SANTANDER ASSET MANAGEMENT UK HOLDINGS LIMITED

Registered in England and Wales
Company Number: 00617484

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

SANTANDER ASSET MANAGEMENT UK HOLDINGS LIMITED - 00617484

Company Information

Directors

Mr. J. De La Vega
Mr. A. Escano Faz
Mr. L. Garcia-Izquierdo Ruiz

Company Secretary

Ms. K. Rajakumar

Registered Office

10 Brock Street
Regent's Place
London
NW1 3FG

Auditor

Deloitte LLP
Hill House
2 New Street Square
London
EC4A 3BZ

SANTANDER ASSET MANAGEMENT UK HOLDINGS LIMITED - 00617484

Strategic Report

The Directors submit the Strategic report together with their Directors' report and the audited financial statements for Santander Asset Management UK Holdings Limited (the "Company") a Company incorporated in the United Kingdom for the year ended 31 December 2016.

Business review

The principal activity of the Company is to act as a holding company. The Company's immediate parent company is SAM Investment Holdings Limited, which together with the Company and SAM Investment Holdings Limited's other subsidiary undertakings, form the "Group."

The Company made a profit after tax of €43,330,000 (2015: €37,767,000). This is primarily attributed to dividends received from the Company's subsidiary and associated undertakings.

Key Performance Indicators

As the company is a holding company, the income has its origin in the dividends paid by its subsidiary SAM Asset Management, S.A. de C.V., Sociedad Operadora de Fondos de Inversion and by its associated AFB SAM Holdings Limited. Dividend income is considered the only key performance indicator for the company as it is a holding company (see Note 3).

Principal risks and uncertainties

The principal risks associated with the business are financial. The Board of Directors are responsible for risk management of the Company. Further disclosures on the Company's approach to financial risk management can be found in note 2 to the financial statements.

Future developments in the business

The Company will continue to act as a holding company. No change to the activities of the Company is planned for the foreseeable future.

The purpose of this Report is to provide information to the members of the Company and as such it is only addressed to those members. The Report may contain certain forward-looking statements with respect to the operations, performance and financial condition of the Company. By their nature, these statements involve inherent risks and uncertainties since future events, circumstances and other factors can cause results and developments to differ materially from the plans, objectives, expectations and intentions expressed in such forward-looking statements. Members should consider this when relying on any forward-looking statements. The forward-looking statements reflect knowledge and information available at the date of preparation of this Report and the Company undertakes no obligation to update any forward-looking statement during the year. Nothing in this report should be construed as a profit forecast.

By Order of the Board

J. De La Vega,
Director

30th March 2017

Registered Office Address: 10 Brock Street, Regent's Place, London NW1 3FG

SANTANDER ASSET MANAGEMENT UK HOLDINGS LIMITED - 00617484

Report of the Directors

The Directors submit their report together with the Strategic report and audited financial statements for the year ended 31 December 2016.

Principal activities

Principal activities are discussed in the Strategic report.

Future Developments

Future developments are discussed in the Strategic Report.

Results and dividends

The profit after tax for the financial year amounted to €43,330,000 (2015: €37,767,000).

In 2016, the Company paid interim dividends of €3,800,000, €8,100,000 and €32,000,000 on 4 May 2016, 2 August 2016 and 19 December 2016, respectively, to its parent company, SAM Investment Holdings Limited. (2015: €13,200,000 and €25,000,000 on 23 June 2015 and 17 December 2015, respectively, to its parent company, SAM Investment Holdings Limited).

The Directors do not recommend the payment of a final dividend (2015: €nil).

Directors

The Directors who served throughout the year and to the date of this report (except as noted) were as follows:

Mr R D Askham	Resigned 15/09/2016
Mr J C Scott	Resigned 16/12/2016
Mr D W Stewart	Resigned 16/12/2016
Mr. J. De La Vega	Appointed 16/12/2016
Mr. A. Escano Faz	Appointed 16/12/2016
Mr. L. Garcia-Izquierdo Ruiz	Appointed 16/12/2016

Directors' Indemnities

Directors' and Officers' liability insurance is maintained for all Directors of the Company.

Statement of Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. The Company's processes for managing its capital are described in note 13 to the financial statements.

Details of the Company's financial risk management objectives, its financial instruments and hedging activities; and its exposures to credit risk, market risk and liquidity risk are set out in note 2 to the financial statements.

The Company has adequate financial resources. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months from the date the financial statements are authorised for issue. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Branches outside the UK

The Company does not operate branches outside the UK.

Political Donations

The Company has made no donations for political purposes (2015: none).

Report of the Directors (continued)

Post balance sheet events

There are no post balance sheet events which require disclosure.

Statement of Directors' responsibilities

The Directors are responsible for preparing the report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

Auditor

Each of the Directors as at the date of approval of this annual report has confirmed that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In accordance with Sections 485 and 487 of the Companies Act 2006, Deloitte LLP are deemed to have been re-appointed as auditor of the Company.

By Order of the Board

J. De La Vega,
Director
30th March, 2017

Registered Office Address: 10 Brock Street, Regent's Place, London NW1 3FG.

Independent auditor's report to the members of Santander Asset Management UK Holdings Limited

We have audited the financial statements of Santander Asset Management UK Holdings Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Stuart McLaren, (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
30 March, 2017

SANTANDER ASSET MANAGEMENT UK HOLDINGS LIMITED - 00617484

Statement of Comprehensive Income
For the years ended 31 December

	Notes	**2016 €'000**	2015 €'000
Investment income	3	**43,683**	37,806
Administrative expenses		**(41)**	(46)
Foreign exchange loss		**(319)**	(3)
PROFIT BEFORE TAX		**43,323**	37,757
Tax Credit	6	**7**	10
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		**43,330**	37,767
Total comprehensive income		**43,330**	37,767

All profits stated above were generated from continuing operations.

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

SANTANDER ASSET MANAGEMENT UK HOLDINGS LIMITED - 00617484

Balance Sheet
As at 31 December

	Notes	31 December 2016 €'000	31 December 2015 €'000
Non-current assets			
Interests in subsidiary undertakings	7	**190,838**	190,838
Investment in associates	8	**216,919**	216,916
Other Investments		**17**	17
Total non-current assets		**407,774**	407,771
Current assets			
Amounts owed by group undertakings	9	**640**	974
Other debtors		**15**	-
Cash and cash equivalents		**404**	667
Total current assets		**1,059**	1,641
Total assets		**408,833**	409,412
Current liabilities			
Trade and other payables	10	**(39)**	(48)
Total current liabilities		**(39)**	(48)
Net current assets		**1,020**	1,593
Net assets		**408,794**	409,364
Equity			
Share capital	11	**402,457**	402,457
Translation reserve		**5,955**	5,955
Retained profit		**382**	952
Total equity attributable to equity holders of the Company		**408,794**	409,364

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

The financial statements were approved by the Board of Directors and authorised for issue on 30th March, 2017. They were signed on its behalf by:

J. De La Vega,
Director

SANTANDER ASSET MANAGEMENT UK HOLDINGS LIMITED - 00617484

Cash Flow Statement

For the years ended 31 December

	2016 €'000	2015 €'000
OPERATING ACTIVITIES		
Profit before tax for the year	43,323	37,757
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL	**43,323**	**37,757**
Decrease in receivables	6	1
Decrease Increase in payables	(8)	(1,362)
NET CASH FLOW FROM OPERATING ACTIVITIES	**43,321**	**36,396**
INVESTING ACTIVITIES		
Other movements in subsidiary undertaking	-	52
Investment in associated undertakings	(3)	(401)
CASH FLOWS USED IN INVESTING ACTIVITIES	**(3)**	**(349)**
FINANCING ACTIVITIES		
Dividends paid	(43,900)	(38,200)
CASH FLOWS (USED IN) / GENERATED BY FINANCING ACTIVITIES	**(43,900)**	**(38,200)**
Effect of foreign currency changes	319	3
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(263)**	**(2,150)**
Cash and cash equivalents as at 1 January	**667**	**2,817**
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**404**	**667**

The accompanying notes form an integral part of the financial statement.

SANTANDER ASSET MANAGEMENT UK HOLDINGS LIMITED - 00617484

Statement of Changes in Equity
For the years ended 31 December

	Issued Capital €'000	Foreign currency Reserve €'000	Retained Earnings €'000	Total Equity €'000
Balance at 1 January 2015	402,457	5,955	1,385	409,797
Profit for the year	-	-	37,767	37,767
Dividends paid	-	-	(38,200)	(38,200)
Balance at 31 December 2015 and 1 January 2016	**402,457**	**5,955**	**952**	**409,364**
Profit for the year	-	-	**43,330**	**43,330**
Dividends paid	-	-	**(43,900)**	**(43,900)**
Balance at 31 December 2016	**402,457**	**5,955**	**382**	**408,794**

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

Notes to the financial statements

1. Accounting Policies

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with IFRS as adopted by the European Union. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, and on the going concern basis as disclosed in the Directors' statement of going concern set out in the Report of the Directors. The Company, in addition to complying with its legal obligation to comply with IFRSs as adopted for use in the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

During 2016 certain amounts for the current year due to the Company having no significant influence or control in investments held in "Santander Asset Management S.A. Administradora General de Fondos", Santander Brasil Gestão de Recursos Limitada and SAM Brasil Participações S.A. have been reclassified on the balance sheet from "Interests in subsidiary undertakings" to "Other investments" for more accurate presentation. This reclassification has no effect on total assets and total equity.

Future accounting developments

The Company has not yet adopted the following significant new or revised standards and interpretations, and amendments thereto, which have been issued but which are not yet effective for the Company:

a) IFRS 9 'Financial Instruments' (IFRS 9) – In July 2014, the International Accounting Standards Board (IASB) approved IFRS 9 to replace IAS 39 'Financial Instruments: Recognition and Measurement', in accordance with the guidelines which were prepared during the G-20 meeting in April 2009.

IFRS 9 sets out the requirements for recognition and measurement of both financial instruments and certain types of contracts for the sale of non-financial items. The main new developments of the standard are discussed below.

Classification and measurement of financial assets and financial liabilities: Under IFRS 9, financial assets are classified on the basis of the business model within which they are held and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. For many financial assets, the classification and measurement outcomes will be similar to IAS 39. However, under IFRS 9, embedded derivatives are not separated from host financial assets and equity securities are measured at fair value either through profit or loss or, in certain circumstances, an irrevocable election may be made to present fair value movements in other comprehensive income. The requirements for the classification and measurement of financial liabilities were carried forward unchanged from IAS 39, however, the requirements relating to the fair value option for financial liabilities were changed to address own credit risk and, in particular, the presentation of gains and losses within other comprehensive income.

Impairment: IFRS 9 introduces fundamental changes to the impairment of financial assets measured at amortised cost or at fair value through other comprehensive income, lease receivables and certain commitments to extend credit and financial guarantee contracts. It is no longer necessary for losses to be incurred before credit losses are recognised. Instead, under IFRS 9, an entity always accounts for expected credit losses (ECLs), and any changes in those ECLs. The ECL approach must reflect both current and forecast changes in macroeconomic data over a horizon that extends from 12 months to the remaining life of the asset if a borrower's credit risk is deemed to have deteriorated significantly at the reporting date compared to the origination date. These macroeconomic forecasts are required to be unbiased and probability weighted amounts determined by evaluating a range of possible outcomes and considering reasonable and supportable information at the reporting date. Similar to the current incurred credit loss provisioning approach, management will exercise judgement as to whether additional adjustments are required in order to adequately reflect possible events or current conditions that could affect credit risk.

For financial assets, an ECL is the current value of the difference between the contractual cash flows owed to the entity according to the contract and the cash flows which the entity expects to receive. For undrawn loan commitments, an ECL is the current value of the difference between the contractual cash flows owed to the entity and the cash flows which the entity expects to receive if the loan is drawn.

An assessment of each facilities' credit risk profile will determine whether they are to be allocated to one of three stages:

- Stage 1: when it is deemed there has been no significant increase in credit risk since initial recognition, a loss allowance equal to a 12-month ECL – i.e. the proportion of lifetime expected losses resulting from possible default events within a the next 12-months - will be applied;
- Stage 2: when it is deemed there has been a significant increase in credit risk since initial recognition, but no credit impairment has materialised, a loss allowance equal to the lifetime ECL – i.e. lifetime expected loss resulting from all possible defaults throughout the residual life of a facility – will be applied; and
- Stage 3: when it has been deemed there has been a significant increase in credit risk since initial recognition, and the facility is considered credit impaired, a loss allowance equal to the lifetime ECL will be applied. Similar to incurred losses under IAS 39, objective evidence of credit impairment is required.

The assessment of whether a significant increase in credit risk has occurred since initial recognition involves the application of both quantitative measures and qualitative factors, and requires management judgement.

Transition: IFRS 9 has been endorsed for use in the European Union. The mandatory effective date of IFRS 9 is 1 January 2018. The classification and measurement and impairment requirements will be applied retrospectively by adjusting the opening balance sheet at the date of initial application. There is no requirement to restate comparative information. The Company is assessing the likely impacts of the new financial asset classification & measurement and impairment requirements. Upon the satisfactory completion of this work, including formal testing of the ECL models during 2017, the Company will quantify the indicative impact when that information is known or reasonably estimable, and by no later than the end of 2017. It is not yet practicable to quantify the effect of IFRS 9 in these Financial Statements.

b) IFRS 15 'Revenue from Contracts with Customers' (IFRS 15) – In May 2014, the IASB issued IFRS 15. The effective date of IFRS 15 is 1 January 2018. The standard establishes the principles that shall be applied in connection with revenue from contracts with customers including the core principle that the recognition of revenue must depict the transfer of promised goods or services to customers in an amount that reflects the entitlement to consideration in exchange for those goods and services. IFRS 15 applies to all contracts with customers but does not apply to lease contracts, insurance contracts, financial instruments and certain non-monetary exchanges. It is expected that a significant proportion of the Santander UK group's revenue will be outside the scope of IFRS 15. The impact of the standard is currently being assessed, however, it is not yet practicable to quantify the effect of IFRS 15 on these Financial Statements.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are shown at cost less provision for impairment (see note 7). The cost of an investment is measured at the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition.

Investments in associates

Where the Company acquires an investment in an entity in which it has significant influence but not control, the Company records the investment as an investment in an associated undertaking.

Investments in associated undertakings are shown at cost less provision for impairment (see note 8).

Notes to the financial statements *(continued)*

Financial assets: loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs, and are subsequently measured at amortised cost using the effective interest method. They are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all of the risks and rewards of ownership.

Impairment of financial assets

At each balance sheet date, the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets classified as available for sale or loans and receivables have become impaired. Evidence of impairment may include indications that the borrower or group of borrowers have defaulted or are experiencing significant financial difficulty.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents dividends from investments in subsidiary undertakings and interest income.

Foreign currencies

For the purpose of these financial statements, the results and financial position of the Company are expressed in Euros, which is the functional currency of the Company, and the presentation currency for the financial statements.

Transactions in currencies other than the Company's functional currency are recognised at the rates of exchange prevailing on the dates of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Income taxes including deferred income taxes

Income tax payable on profits is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held with banks, other short-term highly liquid investments with original maturities of 90 days or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet. Cash is held with Santander UK plc.

Notes to the financial statements *(continued)*

2. Financial risk management

The Company's activities expose it to a variety of financial risks including market risk, credit risk, liquidity risk and currency risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risk management is carried out by the Group's Finance area in line with its policies and it is monitored by the Group's Risk and Compliance area. The Group's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, funds unitholders and other customers, employees and the Group's regulators. Effective and efficient risk governance and oversight provide management with assurance that the Group's business activities will not be adversely impacted by risks that could have been reasonably foreseen. This in turn reduces the uncertainty of achieving the Group's strategic objectives

The Group operates a "three lines of defence" model and the Company, being a holding company, applies these policies to the extent necessary.

Three lines of defence:

First line of defence

The first line of defence is undertaken by the Group business functions which carry out the day-to-day running of the business. These first line defences identify, manage, mitigate and report on risks in their area of business. The Operational Support area also overlay additional controls and governance where outsource arrangements are in place.

