 during the year
- Overall attrition levels decreased to 6.4% (6.9% 2016)
- Average new client case size for the Modular iPlan increased by 5% to £445,000
- Exceptional costs were £6.3 million due to the remediation and resolution of a number of legacy matters

At the end of December 2017, James Hay administered assets on behalf of more than 58,000 individual clients. The rate of new business acquisitions and attrition is shown below:

SIPPS	2017	2016	CHANGE
Opening	**52,391**	52,101	+1%
Additions	**5,836**	4,396	+33%
Accounts consolidation	**(169)**	(531)	-68%
Attrition	**(3,134)**	(3,575)	-12%
Closing	**54,924**	52,391	+5%

KEY ACHIEVEMENTS

- Operational efficiency delivered productivity gains equivalent to 46 employee headcount.
- Restructured shared support and commercial functions reduced headcount by 20
- Focused distribution strategy, delivered strong growth with higher average case size
- Focus on clients has delivered a more responsive business

OUR CLIENTS

We believe that meeting client expectations is central to our success as a business. Our investment programme continues to focus on improving the client experience. The conduct framework implemented last year is now embedded in the business.

INVESTMENT IN OUR PEOPLE

Alongside our investment in technology, we have also continued to invest in our people to support their training and development. We have implemented a flexible employee benefit programme and completed market salary reviews. We have enhanced our performance management process and aligned them with our conduct agenda.

Extract from operational review – Saunderson House

HIGHLIGHTS

- Revenue £32.2 million
- Adjusted operating profit £8.6 million
- Assets under advice £5.1 billion
- 8% growth in clients bringing total clients to 2,121, 246 of which are DMS clients

INDUSTRY OVERVIEW – INDEPENDENT WEALTH MANAGEMENT

Macro environmental factors remain positive for the wealth management industry. Wealth in the UK is becoming increasingly concentrated among the top 10% of a growing population, whilst an ageing demographic profile underpins growing demand for advice and products focused around retirement, as well as tax-efficient ways to pass on wealth to future generations. Demand for discretionary management services has continued to grow, whilst advisory asset levels have remained relatively stable. The addition of our Discretionary Management Service in 2016, alongside our existing advisory model, ensures we are well-placed to meet a range of investment preferences from prospective clients.

Changes in consumer behaviour, particularly with regards to digital demand, provide opportunities to engage with our clients through new channels, such as our client portal. Life events are increasingly influencing the demand for financial advice.

2017 saw the sixth consecutive year of rising equity markets, alongside some of the lowest levels of volatility experienced in recent years. Once again, Saunderson House clients benefitted from strong investment performance, both in real-terms and in relation to our competitor peer group. The independently constituted Asset Risk Consultants (ARC) rankings placed 10 of Saunderson House's 12 model portfolios in the top quartile of their peer group over one, three, five and 10 years.[1]

Although markets have performed well, uncertainty surrounding the likely outcomes of Brexit negotiations and its potential financial and economic impacts continues to instil uncertainty within markets and amongst investors. From a financial planning perspective, there is concern around the medium-term outlook for the UK's political landscape, and the likely tax implications that a shift in government policy could have for individuals at the higher end of the wealth spectrum. These factors reinforce the benefits of high quality financial advice.

Competition is increasing, with firms seeking to position themselves at the front of the value chain, where propositions are less commoditised and margins are more favourable. This has encouraged continued consolidation, as well as expansion in the breadth of competitor propositions. In contrast with the potential threat this presents to many advisory businesses, our focused business model, operating in niche market segments, enables us to differentiate Saunderson House from our peers and deliver a higher quality service to our clients.

We are seeing opportunities to attract new clients who are dissatisfied with their current providers. This sentiment has been reflected by industry research, with one survey finding that over 30% of clients stated they were "very likely" to change their wealth provider within the next 12 months.[2] Saunderson House's unique service proposition, strong investment track record and consistently high client retention rates, position the business to capitalise on this opportunity.

Brexit continues to dominate the macro-political landscape, and may contribute to market volatility in 2018, as the terms of the UK's departure from the EU are finalised. We will ensure we are well placed to react to our clients' needs, both in terms of the quality of our advice and the flow of information and analysis which our clients and advisors require to properly manage their wealth.

GOAL

We strive to be the first-choice wealth manager in our chosen markets. We achieve this through the strength of our client relationships and delivering the standards of service and advice which exceeds our clients' expectations.

