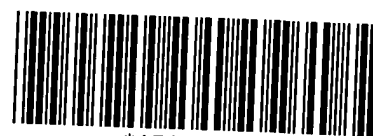


**Annual Financial Statements
for the year ended 31 December 2017**

Standard Advisory London Limited

Registered in England No. 8878241

MONDAY



A08 *A79T6FMW* 09/07/2018 #150
COMPANIES HOUSE

Contents

Strategic report	3
Director's report	6
Statement of director's responsibilities	9
Independent auditor's report to the members of Standard Advisory London Limited	10
Statement of financial position	12
Income statement	13
Statement of other comprehensive income	13
Statement of changes in shareholder equity	14
Statement of cash flows	15
Significant accounting policies	16
Notes to the financial statements	23

Strategic report

The directors present their strategic report for the year ended 31 December 2017 for Standard Advisory London Limited ("the company" or "SALL").

Standard Bank Group profile

Standard Bank Group Limited ("SBGL") is the holding company of SALL. SBGL's market capitalisation at 31 December 2017 was ZAR 316.8 billion (approximately GBP 19.1 billion) and its shares are listed on the JSE.

Standard Bank Group's ("SBG" or "Group") purpose is 'Africa is our home, we drive her growth'.

SBG is a leading African universal financial services organisation. SBG has three business units: Personal & Business Banking ("PBB"), Corporate & Investment Banking ("CIB") and Liberty. It currently operates in 20 countries on the African continent including South Africa, with additional presence in selected key markets outside the African continent, and employs approximately 55,000 across all geographies.

As part of the Group's strategy to support its clients, CIB's International business extends the Group's reach beyond its unique African footprint with a presence in six key locations outside Africa. Offices in London, New York, Sao Paulo, Dubai, Beijing and Hong Kong are established 'to connect Africa to the world in pursuit of faster and sustainable growth'.

These International offices are strategically placed to partner with SBG entities across the Group's unique African footprint and to foster greater connectivity for the Group in key International markets. The CIB International business vision is "we will maximise the competitive advantage of Standard Bank Group by providing exceptional client experiences for international clients with growing operations in Africa and African clients accessing international markets".

The Role of SALL

SALL provides a hub for this International business within SBG. Its Financial Conduct Authority ("FCA") regulated presence in the City of London enhances the Group's ability to originate and deepen relationships with clients seeking to grow their operations in Africa from Europe. SALL also provides the Group and African clients with access to European markets, capital and liquidity.

Principal activities

The company's business was authorised by the FCA on 31 December 2014 for advising and arranging in relation to investments in the UK and passporting into Europe. On 27 April 2017, the FCA agreed to the variation of permission to allow the Wealth business to provide similar advising and arranging activities to its retail clients.

As a subsidiary of SBGL, the company forms a link between Europe and the activities of the SBG in Africa. SALL's main role is to have a client-facing relationship on behalf of SBG, arranging and advising on banking and financial services for clients. The client portfolio includes large corporates, multinationals, governments and high net worth individuals.

SALL predominantly offers:

- Client coverage – building and maintaining the Groups relationships in Europe;
- Investment banking services which include arranging and advisory services to corporate and institutional clients, including in respect of mergers and acquisitions, public offerings, capital raisings and debt products;

- Facilitating transactional products and services to multi-national corporate and non-governmental organisations, including cash management solutions, trade finance services, and investor services (such as clearing and custody);
- Advising Wealth management clients and facilitating ongoing relations between Wealth International clients and The Standard Bank Offshore Group ("TOG"); and
- Employing a number of individuals who currently perform functions for SBG.

SALL does not originate financial assets for its own balance sheet. All financial assets are booked on the balance sheets of other SBG subsidiaries.

SALL, in return receives compensation in line with Organisation for Economic Co-operation and Development ("OECD") transfer pricing guidelines which ensures that SALL's costs are adequately covered and that the services are priced on an arm's length basis.

Financial results

The company's results for the period are shown in the income statement on page 13. The profit for the year is £3.8m (2016: £7.3m).

Capital resources

The company manages capital requirements based on the FCA requirements as well as a multiple of the monthly cost cover. At the end of 2017, the company was well capitalised with total equity capital resources amounting to £35.2m.

Key risk areas and risk management

SALL recognises that the operation of its business carries inherent risks. Apart from reputational risk, the key inherent risks to the business are conduct, compliance, legal, operational, and human resources.

SALL is not exposed to external market risk or credit risk from business activities, as all transactions originated by the company are executed on the balance sheets of other SBGL subsidiaries, the majority being to The Standard Bank of South Africa ("SBSA").

SBG has substantial financial resources and a robust risk management architecture, upon which SALL can rely in order to shield it against economic risks. Linked to SBG's framework, SALL has its own risk and compliance framework including a Risk & Compliance Committee which meets monthly and the Client Risk Management Committee which typically meets weekly to oversee and monitor the activities of the company.

As required under Schedule 19 FA 2016, SALL has published its UK tax strategy on the internet.

Business objectives and outlook for 2018

SALL's purpose is to connect Africa to the world in pursuit of faster and sustainable growth and our objectives for 2018 are to continue building on the momentum generated in 2017 as the hub of SBG's evolving International business. SALL will focus on providing geographical reach for SBG when partnering with international clients who are growing their operations in Africa and African clients who require access to international markets, capital and liquidity.

SALL's focus will be enabled by a disciplined and prudent approach to how we execute on our strategy. We will drive brilliant basics from across our business and promote the Standard Bank brand. Our commercial success will be delivered by our people and the value we bring to the

Standard Bank Group as a cohesive team of high performing and accountable professionals. We will continue to develop our people and in turn, our ability to truly connect and partner with our clients as individuals. These partnerships will contribute in a positive way to their success as they pursue growth through their own personal objectives and their business activities in Africa.

The outlook for 2018 is positive as we transform and modernise our processes to support the client needs and leverage SBG's universal capabilities to improve our client's experience. These areas of focus will enable us to grow our franchise through an increasing share of wallet and client acquisition from opportunities identified from some of the largest corporates in the world that are active in Africa.

SALL will continue to execute transactions on the balance sheets of other SBG subsidiaries rather than originating financial assets for its own. This includes transactions in Jersey from our expanded advisory services to high net worth individuals in line with those already offered by the Wealth business in Jersey.