Second line of defence

The second line of defence provides an Independent review and challenge together with policy setting. These are carried out by Risk & Control and Compliance functions.

Risk & Control is an independent centralised function that ensures the processes, policies and rules within Corporate & Regulatory Governance for the Group are adhered to and follow four principles: Independence; Objectivity; Transparency and Accuracy.

Third line of defence

The risk assurance function, provided by Internal Audit, provides an independent review and challenge of the Group's risk management controls, processes and systems, including for Conduct Risk related issues.

Lines of Defence Reporting:

Risk and Control have independent reporting lines from the Group ensuring independence and impartiality.

The Director of Compliance provides quarterly updates to the SAM Investment Holdings Limited Board Risk Committee (conduct issues) and Board Audit Committee.

Internal Audit is functionally dependent on the Board of Directors, and reports to the SAM Investment Holdings Limited Audit Committee.

Credit risk

Credit risk is the risk that counterparties will not meet their financial obligations. The main source of credit risk occurs in intercompany balances held by the Company.

Maximum exposure to credit risk without taking into account collateral or credit enhancements can be found in note 9 to the accounts.

Notes to the financial statements *(continued)*

3. Investment income

	2016 €'000	2015 €'000
Dividends received from subsidiary undertakings	12,300	22,510
Dividends received from associate undertakings	31,383	15,296
	43,683	37,806

During 2016 the Company received total dividends from its subsidiary undertakings of €12.3m (2015:€ 22.51m). This was received from SAM Asset Management, S.A de C.V., Sociedad Operadora de Fondos de Inversion, (previously Gestion Santander, S.A de C.V,. Sociedad Operadora de Sociedades de Inversion).

During 2016 the Company received total dividends from its associated undertakings of €31.383m from AFB SAM Holdings, S.L. (2015: €15.296m)

4. Directors' emoluments and interests

The Directors' emoluments were paid by a fellow Group Company and form part of the accounts of Santander Asset Management UK Limited. The Directors' services to the Company are an incidental part of their duties. No emoluments were paid by the Company to Directors during the year (2015: £nil).

The Company has no employees (2015: none).

5. Audit fees

Fees payable to the Company's auditor for the audit of the Company's annual accounts for the current year are €11,207, (2015: €13,489).

6. Tax

	2016 €'000	2015 €'000
Current tax:		
UK corporation tax on profit of the year	(7)	(10)
Tax (credit) on profit for the year	(7)	(10)

UK corporation tax is calculated at 20% (2015: 20.25%) of the estimated assessable profits for the year. The standard rate of UK corporation tax was reduced from 21% to 20% with effect from 1 April 2015.

The Finance (No. 2) Act 2015, which provides for reductions in the main rate of UK corporation tax to 19% effective from 1 April 2017 and to 18% from 1 April 2020 was enacted on 18 November 2015. The Finance Act 2016 which was substantively enacted on 6 September 2016 introduced a further reduction in the corporation tax rate to 17% from 2020. Since this further change was substantively enacted prior to 31 December 2016, the effects have been reflected in the deferred tax balances at the balance sheet date.

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2016 €'000	2015 €'000
Profit before tax:	43,323	37,757
Tax calculated at a tax rate of 20% (2015: 20.25%)	8,665	7,646
Non taxable dividend income	(8,672)	(7,656)
Tax (credit) for the year	(7)	(10)

Notes to the financial statements *(continued)*

7. Interests in subsidiary undertakings

The following is a list of the subsidiary undertakings of the Company at 31 December 2016.

Name of subsidiary	Place of Incorporation, ownership (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account for investment	Principal activity
Santander Río Asset Management Gerente de Fondos Comunes de Inversión	Argentina	94.9	94.9	Cost	Asset Manageme nt
SAM Asset Management, S.A de C.V., Sociedad Operadora de Fondos de Inversion Santander Mexico de C.V	Mexico	99.99	99.99	Cost	Asset Manageme nt
Topsam S.A. de C.V.	Mexico	99.99	99.99	Cost	Auxiliary Operational Services

The registered office address for each subsidiary listed above, is as follows:
Santander Río Asset Management Gerente de Fondos Comunes de Inversión, Bartolomé Mitre 480, Piso 11, Buenos Aires, Argentina.

SAM Asset Management, S.A de C.V., Sociedad Operadora de Fondos de Inversion Santander Mexico de C.V, Paseo de los Tamarindos 90 (Torre Arcos II), Piso 33 Col. Bosques de las Lomas, Mexico D.F, 05120 Mexico.

Topsam S.A. de C.V. Paseo de los Tamarindos 90, (Torre Arcos II), Piso 33 Col Bosques de las Lomas, Mexico, D.F., 05120 Mexico.

Cost

	€'000
Balance at 31 December 2014	190,907
Acquisition of investments in subsidiary undertakings	(52)
Disposals	(17)
Balance at 31 December 2015	190,838
Acquisition of investments in subsidiary undertakings	-
Disposals	-
Balance at 31 December 2016	190,838

The Directors consider that the recoverable amount of the subsidiary undertakings is equal to the value in use, being the fair value of the investments held. The Directors are not considering a disposal of any part of the business so fair value has not been considered. The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

8. Investment in associates

The following is a list of investments in associated undertakings of the Company at 31 December 2016.

Name of associate	Place of Incorporation, ownership (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account for investment	Principal activity
AFB SAM Holdings, S.L.	Spain	99.00	49.75	Cost	Holding Company

The registered office address for the associate listed above, is as follows:
AFB SAM Holdings, S.L. Avda. De Cantabria s/n, Boadilla del Monte, 28660, Madrid, Spain.

Notes to the financial statements *(continued)*

Cost

	€'000
Balance at 31 December 2014	**216,515**
Investments in associates	401
Balance at 31 December 2015	**216,916**
Investments in associates	3
Balance at 31 December 2016	**216,919**

9. Trade and other receivables

	2016 €'000	2015 €'000
Amounts owed by group undertakings	640	974
Other debtors	15	-
	655	**974**

The Directors consider that the carrying amount of trade and other receivables approximate to their fair value.

10. Trade and other payables

	2016 €'000	2015 €'000
Other creditors	26	37
Amounts due to related parties	13	11
Corporation tax	-	-
	39	48

11. Share capital

	Year ended 31 December 2016 €'000	Year ended 31 December 2015 €'000
Issued and fully paid:		
At 31 December 2016 – 365,870,292 ordinary shares of €1.10 each (2015: 365,870,292 ordinary shares of €1.10 each)	402,457	402,457

12. Related party transactions

	2016 €'000	2015 €'000
Amounts due by group undertakings:		
Santander Río Asset Management Gerente de Fondos Comunes de Inversión	640	964
Group relief	15	10
	655	974
Amounts due to group undertakings:		
SAM Investment Holdings Limited	13	-
	13	-
Amounts due to related parties:		
Gesban UK Limited	-	11
	-	11

In addition to the above, €0.4m (2015: €0.7m) cash and cash equivalents were held with Santander UK plc.

13. Capital management and resources

The Company's Board of Directors manages its capital with the support of its immediate parent company and ensures that capital resources are appropriately monitored and controlled within internal limits.

The Company is not regulated by the FCA, and therefore has no ICAAP requirements.

Notes to the financial statements *(continued)*

14. Parent undertaking and controlling party

The Company's immediate parent company is SAM Investment Holdings Limited, a company incorporated in Jersey.

SAM Investment Holdings Limited is a joint venture with 50% of the control being held by SAM UK Investment Holdings Limited, a company incorporated in England and Wales and 50% by Sherbrooke Acquisition Corp SPC, a segregated portfolio company incorporated in the Cayman Islands.

The immediate and ultimate parent company and controlling party of SAM UK Investment Holdings Limited is Banco Santander, S.A., a company registered in Spain.

The immediate parent company of Sherbrooke Acquisition SPC is Sherbrooke Acquisition Holdings SPC, a segregated portfolio company incorporated in the Cayman Islands.

The parent company of the largest and smallest group that includes the Company and for which group accounts are prepared is SAM Investment Holdings Limited. Copies of the financial statements of the SAM Investment Holdings Limited Group can be obtained from the Company Secretary, Mourant Ozannes, 22 Grenville Street, St Helier, Jersey, JE4 8PX Channel Islands.

The accounts of Santander Asset Management UK Holdings Limited are filed with Companies House in the United Kingdom together with the accounts of the SAM Investment Holdings Limited Group. As a result of this the Company is exempt from preparing and delivering consolidated financial statements in accordance with Companies Act 2006, section 401.

15. Subsequent events

On 7 March, 2017 Banco Santander, SA ("Santander"), Santander Asset Management UK Holdings Limited ("SAM"), Warburg Pincus and General Atlantic and their other partner ("Eurizon Capital SGR, a subsidiary of "Intesa Sanpaolo") in Allfunds Bank, SA ("Allfunds Bank") have signed a binding agreement for the sale of Allfunds Bank to funds affiliated with Hellman & Friedman, a leading venture capital fund, and Singapore's sovereign wealth fund GIC.

The sale of Allfunds Bank is an inherent part of the agreement reached on 16 November 2016 by Santander with Warburg Pincus and General Atlantic to acquire 50% of SAM from these entities. Therefore, this transaction marks a significant enabling step in the process of the completion of the agreement whereby Santander will acquire sole ownership of SAM.

The next step of the process will involve the regulatory and legal proceedings required to secure the approval and completion of the Allfunds Bank sale. The operation is subject to obtaining the requisite regulatory authorisations.

SAM INVESTMENT HOLDINGS LIMITED AND SUBSIDIARIES
(the "SANTANDER ASSET MANAGEMENT GROUP")

CONSOLIDATED ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2016

SANTANDER ASSET MANAGEMENT GROUP

SAM Investment Holdings Limited and subsidiaries

Report of the Directors

The Directors submit their annual report together with the audited consolidated financial statements of SAM Investment Holdings Limited (the "Company") and its subsidiaries (the "SAM Group" or "Santander Asset Management Group") for the year to 31st December 2016.

Principal activity and review of the year

The principal activity of the SAM Group is to act as an independent and global asset manager with strong local roots in Europe and Latin America.

Results and dividends

The profit after tax for the financial period amounted to €120,969,000 (2015: €41,560,000).

Interim dividends were declared in September and December 2016 and paid to shareholders in October 2016 and January 2017 of €40m and €39m (2015: €125m).

The Directors do not recommend the payment of a final dividend (2015: nil).

Directors

The Directors who served throughout the period and to the date of this report (except as noted) were as follows:

Juan Alcaraz	
Jose Antonio Alvarez	
Nathan Bostock	
Ana Patricia Botín-Sanz de Sautuola y O'Shea	Resigned 05/09/2016
Gabriel Caillaux	
David Coulter	
Timothy Geithner	
Robert Kelly	
Jonathan Korngold	
Gustavo Marin-Garat	
Juan Manuel San Roman	
Juan Rodríguez Inciarte	
Jack Treunen (alternate to Mr San Roman)	
Daniel Zilberman	
Javier San Felix	Appointed 21/09/2016

Financial risk management and objectives

The SAM Group's financial instruments, other than derivatives, comprise loans, borrowings, cash and liquid resources, and various items, such as other assets and liabilities that arise directly from its operations. The main purpose of these financial instruments is to finance the SAM Group's operations.

The SAM Group also enters into derivative transactions in the form of forward foreign currency contracts. The purpose of such transactions is to manage the currency risks arising from the SAM Group's operations and its sources of finance.

It is, and has been throughout the year under review, the SAM Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the SAM Group's financial instruments are currency risk and credit risk. The company reviews and manages both risks. The SAM Group's strategy is to mitigate main exposures arising from movements in exchange rates by the use of forward foreign currency contracts for hedging purposes only.

Financial risk management is carried out by the SAM Group's Finance function in line with SAM global policies in place and it is monitored by SAM Group's Risk & Compliance function, which comprises four sub divisions; "Investment Risk", "Internal Control & Operational Risk", "Compliance" and "Performance and Portfolio Analysis".

The SAM Group has implemented monitoring and management reporting to oversee non-financial risks; including but not limited to regulatory risk and operational risk. No material non-financial risks matters have been identified.

The SAM Group's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, employees and the SAM Group's regulators. Effective and efficient risk governance and oversight provide management with assurance that the SAM Group's business activities, will not be adversely impacted by risks that could have been reasonably foreseen. This in turn reduces the uncertainty of achieving the SAM Group's strategic objectives.

Further disclosures regarding financial risk management objectives and policies and the SAM Group's exposure to principal risks can be found in Note 2 to the consolidated financial statements.

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the consolidated financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare consolidated financial statements for each financial year. Under that law the Directors have elected to prepare the SAM Group's financial statements in accordance with International Financial Reporting Standards ("IFRS"s) as adopted by the European Union and the Companies (Jersey) Law 1991 and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these consolidated financial statements International Accounting Standard 1 requires that the Directors:

> properly select and apply accounting policies;
> present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
> provide additional disclosures when compliance with the specific requirements of IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
> make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records which are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the consolidated financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Going Concern

The SAM Group's business activities, together with the factors likely to affect their future development, performance and position are set out above. The financial position of the SAM Group and the Company, their cash flows, liquidity position and borrowing facilities are set out in the consolidated financial statements. The SAM Group's objectives, policies and processes for managing its capital are described in Note 2 to the consolidated financial statements.

Details of the SAM Group's financial risk management objectives, their financial instruments and hedging activities; and exposures to credit risk, market risk and liquidity risk are set out in Note 2 to the consolidated financial statements.

After making enquiries, the Directors have a reasonable expectation that the SAM Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the audited consolidated financial statements.

Auditors

Each of the Directors as at the date of approval of this annual report has confirmed that:

- so far as each Director is aware, there is no relevant audit information of which the SAM Group's auditor is unaware; and
- the Directors have taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information.

Deloitte LLP shall continue to act and be deemed to be re-appointed as auditor for each succeeding financial period until the Company resolves that the appointment of the auditor be brought to an end.

By Order of the Board

Juan Alcaraz
Director
London, UK

SANTANDER ASSET MANAGEMENT GROUP

Strategic Report

The Directors submit the strategic report of SAM Investment Holdings Limited and its subsidiaries (the "SAM Group") together with the report of the Directors and the audited consolidated financial statements for the year to 31st December 2016.

This Strategic report has been prepared for the SAM Group as a whole and therefore gives greater emphasis to those matters which are significant to SAM Investment Holdings Limited and its subsidiary undertakings when viewed as a whole.

The purpose of this report is to provide information to the members of the Company and, as such, it is only addressed to those members. Nothing in this report should be construed as a profit forecast.

Our business model

The Company is the head of an independent Group of Asset Management companies, formed in 2013 through the acquisition of asset management businesses from Banco Santander in Europe and Latin America. Warburg Pincus and General Atlantic acquired 50% of the Company, while Banco Santander retained 50%. On 16th November 2016 Banco Santander S.A. (Grupo Santander) reached an agreement with Warburg Pincus (WP) and General Atlantic (GA) under which Santander will acquire their 50% stake in Santander Asset Management (SAM), bringing SAM back to 100% ownership of Santander Group upon completion. As part of the transaction they also agreed to work towards the disposal of their participation in Allfunds Bank, S.A. through a trade sale or initial public offering. The transaction is subject to certain conditions precedent including obtaining all required regulatory approvals.

The purpose of the alliance with Warburg Pincus and General Atlantic was to enable the SAM Group to improve their ability to compete with the large independent international asset management companies, combining SAM's capabilities in the global institutional market with its unique knowledge and experience in those markets in which Grupo Santander is present. The agreement also envisaged the distribution of products managed by the SAM Group in the countries in which Banco Santander and its subsidiaries has a commercial network for a period of ten years, renewable for five additional two-year periods, for which the Grupo Santander will receive commissions at market rates, thus benefiting from broadening the range of products and services to offer its customers. The SAM Group also distributes its products and services internationally, outside Santander's commercial network.

The SAM Group has a leading market position in the Iberian Peninsula (Spain and Portugal) and Latin America and is poised to benefit from advances in the retail and the individual retirement investment landscape, where private wealth is expected to grow substantially over the coming years.

