IFG Group plc

Preliminary statement of results for the year ended 31 December 2016

Strategic Highlights

- Accelerated investment in both businesses has materially enhanced capability to serve clients and position them for further sustainable growth
- Growth in revenue, clients and assets under administration and advice delivering future embedded value
- Total assets under administration and advice at year end up 14% to £26.7 billion (2015: £23.5 billion)
- James Hay net inflows of £2.6 billion (2015: £3.1 billion), with assets under administration up 13% to £22.1 billion (2015: £19.5 billion)
- Our flagship MiPlan product launched in 2013 now represents 42% of the James Hay assets under administration
- Pricing changes announced in James Hay to provide a fairer charging structure and reduce reliance on interest income, providing more predictable profit trajectory
- Saunderson House assets under advice grew by 15% to £4.6 billion at year end (2015: £4.0 billion)
- Saunderson House added 215 new clients (2015: 243), growing total clients served by 8% to 1,956 (2015: 1,809)
- Launch of discretionary management product attracting a broader client range to Saunderson House, which will underpin our growth trajectory going forward
- Completion of restructuring allows increased focus on inorganic growth opportunities

Financial Highlights

- Revenue from James Hay and Saunderson House combined increased 10% to £78.5 million
- Adjusted operating profit from continuing businesses decreased 14% to £10.0 million due to increased investment spend and impact of interest rates
- Profit before tax from continuing operations decreased 26% to £6.4 million (2015: £8.6 million)
- Exceptional costs of £1.7 million (2015: £1.4 million) related to relocation and restructuring costs offset by gains on disposals
- Adjusted EPS down 7% to 7.57 pence (2015: 8.14 pence); basic EPS of 4.98 pence (2015: 6.01 pence)
- Final dividend proposed of 3.35 pence per share, 2016 total dividend of 4.95 pence up 11% on 2015
- Balance sheet remains strong with net cash of £28.2 million (2015: £27.3 million) and no debt

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

“We enter 2017 with both businesses in stronger positions than last year, benefiting from the accelerated investment in people and technology, which will differentiate both businesses going forward. In our markets, serving high-net worth clients, the quality of our relationships, digital capability and product set, is critical to retaining and attracting new clients. Our success is evidenced by the growth in assets under administration and advice and increased revenues, creating future value and positioning the Group for sustainable growth, both organically and inorganically, as we go forward.”

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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: **9370369**

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United Kingdom	+44 (0)330 336 9105
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Germany	+49 (0)69 2222 13420
Switzerland	+41 (0)22 567 5729
US	+1 719 325 2385

Extract from Chairman's Statement

BUILDING LONG-TERM SUCCESS

Strategy and performance

Against a background of volatile financial markets and the result of the referendum on the UK's membership of the European Union (EU), the Group has continued to grow assets, clients and revenues, reflecting the quality propositions we offer clients in our chosen markets.

Assets under administration and advice have grown by 14% from £23.5 billion to £26.7 billion. The overall customer base did not increase significantly, but we added more than 4,000 clients in James Hay and increased the client base in Saunderson House by 8%. Revenue increased by 10% to £78.5 million, while Group adjusted operating profit reduced by 14%, due to ongoing investment and one-off costs as we accelerated necessary changes in the business models and substantially completed the restructuring including the Group's closure of its Irish offices, as detailed in the financial review.

Customers are vitally important to our businesses. The Board, conscious of increased customer and regulatory expectations over the investment journey, identified the need to invest in both businesses and at Group level, to ensure the Group is at the forefront of meeting these expectations. Developing James Hay from being a complex SIPP administrator to a customer focused platform, and Sanderson House from a niche financial adviser to an advisory and discretionary manager for a broader range of clients, will be a catalyst for accelerated growth and increased operational capability over the medium term. This unwavering focus on creating customer-centric businesses will deliver long-term value to shareholders.

Profit attributable to the Equity Shareholders of the Parent Company was £5.3 million (2015: £6.3 million). The Group delivered adjusted earnings per share of 7.57 pence (2015: 8.14 pence) and basic earnings per share of 4.98 pence (2015: 6.01 pence).

Returns to Shareholders

This time last year, we articulated our commitment to pursuing a progressive dividend policy. Given the Group's strong balance sheet and robust cash position, the Board is recommending an 11% increase in the total dividend to 4.95 pence per share. An interim dividend of 1.60 pence per share was paid on 25 November 2016, therefore a final dividend of 3.35 pence per share is now being recommended by the Board. If approved by the Shareholders, the final dividend will be paid on 20 June 2017 to Shareholders on the register on 26 May 2017.

Board composition and renewal

Strong governance remains at the heart of everything we do. During the year, the Group Board, supported by the Nomination Committee, reviewed the composition of the boards and committees and the chairmanship of the Risk, Nomination and Remuneration Committees. Following the conclusion of this review, changes were made to the composition of the various boards and committees.

At a subsidiary level, we have made several changes to the membership and construct of the boards of James Hay and Saunderson House, to ensure those entities have strong non-executive representation in their own right, and play an effective hands-on role in the strategy and management of those businesses.

We announced the appointment of Kathryn Purves to the Group Board on 17 May 2016 following a comprehensive recruitment process. Kathryn brings with her a broad range of functional experience across financial services, particularly in risk management, where she was previously chief risk officer of Partnership Life Assurance Company Limited, a FTSE 250 life insurance company.

Evelyn Bourke, who became CEO of BUPA in 2016, stood down from the Board and her roles as Chair of the Risk Committee and member of the Remuneration Committee with effect from 24 August 2016. Evelyn served as Chair of the Risk Committee and member of the Remuneration Committee for over four years. Her wise counsel has been much valued by myself and the Board. We thank Evelyn for her service and wish her well for the future.

We announced the appointment of John Cotter as the Group Chief Executive in September 2016. John joined the Board in December 2013 as Group Finance Director, and served as Interim Chief Executive of the Group during 2014 prior to the appointment of Paul McNamara. In that time, John has led the execution of the significant restructuring of the Group, including the sales of the Irish businesses and the move of the Group Head Office from Dublin to London. The Board are confident that John, now in his fourth year with the Group, is very well placed to lead us through the next phase of the execution of the Group's strategy.

People

We recognise the importance of developing and retaining the best talent in our business and have increased our focus on supporting our people, with particular attention on training and development, as well as succession planning during the year. Ultimately this protects the long-term scalability and sustainability of the businesses, and ensures we can deliver on our strategic goals.

My thanks go to our executive management and all employees for their continuing hard work, diligence and enthusiasm in what has been a challenging year for the Group. I would also like to acknowledge the contribution of the staff in Dublin who have served the Group for many years, but are now departing following the move of the Group functions to London.

Outlook

We enter 2017 with a clear strategy with the Group's required reshaping completed. Despite the continuing market uncertainty and changing taxation and regulatory environments, it is important to recognise again the resilience of our two core businesses and balance sheet strength, which ensures that we remain well placed to take advantage of the opportunities within our chosen markets.