BUSINESS STRATEGY

We continue to see strong growth opportunities in our existing market segments and within adjacent markets. Whilst acknowledging the pace of change within the industry has accelerated, Saunderson House's relationship-led offering and niche expertise remains an attractive proposition for new and potential clients particularly for individuals with between £0.5 million and £3.0 million to invest.

Our discretionary offering continues to grow since our launch in 2016 and we are beginning to see the benefits of the investments in technology, which will continue to support growth going forward.

Our clients are our greatest advocates, with circa 60% of new clients originating from current client referrals. During 2017, we created specialist teams to focus on specific growth initiatives and pursue new markets with similar characteristics to our existing segments. Targeting adjacent markets enables us to leverage our strong relationships.

To achieve good client outcomes, we strive to deliver a comprehensive service which positions us as the first point of contact for all our clients' personal financial matters. We have built relationships with a number of other professional service providers to deepen our client support capabilities. We continue to build appropriate technology solutions in order to keep pace with market, and client demands, to create an efficient service model and improve the control environment.

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[1] Returns to 31 December 2017
[2] Compeer (2017)

GOVERNANCE

To provide a greater balance between executive and non-executive directors and bring us in line with industry best practice, we reconstituted the Saunderson House Board structure in early 2017. This included the appointment of Amanda Davidson as a Non-Executive Director and Chair of the Risk, Audit and Compliance Committee. The addition of Amanda as an independent Non-Executive Director to the Board in July 2017, has increased the experience of the Board, bringing extensive expertise in the financial services industry, having held a number of Board roles within financial services firms, as well as serving on the boards of financial regulators the FCA (Financial Conduct Authority), FSA (Financial Services Authority) and the PIA (Personal Investment Authority).

We also appointed Rob Nieves as Director of Risk and Compliance. Having spent over 25 years within the financial services industry, his experience spans front office change and programme delivery in fund managers and banks, derivatives sales and risk and compliance.

BUSINESS REVIEW

In 2017, our client retention rates remained stable at 96%. Around 60% of new client wins were generated from existing client referrals, evidencing our ability to deliver exceptional client service which our clients recognise.

We have continued to embed a number of change projects to support the firm's growth. Newly created client service management and client relationship management roles were established to instil greater clarity to our service model and provide clearer career paths for those managing client relationships and those that manage the business. This evolution has been further supported by the creation of a middle office to free up our highly qualified financial planning teams to focus on delivering added-value services to clients.

We further developed our infrastructure to create future scalability. In 2017, this involved the overhaul of a number of our back-office systems, including the completion of new portfolio management, human resources and employee engagement and finance systems. We also migrated our networks and data centres to new providers, as part of our longer-term technological infrastructure programme to ensure resilience in our IT services.

Towards the end of 2017, we agreed terms for additional office space to cater for our growing workforce and facilitate more modern working practices. A number of staff will be relocating to the new premises in Q1 2018.

LEGACY MATTERS

It is disappointing that one legacy matter has impacted the performance of the business. This is discussed in more detail in the CEO report.

PERFORMANCE

- Assets under advice up to £5.1 billion at the end of 2017, from £4.6 billion in 2016
- 247 new clients joined Saunderson House (2016: 215)
- Total clients increased from 1,956 to 2,121
- Revenue increased from £31.0 million to £32.2 million, an increase of 4%
- Operating profit decreased from £8.2 million to £7.2 million
- Adjusted profits increased from £7.1 million to £8.6 million, an increase of 22%
- Operating margin improved illustrating disciplined cost control
- Exceptional costs of £1.6 million incurred during the year, relating to the resolution and remediation of the legacy matter identified

KEY ACHIEVEMENTS

- Delivery of our portfolio management solution to improve investment controls and provide a platform for scalability of our investment proposition
- Completion of our networks and data centres services project, which is providing the business with improved technological performance and resilience
- Implementation of a new HR and rewards system to enhance employee engagement
- Launched our new external website, www.saundersonhouse.co.uk

OUR CLIENTS

Our client advocacy score during the year remained exceptionally high at 9.3[1], producing a net promoter score of 85[2]. This, in conjunction with a client retention rate of circa 96%, reflects the emphasis the business places on client service and demonstrates the longevity in the relationships we hold with our clients. Feedback from our clients highlights the personal service, clear communication, straightforward advice and strong investment performance that they receive.

An in-depth analysis of the needs of our clients revealed the broad roles that each of our clients require advisers to fulfil to meet both their economic and emotional needs. Examples included the role of the 'coach', to challenge our clients' financial goals and market views, the role of the 'navigator' to avoid the compliance, political, economic or legislatorial pitfalls that they may otherwise be susceptible to and the role of the 'educator', to help reassure clients about their financial situation. Understanding the true needs of our clients and how we address these is key to both retaining and growing our client base, as well as our ability to differentiate our offering from other firms in the marketplace.