The SAM Group benefits from: (1) its sizeable base of assets under management ("AUM"), which are in comparatively stable and safe asset classes; (2) a stable retail investor base; (3) a rebate (sales commission) mechanism in most territories, which provides a significant degree of downside protection; and (4) long-term, exclusive distribution agreements with Banco Santander.

Where we are

Euro Currency (millions)	Closing AuM	
	Dec-15	Dec-16
Spain	65,464	66,030
Brazil	39,735	62,298
Mexico	12,388	11,072
Chile	6,169	7,634
United Kingdom	22,820	21,216
Puerto Rico	1,634	1,711
Portugal	5,992	5,422
Germany Branch	1,235	1,568
Argentina	1,117	1,703
Global	2,207	1,965
Consolidated	**158,761**	**180,620**

SANTANDER ASSET MANAGEMENT GROUP

Who we are

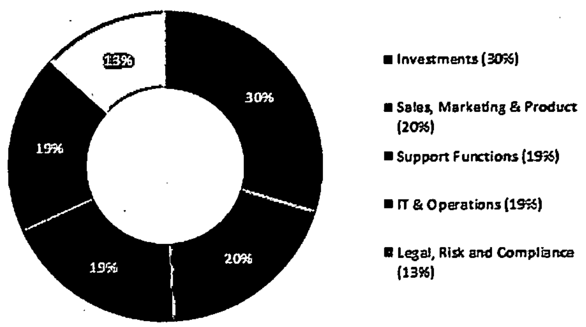
The SAM Group employed 600 people as at December 31st 2016. The SAM Group is committed to recruiting and retaining talented and motivated individuals who put clients at the heart of business.

Key to achieving our goal to become a leader among Global Asset Managers is to have a workplace that provides excellent opportunities for career progression and that encourages accountability and teamwork.

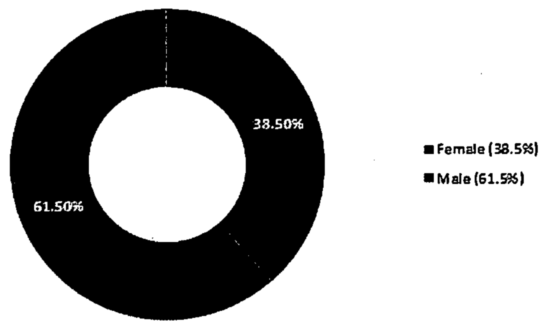
The SAM Group is focused on creating a safe and healthy environment for people and provide training, coaching and advice.

We are committed to supporting diversity and creating an inclusive culture where all people feel valued and able to fulfil their potential.

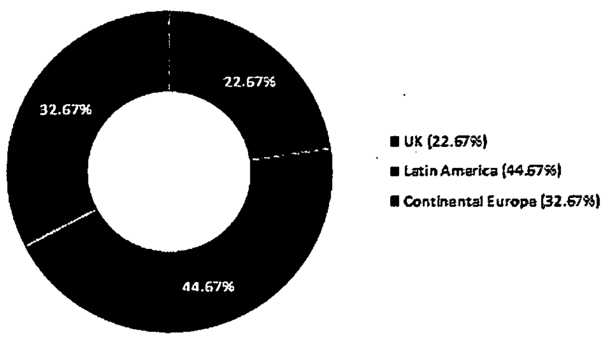
Staff by Function



Staff by Gender



Staff by Location



Business review (excluding Allfunds Bank)

Assets under management increased by 14% at the end of 2016 to €181bn (Dec 2015: €159bn). The total AUM was affected in the summer volatility in markets and currencies, especially the FX impact of the Brazilian Real.

Net sales for the full year 2016 were €5.05 bn, 21% below the same period in 2015 (FY 2015 net sales: €6.37bn).

EBITDA 2016 was €235.3 mn, 16% above EBITDA 2015 of €202.6 mn. Net income was 8% above 2015 reference.

FX rates impact on AUMs

m€	Dec-15	Dec-16
Brazil	(13,705)	11,498
Mexico	(740)	(1,640)
Chile	(279)	619
United Kingdom	1,311	(3,322)
Puerto Rico	96	55
Argentina	(366)	(190)
Total	**(13,683)**	**7,020**

FX impact, during the year, on AUM was €7.0bn (2015: -13.7bn).

Allfunds Bank achieved new record AuA (Assets under Administration) of €253.1 bn in December 2016 (Dec 2015: €215.5bn). 2016 net income was €69.1mn (2015 €160.07mn).

Risk and uncertainties

Disclosures regarding financial risk management objectives and policies and the SAM Group's exposure to principal risks can be found in Note 2 to the consolidated financial statements.

Terminated merger with Pioneer

On 11th November 2015, UniCredit, S.p.A., Banco Santander, S.A., Warburg Pincus LLC and General Atlantic LLC entered into a master agreement in respect of a proposed transaction to combine the non-U.S. part of Pioneer's asset management business with SAM's asset management business to create a leading global asset manager.

On 27th July 2016, Banco Santander S.A. and Sherbrooke Acquisition Corp SPC agreed with Unicredit to terminate the agreements entered into on 11 November 2015 relating to the business combination of Pioneer Investments and Santander Asset Management (the "Transaction"). The parties held detailed discussions to identify viable solutions to meet all regulatory requirements to complete the transaction, but in the absence of any workable solution within a reasonable time horizon, the parties have concluded that ending the talks was the most appropriate course of action.

Allfunds Bank performance

On 19th November 2014, the SAM Group completed the acquisition of a 49.5% stake in AllFunds Bank for a total consideration of €212.85mn, a leading business-to-business ("B2B") fund distribution platform, which is an ideal partner for SAM to accelerate the growth of our core funds as well as being a complementary business and technological partner, principally in the Fund of Fund segment of the market.

Allfunds Bank has become one of the world's leading global B2B distribution platforms of third-party funds, with €253.1bn (2015: €215.5bn) of AuA offering a one-stop solution for funds dealing, information management and research services.

Allfunds Bank is headquartered in Madrid with local presence in London, Luxembourg, Milan, Santiago Chile, Dubai, Zurich, Bogota and Singapore.

Key metrics – Allfunds Bank	Dec 2016	Dec 2015
Clients agreements	533	477
Volume (€ bn)	253,1	215,5
EBITDA (€ mn)	98,7	111,9
Profit Before Tax (€ mn)	96,4	107,6

In 2016, the SAM Group recognised €34.2mn of income (2015: €37.6mn) coming from its 49.5% interest in Allfunds Bank, which was accounted for using the equity method and recognised as "Share of result of entities accounted using the equity method" in the statement of comprehensive income.

The dividends received from Allfunds Bank during the year amounted to €31,383,000 (2015: €15,296,000).

SANTANDER ASSET MANAGEMENT GROUP

Financial review

Consolidated results for the year

Mn €	2016	2015	Var
(+) Gross management commission	1,170.4	1,214.7	-4%
(+) Distribution Expenses	(772.5)	(851.0)	-9%
(+) Net management commission	***397.9***	***363.7***	9%
(+) Other commissions	6.5	9.3	-30%
(-) ISS-Tax over net income	(13.4)	(12.1)	11%
(+) Net Commission	**391.0**	**360.9**	8%
(-) Expenses	**(155.8)**	**(158.3)**	-2%
(-) Staff costs	(103.7)	(104.5)	-1%
(-)General Expenses	(52.0)	(53.8)	-3%
EBITDA Excl. AFB	**235.3**	**202.6**	16%
EBITDA AFB (49.5%)	48.9	54.9	-11%
Total EBITDA	**284.1**	**257.6**	10%
Non recurring Expenses	*(31.9)*	*(72.7)*	-56%
Accounting adjustments to affiliate results	(14.7)	(17.3)	-15%
Financial margin	(35.4)	(41.4)	-14%
ROF	(1.6)	(9.3)	-83%
OREX	(4.3)	(0.0)	43301%
D&A	(24.5)	(25.2)	-3%
PBT	**171.6**	**91.6**	87%
TAX	(50.7)	(50.1)	1%
PAT	**120.9**	**41.6**	191%

SAM's EBITDA, excluding All Funds, for the year ended 31st December 2016 was €235.3mn, which was 16% higher than 2015 EBITDA of €202.6mn.

Net commissions increased by 8% during the year to €391.0mn, with management fees leading the growth.

Operating expenses decreased by 2% during the year as a result of cost containment policies.

Non recurring expenses are related, mainly, to Pioneer Integration costs, the equity plan granted during 2015 and other provisions registered in 2016.

By Order of the Board

Juan Alcaraz, Director

30 March 2017
London, UK

Independent auditor's report to the members of SAM Investment Holdings Limited

We have audited the financial statements of SAM Investment Holdings Limited for the year ended 31 December 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

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

Stuart McLaren
for and on behalf of Deloitte LLP
Chartered Accountants
London, UK
30 March, 2017

SANTANDER ASSET MANAGEMENT GROUP

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2016

	Notes	1 January 2016 to 31 December 16 €'000	1 January 2015 to 31 December 15 €'000
Continuing operations			
Operating income			
Fee and commission income	6	941,756	995,905
Fee and commission expense	7	(553,565)	(639,027)
Other (expense) / income	13	(4,340)	37
Share of result of entities accounted for using the equity method	16	34,175	37,608
Staff costs	8	(116,553)	(126,990)
General expenses	9	(62,580)	(100,035)
Total operating income		**238,893**	**167,498**
Non-operating income/ expense			
Interest and similar income	10	6,820	8,788
Interest expense and similar charge	11	(42,237)	(50,205)
Gains on financial assets and liabilities		2,591	1,510
Exchange losses (net)		(4,161)	(10,742)
Depreciation and amortisation charges	14,17	(24,539)	(24,682)
Provisions (net)	23	(5,701)	(533)
Total non-operating income / expense		**(67,227)**	**(75,864)**
Profit before tax		**171,666**	**91,634**
Tax	12	(50,697)	(50,074)
Total income for the year		**120,969**	**41,560**
Other comprehensive income			
Exchange differences arising on translation of foreign operations		172	(9,296)
Gains from available for sale financial assets		1,364	581
Cash flow hedge		(3,236)	(1,177)
Other		(77)	126
Total other comprehensive loss		**(1,777)**	**(9,766)**
Total comprehensive income		**119,192**	**31,794**
Profit attributable to the Parent		**120,955**	**41,526**
Profit attributable to non-controlling interests		**14**	**34**
Other comprehensive income attributable to the Parent		**(1,777)**	**(9,766)**
Other comprehensive income attributable to non-controlling interests		**82**	**(139)**
Total Comprehensive income		**119,274**	**31,655**
Earnings per share (euros)			
Basic	3	3,603	1,237
Diluted	3	3,603	1,237

The accompanying notes on pages 13 to 46 form an integral part of the consolidated statements for the year ended 31st December 2016.

The results for the year all derive from continuing operations.

SANTANDER ASSET MANAGEMENT GROUP

Consolidated Statement of Financial Position

As of 31st December 2016

	Notes	31 December 2016 €'000	31 December 2015 €'000
Non-current assets			
Goodwill	14	1,039,749	1,039,749
Intangible assets	14	348,217	367,565
Hedging derivatives	15	124,815	121,134
Investments in associates	16	244,534	241,803
Property, plant and equipment	17	13,817	13,805
Deferred tax asset	12	18,189	13,804
Total non-current assets		**1,789,321**	**1,797,860**
Current assets			
Financial assets held for trading	18	2,760	4,188
Available for sale financial assets	19	32,612	26,085
Trade and other receivables	20	133,548	154,159
Current tax asset		61,382	60,050
Cash and cash equivalents	21	329,434	310,073
Total current assets		**559,736**	**554,555**
Total assets		**2,349,057**	**2,352,415**
Non-current liabilities			
Loans from credit institutions	22	983,603	1,026,949
Provisions	23	26,677	22,064
Trade and other payables	24	3,470	6,525
Deferred tax liability	12	493	1,495
Total non-current liabilities		**1,014,243**	**1,057,033**
Current liabilities			
Loans from credit institutions	22	1,378	6,386
Trade and other payables	24	168,433	183,966
Current tax liabilities		44,439	47,686
Provisions	23	13,115	18,762
Total current liabilities		**227,365**	**256,800**
Total liabilities		**1,241,608**	**1,313,833**
Equity			
Share capital	25	34	34
Share premium account	26	1,079,861	1,079,861
Reserves	27	(20,865)	40,296
Other equity instruments	8,31	22,047	15,767
Profit for the year attributable to the Parent	27	120,955	41,526
Dividends	27	(79,000)	(125,000)
Other reserves	28	(16,010)	(14,233)
Total shareholders' equity		**1,107,022**	**1,038,251**
Non-controlling interests		427	331
Total equity		**1,107,449**	**1,038,582**
Total equity and liabilities		**2,349,057**	**2,352,415**

The accompanying notes on pages 13 to 46 form an integral part of the consolidated statements for the year ended 31st December 2016.

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 14th March 2017. They were signed on its behalf by:

Juan Alcaraz, Director

30 March 2017

SANTANDER ASSET MANAGEMENT GROUP

Consolidated Statement of Changes in Equity

For the year ended 31st December 2016

31 December 2016

	Issued capital	Share premium account	Reserves	Other Equity Instruments	Profit/ (loss) for the year	Dividends	Other reserves	Total shareholders' equity	Non-controlling interests	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at the beginning of the year	34	1,079,861	40,296	15,767	41,526	(125,000)	(14,233)	1,038,251	331	1,038,582
Total income for the year	-	-	-	-	120,955	-	-	120,955	14	120,969
Other comprehensive loss	-	-	-	-	-	-	(1,777)	(1,777)	82	(1,695)
Other changes in equity										
Distribution of dividends	-	-	-	-	-	(79,000)	-	(79,000)	-	(79,000)
Equity Plan	-	-	-	6,280	-	-	-	6,280	-	6,280
Other (*)	-	-	22,313	-	-	-	-	22,313	-	22,313
Transfers between equity items	-	-	(83,474)	-	(41,526)	125,000	-	-	-	-
Balance at 31 December 2016	**34**	**1,079,861**	**(20,865)**	**22,047**	**120,955**	**(79,000)**	**(16,010)**	**1,107,022**	**427**	**1,107,449**

31 December 2015

	Issued capital	Share premium account	Reserves	Other Equity Instruments	Profit/ (loss) for the year	Dividends	Other reserves	Total shareholders' equity	Non-controlling interests	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at the beginning of the year	34	1,079,861	(22,482)	-	102,292	(42,000)	(4,467)	1,113,238	436	1,113,674
Total income for the year	-	-	-	-	41,526	-	-	41,526	34	41,560
Other comprehensive loss	-	-	-	-	-	-	(9,766)	(9,766)	(139)	(9,905)
Other changes in equity										
Distribution of dividends	-	-	-	-	-	(125,000)	-	(125,000)	-	(125,000)
Equity Plan	-	-	-	15,767	-	-	-	15,767	-	15,767
Other	-	-	2,486	-	-	-	-	2,486	-	2,486
Transfers between equity items	-	-	60,292	-	(102,292)	42,000	-	-	-	-
Balance at 31 December 2015	**34**	**1,079,861**	**40,296**	**15,767**	**41,526**	**(125,000)**	**(14,233)**	**1,038,251**	**331**	**1,038,582**

(*)This reserve refers to the prior year share of the results of entities accounted for using the equity method less the dividends received from them for that period (see note 16b)
The accompanying notes on pages 13 to 46 form an integral part of the consolidated statements for the year ended 31 December 2016.