With regard to the United Kingdom's decision to leave the European Union, SALL is keeping under review changes which affect its business, particularly with respect to changes to Financial Services legislation and the impact these changes may have on its business activities and connecting with clients in Europe.

By order of the Board



S C Smollett

Secretary

1 March 2018

Standard Advisory London Limited
20 Gresham Street
London EC2V 7JE
Registered in England No. 8878241

Directors' report

The directors present their report and financial statements for the year ended 31 December 2017 for SALL.

Going concern basis

The financial statements are prepared on a going concern basis, as the directors are satisfied that the company has adequate resources to continue in business for the foreseeable future.

Dividends

The directors recommend the payment of an ordinary dividend of £3.8m, for the period ended 31 December 2017 (2016: £7.5m).

Internal control and financial reporting

The directors who held office at the date of approval of this report confirm that, as far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, that each director has taken all steps that they ought to have taken as directors to make them aware of any relevant audit information, and to establish that the company's auditors are aware of that information.

The directors are responsible for internal control in the company and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining appropriate compliance oversight; for maintaining proper accounting records; and for the reliability of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud.

The procedures that the directors have established are designed to provide effective internal control within the company.

Such procedures for the ongoing identification, evaluation and management of the significant risks faced by the company have been in place throughout the year and up to 1 March 2018, the date of approval of the annual report for the year ended 31 December 2017.

The directors and senior management of the company have adopted policies which set out the Board's attitude to risk and internal control. Key risks identified by the directors are formally reviewed and assessed at least once a year by the Board, in addition to which key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of procedures such as physical controls, authorisation limits and segregation of duties.

The Board also receives regular reports on any risk and compliance matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board. There are well established budgeting procedures in place and reports are presented regularly to the Board detailing the results of each principal business unit, variances against budget and prior year, and other performance data.

The effectiveness of the internal control system is reviewed regularly by the Board, which also receives reports of reviews undertaken by the internal audit function as well which include details of internal control matters that they have identified. Certain aspects of the system of internal control are also subject to compliance monitoring, the results of which are monitored by the Board.

Directors

The directors who held office during the course of 31 December 2017 or who hold office as at the date of this report are as follows:

S P Ridley (non-executive director and Chairman)

G M Vogel (Chief Executive)

I E Lawrence (non-executive director)

R T F Poole (non-executive director)

T J Lancaster (executive director)

None of the directors held any beneficial interest in the ordinary share capital of the company during the period or at 31 December 2017.

Committees

The Board delegates certain functions and responsibilities to the Governance Committee ("Committee") which is responsible for the day to day management of the company. The establishment of the Committee was approved by the board on 19 November 2014 with changes in membership approved as and when appropriate.

Current Membership: The Committee comprises certain directors and senior executives, currently G. Vogel (Chairperson and Chief Executive), S. Ashby-Rudd, I. Carton, D de Silva, Y. Dmitrieva, C. Furey, A. Hunt, R. Jones, T. Lancaster, R. Litynska, M. McDonald and W. Mitchell.

The major sub-committees supporting the Governance Committee in fulfilling its responsibilities are the Risk and Compliance Committee and Client Risk Management Committee.

Transactions with directors and related parties

There are no loans, arrangements or agreements that require disclosure under the Companies Act 2006 or International Financial Reporting Standards regarding transactions with related parties, other than those shown in notes to the financial statements.

Directors Liability Insurance

The company maintained directors' and officers' liability insurance during the 12 months ended 31 December 2017.

Employees

The company is committed to the principle of Equal Opportunities and seek to create a working environment in which all those the company has contact with are treated with dignity and respect.

It is the company's policy to ensure that all employees and job applicants are given equal opportunities and that they do not face discrimination on the grounds of ethnic or national origin, colour, marital or civil partnership status, religion or belief, sex, pregnancy or maternity, age, sexual orientation, gender reassignment or disability. No employee or job applicant should face bullying, victimisation or harassment.

The company believes that diversity enriches creativity, innovation and reputation and that it has a responsibility to its staff and to the communities in which it works in to ensure that this policy is fully complied with.

Employee involvement in the company's business is encouraged and information disseminated through communication meetings and internal staff publications.

The company recognises its responsibilities to provide a safe working environment for all its staff and measures are in place to ensure that the relevant health and safety regulations are observed and complied with.

By order of the Board



S C Smollett

Secretary

1 March 2018

Standard Advisory London Limited
20 Gresham Street
London EC2V 7JE
Registered in England No. 8878241

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the member of Standard Advisory London Limited

Opinion

We have audited the financial statements of Standard Advisory London Limited ("the company") for the year ended 31 December 2017 which comprise the primary financial statements, and related notes, including the accounting policies set out in pages 12 to 36.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Alex Snook

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square, London E14 5GL

1 March 2018

Statement of financial position

As at 31 December 2017

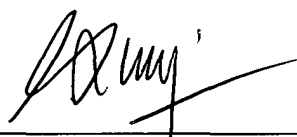
	Note	2017 £'000	2016 £'000
Assets			
Loans and receivables			
- Cash and cash equivalents	1	52,308	51,016
- Pledged assets	2	12,235	17,437
Amount owing by fellow subsidiary	3	2,314	4,427
Derivative assets	4	3,573	1,320
Trade and other receivables	6	6,968	2,266
Deferred tax asset	7	2,162	1,783
Total assets		79,560	78,249

Liabilities and equity

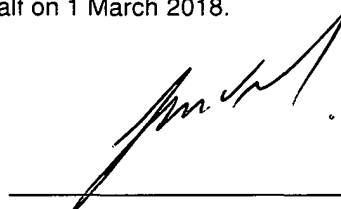
Liabilities		44,368	39,879
Amount owing to fellow subsidiary	3	412	11
Trade and other liabilities	8	43,956	39,868
Equity		35,192	38,370
Ordinary share capital	13	30	30
Ordinary share premium	13	29,970	29,970
Reserves		5,192	8,370
Total liabilities and equity		79,560	78,249

The accounting policies and notes on pages 16 to 36 should be read as part of the financial statements.

Approved by the Board of Directors and signed on its behalf on 1 March 2018.