In 2017, as well as continuing to enhance and grow our business capabilities, we will look at inorganic and consolidation opportunities for both businesses, to accelerate growth and leverage the capabilities we have built.

The Board is confident that the Group is well positioned to deliver long-term value for all stakeholders, given the significant progress in 2016 on delivering on our strategic priorities.

John Gallagher
Chairman
22 March 2017

Extract from Group Chief Executive's statement

DELIVERING OUR STRATEGY

Culture and values

Firms differentiate themselves through strong cultural values, which drive people, behaviours and a focus to deliver better outcomes to clients. Our two businesses serve clients who are often high net worth, and who seek best in class advice and administration to help them manage their wealth through their working lives, into retirement and beyond. In 2016, we have reassessed how we deliver on our commitment to serving our clients, and have, as a result, invested in further enhancements to our business model, to ensure we can exceed our clients' expectations. This requires ongoing investment in people and in training, a governance structure which delivers effective and transparent control and decision-making, and a 'tone from the top' which reinforces the standards we expect.

In 2016, we have made changes to our remuneration philosophy, more closely linking incentive pay to delivering on IFG's cultural values and decreasing the linkage to financial performance. It is important that remuneration is intrinsically linked to delivering on the Group's strategic goals, particularly focused on long-term decision-making which contributes to the quality and scalability of our Group. We are introducing bonus deferral across the Group despite being below the threshold for application of the specific payout requirements of the Remuneration Code, as we believe this is appropriate given the long-term nature of the services our businesses provide to clients.

Clients

In 2016, we have made substantial progress, implementing a new Group-wide conduct framework which puts the client at the heart of everything we do, and ensuring that we always consider good outcomes for our clients. We have accelerated training programmes for our staff, with for example staff in James Hay undertaking 'Think Investor' training as part of our development of the 11 investor outcomes. In Saunderson House, the delivery of the new Client Portal allows clients real-time access to their portfolios with real-time valuation analysis and with the option to go paperless. We believe these investments translate into a better customer experience, enhance our ability to add value to our clients, and will improve the attractiveness of our businesses to discerning 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 structural changes. With increasing life expectancy and those structural changes requiring individuals to own and manage their retirement planning in a more systemic manner, the longer-term growth trajectory for our businesses remains strong. The increasing complexity of retirement planning, growing freedoms in pension and savings legislation, and a lower interest rate environment which looks set to remain, puts a premium on the services we offer to our clients.

In 2016, we saw significant macro-political events, including the Brexit vote, that increased volatility in global markets. Whilst this benefitted Saunderson House's financial performance in 2016, due to increased demand for advice and investment decision-making, it negatively impacted organic growth rates in both businesses. Market uncertainty, which was exacerbated in the UK by the impact of the Brexit decision, slowed client appetite to appoint advisors or move retirement assets, which contributed to lower levels of new client activity but stable retention. However, it is pleasing that the quality of new client activity has increased, in terms of the levels of assets and revenue achieved from new clients in 2016.

The reduction in Bank of England base rates had an immediate impact on revenues in James Hay, where a component of revenues is a function of interest rates. This has resulted in a change to the pricing philosophy in James Hay, and a move away from a reliance on interest income. These changes are being implemented during 2017, following appropriate consultation with clients and advisors, ensuring that our already transparent pricing model remains both competitive and appropriate to the expectations of our clients and fairly charges for the service offering we provide.

We have now completed the Group restructuring started in 2014. Final contingent consideration in respect of the disposal transactions has now been received, we have exited the lease from the previous Group headquarters in Booterstown in Dublin and will be closing the existing Group Headquarters in Ballsbridge in July 2017, when the lease break takes effect. Our new London office is now fully operational, though IFG will retain its status as an Irish PLC, with a dual listing on the Irish and London Stock Exchanges.

Commentary on KPIs

We are pleased with the resilient performance of the Group in 2016, given challenging market conditions, which are discussed in detail in the financial review:

- Adjusted operating profit and adjusted EPS fell due to ongoing investment and reduced margins in the Platform segment.
- Operating profit was further impacted by exceptional costs, see note 4.
- Assets under administration and advice increased from £23.5 billion to £26.7 billion helped by high retention rates, strong inflows and market movements.
- Client retention remains strong in both businesses and the quality of new client activity continues to improve.
- The business delivered positive cash flow aided by strong working capital management. Contingent consideration of £4.0 million in respect of 2014 disposals was received in Q1 2017. The cash flow generated by the business is supporting our continued investment in technology and people, as well as the progressive dividend policy implemented in 2015.

- In 2016 we carried out extensive employee surveys both to understand our employees' viewpoints and to ensure their understanding of our approach to supporting clients and our expectations of them in that regard. These surveys will now be a regular feature, which we believe, will enhance our employees' experience, improve staff retention and contribute to staff engagement going forward.

The businesses

James Hay

James Hay is continuing its evolution from being a specialist Self-Invested Personal Pension (SIPP) provider to being a 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 is also evolving, with a focus on building strategic partnerships with key Independent Financial Advisors (IFA), enhancing our technological interfaces, so we serve both the adviser and the end clients effectively and efficiently. This will underpin both the quality and efficiency of growth and differentiate our offering, both in terms of service and capability. We retain a direct offering as well, but are not seeking to diversify from our focus on advised business.

The investment programme in James Hay, in terms of the senior leadership team and the training and development of all of our staff, has increased the cost base compared to 2015, but has delivered a much improved business capability, which is delivering growth from key strategic partnerships, and positions the business to take advantage of inorganic opportunities, which should arise as the market consolidates. We believe these investments will reduce the cost base going forward or support accelerated growth at materially lower marginal cost.

Whilst the revenue trajectory in 2016 was lower than anticipated, partly due to changes to interest rates, the changes we are making to pricing will address this in H2 2017. Whilst the first half of 2017 will remain challenging from a financial perspective, we believe the outlook thereafter is much improved and the business is positioned for stronger growth in clients, assets and particularly financial performance, as we go into 2018.

Saunderson House

Saunderson House continues to perform financially in line with expectations, growing assets under advice, revenues and profits in 2016, aided by the launch of its discretionary management offering which is attracting a broader range of clients to the business. Its deep relationships with its circa 2,000 clients, continued excellence in investment performance and delivery of tailored client service, differentiates the business from many of its competitors.

We continue to accelerate investment in the capability of the business, as it grows from less than 100 people in 2013 to 161 people at the end of 2016. In 2016, we launched the new client portal and continue to invest in improving the technology underpin to the business. In 2017, we will make further investment in the technology which supports the investment proposition. This will enhance both the analytics required to manage the £4.6 billion under advice, but lead also to better and more efficient delivery of client service.