SANTANDER ASSET MANAGEMENT GROUP

Consolidated Statement of Cash Flows

For the year ended 31st December 2016

	1 January 2016 to 31 December 2016 €'000	1 January 2015 to 31 December 2015 €'000
1. Cash flows from operating activities		
Profit for the year	120,955	41,526
Adjustments made to obtain the cash flows from operating activities	62,853	66,502
Depreciation and amortisation charge	24,539	24,682
Other items	38,314	41,820
Adjusted profit	183,808	108,028
Net decrease/(increase) in operating assets	121,347	147,429
Receivables	116,084	123,238
Financial assets held for trading	1,428	380
Available for sale financial assets	(6,528)	16,972
Other operating assets	10,363	6,839
Net (decrease) in operating liabilities	(82,564)	(45,081)
Other operating liabilities	(82,564)	(45,081)
Income tax paid	(45,466)	(47,029)
Total net cash flows from operating activities	**177,125**	**163,347**
2. Cash flows from investing activities		
Payments	(5,203)	(14,470)
Investments	-	(401)
Tangible assets	(2,542)	(9,115)
Intangible assets	(2,661)	(4,954)
Proceeds	31,383	15,296
Investments	31,383	15,296
Total net cash flows from investing activities	**26,180**	**826**
3. Cash flows from financing activities		
Payments	(103,944)	(73,470)
Repayment and redemption of subordinated liabilities, borrowings, loans and other financing received	(103,944)	(73,470)
Proceeds		-
Dividends paid and return on other equity instruments	(80,000)	(85,000)
Total net cash flows from financing activities	**(183,944)**	**(158,470)**
4. Net increase in cash and cash equivalents	**19,361**	**5,703**
Cash and cash equivalents at beginning of year	310,073	304,370
Cash and cash equivalents at end of year	329,434	310,073

The accompanying notes on pages 13 to 46 form an integral part of the consolidated statements for the year ended 31st December 2016.

SANTANDER ASSET MANAGEMENT GROUP

Notes to the consolidated financial statements

1. Accounting Policies

The principal accounting policies applied in the preparation of consolidated financial statements are set out below. These policies have been consistently applied to the current and prior period unless otherwise stated.

1.1. General information

SAM Investment Holdings Limited ('the Company') is a limited company incorporated in Jersey. The Company is a joint venture 50% held by SAM UK Investment Holdings Limited, a company incorporated in England and Wales and 50% by Sherbrooke Acquisition Corp SPC, a segregated portfolio company incorporated in the Cayman Islands. The Company is a holding company for a number of entities located in various jurisdictions (the Company and these subsidiaries, the "SAM Group") as set out in the scope of consolidation table.

The immediate and ultimate parent company and controlling party of SAM UK Investment Holdings Limited is Banco Santander, S.A., a company registered in Spain.

The immediate parent of Sherbrook Acquisition Corp SPC is Sherbrooke Acquisition Holdings Corp SPC, incorporated in Cayman.

On 16 November 2016, Banco Santander, S.A. announced that it had reached an agreement with the shareholders of Sherbrooke Acquisition Holdings Corp SPC to buy-back the 50% shareholding held by the latter in the Company.

Copies of these financial statements of the SAM Group can be obtained from the Company Secretary, Mourant Ozannes, 22 Grenville Street, St Helier, Jersey, JE4 8PX Channel Islands.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union (EU-IFRS). The consolidated financial statements have been prepared on the going concern basis as disclosed in the directors' statement of going concern set out in the Report of the directors. The SAM Group, in addition to complying with its legal obligation to comply with IFRSs as adopted for use in the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The information relating to 2015 included in these notes to the consolidated financial statements is presented for comparison purposes with that relating to 2016.

Basis of preparation

The SAM Group's consolidated financial statements for 2016 were prepared taking into account all the mandatory accounting policies and rules and measurement bases with a material effect on the consolidated financial statements and, accordingly, they present fairly the SAM Group's consolidated equity and financial position at 31st December 2016, and the consolidated results of its operations, the consolidated statement of recognised income and expense and the consolidated cash flows in the year then ended, in accordance with the financial information's regulatory framework to be applied in this case, particularly with the accounting policies and measurement bases contained in the document mentioned in the foregoing sections.

The principal accounting policies and measurement bases applied in preparing the SAM Group's consolidated financial statements for 2016 are summarized in foregoing paragraphs.

The consolidated financial statements were prepared from the accounting records kept by SAM Investment Holdings Limited and by the other SAM Group entities. However, since the accounting policies and measurement bases used in preparing the SAM Group's consolidated financial statements for 2016 may differ from those used by certain SAM Group entities, the required adjustments and reclassifications were made on consolidation to unify such policies and bases and to make them compliant with the EU-IFRSs used by the Group in the preparation of its consolidated financial statements.

Scope of consolidation

The following is a list of the subsidiary undertakings of the Company at 31st December 2016 and 2015:

Name of subsidiary	Place of Incorporation, Ownership (or registration) and Operation	2016 Proportion of Ownership interest (%)	2015 Proportion of Ownership interest (%)	Principal activity
Santander Asset Management USA LLC	United States	-	100.00	Asset Management
Santander Asset Management LLC	Puerto Rico	100.00	100.00	Asset Management
SAM Finance Lux S.a.r.l.	Luxembourg	100.00	100.00	Group loan finance
Santander Asset Management Luxembourg, S.A.	Luxembourg	100.00	100.00	Asset Management
Santander Pensiones, S.A. EGFP	Spain	100.00	100.00	Asset Management
Santander Asset Management, S.A. SGIIC	Spain	100.00	100.00	Asset Management
AFB SAM Holdings, S.L.	Spain	99.00	99.00	Holding company
Santander Asset Management UK Holdings Limited	United Kingdom	100.00	100.00	Holding company
Santander Asset Management UK Limited	United Kingdom	100.00	100.00	Asset Management
Santander Brasil Asset Management Distribuidora de Titulos e Valores Mobiliarios S.A.	Brazil	99.00	99.00	Asset Management
Santander Brasil Gestao de Recursos Ltda	Brazil	100.00	100.00	Asset Management
SAM Brasil Participações S.A.	Brazil	99.00	99.00	Holding company
Santander Asset Management S.A. Administradora General de Fondos	Chile	100.00	100.00	Asset Management
Santander Río Asset Management Gerente de Fondos Comunes de Inversión, S.A.	Argentina	100.00	100.00	Asset Management
SAM Asset Management, S.A de C.V., Sociedad Operadora de Fondos de Inversión,	Mexico	100.00	100.00	Asset Management
Topsam, S.A. de C.V.	Mexico	100.00	100.00	Administrative and auxiliary services company

The current subsidiaries listed have been consolidated in arriving at the SAM Group's results and financial position, except for AFB SAM Holdings, S.L. Pursuant to the shareholders agreement, the control of this company is held by Banco Santander, as Banco Santander is the owner of 10 A class shares which represent 1,000 voting rights whereas the SAM Group (through Santander Asset Management UK Holdings Limited) holds 990 B class shares which represent 990 voting rights.

Sherbrooke Acquisition Corp SPC holds an additional minority interest in SAM Brasil Participações S.A. by its direct holding of 1 class A share, representing an interest of 0.000000472% (total number of class A shares, 211,860,000). In addition, Banco Santander, S.A. holds 99.99% of the class B shares in SAM Brasil Participações S.A. attracting additional rights. The Class B Shares entitle their holders to the right to vote separately for the filling of certain key management positions. SAM Brasil Participações S.A. is the holding company of Santander Brasil Asset Management Distribuidora de Titulos e Valores Mobiliarios S.A.

Changes in the scope of consolidation during 2016

No changes in the scope of consolidation have taken place during 2016.

Changes in the scope of consolidation during 2015

Given that the subsidiary Santander Asset Management USA LLC ("SAM USA") did not receive regulatory permissions to start operations as a SEC registered Asset Management company, the Group decided to dissolve and liquidate SAM USA during 2015 (completed during 2016).

During 2015 the subsidiaries SUTM Limited and SPortfolio M UK Limited completed the liquidation process. SUTM Limited was dissolved at the company registry on 24th October 2015 and SPortfolio M UK Limited on the 30th October 2015. These two entities no longer form part of the SAM Group.

1.2. Recent accounting developments

The following modifications to the IFRS standards or their interpretations (hereinafter "IFRIC") came into force after January 1, 2016. They have not had a significant impact into the SAM Group's consolidated financial statements corresponding to the period ended December 31, 2016.

a) Amended IFRS 11 - "Joint Arrangements". The amendments made to IFRS 11 require the acquirer of an interest in a joint operation in which the activity constitutes a business to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs.

b) Amended IAS 16 - "Property, Plant and Equipment" and Amended IAS 38 – "Intangible Assets". The amendments made to IAS 16 and IAS 38 exclude, as general rule, as depreciation method to be used, those methods based on revenue that is generated by an activity that includes the use of an asset, because the revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits of the asset.

c) Amended IAS 27 – "Separate financial statements". Changes to IAS 27 allow entities to use the equity method to account for investment in subsidiaries, joint ventures and associates, in their separate financial statements.

d) Annual improvements cycle to IFRSs 2012-2014. The annual improvements cycle to IFRSs 2012-2014 includes minor changes and clarifications to IFRS 5 – Non current assets held for sale and discontinued operations, IFRS 7 – Financial instruments: Information to disclose, IAS 19 – Employee benefits and IAS 34 – interim financial information.

e) Amended IAS 1 – Presentation of Financial Statements. The amendments made to IAS 1 further encourage companies to apply professional judgment in determining what information to disclose in their financial statements, in determining when line items are disaggregated and additional headings and subtotals included in the statement of financial position and the statement of profit or loss and other comprehensive income, and in determining where and in what order information is presented in the financial disclosures.

f) Amended IFRS 10 - "Consolidated Financial Statements", Amended IFRS 12 – "Disclosure of interests in other entities" and Amended IAS 28 – "Investments in Associates and Joint Ventures". The amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities in three aspects:

   i. The amendments confirm that a parent entity that is a subsidiary of an investment entity has the possibility to apply the exemption from preparing consolidated financial statements.

   ii. The amendments clarify that if an investment entity has a subsidiary whose main purpose is to support the investment entity's investment activities by providing investment-related services or activities, to the entity or other parties, and that is not itself an investment entity, it shall consolidate that subsidiary; but if that subsidiary is itself an investment entity, the investment entity parent shall measure the subsidiary at fair value through profit or loss.

The amendments require a non-investment entity investor to retain, when applying the equity method, the fair value measurement applied by an investment entity associate or joint venture to its interests in subsidiaries.

1.3. Future accounting developments

New International Financial Reporting Standards together with their interpretations had been published at the date of preparation of the accompanying consolidated financial statements, but are not obligatory as of December 31, 2016. Although in some cases the EU permits early adoption before they come into force, the SAM Group has not done so as of this date, as it is still analysing the effects that will result from them.

a) IFRS 9 - "Financial instruments" The EU has established January 1, 2018, as the mandatory application date, with the possibility of early adoption.

b) Amended IFRS 7 - "Financial instruments: Disclosures". The EU modified IFRS 7 in December 2011 to include new disclosures on financial instruments that entities will have to provide as soon as they apply IFRS 9 for the first time.

c) Amended IFRS 4 - "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts". The amendments introduce two approaches to address concerns that the financial statements of issuers of insurance contracts may be difficult to understand if IFRS 9 is applied before the forthcoming insurance contracts Standard:

   i. Overlay approach: gives all companies that issue insurance contracts within the scope of IFRS 4, the option to reclassify, from profit or loss to other comprehensive income, an amount equal to the difference between the amount reported in profit or loss for qualifying financial assets applying IFRS 9 and the amount that would have been reported in profit or loss for those financial assets applying IAS 39. Qualifying financial assets are contracts within the scope of IFRS 4 that are measured at fair value through profit or loss applying IFRS 9 that would not have been measured at fair value through profit or loss applying IAS 39. Entities can choose to apply the overlay approach only when they first apply IFRS 9.

   ii. Deferral approach: gives companies whose activities are predominantly connected with issuing contracts within the scope of IFRS 4 an optional temporary exemption from applying IFRS 9 until the earliest of the application of the forthcoming insurance contracts Standard, or 1 January 2021. Entities are required to assess whether their activities are predominantly connected with insurance at the end of their annual reporting period immediately before 1 April 2016 and will apply the temporary exemption for annual periods beginning on or after 1 January 2018.

d) IFRS 15 - "Revenue from contracts with customers" and "clarifications to IFRS 15". This Standard will be applied to the accounting years starting on or after January 1, 2018, although early adoption is permitted.

e) Amended IFRS 10 – "Consolidated financial statements" and IAS 28 amended. These changes refer to sales or contribution of assets between an investor and its associates or joint venture and will be applicable to accounting periods beginning on the effective date, still to be determined, although early adoption is allowed.

f) IAS 12 – "Income Taxes. Recognition of Deferred Tax Assets for Unrealized Losses". These modifications will be applied to the accounting periods beginning on or after January 1, 2017, although early application is permitted.

g) IFRS 16 – "Leases". The standard will be applied to the accounting years starting on or after January 1, 2019, although early application is permitted if IFRS 15 is also applied.

h) IAS 7 – "Statement of Cash Flows. Disclosure Initiative". These modifications will be applied to the accounting periods beginning on or after January 1, 2017, although early application is permitted.

i) IFRS 2 – "Classifications and Measurement of Share-based Payment Transactions". These modifications will be applied to the accounting periods beginning on or after January 1, 2018, although early application is permitted.

1.4. Fair value hierarchy

The SAM Group applies the following fair value hierarchy that prioritises the inputs to valuation techniques used in measuring fair value. The hierarchy establishes three categories for valuing financial instruments, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three categories are: quoted prices in active markets (Level 1), internal models based on observable market data (Level 2) and internal models based on other than observable market data (Level 3). If the inputs used to measure an asset or a liability fall to different levels within the hierarchy, the classification of the entire asset or liability will be based on the lowest level input that is significant to the overall fair value measurement of the asset or liability.

The SAM Group categorises assets and liabilities measured at fair value within the fair value hierarchy based on the inputs to the valuation techniques as follows:

Level 1: Unadjusted quoted prices for identical assets or liabilities in an active market that the SAM Group has the ability to access at the measurement date.

Level 2: Quoted prices in markets that are not active, quoted prices for similar assets or liabilities, recent market transactions, inputs other than quoted market prices for the asset or liability that are observable either directly or indirectly for substantially the full term, and inputs to valuation techniques that are derived principally from or corroborated by observable market data through correlation or other statistical means for substantially the full term of the asset or liability. The SAM Group holds assets and liabilities that are classified as Level 2 (see Note 30).

Level 3: Inputs to the pricing or valuation techniques that are significant to the overall fair value measurement of the asset or liability are unobservable. The SAM Group holds no assets or liabilities that are classified as Level 3.

The SAM Group assesses active markets for equity instruments based on trading volumes both in absolute terms and relative to the market capitalisation for the instrument. The SAM Group assesses active markets for debt instruments based on trading volumes, the number of days with trading activity, the number of quotes, etc. The SAM Group assesses active markets for exchange traded derivatives based on trading volumes both in absolute terms and relative to the market capitalisation for the instrument. This information, together with the observation of active trading and the magnitude of the bid-offer spreads allow consideration of the liquidity of a financial instrument. All underlying assets and liabilities are reviewed to consider the appropriate adjustment to mark the mid-price reported in the trading systems to a realisable value. This process may take into account the liquidity of the position in the size of the adjustment required.

In determining the appropriate measurement levels, the SAM Group performs regular analyses on the assets and liabilities. All underlying assets and liabilities are regularly reviewed to determine whether a position should be regarded as illiquid; the most important practical consideration being the observability of trading. Where the bid-offer spread is observable, this is tested against actual trades. If trades are not observed, the bid-offer spread is disregarded as a sign of liquidity and the position is regarded as illiquid.

Changes in the observability of significant valuation inputs during the reporting period may result in a reclassification of certain assets and liabilities within the fair value hierarchy.

The principal accounting policies are set out below.

1.5. Basis of consolidation

The consolidated financial statements incorporate the financial statements of SAM Investment Holdings Limited and entities controlled by the Company and its subsidiaries. Control is achieved where the Company has (i) power over the investee; (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and (iii) has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed in IFRS 10.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Inter-company transactions, balances and unrealised gains on transactions between SAM Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered.

Changes in the SAM Group's ownership interests in existing subsidiaries

Changes in the SAM Group's ownership interests in subsidiaries that do not result in the SAM Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the SAM Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the SAM Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the SAM Group has directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, when the cost on initial recognition of an investment is an associate or a joint venture.