S Ridley (Chairman)



G Vogel (Chief Executive Officer)

Income statement

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Interest income	10.1	386	324
Non-interest revenue	10.2	86,654	95,421
Operating expenses	10.3	(82,066)	(86,600)
Profit before direct taxation		4,974	9,145
Taxation	14	(1,164)	(1,850)
Profit for the year		3,810	7,295

Statement of other comprehensive income

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Profit for the year		3,810	7,295
Other comprehensive income			
Movements in the cash flow hedging reserve	5	503	703
Net change in the fair value of cash flow hedges		2,253	1,320
Realised fair value adjustments of cash flow hedges transferred to profit or loss		(1,643)	(441)
Deferred tax impact		(107)	(176)
Equity-settled share-based payment transactions		9	32
Total other comprehensive income after tax		512	735
Total comprehensive income for the year		4,322	8,030

The accounting policies and notes on pages 16 to 36 should be read as part of the financial statements.

Statement of changes in shareholder equity

For the year ended 31 December 2017

	Ordinary share capital and share premium £'000	Retained earnings £'000	Cash flow hedging reserve £'000	Total equity £'000
Balance at 1 January 2017	30,000	7,667	703	38,370
Profit for the year	-	3,810	-	3,810
Other comprehensive income for the year	-	9	503	512
Net dividends paid	-	(7,500)	-	(7,500)
Balance at 31 December 2017	30,000	3,986	1,206	35,192
Balance at 1 January 2016	30,000	4,340	-	34,340
Profit for the year	-	7,295	-	7,295
Other comprehensive income for the year	-	32	703	735
Net dividends paid	-	(4,000)	-	(4,000)
Balance at 31 December 2016	30,000	7,667	703	38,370

The accounting policies and notes on pages 16 to 36 should be read as part of the financial statements.

Statement of cash flows

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit for the period before taxation		4,974	9,145
Adjusted for:			
Interest income	10.1	(386)	(324)
Changes in operating funds		2,866	(7,143)
Change in income-earning assets	12.1	(2,577)	(4,594)
Change in other liabilities	12.2	5,443	(2,549)
Interest received	12.3	374	349
Corporation tax paid	12.4	(2,604)	(1,722)
Change in distributable share options		9	32
Income from cash flow hedge	5	(1,643)	(441)
Net cash flows generated from / (used in) operating activities		3,590	(104)
Cash flows from financing activities			
Dividends paid	9	(7,500)	(4,000)
Net cash flows used in financing activities		(7,500)	(4,000)
Net decrease in cash and cash equivalents and pledged assets		(3,190)	(4,104)
Cash and cash equivalents and pledged assets at beginning of the year		68,453	72,557
Cash and cash equivalents and pledged assets at end of the year	12.5	64,543	68,453

The accounting policies and notes on pages 16 to 36 should be read as part of the financial statements.

Significant accounting policies

The principal accounting policies applied in the presentation of the financial statements are set out below. These accounting policies have been reported consistently throughout the reporting period presented in the financial statements.

1 Basis of preparation

These financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and the International Accounting Standards Board ("IASB").

The significant accounting policy adopted in the company is consistent with these adopted by SBG. There has been no significant change in accounting policies in the current year.

The financial statements are prepared in accordance with the going concern principle under the historical cost basis.

2 Foreign currency translations

Functional and presentation currency

Items included in the annual financial statements using the currency of the primary economic environment in which the entity operates (functional currency). The company's functional and presentational currency is Pound Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange differences on non-monetary items are accounted for based on the classification of the underlying items.

3 Cash and cash equivalents

Cash and cash equivalents disclosed in the cash flow statement consist of highly liquid short-term placements and independent amount held by fellow subsidiary as part of the cash flow hedge agreement. These balances are subject to insignificant changes in fair value and are reported at amortised cost.

4 Financial instruments

Initial recognition and measurement

Financial instruments include all financial assets and liabilities. These instruments are typically held for liquidity, investment, trading or hedging purposes. All financial instruments are initially recognised at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss. Financial instruments are recognised (derecognised) on the date the company commits to purchase (sell) the instruments (trade date accounting).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the company as at fair value through profit or loss or available-for-sale. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses. Origination transaction costs and

origination fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate. The majority of the company's loans and advances are included in the loans and receivables category.

Financial liabilities at amortised cost

Financial liabilities that are neither held for trading nor designated at fair value are measured at amortised cost.

5 Taxation

Direct taxation

Direct taxation includes current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted, or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax is not recognised for the initial recognition of assets and liabilities which affect neither accounting nor taxable profits or losses.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which unused tax losses and other temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Current and deferred tax relating to items which are charged or credited directly to other comprehensive income, are also charged or credited directly to other comprehensive income and are subsequently recognised in profit or loss when the related deferred gain or loss is recognised.

Indirect taxation

Indirect taxes, including non-recoverable value added tax ("VAT"), shareholders taxes and other duties are recognised in profit and loss and disclosed separately.

6 Equity

Share issue cost

Incremental external costs directly attributable to a transaction that increases or decreases equity are deducted from equity, net of related tax. All other share issue costs are expensed.

Dividends declared

Dividends are recognised in the period in which they are declared. Dividends declared after the reporting date are disclosed in the dividends note.

7 Employee benefits

Post-employment benefits—defined contribution plans

The company contributes to individual personal pensions operated by third parties on a contract basis. The contributions are based on a percentage of pensionable earnings funded by the company and employees.

Contributions to these plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

Termination benefits

Termination benefits are recognised as an expense when the company is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, bonuses and any non-monetary benefits such as private medical premiums. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

8 Long-term incentive schemes

The company operates cash-settled deferred compensation plans (Cash Settled Deferred Bonus Scheme, Quanto Stock Unit Plan and Performance Reward Plan). In addition there is small number of outstanding awards in respect of historical schemes that employees have the choice to cash-settle or equity-settle.

Cash Settled Deferred Bonus Scheme

The Standard Bank Cash Settled Deferred Bonus Scheme ("CS DBS"), previously referred to as Outside Africa Deferred Bonus Scheme, awards a number of CS DBS stock units denominated in sterling and is a cash-settled, deferred incentive scheme. The value is based on the Standard Bank Group ("SBG") share price and moves in parallel to the change in price of the SBG shares listed on the Johannesburg Stock Exchange ("JSE"). The awards vest over a three and a half year period dependent on the employee being in service for the period and are accrued from the award date over the vesting period. The amount of the accrued liability is re-measured at the end of each reporting period. The changes in liability are accounted for through profit or loss over the life of the CS DBS stock units. Notional dividends accrue during the vesting period and will be payable on vesting date.

