

# Annual Report and Consolidated Financial Statements

For the year ended 31 December 2018

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## CURTIS BANKS GROUP PLC 2018

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Company Registration  
No. 07934492 (England and Wales)

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# STRATEGIC REPORT

## Operational, Financial Highlights and Key Performance Indicators

Curtis Banks Group PLC, one of the UK's leading SIPP providers, is pleased to announce its final results for the 12 months to 31 December 2018.

### Highlights

- Operating Revenue increased by 6% to £46.1m (2017: £43.6m)
- Adjusted profit before tax<sup>1</sup> increased by 13% to £12.1m (2017: £10.7m)
- Adjusted operating margin<sup>2</sup> increased to 27.1% (2017: 25.8%)
- Profit before tax increased by 72% to £10.1m
- Adjusted diluted EPS increased by 13% to 17.32p
- Gross organic growth in own SIPP numbers of 9% with total administered now 77,739
- Assets under administration increased by 0.4% to £24.8bn
- Proposed final dividend of 6.00p (2017: 4.75p) making a full year payment of 8.00p (2017: 6.25p)



Highlights and key performance indicators for the year include:

	2018	2017
<b>Financial</b>		
Operating Revenue	£46.1m	£43.6m
Adjusted Profit before tax <sup>1</sup>	£12.1m	£10.7m
Profit before tax	£10.1m	£5.9m
Adjusted Operating Margin <sup>2</sup>	27.1%	25.8%
Diluted EPS	14.45p	9.26p
Diluted EPS on Adjusted Operating profit less an effective tax rate	17.32p	15.38p
<b>Operational Highlights</b>		
Number of SIPPs Administered	77,739	76,474
Assets under Administration	£24.8bn	£24.7bn
Total organic new own SIPPs in year	5,838	8,719
Number of Properties Administered	6,231	6,031

<sup>1</sup> Profit before tax, amortisation and non-recurring costs.

<sup>2</sup> The ratio of operating profit before net finance costs, amortisation and non-recurring costs to operating revenues.

# STRATEGIC REPORT

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## Our services and history

Curtis Banks Group PLC ("Curtis Banks" or "the Group") is one of the United Kingdom's leading administrators of self-invested pension products, principally SIPPs and SSAs. The Group commenced trading in 2009 and has successfully developed, through a combination of organic growth and acquisitions, into one of the largest UK providers of these products. At 31 December 2018 the Group administered circa £24.8bn (2017: £24.7bn) of pension assets on behalf of over 77,000 (2017: 76,000) active clients.

In May 2015 the shares of Curtis Banks (LON: CBP) were admitted and listed on the London Alternative Investment Market ("AIM").

On 25 May 2016 the Group completed its largest acquisition to date, the purchase of Suffolk Life Group Limited, a long established provider of SIPPs operating through Suffolk Life Pensions Limited and Suffolk Life Annuities Limited. The Group now trades under the names Curtis Banks and Suffolk Life. Approximately 600 staff are employed across its head office in Bristol and regional offices in Ipswich and Dundee.

Curtis Banks Limited and Suffolk Life Pensions Limited, the Group's principal trading subsidiaries, are authorised by the Financial Conduct Authority to provide trust based SIPP products. Suffolk Life Annuities Limited is regulated by the Prudential Regulatory Authority and the Financial Conduct

Authority to provide insurance based SIPP Products. The latter company provides SIPPs through non-participating individual insurance contracts. As such, it is regarded as an insurance company for the purposes of regulatory and statutory reporting. Due to Suffolk Life Annuities Limited's status as an insurance company, the consolidated results for the whole Group also include insurance policyholder assets, liabilities and returns.

The Executive Directors have proven experience in the pensions market and have established a business that focuses on a service-driven proposition for the administration of flexible SIPPs. The Group's products are primarily distributed by authorised and regulated financial advisers, targeted towards pension savers who wish to take full advantage of the features and flexibility offered in the UK's modern and changing pension regime. Long standing relationships with key distributors result in high levels of repeat business and demonstrate satisfaction with products and services provided.

The Group is focussed on continuing to deliver value to both customers and shareholders in the years ahead.

# STRATEGIC REPORT

continued

## Chairman's statement



Chris Macdonald  
Chairman

## Progressing towards ambitious goals

I am pleased to report the Curtis Banks Group final results for the year ended 31 December 2018. These results show solid growth in all financial KPI's over a transitional period in which we have made important operational developments.