We expect Saunderson House will continue to grow in line with its current trajectory and we expect to see an increase in the operating margin over time. The growth of the discretionary offering, which launched in 2016, will increasingly contribute to the development of the business as we go forward. We continue to invest in training and developing our staff and are making some changes to focus individuals more on new client activity, whilst others focus more on serving existing clients. This sharper focus on how we engage with prospective clients in light of the evolving proposition, will over time allow Saunderson House to penetrate existing and adjacent markets more effectively and efficiently.

People

The quality of our people, both in Group functions and in our operating businesses, underpins 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. In 2016, we made personnel and procedural changes to both businesses to increase the capability in the Group, developing and promoting talent from within as well as making several key external hires. 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 2016.

Looking forward

Whilst 2016 has been a challenging year in terms of financial performance, we enter 2017 with both businesses better positioned to serve clients, with strengthened governance and control and the ability to grow both organically and by acquisition. Our markets remain highly competitive, the landscape in the pension markets sees continued change and regulatory expectations continue to increase. Our clients demand best in class advice and administration, our success is founded upon delivering to those expectations. We will continue to invest and to innovate, building our capability, but also increased efficiency, so we can effectively scale our businesses.

We see continued challenging conditions in H1 2017 in terms of financial performance, but expect, as we go into H2 2017, that the decisions we have taken on pricing and the investments we have made, will deliver a steeper growth trajectory going forward. Whilst we expect meaningful organic growth in 2017, we will be ever mindful of opportunities to accelerate that trajectory through acquisition, principally in the Platform business. We have the scale, capability and financial strength to deliver accelerated growth and increase Shareholder value.

John Cotter
Group Chief Executive
22 March 2017

DELIVERING SUSTAINABLE RETURNS

Review and commentary on the results

The Group performed solidly in 2016 in challenging markets, with both businesses growing assets under advice and administration, clients and revenues. Profits have reduced, principally due to lower returns in our Platform business which were impacted materially by the reduction in the Bank of England base rate, but also as we continued to invest and position the businesses for future growth. Unlike 2015, where we completed two transactions to accelerate growth, 2016 saw focus on organic growth whilst we delivered further improvements to our operating model and an increased focus on becoming a more client-centric business, changes which we believe are necessary to ensure both businesses can continue to grow strongly whilst meeting and exceeding the needs and expectations of our clients.

The focus on working capital management has delivered positive cash flows from both businesses. This supports ongoing investment, but also the progressive dividend policy implemented in 2015. With confidence in the future, we have increased the proposed dividend pay-out in respect of 2016 to 4.95 pence per share, an increase of 11% over the prior year. The Group is 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 2016, and of the Group's financial position at that date. The two businesses are separately disclosed as segments with separate disclosure of the central Group costs. The results include residual exceptional costs as we finalised the business disposals made in 2014, and the costs associated with the restructuring of the Group functions, principally the closure of the remaining Dublin presence and the changes to our governance structure.

- The results for 2016 show growth in the key metrics of revenue, clients and assets under administration and advice.
- Profits, and therefore cash flow, have reduced due to lower than expected revenues which were impacted by the base rate reduction in interest rates, and the delay in receipt of contingent consideration of £4.0 million to Q1 2017.
- Overall revenue grew by 10%, with Saunderson House maintaining its growth trajectory and James Hay also showing meaningful revenue growth despite the impact of lower interest rates.
- Adjusted operating profits decreased by 14%, reflecting a lower contribution from James Hay due to the increased cost base, with Saunderson House increasing its profits on continued client growth and increased demand from existing clients.
- Cash generated from the operating businesses funded an increase in proposed dividends of 11% to 4.95 pence, together with the investment in technology and people in both businesses.
- The balance sheet is strong and liquid with capital well in excess of regulatory requirements.

Revenue

	2016 £'000	2015 £'000
Platform	**47,478**	43,817
Independent wealth management	**30,987**	27,499
Total revenue	**78,465**	71,316

Revenues increased by 10% from £71.3 million to £78.5 million, with James Hay increasing by 8% from £43.8 million to £47.5 million, and Saunderson House increasing by 13% from £27.5 million to £31.0 million.

In James Hay, the full year effect of the material growth in clients in 2015 together with limited pricing changes, contributed to increased revenue, though this was offset by the impact of the changes to interest rates, which reduced expected revenues by £1.6 million in H2 2016. This impact, circa £3.5 million, will remain in H1 2017, until the impact of proposed pricing changes takes effect in H2 2017.

Saunderson House also benefitted from the growth in clients in 2015 and 2016, and saw increased demand for advice from existing clients, particularly during the volatile markets experienced following the referendum result on the UK's membership of the EU. Now serving close to 2,000 clients, across both the advisory and discretionary offerings, average revenue per client remained in line with previous years.

Operating profit

Operating profit, after amortisation of intangibles and exceptional costs, decreased by 27% from £8.5 million to £6.2 million. Amortisation of intangibles, principally related to the James Hay acquisition in 2010, increased marginally to £2.0 million. Exceptional costs increased to £1.7 million.

Adjusted operating profit

	2016 £'000	2015 £'000
Platform	**7,085**	9,846
Independent wealth management	**7,058**	5,929
Group/other	**(4,176)**	(4,126)
Total adjusted operating profit	**9,967**	11,649
Amortisation of intangibles	**(2,014)**	(1,809)
Exceptional costs	**(1,727)**	(1,350)
Operating profit	**6,226**	8,490
Finance income	**414**	569
Finance costs	**(437)**	(482)
Dividend from associate	**242**	-
Profit before income tax	**6,445**	8,577
Income tax expense	**(1,195)**	(1,900)
Profit for the year from continuing operations	**5,250**	6,677

Adjusted operating profit, before amortisation of intangibles and exceptional costs, reduced by 14% from £11.6 million to £10.0 million, principally driven by cost increases and the impact of the interest rate change in Q3 2016, which contributed to a reduced contribution from James Hay of £2.8 million. Adjusting for the interest rate effect, the Group overall performed at a similar level to 2015, with the increased contribution from Saunderson House of £1.1 million offsetting the reduced profit in James Hay. Group costs remained in line with 2015 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 2016		Year ended 31 December 2015	
	Per share pence	Earnings £'000	Per share pence	Earnings £'000
Profit attributable to owners of the Parent Company	**4.98**	**5,250**	6.01	6,325
Amortisation of acquisition related intangible assets	**1.47**	**1,552**	1.10	1,157
Exceptional items	**1.79**	**1,886**	1.08	1,135
Release of provision against receivable from associate	**(0.49)**	**(516)**	-	-
Discontinued operations	**-**	**-**	0.33	352
Unwinding of discount applicable to contingent consideration	**(0.18)**	**(192)**	(0.38)	(401)
Adjusted earnings	**7.57**	**7,980**	8.14	8,568

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 Dublin and London-based Group teams, the Board of Directors and other costs associated with being a publicly listed company.