Quanto stock unit plan

The Standard Bank Quanto stock unit plan awarded a number of Quanto stock units denominated in US\$ and is a cash-settled, deferred incentive scheme. The value is based on the SBG share price and moves in parallel to the change in price of the SBG shares listed on the JSE. The awards vest over a three year period dependent on the employee being in service for the period and are accrued from the award date over the vesting period. The amount of the accrued liability is re-measured at the end of each reporting period. The changes in liability are accounted for through profit or loss over the life of the Quanto stock units.

Performance Reward Plan

The group's PRP has a three-year vesting period and is designed to incentivise the group's senior executives, whose roles enable them to contribute to and influence the group's long-term decision-making and performance results. The PRP seeks to promote the achievement of the group's strategic

long-term objectives and to align the interests of those executives with overall group performance in both headline earnings growth and ROE.

The awards are subject to the achievement of performance conditions for future financial years set at award date and that determine the number of shares that ultimately vest. The awards will only vest in terms of the rules of the PRP. Awards issued to individuals in employment of group entities domiciled outside South Africa are cash-settled. Notional dividends accrue during the vesting period and will be payable on vesting date.

The amount of the accrued liability is re-measured at the end of each reporting period. The changes in liability are accounted for through profit and loss over the vesting period.

Equity compensation plans

The fair value of equity-settled share options is determined on the grant date and accounted for as staff costs over the vesting period of the share options, with a corresponding increase in the share-based payment reserve. Non-market vesting conditions, such as the resignation of employees and staff retrenchments, are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against profit or loss and equity over the remaining vesting period.

On vesting of share options, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer. On exercise of equity-settled share options, proceeds received are credited to share capital and premium.

Share-based payments settled in cash are accounted for as liabilities at fair value until settled. The liability is recognised over the vesting period and is revalued at every reporting date and on settlement. Any changes in liability are recognised in the profit or loss.

9 Hedges

Derivatives that qualify for hedge accounting

When derivatives are designated in a hedge relationship the company designates them as either:

- hedges of the fair value of recognised financial assets or liabilities or firm commitments (fair value hedges); or
- hedges of highly probable future cash flows attributed to a recognised asset or liability, a forecast transaction, or a highly probable forecast intragroup transaction in the consolidated annual financial statements (cash flow hedges).

Hedge accounting is applied to derivatives designated in this way provided certain criteria are met. The company documents, at the inception of the hedge relationship, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedging relationships. The company also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the hedging instruments are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedges

Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the derivative and the hedged item are recognised in profit or loss. Fair value adjustments relating to gains or losses on the hedging instrument that provide an effective offset to the hedged item are allocated to the same line item in profit or loss as the related hedged item. Any hedge ineffectiveness is recognised in profit or loss as trading revenue.

If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting or the designation is revoked, then hedge accounting is discontinued. The adjustment to the carrying amount of a hedged item measured at amortised cost, for which the effective interest

method is used, is amortised to profit or loss as part of the hedged item's recalculated effective interest rate over the period to maturity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedging reserve. The ineffective part of any changes in fair value is recognised immediately in profit or loss as trading revenue.

Amounts recognised in other comprehensive income ("OCI") are transferred to profit or loss in the periods in which the hedged forecast cash flows affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses recognised previously in OCI are transferred and included in the initial measurement of the cost of the asset or liability.

If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for cash flow hedge accounting or the designation is revoked, then hedge accounting is discontinued. The cumulative gains or losses recognised in OCI remain in OCI until the forecast transaction is recognised in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects profit or loss in the case of a financial asset or a financial liability. If the forecast transaction is no longer expected to occur, the cumulative gains and losses recognised in OCI are immediately reclassified to profit or loss and classified as trading revenue.

10 Revenue

Revenues described below represent the most appropriate equivalent of turnover. Revenue comprises net interest income and non-interest revenue.

Interest income

Interest income and expenses are recognised in profit or loss on an accrual basis using the effective interest rate method for all interest-bearing instruments, except for those classified at fair value through profit or loss. In terms of the effective interest rate method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Non interest revenue

Revenue sharing and fee arrangements with group companies

SBG's transfer pricing arrangements can be summarised into the following main methodology types:

- Residual profit share arrangements;
- Revenue sharing arrangements; and
- Cost plus mark-up method.

Residual profit share arrangements

This method is applied where the agreement requires the sharing or allocating of residual profit between entities. Residual profit is profit available after settling back office costs at cost plus a mark-up; front office costs at no mark-up; and cost of capital. Residual profit is shared based on the product type. For credit based transactions the residual profit is split 80:20 to capital providers and originators respectively. For fee based transactions residual profit is split 50:50.

Revenue sharing arrangements

This method applied when the agreement requires the sharing or allocating of revenue, post credit impairments, between entities at an agreed percentage.

Cost plus method

The transfer pricing arrangement under the cost plus methodology is structured to state that the service seller is remunerated for services by adding a mark-up to the costs it incurs.

11 New standards and interpretations not yet adopted

The following new / revised standards and amendments are not yet effective for the year ended 31 December 2017 and have not been applied in preparing these financial statements.

Standard	Summary of changes	Effective Date
IFRS 9 Financial Instruments	<p>IFRS 9 Financial Instruments (IFRS 9) will replace the existing standard dealing with the accounting treatment for financial instruments IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) from 1 January 2018.</p> <p>IFRS 9 consists of the following key areas which represent changes from that of IAS 39:</p> <ul style="list-style-type: none"> • Revised requirements for the classification and measurement of financial assets and consequential changes in the classification and measurement of financial liabilities, mainly relating to the recognition of changes in fair value due to changes in own credit risk on fair value designated financial liabilities in OCI as opposed to the income statement • An expected credit loss (ECL) impairment model • Revised requirements and simplifications for hedge accounting <p>IFRS 9 is required to be adopted retrospectively from 1 January 2018, with the exception of IFRS 9's hedge accounting requirements where the standard permits an entity to choose as its accounting policy to continue to apply with IAS 39 hedge accounting requirements instead of the requirements in Chapter 6 of IFRS 9.</p> <p>Based on the assessments performed, it is not expected that this standard will have a material impact on the company's financial statements.</p>	1 January 2018
IFRS 15 Revenue from Contracts with Customers	<p>This standard will replace the existing revenue standards and their related interpretations. The standard sets out the requirements for recognising revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments).</p> <p>The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer.</p> <p>The standard incorporates a five step analysis to determine the amount and timing of revenue recognition.</p> <p>The standard will be applied retrospectively and is not expected to have a material impact on the company.</p>	1 January 2018
IFRS 16 Leases	<p>This standard will replace the existing standard IAS 17 Leases as well as the related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, being the lessee (customer) and the lessor (supplier).</p> <p>The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet.</p> <p>The most significant change pertaining to the accounting treatment of operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and introduces a single lessee accounting model, where a right of use (ROU) asset together with a liability for the future payments is to be recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value.</p> <p>The lessor accounting requirements in IAS 17 has not changed substantially in terms of this standard as a result a lessor continues to classify its leases as operating leases or finance leases and accounts for these as it currently done in terms of IAS 17. In addition, the standard</p>	1 January 2019 earlier application permitted