I would like to start by thanking our former Chief Executive Officer Rupert Curtis for being instrumental in the evolution of the business over a number of years from founding the business to the successful IPO in 2015. I am delighted that he remains a strategic advisor to the business. I would also like to thank Paul Tarran following his announcement to step down by the end of the year. Paul has made an enormous contribution to the business over a number of years. The search for his successor has already begun.

Taking Rupert Curtis' place is our new Chief Executive Officer, Will Self. Will has been with the business since 2016 and with strong credentials, over 17 years' experience and a member of the Board since 2016, I believe he is very well positioned to lead the business through the next stage of its growth. I am also delighted that Jane Ridgley has now joined the Board. Jane is currently Chief Operating Officer for the Group and will continue in that role as an executive director of the Board.

The period under review has shown an increase in all key financial metrics. Operating revenue has increased by 6% from £43.6m to £46.1m compared to the same period last year, with adjusted profit before tax increasing by 13% from £10.7m to £12.1m. Adjusted operating margin increased to 27.1% (2017: 25.8%) and profit before tax increased 72% to £10.1m. Fully diluted earnings per share on these adjusted operating results (after tax) amounted to 17.32p per share (2017: 15.38p). It is extremely pleasing during this period of transition for the Group to be able to report both top line growth and margin improvement.

We have invested significantly in our products this year and launched 'Your Future SIPP' in February 2019. In a sense, this development is the culmination of the

Suffolk Life integration, as the product combines the best features of both companies' services into one industry leading proposition. We have also invested in our sales team and digital portals throughout the year and I am confident that these enhancements, combined with our expansion into UK's commercial property market, will lead to greater top-line growth.

The total number of SIPPs currently administered by the Group now exceeds 77,000. This is a result of continued new organic growth of all SIPPs and our attrition rates remaining stable with previous years.

### Dividends

We paid an interim dividend of 2.00p per share (2017: 1.50p per share) on 15 November 2018 and the Board proposes a final dividend of 6.00p per share (2017: 4.75p per share) which, if approved, will be paid to shareholders on the register at the close of business on 26 April 2019. The shares will be marked ex-dividend on 25 April 2019 and the proposed dividend paid on 23 May 2019. This will mean the total dividend paid in respect of the year ended 31 December 2018 will amount to 8.00p per share (2017: 6.25p).

### Summary and outlook

We are well positioned to grow the business and we continue to actively seek appropriate acquisition opportunities. Following a year of successfully implementing change within the Group, we have entered 2019 in a strong position for the year ahead. We continue to invest in the business to ensure we stay industry leaders and are in a strong position to grow revenues and maximise stakeholder value.

Chris Macdonald  
Chairman

19 March 2019

# STRATEGIC REPORT

continued

## Chief Executive's review



**Will Self**

Chief Executive Officer

My first review as Chief Executive of the Group reports that 2018 has been another year of strong and profitable growth, building on the foundations of consolidation and integration prioritised over the last two years. It goes without saying that I would like to thank my predecessor Rupert Curtis who, along with Chris Banks and Paul Tarran, founded the business and helped build the industry leading Group that we have today. Their vision and belief in the SIPP market has enabled the Group to remain at the top of our sector and created a platform for the next stage of our journey.

One of the founding principles of the Group was to deliver high quality service. The Group remains a customer centric organisation, and I would also like to thank our hugely valued staff members who deserve recognition for the many and varied achievements over the last 12 months. Their success in meeting the challenges we present to them plays a vital role in delivering the increasing expectations of our customers at the same time as we evolve our business. The SIPP market is experiencing rapid change, and it is the hard work and dedication of each and every member of the business that enables us to deliver these final results for the year ended 31 December 2018.

We have focussed on adjusted operated margin as one of our key performance indicators, and I am pleased to report that this has further increased to 27.1% (2017: 25.8%). We remain confident that a 30% adjusted operating margin is sustainable with our current model. Adjusted profit before tax increased 13% to £12.1m (2017: £10.7m) as a result of strong revenue growth and further operational alignment within the Group.

2018 was a year of transition for some elements of the Group. We completed the delivery of our new brand, consolidating under a single identity and completing a journey that began internally with our staff, offices and culture. This has delivered a platform from which we can invest in and grow our market presence and reputation within our market. In April, we announced the appointment of Jane Ridgley to Chief Operating Officer of the Group. Jane brings a wealth of experience to the role, having previously held senior roles in Suffolk Life and Legal & General. She is

a member of the Group Executive Committee and, as of January 2019, a member of the Board. Her extensive footprint within the company continues to drive cohesiveness within the Group's core operational teams and will engender enhanced collaboration.