Exceptional costs

Exceptional costs were £1.7 million (2015: £1.4 million), principally driven by the costs of exiting Ireland including the closure of the Dublin and Swavesey offices (£2.0 million) and costs associated with the lease break on the former Group headquarters in Booterstown, Co Dublin (£0.7 million). These costs were offset by gains on the finalisation of the sale consideration and costs associated with the completion of the sale of IFG Financial Services UK (IFG FS UK) of £ 1.0 million as well as a gain relating to an amount received from the Group's associate, Rayband Ltd, previously written off in 2013. In addition, one-off costs of £0.5 million relating to external advisers who supported the work undertaken in relation to governance changes were treated as exceptional, as they are non-recurring.

Tax

The effective tax rate for the Group reduced to 18.5% from 22.2% in the prior year. The effective reduction in rate is primarily due to a reduction in non-allowable expenses related to corporate restructuring 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 ethos. See note 5 for a full reconciliation of the income tax expense.

Cash flows

	2016	2015
	£'000	£'000
Cash flows from operating activities	**11,769**	13,803
Net capital expenditure	**(6,236)**	(5,218)
Free cash flow	**5,533**	8,585
Interest and tax	**229**	(2,388)
Dividend from associate	**242**	-
Disposals of subsidiaries	**(66)**	1,800
Dividends paid	**(5,106)**	(4,188)
Repayment of borrowings	**(7,000)**	-
Share issues	**162**	403
Net cash (outflow)/inflow	**(6,006)**	4,212

The Group generated £11.8 million (2015: £13.8 million) from operations, reflecting profits generated offset by small movements in working capital. The Group received a net corporate tax refund in the amount of £0.2 million in 2016, and invested a total of £6.2 million in capital expenditure, against depreciation and amortisation of £4.8 million. Total dividends paid during 2016 were £5.1 million (2015: £4.2 million), resulting in an increase in net cash of £1.0 million. The bank facility of £7.0 million was repaid in November 2016, and £4.0 million of contingent consideration, relating to 2014 disposals, was received in Q1 2017.

We expect the businesses will continue to generate cash to fund ongoing investment and the progressive dividend policy, though the growth of cash may lag profits as working capital requirements and capital investment support growth.

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 operating profit. The return on capital employed in 2016 was 7.8% (2015: 9.9%).

Financial and capital position

The Consolidated Statement of Financial Position remains highly liquid, with net cash increasing from £27.3 million to £28.2 million in the year. The Group repaid a £7.0 million drawn funding facility in November 2016 and has no debt. The Group has also received the final consideration relating to the sales of IFG FS UK and the Irish pension and advisory businesses, totalling £4.0 million, in Q1 2017.

The Pillar 1 capital resources requirement for the Group has been calculated in accordance with the Bank of England prudential regulations. The Group has regulatory capital resources of £47.6 million (2015: £40.5 million) compared to its Pillar 1 requirement of £6.8 million (2015: £5.7 million), a coverage ratio of over 7:0 (2015: 7:1). 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.

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 headquarters.

Share price and market capitalisation

The Company’s shares traded in a range of between 1.40 pence and 1.88 pence during the year. The share price at 31 December 2016 was 1.55 pence (31 December 2015: 1.71 pence), reflecting a decrease of 9% in the year. The market capitalisation at 31 December 2016 was £163.4 million (2015: £180.0 million). There were 105,405,665 shares in issue at 31 December 2016.

Extract from operational review – James Hay

Highlights

- Revenue £47.5 million
- Adjusted operating profit £7.1 million
- Assets under administration £22.1 billion
- Total SIPPs 52,391

Industry overview – Platform

The platform industry has been impacted, both in terms of financial performance and client growth, by the UK's referendum decision on 23 June 2016 to leave the EU. While continued uncertainty has negatively impacted industry-wide platform flows throughout 2016, markets performed well, which contributed to continued growth in assets under administration despite disappointing new business flows across the industry.

Focus on improvements in technology and service quality have remained a key priority for businesses within the platform industry, with 're-platforming' (moving to new technology solutions) continuing to be a major trend within the industry. In addition, the drive to achieve critical mass and meaningful returns have continued to drive consolidation in the market.

The pensions industry has undergone significant change over recent years, culminating with the completion of the government's pensions tax relief consultation which ended without any significant change to the existing pension rules in the 2016 budget. Further, changes announced in the 2016 Autumn Statement were generally positive for the UK savings industry, however, the introduction of the Lifetime ISA may undermine attempts to strengthen consumers' confidence in pensions at this time.

Goal

Our goal is to grow a successful, sustainable and 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

The focus continues to be 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 in 2016.

The distribution strategy focuses on high quality IFA relationships who serve their clients well, while investing to enhance our customer service and increase efficiency by making better use of digital and self-serve capabilities. These all feed into increasing scalability and support the journey to become a fully functional platform for retirement wealth management.

Underpinning the direction that journey takes, is the output from the Insight programme we ran in 2016 with our advisers and clients. This has provided valuable insight into what it is advisers and investors expect from a platform and how they want a platform to engage and support them.

2016 saw the first elements of that new learning being put into practice with the splitting of the investor and adviser websites and the introduction of positive affirmations in the application process, ensuring all investors positively acknowledge the risks involved in the important decisions they are making.

James Hay has a deep penetration in its core SIPP segment, with recognition for its capability at the complex end of the market. However, this is yet to be mirrored 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

James Hay co-opted an additional independent Non-Executive Director to the board, Geoffrey Clarkson, who has extensive regulatory and industry experience, as well as specialist expertise in corporate governance. Kathryn Purves, the Chairman of the IFG Group Risk Committee, also joined the board of James Hay, adding the benefit of her depth of experience in risk oversight. A number of executive directors have stood down from the board. This rebalance of the James Hay board has resulted in a greater representation of Non-Executive Directors to ensure the board can play an effective role in strategy and management of the business.

Business Review

Despite challenging market conditions, the quality of new client flows has been enhanced as evidenced in the assets under administration growth. However, in the absence of client book acquisitions, new business flow overall has reduced compared to 2015. We continue to focus our distribution strategy on fewer, higher quality adviser relationships. The lowering of interest rates has had a negative impact on revenues in H2 2016 (£1.6 million) and will do so in H1 2017 (£3.5 million), and further changes (upwards or downwards), would impact revenues. Pricing changes, which will be rolled out throughout 2017 will help mitigate our exposure to revenue volatility from future changes to interest rates.

Attrition rates (excluding client consolidations) increased marginally during the year, as we undertook a rationalisation of legacy products and consolidated client holdings in one account, where possible. The strategic MiPlan product has witnessed an increase in average new client case size of 35%. This product is beneficial for clients who wish to see a more integrated view of their assets, with simplified reporting, and also reduces our operational complexity and costs to support clients. This will in turn improve efficiency and deliver improved operating metrics over time.