Appendix I (unaudited) and Note 1.1 above show a list of the companies in the scope of consolidation, together with the most significant information thereon at 31st December 2016 and 2015.

1.6. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the SAM Group, liabilities incurred by the SAM Group to the former owners of the acquiree and the equity interest issued by the SAM Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the SAM Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the SAM Group's previously-held interests in the acquired entity are remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the SAM Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

1.7. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any, as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to the single SAM Group's cash-generating unit expected to benefit from the synergies of the combination. The cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.8. Investment in associates and joint ventures

An associate is an entity over which the SAM Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but has no control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the SAM Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the SAM Group's share of losses of an associate or a joint venture exceeds the SAM Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form a part of the SAM Group's net investment in the associate or joint venture), the SAM Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the SAM Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the SAM Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the SAM Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the SAM Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The SAM Group discontinues the use of equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the SAM Group retains an interest in the former associate or joint venture and the retained interest is a financial assets, the SAM Group measures the retained interest at fair value at that date. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the SAM Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the SAM Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The SAM Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no measurement to fair value upon such changes in ownership interests.

When the SAM Group reduces it ownership interest in an associate or a joint venture but the SAM Group continues to use the equity method, the SAM Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a SAM Group entity transacts with an associate or a joint venture of the SAM Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the SAM Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the SAM Group.

1.9. Revenue recognition

Fee and commission income and expenses are recognised in the income statement using criteria that vary according to their nature. The main criteria are as follows.

Fees and commissions from the management and administration of collective investment undertakings and other assets, and from advisory services to entities under signed agreements, are included under "Fee and Commission Income". Insofar as they arise from services that are performed over a period of time, they are recognised in the income statement over the term of these services.

Expenses arising from the marketing of collective investment undertakings by third parties are included under "Fee and Commission Expense". Insofar as they arise from services that are performed over a period of time, they are recognised in the income statement over the term of these services.

Subscription and redemption fees relating to collective investment undertakings are included under "Fee and Commission Income". Insofar as they relate to services provided in a single act, they are recognised in the income statement when the single act is carried out.

1.10. Borrowing costs

Borrowings and debt securities in issue are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost or fair value through profit or loss dependent on designation at initial recognition.

1.11. Employee benefits

Retirement benefit costs and termination benefits

The SAM Group's post-employment obligations to its employees are deemed to be 'defined contribution plans' when the SAM Group makes pre-determined contributions to a separate entity and will have no legal or effective obligation to make further contributions if the separate entity cannot pay the employee benefits relating to the service rendered in the current and prior periods.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the SAM Group in respect of services provided by employees up to the reporting date.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 31.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

1.12. Income taxes including deferred taxes

The tax expense represents the sum of the income tax currently payable and deferred income tax.

The tax currently payable is based on taxable profit of the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit and loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The SAM Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax is the tax expected to be payable or recoverable on income tax losses available to carry forward and on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the assets may be utilised as they reverse. Such deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill. Deferred tax assets and liabilities are not recognised from the initial recognition of other assets (other than in a business combination) and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the SAM Group is able to control reversal of the temporary difference and it is probable that it will not reverse in the foreseeable future. The SAM Group reviews the carrying amount of deferred tax assets at each balance sheet date and reduces it to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting SAM Group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.13. Property, plant and equipment

Property, plant and equipment include owner-occupied properties (including leasehold properties), office fixtures and equipment and computer software. Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. A review for indications of impairment is carried out at each reporting date. Gains and losses on disposal are determined by reference to the carrying amount and are reported in net trading and other income. Repairs and renewals are charged to the income statement when the expenditure is incurred. Internally developed software meeting the criteria set out in "Goodwill" and "Intangible assets" and externally purchased software are classified in property, plant and equipment on the balance sheet where the software is an integral part of the related computer hardware.

Classes of property, plant and equipment are depreciated on a straight-line basis over their useful life, as follows:

Leasehold properties	Not exceeding 50 years
Freehold land and buildings	Not exceeding 50 years
Office fixtures and fittings	3 to 15 years

1.14. Intangible assets

Classes of intangible assets are amortised on a straight-line basis over their useful life, as follows:

Customer relations and distribution agreement	20 years
Software intangibles	5 years
Other intangibles	5 years

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

At the end of each reporting period, the SAM Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the SAM Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest SAM Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of the money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.15. Provisions

Provisions are recognised when the SAM Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the SAM Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provision is made for loan commitments, other than those classified as held for trading, within impairment loss allowances if it is probable that the facility will be drawn and the resulting loan will be recognised at a value less than the cash advanced. Contingent liabilities are possible obligations whose existence will be confirmed only by certain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

1.16. Financial assets

The SAM Group classifies its financial assets as: 'financial assets at fair value through profit or loss', 'loans and receivables' and 'available-for-sale financial assets'. Management determines the classification of its financial assets at initial recognition. Financial assets that are classified at fair value through profit or loss, which have not been designated as such or are not accounted for as derivatives, or assets classified as available-for-sale, may subsequently in rare circumstances, be reclassified from the fair value through profit or loss category to the loans and receivables or held to maturity categories. In order to meet the criteria for reclassification, the asset must no longer be held for the purpose of selling or repurchasing in the near term and must also meet the definition of the category into which it is to be reclassified had it not been required to classify it at fair value through profit or loss at initial recognition. The reclassified value is the fair value of the asset at the date of reclassification. The SAM Group has not utilised this option and therefore has not reclassified any assets from the fair value through profit or loss category that were classified as such at initial recognition.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss if they are either held for trading or otherwise designated at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is a part of a portfolio of identified financial instruments that the SAM Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

In certain circumstances financial assets other than those that are held for trading are designated at fair value through profit or loss where this results in more relevant information because it significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or recognising the gains or losses on them on a different basis, where the assets are managed and their performance evaluated on a fair value basis, or where a financial asset contains one or more embedded derivatives which are not closely related to the host contract.

Trading assets, derivative financial instruments and financial assets designated at fair value are classified as fair value through profit or loss. They are derecognised when the rights to receive cash flows from the asset have expired or when the SAM Group has transferred substantially all the risks and rewards of ownership.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market and which are not classified as available-for-sale or fair value through profit or loss. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method. They are derecognised when the rights to receive cash flows have expired or the SAM Group has transferred substantially all of the risks and rewards of ownership.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and are not categorised into any of the other categories described. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently held at fair value. Gains and losses arising from changes in fair value of available-for-sale securities are recognised in other comprehensive income until sale or until determined to be impaired when the cumulative gain or loss or impairment losses are transferred to the income statement. Where the financial asset is interest-bearing, interest is determined using the effective interest method.

Income on investments in equity shares, debt instruments and other similar interests is recognised in the income statement as and when dividends are declared and interest is accrued. Impairment losses and foreign exchange translation differences on monetary items are recognised in the income statement. The investments are derecognised when the rights to receive cash flows have expired or the SAM Group has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

Financial assets, other than those financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.
For available for sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty;
- Breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment of a portfolio of receivables could include the SAM Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available for sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

If in a subsequent period, the amount of an impairment loss reduces and the reduction can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the impairment loss allowance accordingly. The write-back is recognised in the income statement.

Impairment of non-financial assets

At each end of the reporting period, or more frequently when events or changes in circumstances dictate, property, plant and equipment and intangible assets (including goodwill) are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review.

The impairment review comprises a comparison of the carrying amount of the asset or cash generating unit with its recoverable amount: the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. The cash-generating unit represents the lowest level at which non-financial assets including goodwill is monitored for internal management purposes and is not larger than an operating segment.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Value in use is calculated by discounting management's expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market based discount rate on a pre-tax basis. The recoverable amounts of goodwill have been based on value in use calculations.

The carrying values of property, plant and equipment, goodwill, purchased intangibles, software intangibles and other intangible assets are written down by the amount of any impairment and the loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to property, plant and equipment may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the property, plant and equipment's recoverable amount. The carrying amount of the fixed asset will only be increased up to the amount that would have been had the original impairment not been recognised. Impairment losses on goodwill are not reversed. For conducting goodwill impairment reviews, cash generating units are the lowest level at which management monitors the return on investment on assets.

The management of the SAM Group has carried out a review of the valuation of the assets of the SAM Group (including goodwill) and no impairment has arisen from this assessment. Detailed valuation analysis has been carried out and the directors are confident that the carrying amount of the assets will be recovered in full.

1.17. Financial liabilities

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities are classified as 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Financial liabilities are classified as 'financial liabilities at fair value through profit or loss' when the financial liability is either held for trading or it is designated as at fair value through profit or loss. These liabilities are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The SAM Group derecognises financial liabilities when, and only when, the SAM Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

1.18. Derivative financial instruments – hedge accounting

The SAM Group holds forwards foreign currency contracts in order to manage foreign currency risk arising on the non-euro borrowings for the acquisition of future investments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models as appropriate. Derivatives are mainly contracted with Banco Santander, S.A. or other counterparties that meet the SAM Group credit policies.

Cash flow hedges

The effective proportion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial liability.

Hedge accounting is discontinued when the SAM Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

1.19. Leases

The SAM Group enters into operating leases for the rental of equipment or real estate. Payments made under such leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place. If the lease agreement transfers the risk and rewards of the asset, the lease is recorded as a finance lease and the related asset is capitalised. At inception, the asset is recorded at the lower of the present value of the minimum lease payments or fair value and depreciated over the lower of the estimated useful life and the life of the lease. The corresponding rental obligations are recorded as borrowings. The aggregate benefit of incentives, if any, is recognised as a reduction of rental expense over the lease term on a straight-line basis.

1.20. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition including short-term bank deposits.

1.21. Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currency) are recognised at the rates of exchange prevailing on the dates of the transaction. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are converted at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are converted at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not converted. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the SAM Group's foreign operations are converted into currency units (euro) using exchange rates prevailing at the end of each reporting period. Income and expense items are converted at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising, if any, are recognised in equity.

1.22. Critical accounting policies and areas of significant management judgement

The preparation of the SAM Group's Consolidated Financial Statements requires management to make estimates and judgements that affect the reported amount of assets and liabilities at the date of the consolidated financial statements and the reported amount of income and expenses during the reporting period. Management evaluates its estimates and judgements on an ongoing basis. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The following accounting estimates and judgements are considered important to the portrayal of the SAM Group's financial results and financial condition because: (i) they are highly susceptible to change from period to period as assumptions are made to calculate the estimates, and (ii) any significant difference between the SAM Group's estimated amounts and actual amounts could have a material impact on the SAM Group's future financial results and financial condition.

- The assessment of possible impairment losses on certain assets (Notes 1.7, 1.8, 1.12, 1.14 and 1.18);
- The useful life of property, plant and equipment and intangible assets (Notes 1.13, 1.16, 14 and 17);
- The fair value of certain financial instruments (Notes 1.4 and 2);
- The recovery of deferred tax assets (Notes 1.12 and 12);
- The calculation of any provisions (Notes 1.15 and 23); and
- Fair Value of share options (Notes 1.11 and 32)

The fair value of the share options has been measured using an option pricing model which simulates a range of future SAM Investment Holdings Limited Group enterprise values and calculates the payoff to the share options under each simulation. Significant assumptions and judgements are made around the inputs into the option pricing model, particularly the cash flow forecasts and discount rate used in the enterprise valuation and the expected volatility, exercise date and the discount for lack of control to arise at the share option value.

2. Financial Risk Management

The SAM Group's activities expose it to a variety of financial risks including market risk, credit risk, liquidity risk and currency risk. The SAM Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the SAM Group's financial performance.

Financial risk management is carried out by the SAM Group's Finance Area in line with SAM global policies in place and it is monitored by the SAM Group's Risk & Compliance Area. The SAM Group's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, funds unitholders and other customers, employees and the SAM Group's regulators. Effective and efficient risk governance and oversight provide management with assurance that the SAM Group's business activities, will not be adversely impacted by risks that could have been reasonably foreseen. This in turn reduces the uncertainty of achieving the SAM Group's strategic objectives.

At each affiliate level, the SAM Group operates a three lines of defence model.

Three lines of defence

First line of defence

The first line of defence is undertaken by the SAM Group business functions which carry out the day-to-day running of the business. These business functions include Front Office Investments and Dealing, Operations, Finance, Operational Support and Accounting and Valuations. These first line defences identify, manage, mitigate and report on risks in their area of business. The Operational Support area also overlay additional controls and governance where outsource arrangements are in place.

Second line of defence

The second line of defence provides an Independent review and challenge together with policy setting. These are carried out by Risk & Control and Compliance functions.

Risk & Control is an independent control function that ensures the processes, policies and rules within Corporate & Regulatory Governance for the SAM Group are adhered to and follow four principles: Independence; Objectivity; Transparency and Accuracy.

Compliance is an independent control function having responsibility for regulatory conduct risk providing interpretation of regulations and disseminating to business units, monitoring compliance with regulations and advises on regulatory issues.

Third line of defence

The risk assurance function, provided by Internal Audit, provides an independent review and challenge of the SAM Group's risk management controls, processes and systems, including Conduct Risk related issues.

Lines of Defence Reporting

Risk and Control have independent reporting lines from the SAM Group ensuring independence and impartiality. The Head of Investment Risk and the Head of Internal Control, report to the Global Chief Risk & Compliance Officer, who in turn reports to the SAM Board Risk Committee.

Compliance has independent reporting lines from the SAM Group ensuring independence and impartiality. The Head of Compliance reports to the Global Chief Risk & Compliance Officer, who in turn reports to the SAM Board Risk Committee.

The Head of Compliance provides quarterly updates to the Board Risk Committee on conduct issues, regulatory change, etc.

Internal Audit is functionally dependent on the Board of Directors, and reports to the Board via the Audit Committee.

Market risk

Market risk is the risk which is incurred as a result of the possibility of changes in market factors affecting the value of positions in the trading portfolios. The SAM Group's exposure to this risk is limited, and the impact expected in SAM Group's consolidated financial statements is not material.

Credit risk

Credit risk is the risk that counterparties will not meet their financial obligations. The main source of credit risk occurs in inter SAM Group balances held. The SAM Group has no significant credit risk due to the credit quality of the counterparty balances. Maximum exposure to credit risk at the year end is €424,905,000 (2015: €403,082,000). This amount comprises trade receivables due from managed funds and cash held with Banco Santander, S.A. and Santander Group companies.

At the year-end, there were no financial assets that would have been impaired whose terms have been renegotiated. There are no financial assets past due but not impaired.

Liquidity risk

Liquidity risk is the potential that, although remaining solvent, the SAM Group does not have sufficient liquid financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost.

The SAM Group manages liquidity risk by maintaining sufficient liquid resources to ensure it can meet its obligations as they fall due.

Maturities of financial liabilities:

31 December 2016

	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Trade and other payables	52,990	88,240	27,203	2,768	702	171,903
Loans from credit institutions	-	902	476	983,603	-	984,981
Current tax liabilities	2,144	9,812	32,483	-	-	44,439
Total financial liabilities	**55,134**	**98,954**	**60,162**	**986,371**	**702**	**1,201,323**

31 December 2015

	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Trade and other payables	17,033	135,030	31,903	6,525	-	190,491
Loans from credit institutions	-	3,247	3,139	1,026,949	-	1,033,335
Current tax liabilities	3,367	7,517	36,802	-	-	47,686
Total financial liabilities	**20,400**	**145,794**	**71,844**	**1,033,474**	-	**1,271,512**

The amount held as cash and cash equivalents is sufficient to meet the financial liabilities obligations in the short term.

Currency risk

Currency risk is the potential that the SAM Group will incur losses due to movements in the foreign exchange markets. The SAM Group receives services which are paid for in local currency. Since the SAM Group prepares its consolidated financial statements in Euros, it is exposed to this risk due to movements in the exchange rates of the currencies the SAM Group trades in.

As the SAM Group operates in multiple countries this also exposes the SAM Group to currency risk resulting from movements in local currency exchange rates. The SAM Group manages currency risk by maintaining sufficient resources to ensure it can meet its obligations as they fall due.