In other areas of the Group we focussed on five key deliverables to provide the foundation required for us to deliver the next stage of our journey:

**New single SIPP proposition** - We have successfully launched our new SIPP product 'Your Future SIPP' which replaces the current range of products with a combined product offering the best features of the Curtis Banks and Suffolk Life SIPPs. It capitalises on our new brand, with a clear single market presence for our customers, and its enhanced digital functionality and customer focused service model is more efficient and appealing for both advisers and their clients.

**New national sales function** - Distributing 'Your Future SIPP' is our fully resourced, significantly enhanced sales team, headed by our Group Sales Director, Dave Stratton, a National Sales Manager and a team of seven Business Development Managers. Dedicated sales resource is also focussed on key adviser networks and investment partners to capitalise on other distribution channels.

**Expanded commercial property expertise** - We also have expanded further into the UK's commercial property market with the launch of two new companies. Rivergate Legal Limited offers a range of legal services to SIPP, SSAS and open market customers relating to commercial property transactions; and Templemead Property Solutions Limited provides valuation services and negotiates other professional services on behalf of Curtis Banks Group clients.

**GDPR** - During the period we also successfully implemented a GDPR framework throughout the Group without material financial or operational impact. As a Group we interact with a large number of external parties and I am pleased that this has been completed effectually.

**IT Strategy** - We continue to progress with the work to simplify our IT Infrastructure, as previously outlined. We launched our new website and secure portal, marking a material shift in and de-risking of our digital

# STRATEGIC REPORT

continued

## Chief Executive's review

continued

infrastructure. We now continue to explore the best routes to further exploit this investment.

Having successfully navigated a period in which we delivered both transitional and structural growth, we are well positioned to continue to grow the business and deliver against our strategic objectives.

### Sales Growth

At the year end the number of SIPPs administered increased to 77,739 with 5,838 gross new own SIPPs added organically. Our two core areas of strategic focus, the Full SIPP and Mid SIPP both saw encouraging levels of new gross organic growth. Attrition rates on own SIPPs remain stable at 6.07%. The table below sets out more detail on SIPPs numbers and rates of attrition.

	Full SIPPs	Mid SIPPs	eSIPPs	Total own SIPPs	Third Party Administered	Total
2018 number	20,450	26,354	22,935	69,739	8,000	77,739
2017 number	20,539	24,682	22,193	67,414	9,060	76,474
Gross organic growth rate*	3.14%	12.43%	9.58%	8.66%	0.73%	7.72%
SIPPs added organically	644	3,068	2,126	5,838	66	5,904
SIPPs added through acquisitions	—	578	—	578	—	578
Conversions and reclassifications	507	(507)	—	—	—	—
SIPPs lost through attrition	(1,240)	(1,467)	(1,384)	(4,091)	(1,126)	(5,217)
Attrition rate*	6.04%	5.94%	6.24%	6.07%	12.43%	6.82%

\* Growth and attrition percentage rate based on opening SIPP numbers at the beginning of the year.

Our strategic focus remains on the Full and Mid SIPP market where our expertise, charging model and customer service focus are concentrated in 'Your Future SIPP'. The Full SIPP market is relatively mature, with historic restrictions on annual contributions and annual allowances meaning that gross flow predominantly comes from existing SIPP customers. Many of these clients seek to add Commercial Property as an asset class or wish to move their existing SIPP to a new provider. Mid SIPPs continue to be the product of choice for pension consolidation and the first step for many pension customers from default funds into investment selection, therefore contributing material gross flow.

There have been some well publicised challenges, from which no provider has been immune, which have led to lower gross sales across the industry. The Defined Benefits ('DB') transfer review has impacted all Professional Advisers, spanning both 'DB' and Defined Contribution pension transfer advice. Liabilities arising from SIPPs holding non-standard assets have reduced confidence in the SIPP market, and the general economic environment has reduced consumers' focus on pension savings. All of these factors have been felt across the industry but we believe that our robust financial strength, quality of administration and our new proposition puts us at the forefront of the sector.