Putting the needs of our clients first is a guiding principle that will ultimately drive the success of the business going forward. Our investment in the digital capabilities of our offering will further enhance the quality of our service to direct and advised clients. It will provide efficient, secure access to information and flexibility as they manage and monitor their investment and retirement wealth, with their independent financial advisers. With our strong capital position, we have increased investment in the operational and change capability of the business in 2016, which increased the cost base compared to 2015. We believe these investments are necessary to support continued improvement in the business, particularly focusing on our clients, to ensure James Hay provides a first class capability and compelling proposition. We expect costs to reduce in H2 2017, as the benefits of these investments come into effect.

Our growth focus will remain on the primary distribution channel of financial advisers, though we are seeing some growth in our direct offering, as clients take advantage of our digital capability to open new accounts online.

While we did not conclude any acquisition of books in 2016, we believe the changes to regulatory capital requirements in September 2016, and ongoing consolidation in the platform market, will provide further opportunities for acquiring books of business in 2017. The pace of these opportunities may accelerate as the new capital rules begin to impact.

Performance

- Assets under administration increased 13% to £22.1 billion.
- Total net inflows for 2016 were £2.6 billion, including market movements.
- Total new flows were £1.7 billion.
- Total new SIPP cases of 4,396 during the year.
- Attrition levels rose to 6.3% (6.0% 2015).
- Average new client case size for the Modular iPlan increased by 35%.

At the end of December 2016, James Hay administered and served over 56,000 individual clients. The rate of new SIPP business, both organic and acquisitions, offset by attrition, is shown below.

SIPPs	**2016**	2015	Change
Opening	**52,101**	43,348	+20%
Additions - organic	**4,396**	4,042	+9%
Additions - acquired	**-**	8,042	-100%
Accounts consolidation	**(531)**	-	+100%
Attrition	**(3,575)**	(3,331)	+7%
Closing	**52,391**	52,101	+1%

Key achievements

- Increased Investment Centre (fund platform) assets by 41% from £3.4 billion to £4.8 billion.
- Successful execution of distribution focus on strategic adviser relationships, demonstrated by the increase in average case size on our Modular iPlan product from £319,000 in 2015 to £425,000 in 2016.
- Strategic distribution relationships established which include IG Index, AFH, David Williams and Brewin Dolphin. In total 16 high quality firms signed up to the Strategic Partner Programme.
- Expanded our on-platform discretionary solution via the Managed Portfolio Panel.
- Implemented a new adviser and investor Insight programme.
- Implemented a new digital voice platform to improve call handling.
- Moved a number of key processes entirely online (drawdown management, change of details).
- Split website into dedicated adviser and investor facing versions.

James Hay has a solid base for continued future growth, with a scalable technology platform built upon robust proprietary technology.

- For the third year running James Hay was awarded 'Excellent' by FinalytiQ in their assessment of platform profitability.
- Awarded 'Rapid Riser' 2016 by Coredata and placed second overall against 18 platforms ranked on key services metrics.
- Awarded 5-star Life & Pensions award for online services by FTAdviser.

Our customers

We believe that our unwavering focus on creating a customer centric business, will improve and support sustainable business growth. In this regard, we undertook an investment programme in 2016 which was designed to articulate and evidence how we serve and support our clients, as well as ensuring that the governance framework by which we manage the business, remains appropriate to the changing needs of our customers. We have developed and implemented a structured and formal conduct framework which evidences and supports good consumer outcomes in a more explicit manner.

Investment in our People

James Hay embarked on the first stage of a major and ambitious change programme aimed at putting 'Think Investor' at the heart of the business. Training was delivered to all employees and focussed on introducing the concept of 'Think Investor' together with changes to our values and behaviours framework. This provided the necessary building blocks to start to develop and embed a new culture (and new ways of working) around 'Think Investor'. Employees reacted positively with the focus now at all levels to make 'Think Investor' real in the workplace.

Building and enhancing the capability of its current and future leaders was a priority for James Hay with the introduction of a Leadership Development Programme (LDP) for all managers with responsibilities for staff and those identified as having key leadership roles. The programme will continue into 2017 with the acquired skills seen as key to effectively supporting 'Think Investor' and other change initiatives.

- During the year, we introduced a range of mechanisms to more effectively engage with all employees around 'Think Investor' and business improvement.
- Appointed a director of transformation and change.
- Promoted from within for the role of operations director and appointed new head of finance to support the finance director.
- Strengthened the operations senior management team.
- Rolled out a leadership development programme to all people managers.
- Developed new operations structure with progression mapping and development for staff.
- Hired a new COO who is joining in April 2017.

We will continue to invest in and focus on our people development as it is a key driver of providing high quality support to our advisers and customers.

Extract from operational review – Saunderson House

Highlights

- Revenue £31.0 million
- Adjusted operating profit £7.1 million
- Assets under advice £4.6 billion
- 8% growth in clients bringing total clients to 1,956

Industry overview – independent wealth management

The wealth management industry was characterised by volatility in 2016; both in the political and economic environments and in financial markets. This delivered both positive and negative impacts for Saunderson House. First and foremost, market uncertainty afforded the opportunity to demonstrate added-value to our clients by reviewing and adjusting portfolios to help them navigate through market turbulence. Secondly, we witnessed a slowdown in the rate of new client acquisition. This appears to have been driven by reluctance for those already served by alternative wealth managers to switch provider and those not currently served to place assets into financial markets. However, the current low interest rate environment alongside tax changes, which had an adverse impact on residential property investment, is likely to encourage investors to seek greater returns from other sources, such as equity and fixed income markets.

The longer-term macro forces remain supportive of our business. The UK high net worth individual market is forecast to grow significantly between 2016 and 2021 from 2.2 million to 3.1 million high net worth clients. The movement towards financial self-reliance in retirement, compounded by extended life expectancy is driving demand for a more holistic, goals-based, financial planning and investment service. For younger generations, an increase in the number of 'life events', such as career and location changes and inheritance, are also driving demand for financial advice. This provides an opportunity for Saunderson House to differentiate itself beyond the competitive area of investment management through its delivery of a more comprehensive, bespoke and independent offering.

Within the wealth management market, discretionary investment propositions have continued to attract assets at a faster rate than advisory investment propositions. Saunderson House offers both investment delivery options to ensure we provide a service which caters for each client's individual requirements.

We have seen rapid changes in the competitive landscape, borne out of technological developments and regulatory pressures. This has included consolidation within our direct competitor group, as firms seek to build scale to gain operating efficiencies. Some competitors, particularly within the private banking domain, have re-positioned themselves to focus on the higher wealth segment, or divested their wealth management propositions entirely. There has also been much publicity surrounding 'robo' propositions, although there is little awareness of this channel in the UK high net worth space (Compeer 2016 Research findings), where face-to-face communication remains by far the most desired advice delivery mechanism. Due to the complex financial positions of our clients, our personal relationship-led service remains a key differentiator. However, we have invested significantly in our online digital channels with the introduction of Saunderson House Online, to meet the increasing demands for real-time access to information.

Goal

Our goal is to grow and develop the Saunderson House business underpinned by our award-winning, value-based investment proposition and to be recognised by the industry for delivering a superior client service.