The SAM Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the SAM Group's policies, which provide written principles on foreign exchange risk, interest exchange risk and credit risk. The SAM Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

3. Distribution of profit

a) Distribution of profit

The distribution of the net profit for 2016 is as follows:

	2016 €'000	2015 €'000
Distributable (loss) / profit:		
Net (loss) / profit of the year of SAM Investment Holding Limited	143,275	(99,125)
Distribution:		
Interim dividends	79,000	125,000
Reserves	64,275	(224,125)

b) Earnings per shares

Basic earnings per share

The SAM Group's basic earnings per share is calculated by dividing the net profit or loss thereof for the year by the weighted average number of shares of the Company outstanding in that period, excluding the average number of shares throughout the period.

	2016 €'000	2015 €'000
Profit for the year attributable to the Parent Company	*120,955*	*41,526*
Weighted average number of shares of the Company	33,570	33,570
Basic earnings per share (euros)	**3,603.04**	**1,236.99**

Diluted earnings per share

The SAM Group's diluted earnings/losses per share are calculated by dividing the net profit or loss attributable to the ordinary shareholders in a period adjusted by the effect attributable to the dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all the potential ordinary shares of the Company. At 31st December 2016, diluted earnings per share is equal to the basic earnings per share described above because there are no potential dilutive elements, except for those that can be arisen if the equity plan options are exercised.

4. Director's emoluments and interests

The detail of the remuneration earned in 2016 and 2015 by the members of the Board of Directors and Executive Committee members of the Company is as follows:

	2016 €'000	2015 €'000
Short-term benefits	11,136	12,864
Post-employment benefits	399	497
Termination benefits	2,661	3,854
Share-based payments (Note 31)	3,540	9,394
	17,736	**26,609**

Salary and performance related payments comprised payments to 21 (2015: 18) Directors and Executive Committee members serving during the year.

5. Segment information

The directors monitor and manage SAM Group's activities as a single cash-generating unit. There is no segment information that differs from the information disclosed on these consolidated financial statements.

6. Fee and commission income

'Fee and commission income' comprises the amount of all fees and commissions accruing in favour of the SAM Group in the year, except those that form an integral part of the effective interest rate on financial instruments which are included in Note 10.

The detail of those fees and commissions in the consolidated financial statement for 2016 and 2015 is as follows:

	2016 €'000	2015 €'000
Management commission	931,611	985,656
Advisory commission	3,487	3,573
Subscription commission	363	1,008
Redemption commission	169	625
Performance fee	4,342	3,250
Administration fees	1,487	1,764
Other commissions	297	29
Total fee and commission income	**941,756**	**995,905**

7. Fee and commission expense

The detail of 'Fee and commission expense' in the consolidated financial statement for 2016 and 2015 is as follows:

	2016 €'000	2015 €'000
Commercialisation expense Santander network	512,592	599,917
Commercialisation expense other networks	30,485	28,351
Other commission	10,488	10,759
Total fee and commission expense	**553,565**	**639,027**

8. Staff costs

The detail of 'Staff costs' in the consolidated statement of comprehensive income for 2016 and 2015 is as follows:

	2016 €'000	2015 €'000
Salary	51,488	54,692
Bonus	28,155	28,179
Social security costs	10,821	12,805
Pensions	3,598	3,906
Redundancy costs	9,748	7,519
Stock option Plan (Note 31)	6,280	15,767
Other staff cost	6,463	4,123
Total staff costs	**116,553**	**126,990**

The average number of employees in the Group during 2016 is 604 employees (2015: 517).

9. General expenses

The detail of 'General expenses' in the consolidated statements of comprehensive income for 2016 and 2015 is as follows:

	2016 €'000	2015 €'000
Rental	10,291	15,710
Property, fixtures and material	359	47
IT cost and market information	22,656	18,696
Communications	523	691
Back Office	1,428	2,427
Information to clients	1,095	1,079
Travel expenses	2,056	3,056
Marketing expenses	2,889	2,947
Insurance premiums	1,310	1,357
Legal and professional fees	18,595	48,470
Other expenses and other Tax (other tax not corresponding to corporate tax)	1,378	5,555
Total general expenses	**62,580**	**100,035**

The expenses relating to lease of the premises which constitute the office of the Company and of some SAM Group companies in 2016 and 2015 are included under 'Rental' in the foregoing detail.

Following is a detail of the minimum lease payments which the Company had contracted with the lessor, based on the aforementioned leases, without taking into account the charging of common expenses, future increases in the CPI, future contractual lease payment revision or VAT:

	2016 €'000	2015 €'000
Within one year	6,706	7,383
In the second to fifth years inclusive	26,107	30,256
After five years	14,328	20,250
	47,141	**57,889**

Audit and non-audit fees

Fees payable to the SAM Group's auditor, Deloitte LLP and their associates, for the audit of all SAM Group financial statements for the current period are €549,000, exclusive of VAT, registered under the line 'Legal and professional fees' (2015: €552,000). Costs incurred by the SAM Group during the period for non-audit services amounted to €438,000, exclusive of VAT (2015: €282,000).

10. Interest and similar income

'Interest and similar income' in the consolidated statement of comprehensive income comprises the interest accruing in 2016 and 2015 on all financial assets with an implicit or explicit return, calculated by applying the effective interest method, irrespective of measurement at fair value. Interest is recognised gross, without deducting any tax withheld at source.

The detail of the main interest and similar income items earned by the SAM Group in 2016 and 2015 is as follows:

	2016 €'000	2015 €'000
Loans and advances to financial intermediaries and current accounts	76	176
Demand deposits	6,744	8,612
Total interest and similar income	**6,820**	**8,788**

11. Interest expense and similar charges

The detail of 'Interest expense and similar charges' in the consolidated statement of comprehensive income for 2016 and 2015 is as follows:

	2016	2015
	€'000	€'000
Interest on bank overdrafts and loans	49,516	57,175
Net interest on Cross Currency Swaps	(8,939)	(8,597)
Other	1,660	1,627
Total interest and similar charge	**42,237**	**50,205**

12. Tax matters

Tax

	2016	2015
	€'000	€'000
Corporation tax		
Current tax	51,575	53,532
Prior years' and other adjustments	(1,673)	(1,131)
Total corporation Tax	49,903	52,401
Withholding tax	4,572	4,831
Total current Tax	54,474	**57,232**
Deferred tax	(863)	(5,535)
Prior years' and other adjustments	(2,914)	(1,623)
Total deferred Tax	**(3,777)**	**(7,158)**
Total tax per the Income Statement	**50,697**	**50,074**

The effective tax rate for 2016 is 29.5% (2015: 54.6%)

The parent Company is incorporated in Jersey and is subject to UK Corporate Income Tax.

UK corporation tax is calculated at 20% (2015: 20.25%) of the estimated assessable profits for the year. The standard rate of UK corporation tax was reduced from 21% to 20% with effect from 1 April 2015.

The Finance (No. 2) Act 2015, which provides for reductions in the main rate of UK corporation tax to 19% effective from 1 April 2017 and to 18% from 1 April 2020 was enacted on 18 November 2015.

The Finance Act 2016, which was substantively enacted on 6 September 2016, introduced a further reduction in the corporation tax rate to 17% from 2020.

The other Group companies file income tax returns in accordance with the tax regulations applicable to them. Overseas corporation tax is calculated at the applicable tax rate in each jurisdiction.

Reconciliation of accounting profit to taxable profit

The reconciliation of the income tax expense calculated at the tax rate applicable in the UK of 20.00% (2015: 20.25%) to the income tax expense recognised is as follows:

	2016 €'000	2015 €'000
Accounting profit before tax	171,665	91,634
Tax rate	20%	20.25%
Tax at the UK corporation tax rate of 20.00% (2015: 20.25%)	34,333	18,556
Tax effect of share of results of associates	(6,835)	(7,616)
Tax effect of expenses that are not deductible in determining taxable profit	7,491	22,500
Tax effect of income that are not taxable in determining taxable profit	(3,306)	(5,180)
Tax effect of utilisation of tax losses not previously recognised(Tax credits)/(Tax relief)	-	(1,106)
Change in unrecognised deferred tax assets	1,911	4,889
Effect of different tax rates of subsidiaries operating in other tax jurisdictions	14,480	19,101
Tax deduction for Brazilian interest accounted for as dividends	(2,648)	(4,186)
Withholding tax	4,572	4,831
Other	(2,659)	(1,715)
Tax expense	**50,697**	**50,074**

Deferred taxes

Pursuant to the tax legislation in force, in 2016 and 2015 and previous years certain temporary differences arose that must be taken into account when quantifying the related income tax expense. The deferred taxes recognised in the consolidated statements of financial position at 31st December 2016 and 2015 were as follows:

	2016 €'000	2015 €'000
Assets	18,189	13,804
Liabilities	493	1,495

The movement on the deferred tax assets and liabilities is the following:

	Assets €'000	Liabilities €'000
Balance at 31 December 2014	**8,460**	**370**
Charge/ credit to Income Statement	7,363	205
Exchange differences	(1,848)	(146)
Effect of change in rates	(912)	-
Other	741	1,066
Balance at 31 December 2015	**13,804**	**1,495**
Charge/ credit to Income Statement	3,826	49
Exchange differences	1,446	(158)
Other	(888)	(894)
Balance at 31 December 2016	**18,189**	**493**

Deferred tax assets and liabilities are attributable to the following items:

	2016 €'000	2016 €'000	2016 €'000	2015 €'000	2015 €'000	2015 €'000
Deferred tax assets / (liabilities)	Assets	Liabilities	Statement of Comprehensive Income	Assets	Liabilities	Statement of Comprehensive Income
Employee benefits	7,932	112	1,535	6,213	101	3,850
Property, plant and equipment	255	1	326	144	104	(29)
Receivables, payables and provisions	9,146	17	1,716	7,288	435	3,710
Intangible assets - management contracts	-	-	-	-	150	-
Unrealised fair value gains on available for sale assets	(26)	309	2	159	705	(373)
Other	882	53	198	-	-	-
	18,189	**493**	**3,777**	**13,804**	**1,495**	**7,158**

The deferred tax assets scheduled above have been recognised in the SAM Group on the basis that sufficient future taxable profits are forecast within the foreseeable future, in excess of the profits arising from the reversal of existing taxable temporary differences, to allow for the utilisation of the assets as they reverse.

At 31 December 2016, the parent Company had UK tax losses carried forward of €59.6m (2015: €52.8m). These losses are available for offset against future UK chargeable profits and under current UK tax legislation do not time expire. No deferred tax asset has been recognised in respect of these tax losses on the basis that future chargeable profits required to utilise the losses are not considered probable. The SAM Group has no tax losses arising outside the UK.

13. Other income / (expense)

'Other income / (expense)' in the consolidated statement of comprehensive income for 2016 refers mainly to indirect taxes arisen in intragroup services rendered during 2016.

14. Goodwill and intangible assets

Purchase Price Allocation

During 2014, the SAM Group revised the Purchase Price Allocation ('PPA') completed in the formation of the SAM Group in 2013. The purpose of the revision of the PPA was to update the Intangible Assets valuations included in the previous PPA and the corresponding allocation of the Purchase Price to the assets acquired, on a Fair Value basis, for financial reporting purposes, derived in accordance with the scope for such changes to the preliminary valuations in the measurement period as defined by IFRS 3.

2014 Purchase Price Allocation was as follows:

	Before revision	After revision (**)
	€'000	€'000
Goodwill	1,097,516	1,039,749
Customer relations and distribution agreement (*)	342,000	399,589

(*) In 2013, the distribution agreement had no value.
(**) *Including amortization of 2014 year the customer relations and distribution agreement* amount is €379,610

<u>2016 movement</u>

	Goodwill	Customer relations and distribution agreement	Software intangibles	Other intangibles	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
Brought forward at 1 January 2016	1,039,749	399,589	18,144	2,548	1,460,030
Disposals and others	-	-	(491)	(465)	(956)
Additions	-	-	2,661	-	2,661
Carried forward at 31 December 2016	**1,039,749**	**399,589**	**20,314**	**2,083**	**1,461,735**
Amortisation and impairment					
Brought forward at 1 January 2016	-	(39,958)	(11,874)	(884)	(52,716)
Disposal and others	-	-	491	465	956
Charge for the year	-	(19,979)	(1,537)	(493)	(22,009)
Carried forward at 31 December 2016	**-**	**(59,937)**	**(12,920)**	**(912)**	**(73,769)**
Net book value					
Carrying amount at 31 December 2016	**1,039,749**	**339,652**	**7,394**	**1,171**	**1,387,966**
Carrying amount at 31 December 2015	**1,039,749**	**359,631**	**6,270**	**1,664**	**1,407,314**

2015 movement

	Goodwill	Customer relations and distribution agreement	Software intangibles	Other intangibles	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
Brought forward at 1 January 2015	1,039,749	399,589	13,576	2,519	1,455,433
Disposals and others	-	-	(51)	(306)	(357)
Additions	-	-	4,619	335	4,954
Carried forward at 31 December 2015	**1,039,749**	**399,589**	**18,144**	**2,548**	**1,460,030**
Amortisation and impairment					
Brought forward at 1 January 2015	-	(19,979)	(10,194)	(841)	(31,014)
Disposal and others	-	-	51	306	357
Charge for the year	-	(19,979)	(1,731)	(349)	(22,059)
Carried forward at 31 December 2015	**-**	**(39,958)**	**(11,874)**	**(884)**	**(52,716)**
Net book value					
Carrying amount at 31 December 2015	**1,039,749**	**359,631**	**6,270**	**1,664**	**1,407,314**
Carrying amount at 31 December 2014	**1,039,749**	**379,610**	**3,382**	**1,678**	**1,424,419**

Intangible assets comprise the following balances:

	2016	2015
	€'000	€'000
Customer relations and distribution agreement	339,652	359,631
Software intangibles	7,394	6,270
Other intangibles	1,171	1,664
Intangible assets	**348,217**	**367,565**

The line 'Customer relations and distribution agreement' are divided into:

- Old book: it includes future net flows from the SAM Group's current institutional clients and retail investors, derived from the existing contracts at the date of the transaction as well as from customer relationships with current institutional clients.

- New book: it includes the future net flows arising from new retail investors in funds currently under the SAM Group's management, considering the 20 year exclusive distribution agreements signed by each of the entities purchased by the SAM Group from Banco Santander.

The amortisation period for customer relations and distribution agreement is 20 years and for software and other intangibles, the amortisation period is 5 years. All intangible assets are amortised over their estimated useful lives.

Testing of impairment

The Company performed and completed an annual impairment test. No impairment loss has been recognised in the Statement of income as the carrying amount of the cash-generating unit exceeds the unit's recoverable amount, which is the greater of its value in use and fair value less cost to sell. Value in use is measured as the present value of future cash flows expected to be generated.

The Company's directors make decisions at the level of a single operating segment which is 'Asset management services' segment, which sets the basis for reports aimed at the Chief Operating Decision Maker as well as represent the lowest level at which goodwill shall be monitored for internal management purposes going forward (see Note 5).

Key assumptions used in the impairment tests for the units were sales growth rates, income from operations and the rates used for discounting the projected cash flows. These cash flow projections were determined using management's internal forecasts that cover an initial period from 2016 to 2020, after which a terminal value was calculated.

The sales growth rates and margins used to estimate cash flows are based on past performance, external market growth assumptions and industry long-term growth averages.

Income from operations is expected to increase over the projection period as a result of volume growth and cost efficiencies.

The discount rate and perpetual growth rate applied for the basis of the recoverable amount were different based on country of analysis. The discount rates were estimated in local currency and in nominal terms and ranges from 9.7% to 15.3%.

15. Hedging derivatives

The SAM Group uses financial derivatives as part of its strategy to reduce its exposure to interest rate, foreign currency and other risks. When these transactions meet the requirements stipulated in IAS 39, they qualify for hedge accounting.

When the SAM Group designates a transaction as a hedge it does so upon initial recognition of the transactions or instruments included in the hedge, and the hedging transaction is documented appropriately. The hedge accounting documentation includes identification of the hedged item(s) and the hedging instrument(s), the nature of the risk to be hedged and the criteria or methods used by the SAM Group to assess the effectiveness of the hedge over its entire life, taking into account the risk to be hedged.