[1] Based on a scale of 0 to 10 on the question, “How likely is it that you would recommend us to a friend or colleague?”
[2] On a scale of -100 to 100

INVESTMENT IN OUR PEOPLE

People are our most important asset. During 2017, we undertook an extensive review of our reward framework to further embed within our culture the alignment of performance rewards with our company values, good client outcomes and strategic objectives. Our aim is to develop our people to fulfil their full potential and reward them for delivering excellent client outcomes.

We have heavily invested in ‘people’ technology through the introduction of a self-service HR system, online performance management system, learning management system and an engagement, recognition and internal communications platform. These investments have improved the efficiency of delivering online training and development to staff and our ability to communicate effectively as the firm grows.

As part of our desire to understand our people and cater for their needs, we have commenced regular surveys as part of a wider employee engagement programme. This is aimed to help inform our future people policies and approaches to personal development.

Consolidated Income Statement

Year ended 31 December 2017

	Notes	2017	2016
		£'000	£'000
From operations			
Revenue	3	**78,394**	78,465
Staffing expense		**(49,265)**	(51,647)
Depreciation and amortisation		**(5,330)**	(4,764)
Other operating expenses		**(24,363)**	(17,323)
Other gains		**131**	1,495
Operating (loss)/profit		**(433)**	6,226
Analysed as:			
Operating profit before exceptional items		**8,362**	7,953
Exceptional items	4	**(8,795)**	(1,727)
Operating (loss)/profit		**(433)**	6,226
Finance income		**52**	414
Finance costs		**-**	(437)
Share of profit in associate		**-**	242
(Loss)/profit before income tax		**(381)**	6,445
Income tax credit/(expense)	5	**43**	(1,195)
(Loss)/profit for the financial year		**(338)**	5,250

Earnings per share from continuing and discontinued operations attributable to the owners of the Company during the year:

		2017	2016
Basic (loss)/earnings per ordinary share (pence)			
From operations		**(0.32)**	**4.98**
From (loss)/profit for the financial year	6	**(0.32)**	**4.98**
Diluted (loss)/earnings per ordinary share (pence)			
From operations		**(0.32)**	**4.96**
From (loss)/profit for the financial year	6	**(0.32)**	**4.96**

Consolidated Statement of Comprehensive Income
Year ended 31 December 2017

	2017 £'000	2016 £'000
(Loss)/profit for the financial year	**(338)**	**5,250**
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign currency operations	**143**	**419**
Reclassification of exchange reserve upon strike off of subsidiaries	**-**	**(516)**
Items reclassified to profit or loss:		
Recycled to the Consolidated Income Statement on disposal of subsidiaries	**-**	**(48)**
Other comprehensive income/(loss)	**143**	**(145)**
Total comprehensive (loss)/income for the financial year	**(195)**	**5,105**

Consolidated Statement of Financial Position

Year ended 31 December 2017

	2017	2016
	£'000	£'000
ASSETS		
Non-current assets		
Property, plant and equipment	**4,181**	4,322
Intangible assets	**53,720**	55,074
Deferred income tax asset	**703**	9
Total non-current assets	**58,604**	59,405
Current assets		
Trade and other receivables	**18,054**	22,828
Income tax asset	**133**	-
Cash and cash equivalents	**24,572**	28,226
Total current assets	**42,759**	51,054
Total assets	**101,363**	110,459
LIABILITIES		
Non-current liabilities		
Deferred income tax liabilities	**2,252**	2,323
Provisions for other liabilities	**449**	1,032
Total non-current liabilities	**2,701**	3,355
Current liabilities		
Trade and other payables	**19,239**	22,551
Income tax liabilities	**168**	1,902
Provisions for other liabilities	**4,539**	2,445
Total current liabilities	**23,946**	26,898
Total liabilities	**26,647**	30,253
Net assets	**74,716**	80,206
EQUITY		
Ordinary share capital presented as equity	**10,093**	10,093
Share premium	**82,404**	82,404
Other reserves	**(14,118)**	(14,054)
Retained earnings	**(3,663)**	1,763
Total equity	**74,716**	80,206