Clients are at the heart of everything Saunderson House does, and ensuring we offer flexibility in service levels to suit individual clients' needs, remains a priority.

Traditionally our clients have come from the professional services sectors, principally law and accountancy, but as we have grown we have broadened our market penetration and, importantly in 2016, our product offering, to now include a discretionary offering.

Business strategy

The success of Saunderson House is founded upon building sustained and trusted relationships with our clients.

We operate a transparent time-based charging structure for our core advisory proposition where revenue is earned from chargeable hours undertaken on behalf of clients. Our strategy is to:

– look after our existing clients by continuing to provide excellent advice and financial management services;
– attract new advisory clients from existing and new markets through referral, targeted marketing and business development initiatives;
– develop our DMS and attract more clients to this offering, making it a material component of our business over time;
– continue to develop and grow our Chartered Financial Planner base to maintain high quality advice; and
– extend and evolve the scope of our service offering to ensure we remain relevant to clients within our chosen markets.

Governance

The Saunderson House board added an independent Non-Executive Director, Dean Buckley, who previously served as CEO of Scottish Widows Investment Partnership and has extensive wealth management experience. Jonathan Hagger also stepped down from the board after serving six years, and will be replaced by another Non-Executive in due course. Saunderson House also reviewed the overall construct of its board and its level of oversight and challenge of executive management. A number of executive directors have stood down from the board. This rebalance of the Saunderson House board has resulted in a greater representation of Non-Executive Directors to ensure the board can play an effective role in strategy and management of the business.

Business review

Revenues grew to £31.0 million (2015: £27.5 million), a 13% year-on-year increase. Profits increased to £7.1 million (2015: £5.9 million). Our client bank grew from 1,809 to 1,956. Progress was also made by establishing our DMS following its launch in early 2016.

Investment in our people, technology and business capabilities continued apace with the launch of our client portal, Saunderson House Online, as mentioned above. Some 50% of clients have already registered to use this service and we plan to introduce further features and enhancements as we move through 2017. The strength of our relationship with clients has always been of paramount importance to us and we will continue to search for ways to enhance our clients' service experience.

We place clients at the heart of our business and we continue to deliver training and development to our teams. During 2017, we shall be preparing for the introduction of the Senior Managers Regime and ensure we are fully aligned with the Markets in Financial Instruments Directive II (MiFIDII), both of which are expected to become effective in 2018. The impact of regulation continues to increase in financial services firms; initiatives during 2016 included the introduction of a measurement framework to ensure we are fully aligned with the regulator's conduct agenda.

Performance

- Assets under advice up to £4.6 billion at the end of 2016, from £4.0 billion in 2015.
- 215 new clients joined Saunderson House (2015: 243).
- Total clients increased from 1,809 to 1,956.
- Revenue increased from £27.5 million to £31.0 million, an increase of 13%.
- Profits increased from £5.9 million to £7.1 million, an increase of 19%.
- Operating margin improved illustrating disciplined cost control.

Once again Saunderson House grew clients, assets, revenues and profits in 2016, improved its operating margin while increasing investment in the product and technology capability of the business. The percentage billable hours charged to clients increased from 87% to 89% further supporting the fact that staff were spending less time in 2016 on winning new clients and more time with existing clients. We continued to invest in our people, with significant structural changes made in employee functions to ensure we place staff in roles which align strongly with their personal strengths. We have also continued to invest in our systems and support personnel to ensure we retain a first class scalable business, serving clients as before but with increased capability.

Key achievements

- Maintained top quartile investment performance relative to our Asset Risk Consultants (ARC) PCI peer group across three, five and 10 years, whilst achieving above average performance over one year.
- Launched our new discretionary management service, which is gaining traction.
- Launched our client portal, Saunderson House Online and subsequently developed the offering to meet the increasing digital demands of our clients.
- Created a "middle office" function to deliver efficiency gains to the business by centralising administrative aspects of our service.
- Redesigned internal career paths to enable our client-facing staff more time to spend on their clients and to better utilise our available capacity within the business.
- Formally launched our investment proposition to charities and trusts

Our customers

Our culture and values place clients at the heart of everything that we do. We have continued to invest in improving our capabilities that will deliver great outcomes for clients, including those that deliver efficiencies (centralisation of certain processes), enhanced services (such as our client portal) and ensure quality.

We continue to capture client feedback through direct interaction with clients, as well as running an ongoing survey programme. This is evaluated on a regular basis at management level to draw insights from our clients to help steer the firm's strategy. In 2016, our Net Promoter Score (NPS) was 9.3[1], consistent with 2015, which is testament to our fundamental focus to deliver high quality, personal client service. Client retention also remains high at circa 96%.

[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 a colleague?'

Investment in our People

During 2016, Saunderson House has invested in organisational development to establish how we improve how we serve our clients and grow our business. The first step in this journey involved a thorough review of our middle management and 'marketeers'. As part of this, we identified three core roles within the business that focus on relationship management, client service and financial planning. We assessed our talent, identified which role best suited their strengths and capabilities and managed a full consultation process with these individuals, including amendments to how we reward them. With the support of a targeted coaching programme, they have now all successfully transitioned into their new roles.

In addition to this, a company review of reward has been conducted to ensure that we are positioning ourselves appropriately in the market to attract and retain the best talent to the firm.

Consolidated Income Statement
Year ended 31 December 2016

	Notes	2016 £'000	2015 Re-presented £'000
Continuing operations			
Revenue	3	**78,465**	71,316
Staffing expense		**(51,647)**	(43,585)
Depreciation and amortisation		**(4,764)**	(3,994)
Other operating expenses		**(17,323)**	(13,897)
Other gains/(losses)		**1,495**	(1,350)
Operating profit		**6,226**	8,490
Analysed as:			
Operating profit before exceptional items		**7,953**	9,840
Exceptional items	4	**(1,727)**	(1,350)
Operating profit		**6,226**	8,490
Finance income		**414**	569
Finance costs		**(437)**	(482)
Share of profit in associate		**242**	-
Profit before income tax		**6,445**	8,577
Income tax expense	5	**(1,195)**	(1,900)
Profit for the financial year from continuing operations		**5,250**	6,677
Discontinued operations			
Profit/(loss) from discontinued operations (net of income tax)		**-**	246
Profit for the financial year		**5,250**	6,923
Profit for financial year attributable to:			
Owners of the Parent Company		**5,250**	6,325
Non-controlling interest		**-**	598
Profit for the financial year		**5,250**	6,923

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

		2016	2015 Re-presented
Basic earnings per ordinary share (pence)			
From continuing operations		**4.98**	6.34
From discontinued operations		**-**	(0.33)
From profit for the financial year	6	**4.98**	6.01
Diluted earnings per ordinary share (pence)			
From continuing operations		**4.96**	6.31
From discontinued operations		**-**	(0.33)
From profit for the financial year	6	**4.96**	5.98