The SAM Group only applies hedge accounting for hedges that are considered highly effective over their entire lives. A hedge is considered to be highly effective if, during its expected life, the changes in cash flows of the hedged item that are attributable to the risk hedged in the hedging of the financial instrument(s) are almost fully offset by changes in the cash flows, as appropriate, of the hedging instrument(s).

To measure the effectiveness of hedges defined as such, the SAM Group analyses whether, from the beginning to the end of the term defined for the hedge, the SAM Group can expect, prospectively, that the changes in cash flows of the hedged item that are attributable to the hedged risk will be almost fully offset by changes in the cash flows, as appropriate, of the hedging instrument and, retrospectively, that the actual results of the hedge are within a range of 80% to 125% of the results of the hedged item.

Hedging transactions performed by the SAM Group are classified as follows:

- Cash flow hedges: hedge the exposure to variability in cash flows that is attributable to a particular risk associated with a financial asset or liability or a highly probable forecast transaction, provided that it affects the income statement.

In relation to financial instruments designated as hedged items or qualifying for hedge accounting, gains and losses are recognised as follows:

- In cash flow hedges, the gains or losses attributable to the portion of the hedging instruments qualifying as an effective hedge are recognised temporarily in equity under "Equity – Valuation Adjustments" and are taken to the income statement in the years in which the designated hedged items affect the income statement. Financial instruments hedged in this type of hedging transactions are recognised as explained in Note 1.18, with no change being made in the recognition criteria due to their consideration as hedged items.

Generally, in cash flow hedges, the gains or losses arising on the effective portion of the hedging instruments are not recognised in the income statement until the gains or losses on the hedged item are recognised in income or, in the case of a hedge relating to a highly probable forecast transaction that results in the recognition of a non-financial asset or liability, they are recognised as part of the acquisition or issue cost when the asset is acquired or the liability assumed. In cash flow hedges, any gains or losses on the ineffective portion of the hedging instruments are recognised directly under "Gains/Losses on Financial Assets and Liabilities" in the income statement. In 2016 were under the line 'Gains/ (losses) on financial assets and liabilities' of the Consolidated Statement of Comprehensive Income in relation to ineffective hedges €574,000 income (2015: €1,196,000 income).

The SAM Group discontinues hedge accounting when the hedging instrument expires or is sold, when the hedge no longer meets the requirements for hedge accounting or the designation as a hedge is revoked.

If hedge accounting is discontinued for a cash flow hedge, the cumulative gain or loss on the hedging instrument recognised in "Equity – Valuation Adjustments" in the consolidated balance sheet shall continue to be recognised under this line item until the forecast transaction occurs, when it will be reclassified into the income statement; or it will adjust the acquisition cost of the asset or liability to be recorded, if the hedged item is a forecast transaction that results in the recognition of a non-financial asset or liability.

The SAM Group committed to a foreign currency forward contract of Polish Zloty 157 million at a rate equivalent to €37.7 million during 2013 for the purpose of purchasing a Polish investment. During 2015, The Group did not acquire the share capital of Polish asset managers BZ WBK Asset Management, S.A. ("BZ WBK AM") and, indirectly, its wholly-owned subsidiary BZ WBK Towarzystwo Funduszy Inwestycyjnych, S.A, so this forward agreement was cancelled in June 2015. The cancellation of the forward had given rise to a profit that amounted to €1,926,000, accounted under the line 'Gains/ (losses) on financial assets and liabilities' of the Consolidated Statement of Comprehensive Income.

The details the nature of the main positions hedged by the SAM Group and the financial hedging instruments used are:

	2016 €'000 Assets	2016 €'000 Liabilities	2015 €'000 Assets	2015 €'000 Liabilities
Cash flow hedges	124,815	-	121,134	-
Hedging derivatives	**124,815**	**-**	**121,134**	**-**

The detail of the notional and/or contractual amounts of the hedging derivatives held by the SAM Group is as follows:

	2016 Notional amount	2016 Currency	2015 Notional amount	2015 Currency
Hedging derivatives – cash flow risk				
Cross currency swap	582,000,000	USD	645,000,000	USD

The detail of the market value and fair value of the hedging derivatives held by the SAM Group is as follows:

	2016 €'000 Market value	2016 €'000 Fair value	2015 €'000 Market value	2015 €'000 Fair value
Hedging derivatives – cash flow risk				
Cross currency swap	124,815	124,815	121,134	121,134

According to the SAM Group strategy business and the nature of its functional currency in euros, the dollar tranche of the loan originates exposure at the risk of the exchange rate (USD vs EUR). In order to mitigate the impact on the SAM Group's results due to foreign exchange risk and cost in euros of floating this liability flows in dollars, the SAM Group deployed a hedging derivative (Cross Currency Swap EUR/USD) to completely neutralize exposure to the hedged risk.

Following are the expected cash flows for the upcoming years for the hedging described above as of 31st December 2016:

	USD'000 Less than 1 year	USD'000 Between 1 and 3 years	USD'000 Between 3 and 5 years	USD'000 More than 5 years
Expected cash flows	76,000	506,000	-	-
Total	**76,000**	**506,000**	**-**	**-**

The amount that has been removed from equity and included in profit or loss for the period amounts to €15,613,000 (2015: €63,012,044), included in the line 'Exchanges differences (net)'.

16. Investments in associates

a) Breakdown

The detail, by company, of Investments is as follows:

	2016 €'000	2015 €'000
Associates – AFB	244,534	241,803
	244,534	**241,803**

b) Changes

The changes in Investments in associates were as follows:

	2016 €'000	2015 €'000
Balance at the beginning of the year:	241,803	219,001
Effect of equity accounting	34,175	37,608
Dividends paid	(31,383)	(15,296)
Other changes	(61)	490
Carrying amount of the Group's interest in AFB	**244,534**	**241,803**

c) Impairment losses

In 2016 and 2015 there was no evidence of impairment.

d) Other information

Following is a summary of the financial information on the company accounted for using the equity method (obtained from the information available at the date of preparation of the financial statements):

	2016 €'000	2015 €'000
Total assets	965,269	923,972
Total liabilities	(791,690)	(737,861)
Net assets of the associate	**173,579**	**186,111**
Proportion of the Group's ownership in AFB	49.50%	49.50%
Group's share of net assets	85,922	92,125
Goodwill	147,520	147,520
Other	11,092	2,158
Carrying amount of the Group's interest in AFB	**244,534**	**241,803**

Following is a summary of the financial information for 2016 on the associate (obtained from the information available at the date of preparation of the financial statements):

	2016 €'000	2015 €'000
Total assets	965,269	923,972
Total liabilities	(791,690)	(737,861)
Equity attributable to owners of the Company	173,579	186,111
Non-controlling interest	-	-
Revenue	735,086	747,766
Profit or loss from continuing operations	69,074	75,971
Post tax profit (loss) from discontinued operations	-	-
Profit (loss) for the year	69,074	75,971
Dividends received from the associate during the year	31,383	15,296

During 2014 Santander Asset Management UK Holdings Limited, a subsidiary undertaking, a commitment was made to enter into an agreement to purchase a 49.5% stake in Allfunds Bank S.A. (incorporated in Spain) through the holding company AFB SAM Holdings, S.L., from Banco Santander, S.A. for a consideration of €212,850,000. The transaction was financed by a combination of capital increase and the drawdown of a revolving Euro loan of €98,000,000 under the SAM Group's Credit Agreement (see Note 22). Prior to closing of the transaction, SAM UK Investment Holdings and Sherbrooke Acquisition Corp SPC (the SAM Group's shareholders) paid an amount of €114,850,000 in equal proportions by way of a subscription of new shares in the parent company of the SAM Group, SAM Investment Holdings Limited (see Note 25).

The dividends received from SAM Group's associates during the year amounted to €31,383,000 (2015: €15,296,000).

17. Property, plant and equipment

The movements during 2016 and 2015 in 'Property, plant and equipment' of the consolidated statement on financial position, which consisted in full of property, plant and equipment for own use, is as follows:

2016 movement

	Leasehold Property	Freehold land and buildings	Office fixtures & Fittings	Total
	€'000	€'000	€'000	€'000
Cost				
Brought forward at 1 January 2016	1,925	2,182	20,766	24,873
Disposal and others	(1,476)	299	92	(1,085)
Additions	-	1,171	1,371	2,542
Carried forward at 31 December 2016	**449**	**3,652**	**22,229**	**26,330**
Accumulated depreciation				
Brought forward at 1 January 2016	(1,613)	(639)	(8,816)	(11,068)
Disposal and others	1,241	(77)	(79)	1,085
Charge for the year	(49)	(543)	(1,938)	(2,530)
Carried forward at 31 December 2016	**(421)**	**(1,259)**	**(10,833)**	**(12,513)**
Net book value				
At 31 December 2015	**312**	**1,543**	**11,950**	**13,805**
At 31 December 2016	**28**	**2,393**	**11,396**	**13,817**

2015 movement

	Leasehold Property	Freehold land and buildings	Office fixtures & Fittings	Total
	€'000	€'000	€'000	€'000
Cost				
Brought forward at 1 January 2015	1,879	442	13,351	15,672
Disposal and others	36	(21)	71	86
Additions	10	1,761	7,344	9,115
Carried forward at 31 December 2015	**1,925**	**2,182**	**20,766**	**24,873**
Accumulated depreciation				
Brought forward at 1 January 2015	(328)	(441)	(7,590)	(8,359)
Disposal and others	(36)	21	(71)	(86)
Charge for the year	(1,249)	(219)	(1,155)	(2,623)
Carried forward at 31 December 2015	**(1,613)**	**(639)**	**(8,816)**	**(11,068)**
Net book value				
At 31 December 2014	**1,551**	**1**	**5,761**	**7,313**
At 31 December 2015	**312**	**1,543**	**11,950**	**13,805**

At 31st December 2016 and 2015, no assets had been acquired or leased out under finance leases.

The total amount of depreciation charge as of 31st December 2016 amounts to €24,539,000 (2015: €24,682,000), of which €22,009,000 (2015: €22,059,000) relates to amortisation of intangible assets (see Note 14) and €2,530,000 (2015: €2,623,000) relates to amortization of property, plant and equipment.

18. Financial assets held for trading

Financial assets held for trading include the following:

	2016	2015
	€'000	€'000
Trading investments carried at fair value – shares	2,690	4,091
Trading derivatives	70	97
Balance at the end of the year	**2,760**	**4,188**

19. Available for sale financial assets

Available-for-sale financial assets include the following:

	2016 €'000	2015 €'000
Equity securities	32,125	25,429
Other	487	656
Total	**32,612**	**26,085**

Available-for-sale financial assets are denominated in the following currencies:

	2016 €'000	2015 €'000
Euro	6,372	1,094
Other currencies	26,240	24,991
Total	**32,612**	**26,085**

20. Trade and other receivables

The detail of trade and other receivables is as follows:

	2016 €'000	2015 €'000
Receivables; commissions to be received	95,471	93,009
Prepayments	2,182	3,454
Amounts owed by related parties	2,613	26,007
Deposits in guarantee – tax contingencies	31,112	23,800
Other deposits	-	3,786
Other debtors and assets	2,170	4,103
Total	**133,548**	**154,159**

As of 31st December 2016 and 2015 no receivables were past due or impaired.

The carrying amounts of the SAM Group's receivables are denominated in the following currencies:

	2016 €'000	2015 €'000
UK pound	12,242	21,309
Euro	60,101	78,390
US dollar	2,683	7,166
Other currencies	58,522	47,294
Total	**133,548**	**154,159**

The Directors consider that the carrying amount of trade and other receivables approximate to their fair value.

21. Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2016 €'000	2015 €'000
Cash at bank and in hand	291,370	269,723
Short term bank deposits and other cash equivalents	38,064	40,350
Cash and cash equivalents	**329,434**	**310,073**

22. Loans from credit institutions

The SAM Group's loans are denominated in US Dollar, Euro and Sterling:

		31 December 2016		31 December 2015	
	Currency	€'000	Loan currency	€'000	Loan currency
USD Loan	USD	553,164	583,090	592,072	644,589
EUR Loan	EUR	387,295	387,295	391,665	391,665
GBP Loan	GBP	59,246	50,725	70,016	51,388
Loan fees	EUR	(14,724)	(14,724)	(20,418)	(20,418)
		984,981		**1,033,335**	

The loans approximate to fair value. Interest arising on the above loans is shown below:
- USD Loan – 3.25% above LIBOR.
- Euro Loan – 3.5% above Euribor.
- GBP Loan – 4% above LIBOR.

The loan is secured by share security over all of the Company's direct and indirect subsidiaries (except Santander Asset Management Luxembourg S.A. and SAM Asset Management, S.A de C.V., Sociedad Operadora de Fondos de Inversi6n, (previously denominated Gesti6n Santander, S.A. de C.V., Sociedad Operadora de Sociedades de Inversi6n)), security over the Company's other intangible assets and security over the other material assets of certain Group intermediate holding companies (Santander Asset Management UK Holdings and SAM Puerto Rico Holdings, Inc.).

23. Provisions

The detail of provisions is as follows:

	Employee related €'000	Litigation €'000	Other €'000	Total €'000
Current	6,432	1,903	4,780	13,115
Non-current	3,931	2,852	19,894	26,677
Total 31 December 2016	**10,363**	**4,755**	**24,674**	**39,792**

	Employee related €'000	Litigation €'000	Other €'000	Total €'000
Current	1,996	14,000	2,766	18,762
Non-current	4,741	2,562	14,761	22,064
Total 31 December 2015	**6,737**	**16,562**	**17,527**	**40,826**

In 2016 'Employee related' comprises of provisions for redundancies amounting to € 5,575,000. This amount was paid during the first quarter of 2017. Other provisions of €4,788,000 relate to pension and other employee commitments in Group companies.

In 2015 'Employee related' included €2 million provisions arising in Santander Asset Management UK Limited in relation to the relocation of operational activities within the Glasgow office (2015: €2 million).This provision was only partially utilised due to a decision to retain operational capacity in Glasgow (the remaining portion was released to the P&L). A further provision arising in Santander Asset Management UK Limited raised in 2016 which amounts to €0.8 million relates to current year redundancies across the business driven by further restructure. The provision is expected to be fully utilised by the end of 2017.

In 2011, Santander Asset Management, S.G.I.I.C., S.A. brought an administrative-contentious appeal against a sanction levied by the Ministry of Economy and Treasury relating to the investment funds operations. During 2013 the entity appealed against the Supreme Court, but during 2015 the appeal was rejected so the entity had to pay €14 million. The entity had the internal financial support of Banco Santander, S.A. to pay any amount arising thereof. For these reasons, the amount recognised in 'Litigation provisions' for this item at 31 December 2015 is €14 million on the liability side under "Provisions" and charged to the asset side under "Trade and other receivables". It was paid during the first quarter of 2016.

'Other provisions' includes €19 million provisions (2015: €15 million) arising in the SAM Group's Brazilian subsidiary due to administrative proceedings and legal obligations and €2 million provision (2015: €3 million) due to lease payments committed by Santander Asset Management USA, LLC given the liquidation of the entity; the provision has been calculated based on the current agreement rate and a discount rate of a 3% (Note 1.1). The management expect that the provision will be utilised during 2017. In addition, 'Other provisions' includes provisions related to London premises as such dilapidation provision, the provision has been calculated based on the current agreement rate and a discount rate of a 3% and it is expected to be paid during 2017.

The movement of the year is as follows

	Employee related €'000	Litigation €'000	Other €'000	Total €'000
Total 1 January 2015	5,556	10,451	18,975	34,982
(Paid) during the year	(547)	-	-	(547)
Charged to P/L during 2015	1,969	625	2,823	5,417
Exchange differences and other	(241)	5,486	(4,271)	974
Total 31 December 2015	**6,737**	**16,562**	**17,527**	**40,826**
Total 1 January 2016	6,737	16,562	17,527	40,826
(Paid) during the year	(974)	(14,896)	(670)	(16,540)
Charged to P/L during 2016 (*)	4,873	2,902	3,680	11,455
Exchange differences and other	(273)	187	4,137	4,051
Total 31 December 2016	**10,363**	**4,755**	**24,674**	**39,792**

(*) This line includes €5,701,000 which has been registered in in "Provisions (net)" and the remaining amount has been registered in "Staff cost", "Interest and similar charge" and "Depreciation and amortisation charges" of the consolidated statements of comprehensive income for 2016.