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Cash generated from operations	8	**10,132**	11,769
Exceptional items paid		**(6,650)**	-
Interest received		**48**	212
Income tax (paid)/refund		**(2,261)**	208
Net cash generated from operating activities		**1,269**	12,189
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,622)**	(2,751)
Sale of property, plant and equipment		**550**	-
Dividend from associate		**-**	242
Disposal of subsidiaries		**4,037**	(66)
Acquisition of intangible assets		**(2,766)**	(3,485)
Net cash generated/(used) in investing activities		**199**	(6,060)
Cash flows from financing activities			
Dividends paid		**(5,217)**	(5,106)
Interest paid		**-**	(191)
Repayment of bank borrowings		**-**	(7,000)
Cash settlement of vested share options		**(35)**	-
Proceeds from issue of share capital		**-**	162
Net cash used in financing activities		**(5,252)**	(12,135)
Net decrease in cash and cash equivalents		**(3,784)**	(6,006)
Cash and cash equivalents at the beginning of the financial year		**28,226**	34,085
Effect of foreign exchange rate changes		**130**	147
Cash and cash equivalents at end of financial year		**24,572**	28,226

	Notes	2017 £'000	2016 £'000
Cash and short-term deposits			
- as disclosed on the Consolidated Statement of Financial Position	9	**24,572**	**28,226**
Cash and cash equivalents at end of financial year		**24,572**	**28,226**

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2016	10,078	82,257	(13,766)	629	79,198
Profit for financial year	-	-	-	5,250	5,250
Other comprehensive income					
Currency translation:					
– arising in the financial year	-	-	419	-	419
– reclassification of exchange reserve upon strike-off of subsidiaries	-	-	(516)	-	(516)
– recycled to the Consolidated Income Statement on disposal of subsidiaries	-	-	(48)	-	(48)
Total comprehensive income for the financial year	-	-	(145)	5,250	5,105
Dividends	-	-	-	(4,909)	(4,909)
Issue of share capital	15	147	-	-	162
Transfer of vested share-based payment	-	-	(277)	277	-
Reclassification of exchange reserve upon strike-off of subsidiaries	-	-	-	516	516
Share-based payment compensation:					
– value of employee services – share options	-	-	134	-	134
Transaction with owners	15	147	(143)	(4,116)	(4,097)
At 31 December 2016	10,093	82,404	(14,054)	1,763	80,206
Loss for financial year	**-**	**-**	**-**	**(338)**	**(338)**
Other comprehensive income					
Currency translation:					
– arising in the financial year	**-**	**-**	**143**	**-**	**143**
– reclassification of exchange reserve upon strike-off of subsidiaries	**-**	**-**	**-**	**-**	**-**
– recycled to the Consolidated Income Statement on disposal of subsidiaries	**-**	**-**	**-**	**-**	**-**
Total comprehensive (loss)/income for the financial year	**-**	**-**	**143**	**(338)**	**(195)**
Dividends	**-**	**-**	**-**	**(5,217)**	**(5,217)**
Issue of share capital	**-**	**-**	**-**	**-**	**-**
Transfer of vested share-based payment	**-**	**-**	**(164)**	**164**	**-**
Reclassification of exchange reserve upon strike-off of subsidiaries	**-**	**-**	**-**	**-**	**-**
Share-based payment compensation:					
– value of employee services – share options	**-**	**-**	**(43)**	**-**	**(43)**
– Cash settlement of vested share options	**-**	**-**	**-**	**(35)**	**(35)**
Transaction with owners	**-**	**-**	**(207)**	**(5,088)**	**(5,295)**
At 31 December 2017	**10,093**	**82,404**	**(14,118)**	**(3,663)**	**74,716**

Notes to the Group financial statements

1. General information

IFG Group plc is a public company, listed on the Irish and London Stock Exchanges and is registered and domiciled in the Republic of Ireland (registration number 21010). The Group's registered address is 70 Sir John Rogerson's Quay, Grand Canal Dock, Dublin 2, Ireland. These consolidated statements comprise the Company and its subsidiaries. The Group provides a range of financial solutions including full platform services, pension administration and independent financial advice.

These consolidated financial statements are presented in Sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2. Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS), IFRIC interpretations and those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

The financial information in this report has been prepared in accordance with the listing rules of the Irish Stock Exchange and in accordance with Group accounting policies. Full details of the accounting policies adopted by the Group are contained in the consolidated financial statements included in the Company's annual report for the year ended 31 December 2016, which is available on the Group's website at www.ifggroup.com.

The preliminary accounts are prepared to provide shareholders and investors with reliable and timely information on the performance of the Group for the year.

The Group financial statements have been prepared on a basis consistent with that reported for the year ended 31 December 2016. No new standards, amendments or interpretations, which became effective in 2017, have had a material effect on the Group financial statements.