In spite of the above the overall SIPP market opportunity remains strong, with SIPPs still benefitting from the introduction of the pension freedoms and favoured as a way of allowing individuals to have greater access, control and responsibility over their pension savings. SIPPs are now being considered by a much larger group of consumers than ever before and are no longer perceived as reserved solely for those with large pension fund values.

### 'Your Future SIPP' - our new SIPP proposition

'Your Future SIPP' was launched following detailed adviser research and combines the best of the Curtis Banks and Suffolk Life SIPPs into one of the industry's leading propositions. Your Future SIPP accesses a high quality customer-focussed service model with specialised teams across the Group, and is competitively priced, with no application fees for online applications coupled with a tiered annual administration fee.

A new online portal has been launched that directly supports 'Your Future SIPP'. This will deliver efficiencies for advisers, reducing the time spent on administration. Advisers and clients will benefit from more digital functionality than before and it is accessible from desktop computers, tablets and mobiles. Other features include market access to virtually any investment solution, easy management of cash and automated adviser charging.

'Your Future SIPP' benefits from our highly experienced commercial property team, now enhanced by the legal and property management solutions within the Group offered by Rivergate Legal and Templemead Property Solutions, adding experience and value to customers with property investments.

We are still in the very early stages of the new proposition but believe our new proposition is market leading with a suite of features, flexibility and attractive pricing. Coupled with our new distribution structure we are now well-placed to increase our organic growth of Full and Mid SIPPs.

### Acquisition activity

Investing to add high quality assets is a core component of our future growth strategy. In December 2018, we announced the completion of the purchase of wealth manager Hargreave Hale's book of SIPPs. This

# STRATEGIC REPORT

continued

## Chief Executive's review

continued

comprised 578 SIPPs invested in assets valued at circa £180m. This SIPP book represented a good fit for our business model and marked the tenth asset purchase by Curtis Banks since the company was founded in 2009.

We remain disciplined in our approach to acquisitions where we consider each opportunity from both an earnings per share and return on investment perspective. We are committed to exploring further opportunities to add scale and expand our offering to greater numbers of clients.

### Industry context and regulation

Regulatory scrutiny continues in the pension market. Our business model means that we only work with regulated financial advisers and do not give any advice or provide the investments held within our SIPPs. In addition our fee structures remain fair and transparent.

The issue of non-standard investments has received increased media attention. Whilst we acknowledge that these issues are significant within the wider industry, and that some uncertainty still persists, we do not consider them to be a material risk to our business. The Group continues to carry out robust due diligence on non-standard investments and our new product has a clear Schedule of Allowable Investments.

We have also taken a prudent approach to our legacy book, composed of our own SIPPs as well as a large number of historic acquisitions, and have undertaken a detailed review of this business. There are areas where we will need to take remedial action but these are limited. Commercial Property remains a complex asset class and we are now undertaking a comprehensive data cleanse in this area.

### Our People and Culture

Our Chief Financial Officer, Paul Tarran, has notified the Board that he intends to stand down from the Board by the end of 2019. A process has begun to identify and recruit a successor as Chief Financial Officer, who can continue our journey to enhanced financial reporting and discipline while ensuring that the Group can capitalise on strategic growth opportunities. Paul will retain his current responsibilities until this process is complete to ensure a smooth transition.

We value our people and the positive contribution they make to our culture and the performance of our business. In late 2018 we appointed a new Group HR Director to lead us on defining a modern, forward looking people strategy. In doing so we are reviewing all elements of our culture from recruitment methodologies to long term incentives to ensure that all staff throughout the group are given the opportunity to develop and succeed.

### Our wider strategy

The Group has considerable experience of administration of complex assets within a regulated environment coupled with management of complex data from multiple and diverse counterparties. We intend to formulate a strategy that delivers revenue growth and diversity in our areas of expertise. We have three areas of strategic focus:

- Organic sales - supported by our new national sales function and market leading proposition.
- Acquisition opportunities - driving growth through additional books of business.
- Diversifying revenue streams - building on our core capabilities of complex administration and commercial property, and expanding our service into Legal and Property Management offerings.

In addition to this we will continue to focus on our core operating models to ensure that our risks remain effectively managed, and that operational opportunities and efficiencies are realised and able to meet our future strategic ambitions.