24. Trade and other payables

The detail of trade and other payables is as follows:

	Current 2016 €'000	Non-current 2016 €'000	Current 2015 €'000	Non-current 2015 €'000
Trade payables	59,058	-	53,043	-
Amounts due to related parties	39,596	106	41,511	547
Accrued expenses	48,124	809	66,841	-
Tax and social security	13,455	1,148	9,746	-
Other liabilities	169	-	3,786	-
Other creditors	8,031	1,407	9,040	5,978
	168,433	**3,470**	**183,966**	**6,525**

25. Share capital

At 31st December 2016, the share capital was represented by 33,570.30 shares (2015: 33,570.30) of €1 par value each. The class A and class B shares each carry one vote per share.

	2016 €'000	2015 €'000
Authorised:		
22,500 A ordinary shares of €1.00 each	22.5	22.5
22,500 B ordinary shares of €1.00 each	22.5	22.5
5,000,000 C ordinary shares of €0.001 each	5	5
	50	**50**
Issued and fully paid:		
16,785 A ordinary shares of €1.00 each	17	17
16,785 B ordinary shares of €1.00 each	17	17
	34	**34**

The Company has 33,570.30 ordinary shares in issue comprising 16,785 A ordinary shares, 16,785 B ordinary shares. None of the C ordinary shares have been issued.

On 18th November 2014, the parent Company issued 1,785 A Ordinary shares of €1 each at €32,168.15 per share for a total subscription price of €57,425,000, and 1,785 B Ordinary shares of €1 each for a total subscription price of €57,425,000.

On 12th August 2014 the Company by a written resolution of the Shareholders, subdivided the 5,000 C ordinary shares of €1.00 each into 5,000,000 shares of €0.001.

26. Share premium account

The detail of share premium account is as follows:

	€'000
At 31 December 2013	**965,015**
Premium arising on issue of equity shares	114,846
At 31 December 2014	**1,079,861**
Movement for the year	-
At 31 December 2015	**1,079,861**
Movement for the year	-
At 31 December 2016	**1,079,861**

On 19th November 2014, the Company issued at €32,168.15 per share 1,785 A Ordinary shares and 1,785 B Ordinary shares (Note 25).

27. Reserves

The detail of reserves is as follows:

	€'000
At 31 December 2014	**37,810**
Net profit for the year	41,526
Distribution of dividends	(125,000)
Reserves – Equity Method	2,486
At 31 December 2015	**(43,178)**
Net profit for the year	120,955
Distribution of dividends	(79,000)
Reserves – Equity Method	22,313
At 31 December 2016	**21,090**

28. Other reserves

The detail of other reserves is as follows:

	2016	2015
	€'000	€'000
Reserves from available for sale financial assets	1,994	630
Hedging reserve	(393)	2,843
Foreign currency translation	(17,488)	(17,661)
Other	(123)	(45)
Other reserves	**(16,010)**	**(14,233)**

29. Related party transactions

Balances between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of balances between the SAM Group and other related parties are disclosed below.

	2016 €'000	2015 €'000
Amounts due from related parties(*):		
Banco Santander, S.A.	188,552	212,425
Santander UK plc	183,285	146,466
Santander Securities Services, S.A.	17,327	19,212
Banco Santander (Brasil) S.A.	15,305	19,845
Banco Santander – Chile	3,818	9,381
Abbey National Treasury Services plc	1,858	10,995
Banco Santander Puerto Rico	1,856	5,968
Isban Brasil S.A.	1,564	1,158
Santander Bank, National Association	1,293	2,043
Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander México	965	1,046
Santander Asset Management - Sociedade Gestora de Fundos de Investimento Mobiliário, SA	946	901
Santander Consumer Bank AG	945	650
Banco Santander Río S.A.	798	717
Produban Servicios Informáticos Generales, S.L.	513	548
Ingeniería de Software Bancario, S.L.	416	1,396
Santander Tecnología y Operaciones A.E.I.E.	292	610
Santander Seguros y Reaseguros, Compañía Aseguradora, S.A.	287	293
Casa de Bolsa Santander, S.A. de C.V., Grupo Financiero Santander México	130	-
Geoban, S.A.	75	-
Produban Serviços De Informática S.A.	63	288
BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych, S.A.	60	-
Banco Santander International	51	116
Fideicomiso 2002114	36	41
Banco Santander (Suisse), S.A.	26	64
Santander Río Valores, S.A.	1	-
WIM Servicios Corporativos, S.A. de C.V.	-	-
Santander ISA Managers Ltd	-	1,012
Santander Back-Offices Globales Especializados, S.A.	-	124
Santander Capitalização S.A.	-	16
Santander Global Facilities, S.A.	-	5
Other	-	9
	420,461	**435,329**

(*) 'Amounts due from related parties' include the cash held by the Group in bank accounts and deposits in Banco Santander, S.A. and its subsidiaries.

Amounts owed to related parties:		
Banco Santander, S.A.	32,342	32,614
Sam UK Investment Holdings Limited	19,500	20,000
Sherbrook Acquisition Holdings Corp SPC	19,500	20,000
Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander México	7,205	6,842
Banco Santander - Chile	4,682	4,031
Banco Santander Río S.A.	2,318	-
Santander UK plc	1,064	2,928
Allfunds Bank International S.A.	806	-
Casa de Bolsa Santander, S.A. de C.V., Grupo Financiero Santander México	759	833
Allfunds Bank, S.A.	624	-
Santander Private Banking Gestión, S.A., S.G.I.I.C.	501	694
Open Bank, S.A.	469	494
Banco Santander (Brasil) S.A.	119	-
Gesban Servicios Administrativos Globales, S.L.	34	34
Produban Servicios Informáticos Generales, S.L.	34	315
Gesban Uk Limited	30	185
Isban Argentina S.A.	12	9
Santander Securities LLC	10	-
Santander Consumer Finance, S.A.	9	9
Gesban Santander Servicios Profesionales Contables Limitada	4	-
Produban Servicos de Informática, S.A.	3	-
Santander Consumer Holding GMBH	0	-
Isban U.K., Ltd.	-	160
Isban Mexico, S.A. De C.V.	-	80
Banco Santander Puerto Rico	-	9
	90,025	**89,237**

Transactions with shareholders

There are no transactions with shareholders apart from the operations stated above and the dividends authorised that amounted to €79,000,000.

Key Management Personnel Remuneration

Under Key management personnel immediately following information involving transactions undertaken with Company by Directors and their families.

The remuneration of Directors, who are the Company's key management personnel, is set out in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2016	2015
	€'000	€'000
Short-term benefits	11,136	12,864
Post-employment benefits	399	497
Termination benefits	2,661	3,854
Share-based payments (Note 31)	3,540	9,394
	17,736	**26,609**

30. Fair value of financial instruments

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	€'000	€'000	€'000	€'000
Financial assets				
Financial assets held for trading	2,760	2,760	4,188	4,188
Available for sale financial assets	32,612	32,612	26,085	26,085
Trade and other receivables	133,548	133,548	154,159	154,159
Cash and cash equivalents	329,434	329,434	310,073	310,073
Hedging derivatives	124,815	124,815	121,134	121,134
Financial liabilities				
Trade and other payables	171,903	171,903	190,491	190,491
Loans from credit institutions	984,981	984,981	1,033,335	1,033,335

Interest bearing loans

We consider the carrying value of the loans from credit institutions approximates fair value.

Trade receivables and payables

Trade receivables and payables are typically settled in a short time frame. As a result, the fair value of these balances is considered to be materially equal to the carrying value, after taking into account potential impairment losses.

Valuation of financial instruments

Fair value valuation bases

The following tables summarise the fair values at 31st December 2016 and 2015 of the asset and liabilities classes accounted for at fair value, by the valuation methodology used by the SAM Group to determine their fair value:

As of 31 December 2016		Internal models based on		
Statement of financial position category	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets				
Hedging derivatives	-	124,815	-	124,815
Financial assets held for trading	-	2,760	-	2,760
Available for sale financial assets	-	32,612	-	32,612

As of 31 December 2015		Internal models based on		
Statement of financial position category	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets				
Hedging derivatives	-	121,134	-	121,134
Financial assets held for trading	-	4,188	-	4,188
Available for sale financial assets	-	26,085	-	26,085

31. Share-based payments

There are currently two Equity Plans in operation across SAM Investment Holdings Limited and its subsidiaries ("SAM Group"); the Employee Award Plan (EAP) and the Non-Executive Award Plan (NEAP), together the "AP Options". Both plans take the form of options over equity in the SAM Group. Participation in these plans is offered to a number of employees and Non-Executive Directors (NEDs) and has been established to retain and incentivise employees and incentivise NEDs.

At the Grant Date there were 64 Participants in both plans, 62 within the EAP and 2 in the NEAP sharing a total of 2,656,903 options. At 31st December 2016, there were 64 Participants and 2,300,580 options outstanding of which 747,380 were considered vested (434,406 options related to May 2015 vesting with the additional 312,974 vesting in 2016). The remaining options are due to vest in 2017, and 2018.

The change in Participants was driven by a 2016 event, as detailed below:

- Two new Participants were Granted 80,000 options under the scheme in 2016. At 31st December there were 53,750 options outstanding of which 16,250 were considered vested. The remaining 26,250 options lapsed during 2016.

The options have a contractual life of 5 years and 7 months, with all options due to expire on 31st December 2020.

Options have been issued in two equal tranches. Both are subject to a service condition and one is subject to a performance condition.

The first tranche, ***Service Condition AP Options***, constitute 50% of the awarded AP Options and vest on or after 15th May in 2015, 2016, 2017 and 2018 and are due to expire on 31st December 2020. These Options are equity-settled unless otherwise determined by the Board. Upon exercise, participants are entitled to receive one 'C' ordinary share per AP Option exercised. Each 'C' Ordinary Share has a nominal value of €0.001.

The second tranche, ***EBITDA Condition AP Options***, constitute the remaining 50% and vest, subject to a cumulative EBITDA performance condition, on or after 15th May 2018 and are due to expire on 31st December 2020. These Options are equity-settled unless otherwise determined by the Board. Upon exercise, participants are entitled to receive one 'C' ordinary share per AP Option exercised. Each 'C' Ordinary Share has a nominal value of €0.001.

Upon vesting, Participants have the right, to exercise the AP Options within given windows at the exercise price specified, provided they remain employed by SAM Group.

In the case of the ***Service Condition AP Options***, unvested options will be forfeited should a participant leave the group (unless otherwise agreed by the Board of SAM Investment Holdings Limited).

In the case of the ***EBITDA Condition AP Options***, options will be forfeited should established performance conditions not be met or in the case that a participant leaves the group (unless otherwise agreed by the Board of SAM Investment Holdings Limited).

Details of the share options outstanding during the year are as follows:

	2016		2015	
	Number of share options	Weighted average exercise price (in €)	Number of share options	Weighted average exercise price (in €)
Outstanding at beginning of year	2,475,525		-	
Granted during the year	80,000		2,656,903	
Transferred during the year*	N/A		NIL	
Exercised during the year	NIL	32.17	NIL	32.17
Lapsed / Expired during the year	254,945		181,378	
Outstanding at the end of the year	2,300,580		2,475,525	
Exercisable at the end of the year	747,380		436,315	

In 2015, 2,656,903 options were granted on 15th May 2015. An additional 80,000 options were granted in 2016. No options were granted prior to 15th May 2015. The options outstanding at 31st December 2016 had a weighted average exercise price of €32.17, and a weighted average remaining contractual life of four years (based on an expiration date of 31st December 2020). No options were exercised during the period. .

The AP Options were valued at grant date in May 2015 using an Option Pricing Model (Monte Carlo Simulation using Black-Scholes model) which simulated a range of future SAM Group Enterprise Values and calculated the payoff to the AP Options under each simulation. Inputs considered in the valuation were; enterprise value, expected volatility, exercise date, free cash flow yield, net debt as at the exercise date, risk free rate, grant date, expiry date, total number of AP Options, total number of shares outstanding, the strike price and the vesting schedule. The valuation at Grant date was carried out in accordance with IFRS 2 standards. No further valuation was undertaken in 2016 when an additional 80,000 options were granted.

The grant date fair value was assessed in isolation of the implications of the Service and EBITDA condition. This means that the value of Service Condition AP Options and EBITDA Condition AP Options are the same. The aggregate of the estimated fair values of the options granted on those dates is €54.1 million (calculated by multiplying the option value, €20.38, by the number of options granted). Dividends were not incorporated into the measurement of fair value.

The inputs into the Black-Scholes model are as follows:

	2016	2015
Weighted average share price	€52.55	€52.55
Weighted average exercise price	€32.17	€32.17
DLOC (Discount for Lack of Control)	9.1%	9.1%
Expected volatility	30%	30%
Expected life	5.583 years	5.583 years
Risk-free rate	0.14%	0.14%
Expected Dividend Yields & Repayment of Debt	5.75%	5.75%

Expected volatility was determined by considering the historical volatility of a set of comparator companies in the asset management sector. The one year rolling historical Enterprise Value volatility, of the comparator organisations for the ten years to the grant date was considered, excluding the period of the financial crisis (2008-2010). The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The impact on the Profit & Loss for the entity relating to the 2016 Financial Year was €6.28 million.

A resolution was made at the Remuneration Committee of 13th December 2016 and subsequently the Board of SAM gave provisional approval for a liquidation offer to buy out the SAM EAP subject to the establishment of the required tax and legal conditions which would give effect to the liquidation in each jurisdiction in which the EAP operates. Activity on this resolution is underway.

32. Managed portfolios

The SAM Group manages several investment funds, which are not consolidated. The SAM Group receives an interest in these unconsolidated entities through the receipt of management and performance fees.

As of 31st December 2016, the total net assets managed by the SAM Group amounted to €180,620m (31st December 2015: €158,761m). The income obtained in this connection in 2016 amounted to €942m (2015: €996m). The income received is disclosed in Note 6 and the accrued income but, not received, as of 31st December 2016 is disclosed in Note 20 of these consolidated financial statements. The total seed capital invested in these funds as of 31st December 2016 amounted to €15.0m (31st December 2015: €9.1m).

33. Contingency items

Contingency items relates to balances representing rights, obligations and other legal situations that in the future may have an impact on net assets, as well as any other balances needed to reflect all transactions performed by the consolidated entities although they may not impinge on their net assets. Contingency items for the SAM Group are disclosed in Notes 15 (notional of hedging derivatives) and 32 (managed portfolios) of these consolidated financial statements.

The Group is subject to legal proceedings, claims and litigation arising from the ordinary course of business. On September 12, 2016, a funds' shareholder derivative action and class action complaint was filed in the Court of First Instance of the Commonwealth of Puerto Rico against Santander Asset Management LLC, various funds, Banco Santander S.A., Santander Bancorp, Santander Securities LLC, and all current and certain former funds' directors, alleging breaches of fiduciary duty and breaches of the duty of good faith. This allegation is at an early stage of litigation and the outcome is currently not determinable.

34. Subsequent events

On 7 March, 2017 Banco Santander, SA ("Santander"), Santander Asset Management Holdings Limited ("SAM"), Warburg Pincus and General Atlantic and their other partner ("Eurizon Capital SGR, a subsidiary of "Intesa Sanpaolo") in Allfunds Bank, SA ("Allfunds Bank") have signed a binding agreement for the sale of Allfunds Bank to funds affiliated with Hellman & Friedman, a leading venture capital fund, and Singapore's sovereign wealth fund GIC.

The sale of Allfunds Bank is an inherent part of the agreement reached on 16 November 2016 by Santander with Warburg Pincus and General Atlantic to acquire 50% of SAM from these entities. Therefore, this transaction marks a significant enabling step in the process of the completion of the agreement whereby Santander will acquire sole ownership of SAM.

The next step of the process will involve the regulatory and legal proceedings required to secure the approval and completion of the Allfunds Bank sale. The operation is subject to obtaining the requisite regulatory authorizations.