The financial information presented in this preliminary release does not constitute "full group accounts" under Regulation 40(1) of the European Communities (Companies: Group Accounts) Regulations, 1992. The preliminary release was approved by the Board of Directors. The annual report and accounts have also been approved by the Board of Directors with an unqualified report from the external auditors. The financial information has been extracted from the audited annual report and accounts. The full Group accounts will be laid before the AGM on 9 May 2018 and distributed to Shareholders in advance. They will be filed with the Irish Registrar of Companies following the AGM.

Full Group accounts for the year ended 31 December 2016 received an unqualified audit report and have been filed with the Irish Registrar of Companies.

Use of alternative performance measures in the Group financial statements

The Group has identified certain measures that it believes will assist in the understanding of the performance of the business. These measures are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures. These alternative performance measures are not intended to be a substitute for, or superior to, any IFRS measures of performance but management have included them as they consider them to be important comparables and key measures used within the business for assessing performance.

The following are key alternative performance measures identified by the Group and used in the Group financial statements and in the financial information presented herein.

Adjusted operating profit

Adjusted operating profit is defined as operating profit, excluding acquisition-related amortisation, exceptional items and discontinued operations. Management believes excluding these items from the calculation of operating profit is useful because management excludes items that are not comparable when measuring operating profitability, evaluating performance trends and setting performance objectives. It allows investors to evaluate the Group's performance for different periods on a more comparable basis.

The reconciliation of adjusted operating profit to profit before income tax is disclosed in note 3.

Adjusted earnings and adjusted earnings per share

Adjusted earnings is defined as profit attributable to owners of the Parent Company before amortisation of acquisition related intangible assets, exceptional items, discontinued operations and unwinding of discount applicable to contingent consideration, net of tax where applicable.

Adjusted EPS is defined as the continuing basic earnings per ordinary share adjusted for amortisation of acquired intangibles, exceptional items, discontinued operations and unwinding of discount applicable to contingent consideration, net of tax where applicable.

The Group uses adjusted operating profit, adjusted earnings and adjusted EPS as measures of performance to eliminate the impact of items it does not consider indicative of ongoing operating performance due to their inherent unusual, exceptional, or non-recurring nature or because they result from an event of a similar nature.

A table showing the reconciliation from basic EPS to adjusted EPS and a reconciliation from profit attributable to owners of the Parent Company to adjusted earnings is included in the financial review.

Free Cash Flow

Free cash flow represents the cash flow generated from adjusted operating activities less cash used in relation to capital expenditure. Management considers free cash flow an important measure of the Group's ability to generate cash and profits. It is an accurate measure of how much cash the Group has generated to service its debts, pay dividends and further invest in its operations. The financial review includes a reconciliation of free cash flow to the net cash flow in the period.

Return on capital employed

Return on capital employed is calculated as earnings before interest and tax divided by capital employed. It measures how efficiently the Group generates profits from its capital employed by comparing it to net profit.

The Group financial statements have been prepared on a basis consistent with that reported for the year ended 31 December 2016.

3. Segmental information

In line with the requirements of IFRS 8, 'Operating segments', the Group has identified the Group Chief Executive of the Company as its Chief Operating Decision Maker (CODM). The Group Chief Executive reviews the Group's internal reporting in order to assess the performance of the Group and allocate resources. The operating segments have been identified based on these reports.

Throughout the year, the Group Chief Executive considered the business line perspective, based on two reporting segments: platform and independent wealth management. The segments were managed by senior executives who reported to The Group Chief Executive and the Board of Directors.

The Group Chief Executive assesses the performance of the segments based on a measure of adjusted earnings. He reviews working capital and overall balance sheet performance on a Group wide basis but also receives reports on all measures at an individual business level.

The Group earns its revenues in these segments by way of fees from the provision of services and commissions earned in the intermediation of financial service products.

Goodwill is allocated to cash-generating units on a reporting segment level and that is the level at which it is assessed for impairment.

Income tax is managed on a centralised basis and therefore the item is not allocated between operating segments for the purpose of presenting information to the CODM and accordingly is not included in the detailed segmental analysis below.

Intersegment revenue is not material and thus not subject to separate disclosure.