The SIPP market is undergoing an evolution and, as one of the leading providers, we have looked to the future and created the new SIPP proposition that advisers asked for, supported by a nationwide adviser support network. We have broadened our appeal and capability to commercial property clients and will place structured focus on other strategic growth opportunities. We have entered 2019 in a strong position and I am confident about our prospects for growth and our broadening capability to deliver enhanced services for our customers.

Will Self  
Chief Executive Officer

19 March 2019



# STRATEGIC REPORT

continued

## Chief Financial Officer's review



**Paul Tarran**  
Chief Financial Officer

### Results

A healthy Group financial performance for the year ended 31 December 2018 resulted in an increased adjusted profit before tax of £12.1m (2017: £10.7m), an increase of 13% over the previous year. Statutory profit before tax, which is stated after amortisation and non-recurring costs increased by 72% to £10.1m. Adjusted diluted EPS similarly increased by 13% to 17.32p, while diluted EPS on a statutory basis increased by 56% to 14.45p.

The performance was achieved despite incurring upfront costs for laying the groundwork for enhanced future revenue generation through the new single Group wide product (as discussed in the Chief Executive's report), fully adopting the Curtis Banks brand and identity throughout the Group and expanding our sales team to provide nationwide coverage.

During the year costs were also incurred for the launch of the new companies to provide SIPP property valuation services ("Templemead Property Solutions Limited") and legal services ("Rivergate Legal Limited") to the 6,000+ commercial properties held by SIPPs and SSAs administered by the Group.

These results show an improvement in adjusted operating margin of 27.1% (2017: 25.8%). This has been achieved not only by the revenue growth but also following efficiency gains made on closure of our Market Harborough office in early 2018, and cost saving measures achieved through further alignment and amalgamation of suppliers, technology, processes and staff departments within the Group.

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A healthy Group financial performance for the year ended 31 December 2018 resulted in an increased adjusted profit before tax of £12.1m

### Revenue

Operational revenues of £46.1m in 2018 (2017: £43.6m) increased by 6% over the comparable period, driven by further good organic growth in numbers of SIPPs held and increased interest income.

Fee revenue from SIPPs and SSAs remains the predominant source of fee income for the Group with 87% (2017: 84%) of these fees being recurring fixed annual fees. These fees are subject to contractual annual inflationary rises. A menu of additional fixed fees are charged depending on the transactional services provided on the products.

All SIPP and SSAs fees levied are fixed monetary amounts and are not a percentage based charge on the value of the underlying assets held within SIPPs and SSAs. As a result the income of the Group is not affected by movements in financial markets and property values. This is a key differential that sets us apart from most of our competitors and provides an attractive product in terms of fees to higher value SIPPs.

Interest income on the margin on client funds remains a significant part of Group income. In the year ended 31 December 2018 £10.8m of the Group operating revenues were from interest margin (2017: £9.5m). Structural efficiencies in treasury management and the further strengthening of our relationships with deposit providers have led to the increase over last year in addition to favourable movements in base rates during the year.

Both Rivergate Legal Limited and Templemead Property Solutions Limited, since their launch in 2018, have positively contributed to revenue in 2018 and the further development of these companies is expected to drive higher operational revenues through 2019.

### Expenses

The year ended 31 December 2018 saw administrative expenses increase by 4.0% to £33.6m from £32.3m.

Staff costs for the year increased by 4% to £21.9m (2017: £21.1m). Savings from the closure of the Market Harborough office were partly offset by recruitment in the second half of the year of an expanded Group wide sales team that achieves full national coverage of the UK. This coincided with the launch in early 2019 of our

# STRATEGIC REPORT

continued

## Chief Financial Officer's review

continued

new Group product, 'Your Future SIPP', consistent with our strategy of investing for future organic growth.

Staff costs were also impacted by further share based payment awards under the Group's Long Term Incentive Plan and Save As You Earn option schemes, the annual pay review and required increases under auto enrolment of staff pension contributions. These measures however continue to contribute to improved levels of key staff retention and morale and provide the service levels to clients required from our introducers of business.

Staff numbers have decreased slightly to 558 as at 31 December 2018 (2017: 597), reflecting the closure of the Market Harborough office during the year offset by organic growth of staff numbers to service increasing SIPP numbers and our expanded sales team to achieve nationwide coverage.

The Group continues to take steps to improve its adjusted operating margin through a combination of revenue enhancements, cost saving measures and operational improvements. The Group also reduced computer costs by £0.2m year on year through renegotiation of contracts with key suppliers, and further alignment of suppliers and services between each of the Group's offices.