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	2016 £'000	2015 £'000
Profit for the financial year	**5,250**	6,923
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign currency operations	**419**	(244)
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)**	102
Other comprehensive income	**(145)**	(142)
Total comprehensive income for the financial year	**5,105**	6,781
Total comprehensive income attributable to:		
Owners of the Company	**5,105**	6,237
Non-controlling interest	**-**	544
Total comprehensive income for the financial year	**5,105**	6,781

Consolidated Statement of Financial Position

Year ended 31 December 2016

	2016 £'000	2015 £'000
ASSETS		
Non-current assets		
Property, plant and equipment	**4,322**	2,597
Intangible assets	**55,074**	55,314
Deferred income tax asset	**9**	35
Total non-current assets	**59,405**	57,946
Current assets		
Trade and other receivables	**22,828**	22,255
Income tax asset	**-**	15
Cash and cash equivalents	**28,226**	34,089
Total current assets	**51,054**	56,359
Total assets	**110,459**	114,305
LIABILITIES		
Non-current liabilities		
Deferred income tax liabilities	**2,323**	2,903
Provisions for other liabilities	**1,032**	1,857
Total non-current liabilities	**3,355**	4,760
Current liabilities		
Trade and other payables	**22,551**	22,813
Income tax liabilities	**1,902**	-
Borrowings	**-**	6,831
Provisions for other liabilities	**2,445**	703
Total current liabilities	**26,898**	30,347
Total liabilities	**30,253**	35,107
Net assets	**80,206**	79,198
EQUITY		
Ordinary share capital presented as equity	**10,093**	10,078
Share premium	**82,404**	82,257
Other reserves	**(14,054)**	(13,766)
Retained earnings	**1,763**	629
Total equity	**80,206**	79,198

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Cash generated from operations	7	**11,769**	13,803
Interest received		**212**	147
Income tax refund/(paid)		**208**	(2,226)
Net cash generated from operating activities		**12,189**	11,724
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,751)**	(1,197)
Sale of property, plant and equipment		**-**	3
Dividend from associate		**242**	-
Disposal of subsidiaries		**(66)**	1,800
Purchase of intangible assets		**(3,485)**	(4,024)
Net cash used in investing activities		**(6,060)**	(3,418)
Cash flows from financing activities			
Dividends paid		**(5,106)**	(4,188)
Interest paid		**(191)**	(309)
Repayment of bank borrowings		**(7,000)**	-
Proceeds from issue of share capital		**162**	403
Net cash used in financing activities		**(12,135)**	(4,094)
Net increase in cash and cash equivalents		**(6,006)**	4,212
Cash and cash equivalents at the beginning of the financial year		**34,085**	30,040
Effect of foreign exchange rate changes		**147**	(167)
Cash and cash equivalents at end of financial year		**28,226**	34,085

	Notes	2016 £'000	2015 £'000
Cash and short-term deposits			
- as disclosed on the Consolidated Statement of Financial Position	8	**28,226**	34,089
Bank overdrafts		**-**	(4)
Cash and cash equivalents at end of financial year		**28,226**	34,085

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Attributable to owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2015	**10,039**	**81,872**	**(13,446)**	**(1,747)**	**76,718**	**(4)**	**76,714**
Profit for financial year	-	-	-	6,325	6,325	598	6,923
Other comprehensive income							
Currency translation							
- Arising in the financial year	-	-	(190)	-	(190)	(54)	(244)
- Recycled to the Consolidated Income Statement on disposal of subsidiaries	-	-	102	-	102	-	102
Total comprehensive income for the financial year	-	-	(88)	6,325	6,237	544	6,781
Dividends	-	-	-	(4,385)	(4,385)	-	(4,385)
Issue of share capital	39	393	-	-	432	-	432
Share issue costs	-	(8)	-	-	(8)	-	(8)
Transfer of vested share based payment	-	-	(436)	436	-	-	-
Share based payment compensation							
- Value of employee services - share options	-	-	204	-	204	-	204
Disposal of subsidiaries	-	-	-	-	-	(540)	(540)
Transaction with owners	39	385	(232)	(3,949)	(3,757)	(540)	(4,297)
At 31 December 2015	10,078	82,257	(13,766)	629	79,198	-	79,198
Profit for financial year	**-**	**-**	**-**	**5,250**	**5,250**	**-**	**5,250**
Other comprehensive income							
Currency translation							
- Arising in the financial year	**-**	**-**	**419**	**-**	**419**	**-**	**419**
- Reclassification of exchange reserve upon strike-off of subsidiaries	**-**	**-**	**(516)**	**-**	**(516)**	**-**	**(516)**
- Recycled to the Consolidated Income Statement on disposal of subsidiaries	**-**	**-**	**(48)**	**-**	**(48)**	**-**	**(48)**
Total comprehensive income for the financial year	**-**	**-**	**(145)**	**5,250**	**5,105**	**-**	**5,105**
Dividends	**-**	**-**	**-**	**(4,909)**	**(4,909)**	**-**	**(4,909)**
Issue of share capital	**15**	**147**	**-**	**-**	**162**	**-**	**162**
Transfer of vested share-based payment	**-**	**-**	**(277)**	**277**	**-**	**-**	**-**
Reclassification of exchange reserve upon strike-off of subsidiaries	**-**	**-**	**-**	**516**	**516**	**-**	**516**
Share-based payment compensation:							
– value of employee services – share options	**-**	**-**	**134**	**-**	**134**	**-**	**134**
Transaction with owners	**15**	**147**	**(143)**	**(4,116)**	**(4,097)**	**-**	**(4,097)**
At 31 December 2016	**10,093**	**82,404**	**(14,054)**	**1,763**	**80,206**	**-**	**80,206**

1. General information

IFG Group plc ("the Company") is a public company, listed on the Irish and London Stock Exchanges and is incorporated and domiciled in the Republic of Ireland. The Group provides a range of financial solutions including pension administration and independent financial advice. The address of its registered office is The Oval, Shelbourne Road, Ballsbridge, Dublin 4, Ireland.

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 2015, which is available on the Group's website at www.ifggroup.com.

The Group financial statements have been prepared on a basis consistent with that reported for the year ended 31 December 2015, with the exception of the presentation of the Consolidated Income Statement. In 2016, expenses have been analysed by nature, instead of by function. Management believes that presentation of expenses by nature improves the understandability of the financial statements as a whole. No new standards, amendments or interpretations, which became effective in 2015, 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 2017 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 2015 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 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.