The information provided to the Group Chief Executive for the reportable segments, for the year ended 31 December 2017, is as follows:

	Platform £'000	Independent wealth management £'000	Group / other £'000	Total £'000
Revenue	**46,169**	**32,225**	**-**	**78,394**
Adjusted operating profit/(loss)	**6,079**	**8,599**	**(4,179)**	**10,499**
Amortisation of acquired intangibles	**(2,137)**	**-**	**-**	**(2,137)**
Exceptional items	**(6,262)**	**(1,425)**	**(1,108)**	**(8,795)**
Operating (loss)/profit	**(2,320)**	**7,174**	**(5,287)**	**(433)**
Finance income	**35**	**17**	**-**	**52**
Finance costs	**-**	**-**	**-**	**-**
Dividend from associate	**-**	**-**	**-**	**-**
(Loss)/profit before income tax	**(2,285)**	**7,191**	**(5,287)**	**(381)**
Income tax credit				**43**
Loss for the year from operations				**(338)**

The 2016 comparatives, excluding discontinued operations, are as follows:

	Platform £'000	Independent wealth management £'000	Group / other £'000	Total £'000
Revenue	47,478	30,987	-	78,465
Adjusted operating profit	7,085	7,058	(4,176)	9,967
Amortisation of acquired intangibles	(2,014)	-	-	(2,014)
Exceptional items	-	979	(2,706)	(1,727)
Operating profit	5,071	8,037	(6,882)	6,226
Finance income	135	113	166	414
Finance costs	-	-	(437)	(437)
Dividend from associate	-	-	242	242
Profit/(loss) before income tax	5,206	8,150	(6,911)	6,445
Income tax expense				(1,195)
Profit for the year from operations				5,250

Assets and liabilities - 2017	Platform £'000	Independent wealth management £'000	Group / other £'000	Total £'000
ASSETS				
Segment assets	**69,812**	**23,855**	**6,860**	**100,527**
Deferred income tax asset				**703**
Income tax asset				**133**
Total assets as reported on the Consolidated Statement of Financial Position				**101,363**
LIABILITIES				
Segment liabilities	**(12,251)**	**(9,519)**	**(2,457)**	**(24,227)**
Current income tax liabilities				**(168)**
Deferred income tax liabilities				**(2,252)**
Total liabilities as reported on the Consolidated Statement of Financial Position				**(26,647)**

The 2016 comparatives are as follows:

	Platform £'000	Independent wealth management £'000	Group / other £'000	Total £'000
ASSETS				
Segment assets	77,237	25,716	7,497	110,450
Deferred income tax asset				9
Income tax asset				-
Total assets as reported on the Consolidated Statement of Financial Position				110,459
LIABILITIES				
Segment liabilities	(10,177)	(11,417)	(4,434)	(26,028)
Current income tax liabilities				(1,902)
Deferred income tax liabilities				(2,323)
Total liabilities as reported on the Consolidated Statement of Financial Position				(30,253)

Other segmental information - 2017

	Platform £'000	Independent wealth management £'000	Group/ other £'000	Total £'000
Property, plant and equipment - additions	**586**	**1,011**	**25**	**1,622**
Intangible assets - additions	**1,974**	**792**	**-**	**2,766**
Property, plant and equipment - depreciation	**(819)**	**(327)**	**(120)**	**(1,266)**
Intangible assets - amortisation	**(1,570)**	**(413)**	**-**	**(1,983)**
Acquired intangible assets – amortisation	**(2,137)**	**-**	**-**	**(2,137)**

Included In depreciation for the year were £54,000 of costs relating to the Dublin head office closure which were treated as exceptional costs

The 2016 comparatives are as follows:	Platform £'000	Independent wealth management £'000	Group/ other £'000	Total £'000
Property, plant and equipment - additions	1,668	561	522	2,751
Intangible assets - additions	2,600	885	-	3,485
Property, plant and equipment - depreciation	(593)	(390)	(56)	(1,039)
Intangible assets - amortisation	(1,420)	(291)	-	(1,711)
Acquired intangible assets – amortisation	(2,014)	-	-	(2,014)

Breakdown of revenue by country of operation

The country of domicile of IFG Group plc is the Republic of Ireland. The Group's continuing revenues are derived from the UK.

Analysis of revenue by category

	2017 £'000	2016 £'000
Platform	**46,169**	47,478
Independent wealth management	**32,225**	30,987
Total	**78,394**	78,465

During the year, there were no revenues derived from a single customer that represent 10% or more of total revenues, in line with 2016.

Analysis of total non-current assets, at the year end, by geographical region

The total non-current assets (excluding deferred income tax assets), at the year end, split by geographical region are as follows:

	2017 £'000	2016 £'000
Ireland	**-**	55
United Kingdom	**57,901**	59,341
Total	**57,901**	59,396

4. Exceptional items

Exceptional items charged against operating profit	2017 £'000	2016 £'000
Redundancy and restructuring costs	(1,385)	(2,694)
Legal, Remediation and governance fees	(5,375)	(528)
Consultancy costs	(1,566)	-
Release of provision against receivable from associate	-	516
Loss on disposal of International division	(469)	-
Gain on disposal of IFG UK Financial Services	-	979
Total	(8,795)	(1,727)

2017

Redundancy and restructuring costs

Redundancy costs relating to the restructure of the James Hay business of £1.3 million, and a cost of £0.1 million related to the impairment of the Swavesey office and the delayed closure of the Dublin office.