Provisions as at 31 December 2017 of £0.9m relating to the closure of the Group's Market Harborough office were fully utilised during 2018. A tenant was procured in 2018 to occupy the office for the remaining lease period providing sub-let income equivalent to the head lease rental payable over the remainder of the lease.

Finance costs reduced by £0.1m year on year as the company continues to repay borrowings taken out to facilitate the Suffolk Life acquisition in 2016. The debt continues to be repaid in line with scheduled terms and conditions and the covenants required by the bank in respect of this gearing are well covered. Interest on the debt accrues at a rate of 2.25% plus LIBOR.

### Non-Recurring costs

Non-recurring costs for the year have reduced significantly following the provisions last year for the closure of the Market Harborough Office and the expensing of exceptional IT impairment costs.

Current year non-recurring costs have arisen from further restructuring costs within the Group, the costs associated with the acquisition of the Hargreave Hale book of SIPPs during the year and provisions arising as part of the consolidation and integration exercises undertaken over the past year.

As part of these exercises, management initiated a review of data records relating to properties held within SIPPs administered by the Group. Based on a detailed review of a sample of properties and extrapolation of the initial findings across the full population of relevant properties, the directors recognise that additional direct costs may be incurred in completing this data cleansing exercise, including from any potential remediation. A provision of £0.5m has been made for this matter, being the directors'

best estimate of the direct costs the Group may have to bear.

### Suffolk Life Annuities

Part of the Suffolk Life Group of Companies, Suffolk Life Annuities Limited, is an insurance company that writes SIPP Products as insurance contracts. These are all non-participating investment contracts and so the Group does not bear any insurance risk. As the policyholder assets and liabilities are shown on the balance sheet of Suffolk Life Annuities Limited, these also show on the Group balance sheet on consolidation. Assets in the SIPPs administered by the rest of the Group are held in trust and not under insurance contracts and therefore do not need to be included on the balance sheet. As the policies are non-participating investment contracts, the client related assets and liabilities in Suffolk Life Annuities Limited match. In addition the revenues, expenses and investment returns of the non-participating investment contracts are shown in the consolidated statement of comprehensive income. Again, these income, expense items and investment returns due to the policyholders are completely matched. An illustrative balance sheet as at 31 December 2018 showing the financial position of the Group excluding the policyholder assets and liabilities is included as supplementary unaudited information after the notes to the financial statements. An illustrative cash flow on the same basis has also been provided.

### Employee Benefit Trust ("EBT")

The EBT set up during the previous year continues to be used to acquire shares in the Company in the market to satisfy future vesting of options and long term incentive awards. The EBT is funded by loans from the Group. As at 31 December 2018 the EBT held 263,790 shares in Curtis Banks Group plc. A further £0.5m was advanced to the EBT by the Company during the year. A number of options awarded under the Company's Save As You Earn schemes vested during the year and awards were made from the shares held by the EBT.

The financial statements of the EBT are consolidated within the overall Group financial statements and these shares are shown on the balance sheet of the Group as Treasury Shares and are included within total equity.

### Capital requirements

The Group's regulated subsidiary companies submit regular returns to the FCA and the PRA relating to their capital resources. At 31 December 2018 the total regulatory capital requirement across the Group was £11.6m and the Group had an aggregate surplus of £18.0m across all regulated entities. In addition to this it is Group internal policy for regulated companies within the Group to hold at least 130% of their required regulatory capital resulting in the aggregate surplus reducing to £14.5m. All the regulated firms within the Group maintained surplus regulated capital throughout the year.

# STRATEGIC REPORT

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## Chief Financial Officer's review

*continued*

After taking into account the regulatory capital requirements set out above, assuming all these were required to be held in cash, the Group had surplus 'free' cash available of approximately £13m.

### **Financial Position**

The Group increased net assets by 12% to £49.7m as at 31 December 2018 (2017: £44.6m), and increased shareholder cash reserves from £25.7m to £28.0m over the same period.

As at 31 December 2018, the Group had net shareholder cash (after debt) of £13.6m (2017: £8.1m).

The Group will have to adopt the provisions of IFRS 16, accounting for leases, for accounting periods commencing from 1 January 2019. We have evaluated the effect of this on our financial performance and this is not material. We have also had confirmation from our principal lenders that the provisions of IFRS 16 do not need to be taken into account when calculating our banking covenants. We have also received confirmation from the FCA that at this point in time the provisions of IFRS 16 do not need to be taken into account in calculating our regulatory capital calculations.