requires lessor to provide enhanced disclosures about its leasing activities and in particular about its exposure to residual value risk and how it is managed.

The standard will be applied retrospectively. The company is in the process of reviewing and determining the estimated impact of this standard.

12 Key management assumptions

The preparation of the financial statements requires the company to make estimations where uncertainty exists. The key management assumptions made by the company are set out below.

12.1 Current and deferred taxation

The company is subject to direct and indirect taxation. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The company recognises liabilities based on estimates of the quantum of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax expense in the year in which such determination is made.

A deferred tax asset of £2.2m (2016: £1.8m), see note 7, is recognised in respect of timing differences. A deferred tax asset has been recognised as it is probable that future taxable profits will be available against which the company can utilise the asset.

12.2 Fair value

The company is either required to or elects to measure their financial assets and financial liabilities at fair value, being the price that would, respectively, be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. Information obtained from the valuation of financial instruments is used to assess the performance of the company and, in particular, provides assurance that the risk and return measures that the company has taken are accurate and complete.

The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of financial assets and financial liabilities.

Where quoted market prices are unavailable, the company establish fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities.

Notes to the financial statements

1 Cash and cash equivalents

	2017	2016
	£'000	£'000
Cash held with external counterparties	15,242	21,519
Cash held with fellow subsidiaries	37,066	29,497
Total cash and cash equivalents	52,308	51,016

2 Pledged assets

	2017	2016
	£'000	£'000
Independent amount with fellow subsidiary	12,235	17,437
Total pledged assets	12,235	17,437

The following amount was deposited with Standard Bank of South Africa Isle of Man Branch as pledged amounts in relation to the derivative transaction:

	Maturing within 1 year	Maturing within 2 years	Maturing within 3 years	Total
As at 31 December 2017	£'000	£'000	£'000	£'000
GBP	3,313	3,217	1,490	8,020
USD	3,639	458	118	4,215
Total independent amount with fellow subsidiary	6,952	3,675	1,608	12,235

	Maturing within 1 year	Maturing within 2 years	Maturing within 3 years	Total
As at 31 December 2016	£'000	£'000	£'000	£'000
GBP	6,225	1,717	1,673	9,615
USD	3,581	3,869	372	7,822
Total independent amount with fellow subsidiary	9,806	5,586	2,045	17,437

The USD deposits were translated at the year end rate US\$/£ 1.3515 (2016: 1.2297).

3 Related party transactions

3.1 Related party transactions

The company entered into transactions with other entities forming part of SBG and other related parties. A significant portion of this activity reflects the placement of excess liquidity.

The company is a party to the following group transaction balances as at 31 December:

	2017 £'000	2016 £'000
Assets		
Cash held with fellow subsidiaries (note 1)	37,066	29,497
Independent amount with fellow subsidiary (note 2)	12,235	17,437
Amounts owing by fellow subsidiary	2,314	4,427
	51,615	51,361

These balances are categorised as loans and receivables in accordance with IAS 39 and are payable on demand. The carrying value of these assets approximates to their fair value.

Equity forwards (note 4)	3,573	1,320
Total assets	55,188	52,681

Liabilities		
Amounts owing to fellow subsidiary	412	11
Amounts owing to associated company	8,372	542
Total liabilities	8,784	553

These balances are categorised as liabilities at amortised cost in accordance with IAS 39 and are repayable on demand. The carrying value of these liabilities approximates to their fair value.

Operating expenses

The company pays monthly charges to Standard Bank of South Africa Limited, a fellow subsidiary, for various expenses totalling to £4.0m (2016: £3.9m). In addition, the company pays monthly charges to ICBC Standard Bank Plc, a related party, for rent and IT charges totalling to £11.2m (2016: £10.9m).

Transfer pricing

The company has transfer pricing agreements in place with other SBG entities. Transfer pricing revenue earning in the current year totalled £81.9m (2016: £92.3m).

	2017 £'000	2016 £'000
Cost plus transfer pricing method		
Revenue of £45.1m (2016: £47.1m) was generated under the cost plus method from the following Group companies:		
Standard Bank of South Africa Limited	39,781	42,415
Standard Bank Jersey Limited	5,297	4,657
Total transfer pricing from the cost plus method	45,078	47,072

Residual profit share transfer pricing method

Revenue of £36.8m (2016: £45.2m) was generated under the residual profit share method from the following Group companies:

Standard Bank of South Africa Limited	36,807	45,216
Total revenue sharing and fee arrangements with group companies	81,885	92,288

3.2 Key management compensation

Key management comprises directors and the members of the governance committee.

	2017 £'000	2016 £'000
Salaries and other short-term benefits	7,159	7,236
Long-term incentives recognised in the income statement	4,176	2,399
Gains on the exercise of long-term incentives	4,353	3,361

There were no other transactions with key management in 2017 (2016: nil).

The average key management consists of 15 (2016: 16), 12 (2016: 13) of whom were employees.

4 Derivatives designated in cash flow hedge relationships

On 30 September 2016, the company entered into a number of equity forwards to hedge its share price incentive schemes against changes in the SBGL's underlying share price. In March 2017, additional positions were entered into to hedge the exposure share-based incentives issued in 2017. The intention is to reduce the volatility in movement of share-based incentive scheme costs.