Legal, remediation and governance costs

A cost of £5.4 million has been recognised in relation to remediation and legal costs. Costs incurred include £2.0 million in relation to the ongoing Elysian Fuels investigation (which includes £1.3 million of provisions for legal costs), £1.6 million of costs relating to the historical pension transfers review in Saunderson House, where there are safeguarded benefits (which includes a provision of £0.9 million for potential client remediation) and £1.8 million of costs associated with the review of other legacy matters in James Hay, (including a provision of £1.5 million for potential remediation).

Consultancy costs

Consultants costs of £1.6 million relating to the detailed review associated with the ongoing legacy matters detailed above were treated as exceptional during the year.

Loss on disposal of international division

The exceptional loss of £0.5 million relates to the legal costs paid in relation to the First Names claim under the indemnities provided in the sale of the International Segment of which £0.3 million relates to interim assessment of costs awarded by the judge and £0.1 million relates to legal costs provided for.

2016

Redundancy and restructuring costs

Exceptional costs of £2.7 million relate to costs of closing the Dublin Headquarters and the regional Swavesey office (£2.0 million) and increased costs associated with the lease break on the former Group Headquarters in Booterstown, Co Dublin (£0.7 million).

Release of provision against receivable from associate

The exceptional gain of £0.5 million relates to the payment received for an amount due from the Group's associate, Rayband Limited, which was impaired in 2013.

Remediation and governance fees

One-off costs of £0.5 million relating to external advisers who supported the work undertaken in relation to governance changes.

Profit on disposal of IFG UK Financial Services

The exceptional gain of £1.0 million relates to the finalisation of the sale consideration and costs associated with the completion of the sale of IFG UK FS which was sold in 2014.

5. Income tax (credit)/expense

	2017 £'000	2016 £'000
Current tax		
Ireland (at 12.5%):		
- current year	**46**	54
- prior year	**-**	1
UK and other (primarily at 19.25% (2016: 20%)):		
- current year	**1,278**	1,978
- prior year	**(602)**	(284)
Total current tax expense	**722**	1,749
Deferred tax		
Ireland:		
- current year	**3**	25
- prior year	**-**	1
UK and other:		
- current year	**(987)**	(544)
- prior year	**219**	(36)
Total deferred tax credit	**(765)**	(554)
Total income tax (credit)/expense	**(43)**	1,195

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits of the consolidated entities as follows:

	2017 £'000	2016 £'000
(Loss)/profit before income tax	**(381)**	6,445
Tax calculated at domestic tax rates applicable to results in the respective country	**(73)**	1,289
Adjustment in respect of prior years	**(383)**	(318)
Re-measurement of deferred tax - impact of change in UK tax rate	**79**	(159)
Non-taxable gain	**(9)**	(255)
Differences in overseas tax rates	**(19)**	(108)
Current year losses for which no deferred tax asset was recognised	**60**	164
Utilisation of previous unrecognised tax losses	**-**	(47)
Others including expenses not deductible for tax purposes	**302**	629
Income tax (credit)/expense	**(43)**	1,195

The weighted average applicable tax rate for the year was 11.3% (2016: 18.5 %). During the year, the Company re-measured relevant deferred tax balances that were impacted by the change in the UK rate substantively enacted at the balance sheet date. In accordance with the IFRS provisions, the rate of 17% is used as a basis for the calculation of UK deferred taxes.

6. Earnings per ordinary share

	2017	2016
Basic		
(Loss)/profit after income tax (£'000)		
From operations	**(338)**	5,250
Total	**(338)**	5,250
Weighted average number of ordinary shares in issue for the calculation of earnings per share	**105,405,665**	105,394,326
Basic (loss)/earnings per share (pence)		
From operations	**(0.32)**	4.98
From (loss)/profit for the year	**(0.32)**	4.98

	2017	2016
Diluted		
(Loss)/profit after income tax (£'000)		
From operations	**(338)**	**5,250**
Total	**(338)**	**5,250**
Weighted average number of ordinary shares in issue for the calculation of earnings per share	**105,405,665**	**105,394,326**
Dilutive effect of share options	**246,069**	**501,302**
Weighted average number of ordinary shares for the calculation of diluted earnings per share	**105,651,734**	**105,895,628**
Diluted (loss)/earnings per share (pence)		
Continuing operations	**(0.32)**	**4.96**
From (loss)/profit for the year	**(0.32)**	**4.96**

7. Commitments, contingencies and guarantees

Given the nature of the business the Group undertakes, it may from time to time receive complaints against it. The Group has procedures in place to assess the veracity of the claims and provision has been made to cover its best estimate of the exposure in respect of these matters. No provisions have been recorded for other contingencies, as the Group's obligations under them are not probable and estimable.