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 2016, is 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 before income tax	**5,206**	**8,150**	**(6,911)**	**6,445**
Income tax expense				**(1,195)**
Profit for the year from continuing operations				**5,250**

The 2015 comparatives, excluding discontinued operations, are as follows:

	Platform £'000	Independent wealth management £'000	Group / other £'000	Total £'000
Revenue	43,817	27,499	-	71,316
Adjusted operating profit	9,846	5,929	(4,126)	11,649
Amortisation of acquired intangibles	(1,809)	-	-	(1,809)
Exceptional costs	-	(1,350)	-	(1,350)
Operating profit	8,037	4,579	(4,126)	8,490
Finance income	123	321	125	569
Finance costs	-	-	(482)	(482)
Profit before income tax	8,160	4,900	(4,483)	8,577
Income tax expense				(1,900)
Profit for the year from continuing operations				6,677

Assets and liabilities - 2016

	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)**

The 2015 comparatives are as follows:

	Platform £'000	Independent wealth management £'000	Group / other £'000	Total £'000
ASSETS				
Segment assets	76,236	21,591	16,428	114,255
Deferred income tax asset				35
Income tax asset				15
Total assets as reported on the Consolidated Statement of Financial Position				114,305
LIABILITIES				
Segment liabilities	(12,352)	(9,084)	(10,768)	(32,204)
Deferred income tax liabilities				(2,903)
Total liabilities as reported on the Consolidated Statement of Financial Position				(35,107)

Other segmental information - 2016

	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)**	**(288)**	**(3)**	**(1,711)**
Acquired intangible assets – amortisation	**(2,014)**	**-**	**-**	**(2,014)**

The 2015 comparatives are as follows:	Platform £'000	Independent wealth management £'000	Group/ other £'000	Total £'000
Property, plant and equipment - additions	909	161	64	1,134
Intangible assets - additions	3,046	975	3	4,024
Property, plant and equipment - depreciation	(424)	(387)	(75)	(886)
Intangible assets - amortisation	(1,199)	(95)	(5)	(1,299)
Acquired intangible assets – amortisation	(1,809)	-	-	(1,809)

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

	2016 £'000	2015 £'000
Platform	**47,478**	43,817
Independent wealth management	**30,987**	27,499
Total	**78,465**	71,316

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

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

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

	2016 £'000	2015 £'000
Ireland	**55**	96
United Kingdom	**59,341**	57,815
Total	**59,396**	57,911

4. Exceptional items

Exceptional items charged against operating profit	2016	2015
	£'000	£'000
Redundancy and restructuring costs	(2,694)	-
Release of provision against receivable from associate	516	-
Governance review fees	(528)	-
Profit/(loss) on disposal of IFG UK FS	979	(1,350)
Total	**(1,727)**	(1,350)

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 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.

Governance review 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 FS

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.

2015

Loss on disposal of IFG UK FS

The exceptional item for the period to 31 December 2015 of £1.4 million related to the provision for ongoing costs for businesses sold in 2014, principally in relation to the sale of IFG UK FS.

5. Income tax expense/(credit)

	2016 £'000	2015 £'000
Current tax		
Ireland (at 12.5%):		
- current year	**54**	-
- prior year	**1**	(8)
UK and other (primarily at 20% (2015: 20.25%)):		
- current year	**1,978**	2,832
- prior year	**(284)**	(809)
Total current tax expense	**1,749**	2,015
Deferred tax		
Ireland:		
- current year	**25**	(1)
- prior year	**1**	5
UK and other:		
- current year	**(544)**	(583)
- prior year	**(36)**	464
Total deferred tax credit	**(554)**	(115)
Total income tax expense	**1,195**	1,900

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:

	2016 £'000	2015 £'000
Profit before income tax	**6,445**	8,577
Tax calculated at domestic tax rates applicable to results in the respective country	**1,289**	1,737
Adjustment in respect of prior years	**(318)**	(349)
Write-off of deferred tax following disposal	**-**	235
Re-measurement of deferred tax - impact of change in UK tax rate	**(159)**	(358)
Non-taxable gain	**(255)**	-
Differences in overseas tax rates	**(108)**	36
Current year losses for which no deferred tax asset was recognised	**164**	212
Utilisation of previous unrecognised tax losses	**(47)**	-
Others including expenses not deductible for tax purposes	**629**	387
Income tax expense	**1,195**	1,900

The weighted average applicable tax rate for the year was 18.5% (2015: 22.2%). 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

	2016	2015
Basic		
Profit/(loss) after income tax and non-controlling interest (£'000)		
Continuing operations	**5,250**	6,677
Discontinued operations	**-**	(352)
Total	**5,250**	6,325
Weighted average number of ordinary shares in issue for the calculation of earnings per share	**105,394,326**	105,214,158
Basic earnings per share (pence)		
Continuing operations	**4.98**	6.34
Discontinued operations	**-**	(0.33)
From profits for the year	**4.98**	6.01

	2016	2015
Diluted		
Profit/(loss) after income tax and non-controlling interest (£'000)		
Continuing operations	**5,250**	6,677
Discontinued operations	**-**	(352)
Total	**5,250**	6,325
Weighted average number of ordinary shares in issue for the calculation of earnings per share	**105,394,326**	105,214,158
Dilutive effect of share options	**501,302**	522,232
Weighted average number of ordinary shares for the calculation of diluted earnings per share	**105,895,628**	105,736,390
Diluted earnings per share (pence)		
Continuing operations	**4.96**	6.31
Discontinued operations	**-**	(0.33)
From profits for the year	**4.96**	5.98

7. Cash generated from operations

Continuing operations	2016 £'000	2015 £'000
Profit before income tax	**6,445**	8,577
Depreciation and amortisation	**4,764**	3,994
Disposal of subsidiaries	**(48)**	-
Gain on sale of property, plant and equipment	**-**	(3)
Finance costs	**437**	482
Finance income	**(414)**	(569)
Foreign exchange movement	**59**	(18)
Non-cash share based payment compensation charges	**134**	204
Increase in trade and other receivables	**(85)**	(2,335)
Dividend from associate	**(242)**	-
Increase in current and non-current liabilities	**719**	2,744
Cash generated from continuing operations	**11,769**	13,076
Discontinued operations		
Profit before tax	**-**	362
Disposal of subsidiaries	**-**	563
Finance income	**-**	(3)
Increase in trade and other receivables	**-**	(2,508)
Increase in current and non-current liabilities	**-**	2,313
Cash flow from discontinued operations	**-**	727
Cash generated from operations - net	**11,769**	13,803

8. Analysis of net cash/(debt)

	Opening balance £'000	Cash flow £'000	Other movements £'000	Closing balance £'000
Cash and short-term deposits	34,089	(6,010)	147	28,226
Overdrafts	(4)	4	-	-
	34,085	(6,006)	147	28,226
Bank loans due within one year	(6,827)	7,000	(173)	-
Total	27,258	994	(26)	28,226

Other movements
Other movements of £26,000 include the impact of exchange rate movements of £183,000 arising on balances denominated in currencies other than Sterling and the non-cash impact of unamortised borrowing transaction costs of £209,000.

9. Events since the year end

The Board is recommending a final dividend of 3.35 pence per share, which will be considered by the Shareholders at the AGM on 9 May 2017.

Deferred and contingent consideration in the amount of £4.0 million was received in full in Q1 2017.

There were no other significant events since year end.

10. Approval of financial statements

This preliminary announcement was approved by the Board of Directors on 22 March 2017.