	2017 £'000	2016 £'000
Equity forwards	3,573	1,320
Total derivative assets	3,573	1,320

5 Cash flow hedging reserve

The company enters into derivative contracts to hedge future probable cash flows, which are designated as cash flow hedges. The purpose of the hedge is to mitigate risk of change in cash flows arising from changes in long-term incentive liability, underpinned by SBGL share price (see note 11).

The forecasted timing of the release of net cash flows before tax from the cash flow hedging reserve into profit or loss at 31 December is as follows:

	Maturing within 3 months £'000	Maturing 3 - 12 months £'000	Maturing 1 year to 5 years £'000	Maturing after 5 years £'000	Total £'000
2018					
Net cash inflow	837	1,359	1,377	-	3,573
2017					
Net cash inflow	298	419	603	-	1,320

Reconciliation of movements in the cash flow hedging reserve ("CFHR")

	2017 £'000	2016 £'000
Balance at the beginning of the year	703	-
Amounts recognised directly in OCI before tax	2,253	1,320
Less: amounts released to profit or loss before tax	(1,643)	(441)
Deferred tax (note 7)	(107)	(176)
Balance at the end of the year	1,206	703

6 Trade and other receivables

	2017 £'000	2016 £'000
VAT amounts recoverable	949	1,099
Other receivables	1,113	1,167
Receivable due from tax authorities	4,906	-
Total trade and other receivables	6,968	2,266

These balances are categorised as loans and receivables in accordance with IAS 39 and are payable on demand. The carrying value of these assets approximates to their fair value.

7 Deferred tax asset

Deferred tax asset is attributable to the following:

	Assets		Liabilities		Net	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Employee benefits	2,162	1,783	-	-	2,162	1,783
Total tax assets / liabilities	2,162	1,783	-	-	2,162	1,783

Movement in deferred tax during the year:

	1 January 2017 £'000	Recognised in income £'000	Recognised in equity £'000	31 December 2017 £'000
Employee benefits	1,783	486	(107)	2,162
	1,783	486	(107)	2,162

Movement in deferred tax during the prior year:

	1 January 2016 £'000	Recognised in income £'000	Recognised in equity £'000	31 December 2016 £'000
Employee benefits	814	1,145	(176)	1,783
	814	1,145	(176)	1,783

8 Trade and other liabilities

	2017 £'000	2016 £'000
Long-term incentive schemes (note 11)	15,790	17,229
Amounts owing to associated company	8,372	542
Income tax payable	353	1,689
Accrued expenses	830	629
Other payables	18,611	19,779
Total trade and other liabilities	43,956	39,868

These balances are categorised as liabilities at amortised cost in accordance with IAS 39 and are repayable on demand. The carrying value of these liabilities approximates to their fair value.

9 Dividend

	2017	2016
	£'000	£'000
Dividend paid	7,500	4,000
Total dividend paid	7,500	4,000

10 Supplementary information to the income statement

	2017	2016
	£'000	£'000
10.1 Interest income		
Interest on loans and advances and short-term funds	386	324
Total interest income	386	324
10.2 Non-interest revenue		
Advisory fees from third parties	5,119	2,447
Revenue sharing and fee arrangements with group companies (note 3)	81,885	92,288
Foreign exchange (loss) / gain	(350)	686
Total non-interest revenue	86,654	95,421
10.3 Operating expenses		
Auditor's remuneration - audit services	33	30
Intra-group charges	4,640	4,101
Associated company charges	11,163	10,851
Staff costs	56,970	65,237
Other operating expenses	9,260	6,381
Total operating expenses	82,066	86,600

The average number of employees during 2017 was 186 (2016: 199).

11 Long-term incentives schemes

11.1 CS DBS Scheme

The Standard Bank Cash Settled Deferred Bonus Scheme (CS DBS), previously referred to as Outside Africa Deferred Bonus Scheme, is a cash-settled deferred incentive arrangement. Qualifying employees, with an incentive award above a set threshold are awarded CS DBS stock units denominated in sterling for nil consideration, the value of which moves in parallel to the change in price of the SBGL shares listed on the JSE. The cost of the award is accrued over the vesting period (generally three and a half years), normally commencing in the year in which these are awarded and communicated to employees. A description of the underlying accounting principles is disclosed in accounting policy Employee Benefits.

The Quanto stock unit plan was replaced by the CS DBS scheme with effect from March 2016 deferrals. This follows the principles of the existing Quanto stock unit plan but is denominated in sterling and has three vesting periods; 18 months, 30 months and 42 months.

The provision in respect of liabilities under the scheme amounts to £7.1m as at 31 December 2017 (2016: £3.0m) and the charge for the year is £4.5m (2016: £2.95m).

	2017 Units	2016 Units
Units outstanding at beginning of the year	48,458	-
Granted	33,168	51,965
Exercised	(16,089)	-
Leavers/lapses	(205)	(3,507)
Units outstanding at end of the year	65,332	48,458

The number of CS DBS stock units granted to employees and not exercised at 31 December is as follows:

Expiry year ¹		
2017	-	16,135
2018	27,086	16,135
2019	27,137	16,188
2020	11,109	-
Units outstanding at end of the year	65,332	48,458

¹ The units vest at various intervals between the reporting date and the expiry period.

Of which relates to key management	25,584	22,258
------------------------------------	--------	--------

At 31 December 2017, the unrecognised compensation cost related to the unvested CS DBS awards amounted to £5.5m (2016: £3.7m). This represents the accumulated amount deferred on awards issued in 2016 and 2017. The vesting of these awards is expected to occur as follows:

	£m	£m
Year ending 31 December 2017	-	0.9
Year ending 31 December 2018	1.6	1.3
Year ending 31 December 2019	2.4	1.5
Year ending 31 December 2020	1.5	-
Total unrecognised future costs of unvested CS DBS	5.5	3.7

11.2 Quanto stock unit plan

Until March 2016, the company operated a cash-settled deferred incentive arrangement in the form of the Quanto stock unit plan. Qualifying employees, with an incentive award above a set threshold are awarded Quanto stock units denominated in US\$ for nil consideration, the value of which moves in parallel to the change in price of the SBGL shares listed on the JSE. The cost of the award is accrued over the vesting period (generally three years), normally commencing in the year in which these are

awarded and communicated to employees. Awards made prior to 31 December 2014 were acquired by the company as part of the common control transaction. Awards prior to 2011 can be exercised within 10 years, 2011 awards can be exercised within 4 years and awards after 2011 will be exercised automatically on vesting. A description of the underlying accounting principles is disclosed in accounting policy Long-term Incentive Schemes.