Following a review during 2017, the Group has identified a number of legacy matters which are still under consideration as set out below.

ELYSIAN FUELS

As previously disclosed, the Group is incurring material legal and remediation costs relating to James Hay's inception of Elysian Fuels investments between 2011-2015. James Hay has now received notices of assessment arising from Elysian Fuels for tax years 2011-2012 and 2012-2013, which have been appealed, and protective notices of assessment in respect of 2013-2014 and 2014-2015. Our discussions with HMRC seeking an acceptable resolution of James Hay's inception of Elysian Fuels investments over the overall 2011-2015 period are on-going.

James Hay is committed to working collaboratively with HMRC to resolve this matter and will continue to do so. However, James Hay will apply to HMRC for the assessments to be discharged and pursue appeals to the Tax Tribunals as necessary to protect its position. The maximum potential sanction charge for the overall 2011-2015 period is approximately £20m, assuming all Elysian Fuels shares are deemed valueless at inception, and no underlying clients discharge their own tax liabilities.

Based on advice from the Group's legal advisers, the directors are confident that the outcome at Tribunal and/or any settlement with HMRC would be substantially lower than the maximum potential sanction charge, and would be fundable from the Group's cash resources at the time an obligation is anticipated to crystallise. As a result of a range of disputed facts regarding our actions, any resulting liability, which would be a function of investment valuations, the level of any charge or client liability/recovery, the potential exposure is highly uncertain and unquantifiable and is expected to remain so whilst discussions with HMRC and/or any Tribunal proceedings continue. Therefore, no provision, other than for legal fees expected to be incurred in relation to this matter, are provided for as the liability remains contingent. The Group believes James Hay acted appropriately and in accordance with its clients' instructions in relation to these investments.

OTHER LEGACY MATTERS

The Group has continued its reviews of other legacy business, to ensure that any other contingent exposures are identified and remediated. Over time these may result in further remediation costs, including legal costs for legacy claims, however, the exposures remain uncertain. These reviews remain in progress although some matters have been provided in Exceptional costs in respect of 2017, to the extent such liabilities have been deemed likely and capable of being estimated with reasonable certainty. The reviews being undertaken are designed to enable all identified legacy issues in those businesses to be assessed and remediated.

SALE OF THE INTERNATIONAL BUSINESS

The Group received a notice of a claim under the indemnities provided in the sale of the International Segment completed in 2012. The underlying claim was settled by the acquirer of the International segment during 2017 and the amount of the possible claim has reduced from £3.0 million to £1.3 million, before legal costs. The Group does not believe that the claim is valid. In light of our view, which is supported by legal advice, the Group does not currently believe a provision, other than for legal costs to defend the claim, is quantifiable or necessary, in respect of this matter.

8. Cash generated from operations

	2017	2016
From operations	**£'000**	£'000
(Loss)/profit before income tax	**(381)**	6,445
Depreciation and amortisation	**5,332**	4,764
Disposal of subsidiaries	**-**	(48)
Finance costs	**-**	437
Finance income	**(52)**	(414)
Foreign exchange movement	**35**	59
Non-cash share based payment compensation charges	**(43)**	134
Decrease/(increase) in trade and other receivables	**750**	(85)
Dividend from associate	**-**	(242)
Increase in current and non-current liabilities	**4,491**	719
Cash generated from continuing operations	**10,132**	11,769

9. Analysis of net cash/(debt)

	Opening balance £'000	Cash flow £'000	Other movements £'000	Closing balance £'000
Cash and short-term deposits	28,226	(3,784)	130	24,572
Total	28,226	(3,784)	130	24,572

Other movements

Other movements of £130,000 include the impact of exchange rate movements arising on balances denominated in currencies other than Sterling.

10. Events since the year end

The Board has reluctantly taken a prudent decision that no final dividend will be paid in respect of 2017. There were no other significant events since year end.

11. Approval of financial statements

This preliminary announcement was approved by the Board of Directors on 20 March 2018.