The provision in respect of liabilities under the scheme amounts to £4.0m as at 31 December 2017 (2016: £10.17m) and the charge for the year is £5.7m (2016: £8.4m).

	2017 Units	2016 Units
Units outstanding at beginning of the year	86,761	202,533
Exercised	(61,039)	(110,348)
Leavers / lapses	-	(5,424)
Units outstanding at end of the year	25,722	86,761

The number of Quanto stock units granted to employees and not exercised at 31 December is as follows:

Expiry year ¹		
2017	-	34,305
2018	10,719	21,853
2019	15,003	30,603
Units outstanding at end of the year	25,722	86,761

¹ The units vest at various intervals between the reporting date and the expiry period.

Of which relates to key management	5,193	27,629
------------------------------------	-------	--------

At 31 December 2017, the unrecognised compensation cost related to the unvested Quanto awards amounted to £0.3m (2016: £0.9m). This represents the accumulated amount deferred on awards issued in 2015 and previous years. The vesting of these awards is expected to occur as follows:

	2017 £m	2016 £m
Year ending 31 December 2017	-	0.5
Year ending 31 December 2018	0.3	0.4
Units outstanding at end of the year	0.3	0.9

11.3 Group share options

SBG equity scheme

Certain employees were historically granted share options under the SBG equity-settled share-based schemes. The amount charged for the year is £0.01m (2016: £0.01m).

	2017 Units	2016 Units
Options outstanding at beginning of the year	223,588	299,900
Transfers in	-	27,063
Exercised	(122,993)	(100,250)
Leavers / lapses	(282)	(3,125)
Options outstanding at end of the year	100,313	223,588
Of which relates to key management	87,215	191,525

Share options were exercised regularly throughout the year, other than during closed periods. The average share price for the year was ZAR 157.29.

The following options granted to employees transferred in that had not been exercised at 31 December:

Options expiry period	Option price range per share (ZAR)	2017 Units	2016 Units
Year end 31 December 2017	98.00 - 105.00	-	24,900
Year end 31 December 2018	92.00	-	48,500
Year end 31 December 2019	62.39	8,750	28,750
Year end 31 December 2020	111.94	43,063	54,063
Year end 31 December 2021	98.80	48,500	67,375
Options outstanding at end of the year		100,313	223,588

11.4 Performance Reward Plan (PRP) awards

An SBG long-term performance driven share plan commenced in 6 March 2014 which rewards value delivered against specific targets. The Performance Reward Plan (PRP) incentivises a group of senior executives to meet the strategic long-term objectives that deliver value to shareholders, to align the interests of those executives with those of shareholders and to act as an attraction and retention mechanism in a highly competitive market place for skills. The PRP operates alongside the existing conditional, equity-settled long-term plans, namely the Equity growth scheme (EGS), the group share incentive scheme (GSIS) and Deferred bonus scheme (DBS) post 2011.

Awards issued to individuals in employment of group entities domiciled outside South Africa are cash-settled. The provision in respect of these awards recognised in liabilities at 31 December 2017 is £4.7m (2016: £3.98m) and the amount charged for the year for the scheme amounts £2.4m (2016: £2.2m).

	2017 Units	2016 Units
Reconciliation		
Units outstanding at beginning of year	689,870	544,670
Cash-settled	(188,324)	-
Issued during the year	144,200	208,600
Leavers / units cancelled	(120,110)	(63,400)
Units outstanding at the end of the year	525,636	689,870
Of which relates to key management	346,400	469,000

The units have the following grant dates:

	Weighted average fair value at grant date (ZAR)	Expected life remaining	Units
5 March 2015	156.96	0.25	195,344
3 March 2016	122.24	1.25	186,092
2 March 2017	155.95	2.25	144,200
Units outstanding at the end of the year			525,636

11.5 Deferred bonus scheme (2012)

In 2012 changes were made to the existing group DBS to provide for a single global incentive deferral scheme across the regions outside the International entities. The purpose of the DBS (2012) scheme is to encourage a longer-term outlook in business decision-making and closer alignment of performance with long-term value creation. This improves the alignment of shareholder and management interests by creating a closer linkage between risk and reward, and also facilitates the retention of key employees. While DBS is not awarded to employees within SALL (the Quanto stock unit plan being the equivalent within SALL), employees transferred from other group entities may hold DBS.

All employees in group entities that are granted an annual performance award over a threshold have part of their award deferred. The award is indexed to SBGL's share price and accrues notional dividends during the vesting period, which are payable on vesting. The awards vest in three equal amounts at 18 months, 30 months and 42 months from the date of award. The final payouts are determined with reference to SBGL's share price on the relevant vesting dates.

Awards issued to individuals in employment of a group entity domiciled in South Africa are equity-settled. Awards issued to individuals in the employment of group entities domiciled outside South Africa are cash-settled. The provision in respect of these awards recognised in liabilities at 31 December 2017 is £0.01m (2016: £0.05m) and the amount charged for the year is £0.01m (2016: £0.01m).

	2017 Units	2016 Units
Reconciliation		
Units outstanding at the beginning of the year	5,812	23,060
Transfers in	1,062	361
Exercised	(6,222)	(8,490)
Lapsed / leavers	-	(9,119)
Units outstanding at the end of the year	652	5,812
Weighted average fair value at grant date (ZAR)	155.95	156.09

11.6 Directors' emoluments

	2017 £'000	2016 £'000
Directors^{1,2}		
Emoluments of directors in respect of services rendered		
Emoluments	1,746	1,623
Proceeds from exercise of long-term incentives	1,410	886
Pension contribution	-	10
Highest paid director		
Emoluments	1,129	1,046
Proceeds from exercise of long-term incentives	1,254	799

¹ Compensation relates to services rendered to SALL

² The number of directors for whom pension contributions were paid during the year was nil.

	2017 Units	2016 Units
Long-term benefits under the CS DBS scheme		
Number of units brought forward	4,909	-
Issued during the year	3,897	4,909
Exercised	(1,636)	-
As at 31 December	7,170	4,909

Long-term benefits under the quanto stock unit plan		
Number of units brought forward	7,872	26,698
Leavers	-	(5,100)
Exercised	(5,501)	(13,726)
As at 31 December	2,371	7,872

Long-term benefits under the SBG equity-settled share-based scheme and equity growth scheme		
Number of options brought forward	109,400	134,400
Number of options exercised	(51,900)	(25,000)
As at 31 December	57,500	109,400

Long-term benefits under the SBG performance related share-based scheme		
Number of options brought forward	141,000	155,300
Number of options allocated in year	38,500	49,100
Number of options exercised	(32,340)	-
Number of options forfeited	(14,960)	-
Leavers (retiring directors)	-	(63,400)
As at 31 December	132,200	141,000

12 Cash flow statement notes

	2017 £'000	2016 £'000
12.1 Increase in income-earning assets		
Amount owing by fellow subsidiary	2,113	(3,813)
Other assets (excluding interest receivable)	(4,690)	(781)
Net increase in income-earning assets	(2,577)	(4,594)
12.2 Increase / (decrease) in other liabilities		
Amount owing to fellow subsidiary	401	(6,219)
Payable for losses to associated company	(382)	-
Other liabilities (excluding income tax payable)	5,424	3,670
Net increase / (decrease) in other liabilities	5,443	(2,549)
12.3 Interest received		
Amounts unpaid at beginning of the year	14	39
Interest income per the income statement	386	324
Amounts unpaid at end of the year	(26)	(14)
Net interest received	374	349
12.4 Tax paid		
Amounts unpaid at beginning of the year	(1,689)	(416)
Income tax charge for the year (note 14)	(1,650)	(2,995)
Payable for losses to associated company	382	-
Amounts unpaid at end of the year	353	1,689
Total tax paid	(2,604)	(1,722)
12.5 Cash and cash equivalents and pledged assets		
Other cash equivalents (included in loans and advances to banks) ¹	64,543	68,453
Total cash and cash equivalents and pledged assets at end of the year	64,543	68,453

¹ Other cash equivalents include short-term placements and independent amounts that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

13 Equity**Authorised**

The directors are generally and unconditionally authorised at any time during a period of five years from 29 October 2014, to allot or grant any rights to subscribe for or convert any security into shares up to an aggregate nominal amount of £80 million.

	2017 £'000	2016 £'000
Ordinary share capital issued and fully paid		
Ordinary share capital		
30,000 ordinary shares of £1 each	30	30
Share premium	29,970	29,970

14 Taxation

Income tax payable on taxable profits is recognised as an expense in the period in which the profits arise. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, on temporary differences arising from the differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the balance sheet dates which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

	2017 £'000	2016 £'000
Recognised in the income statement		
Current tax expense		
Current year	1,258	2,965
Adjustments for prior years	392	30
Total current tax expense	1,650	2,995
Deferred Tax expense		
Origination and reversal of temporary differences	(102)	(1,067)
Adjustments for prior years	(384)	(78)
Total deferred tax credit	(486)	(1,145)
Net tax expense	1,164	1,850
UK tax rate reconciliation		
Profit on ordinary activities before taxation	4,974	9,145
Tax using the UK corporation tax rate of 19.25 % (2016: 20.00%)	957	1,829
Reduction in tax rate on deferred tax balances	127	-
Non-deductible expenses	72	69
Over provision in prior years	8	(48)
Net tax expense	1,164	1,850
Effective tax rate	23.4%	20.2%

In 2017, the company made a claim for consortium relief from ICBC Standard Bank Plc ("ICBCS"), a related party, for the 11 months ending 31 December 2015 of £1.9m and year ended 31 December 2016 of £3.4m. A payment will be made to ICBCS for the value of the losses in 2018. As a result, there is a receivable due from HMRC of £4.9m (note 6) and an amount payable to ICBCS of £5.3m (note 3 and 8) as at 31 December 2017.

15 Financial risk management

15.1 Credit risk

The company's credit risk arises from financial assets with both group and non-group companies. The amounts are all current and performing.

Deposits with non-group entities are only held with highly rated UK subsidiaries of International Banking Groups and are typically held for short maturities. Such credit risk solely relates to the liquidity and funding management activities of the company and does not form part of its core customer business.

	2017 £'000	2016 £'000
Deposits with fellow subsidiaries	37,066	29,497
Deposits with non-group company	15,242	21,519
Total	52,308	51,016

15.2 Market risk - foreign currency and interest rate risk

The company is not exposed to any significant foreign exchange or interest rate risk at year end.

15.3 Liquidity risk

As at 31 December 2017	Maturing within 3 months £'000	Maturing 3 - 12 months £'000	Maturing after 12 months £'000	Total £'000
Financial assets				
Amounts owing by fellow subsidiary	2,314	-	-	2,314
Trade and other receivables	6,968	-	-	6,968
Pledged assets	2,656	4,296	5,283	12,235
Total financial assets	11,938	4,296	5,283	21,517
Financial liabilities				
Amounts owing to fellow subsidiary	412	-	-	412
Trade and other liabilities	34,082	4,198	5,676	43,956
Total financial liabilities	34,494	4,198	5,676	44,368
As at 31 December 2016	£'000	£'000	£'000	£'000
Financial assets				
Amounts owing by fellow subsidiary	4,427	-	-	4,427
Trade and other receivables	2,266	-	-	2,266
Pledged assets	4,457	5,349	7,361	17,437
Total financial assets	11,150	5,349	7,361	24,130
Financial liabilities				
Amounts owing to fellow subsidiary	11	-	-	11
Trade and other liabilities	32,595	1,912	5,361	39,868
Total financial liabilities	32,606	1,912	5,361	39,879

The company has sufficient cash resources to pay liabilities as they fall due.

15.4 Capital management

Capital position as at year end is as follows:

	2017	2016
	£'000	£'000
Capital resources	35,192	38,370
Total assets	79,560	78,249
Equity / Assets	44.23%	49.04%

The company is authorised and regulated by the Financial Conduct Authority.

16 Subsequent events

The directors recommend the payment of an ordinary dividend of £3.8 million for the period ended 31 December 2017 (2016: £7.5 million).

17 Ultimate holding company

The group in which the results of the company are consolidated is that of Standard Bank Group Limited, a company incorporated in the Republic of South Africa. The consolidated financial statements of this group are available for inspection at the company's registered office:

Standard Bank Group Limited

9th Floor
Standard Bank Centre
5 Simmonds Street
Johannesburg 2001
Republic of South Africa