**Paul Tarran**  
Chief Financial Officer  
19 March 2019

# STRATEGIC REPORT

continued

## Principal risks and uncertainties

The risks to the Group have been fully assessed and mitigated to every extent commercially possible and a full risk register is maintained. The principal risks that would adversely affect the activities of the Group are set out below.

### 1. Risks related to acquisitions

The material risks in relation to past and potential future acquisitions include:

- Unanticipated litigation or claims against the Group.
- Unexpected integration costs and unanticipated diversion of management time and focus and other resources leading to an inability to integrate on a cost-effective and timely basis.

No assurance can be given that any businesses acquired will achieve levels of profitability or earnings that will justify the investment made by the Group.

#### Mitigation

To minimise this risk the Group carries out thorough due diligence on all potential acquisitions using internal expertise and external resources where considered necessary. In the case of all acquisitions appropriate warranties and indemnities are required from the vendors and where possible consideration is partly deferred to cover any potential issues arising from the acquisition. Where possible insurance cover is arranged to cover past events in businesses being acquired.

### 2. Regulatory risks

The Group's operations are subject to authorisation from the FCA and the PRA, and supervision from bodies such as HMRC and The Pensions Regulator. In particular, certain subsidiaries are subject to the FCA's and PRA's regulatory capital requirements. It is possible that the FCA or the PRA may increase the regulatory capital requirements applicable to SIPP providers and change other regulatory requirements from time to time that may increase the Group's compliance costs. HMRC changes to Pension Scheme legislation could also adversely impact the Group's business.

#### Mitigation

To minimise this risk Group compliance personnel closely monitor all current and proposed regulations to ensure full compliance and assess the effect of any future changes on the Group. The Group is well funded and holds regulatory capital in excess of current needs. Any changes in Pension Scheme legislation are fully analysed and the Group's product offerings adapted to the new legislative requirements.

### 3. Interest on client funds

The Group makes a margin on client cash by generating interest income in excess of a

pre-determined percentage paid to clients. There is a risk that a change in prevailing interest rates or rates paid to clients may materially reduce the margins earned in respect of client monies held.

From time to time, the Group may lock into fixed rates of interest on client funds that appear attractive. To the extent that prevailing interest rates increase following the making of such fixes, the margin to be paid by Curtis Banks to its client's may increase and the interest turn received by the Group reduces.

#### Mitigation

To minimise this risk the Group's Asset and Liability Committee continually monitors all client deposits and the terms of those deposits to ensure any risks from changing interest rates are minimised. This is partly achieved by varying the maturity dates of term deposits.

### 4. Dependence on key executives and personnel

The Group's future success may be substantially dependent on the continued services and performance of its Executive Directors and senior management and its ability to continue to attract and retain highly skilled and qualified personnel.

#### Mitigation

To minimise this risk the Group seeks to recruit and maintain high quality experienced staff by offering market competitive packages. These packages are enhanced by the addition of share based incentive and reward schemes for all key staff. In addition the Group offers structured training for staff and works with staff to ensure that there is a favourable work environment that attracts and retains staff.

### 5. Reliance on Information Technology systems

The Group requires complex and extensive IT systems to run its business. Delays in any modifications to its systems or a failure of existing systems could lead to business disruption with a resultant material adverse impact on the Group. System enhancements are continually being assessed and taking place.

#### Mitigation

To minimise this risk the Group has project teams that continually evaluate and update current systems, and implement new or enhanced systems where considered necessary. A full risk assessment is carried out before significant changes to systems. Business continuity is assured by thorough full back up of data and comprehensive data recovery procedures being in place.

# STRATEGIC REPORT

continued

## Principal risks and uncertainties

continued

### 6. Operational Risk and Internal control systems

The Board believe that the Group has in place appropriate regulatory, financial, management and internal controls which are adequate to ensure that the Group meets its regulatory obligations and its contractual commitments to clients and other third parties, as well as appropriate protections against detrimental activities such as fraud, theft, misuse of funds, money laundering or other unauthorised or criminal activities. Nevertheless, such systems may prove inadequate. In the event that such controls fail this may lead to a material adverse effect and lead to claims against the Group.

#### Mitigation

All staff are fully trained and all processes fully documented to ensure operational risk is at a minimum. The processes are regularly tested by compliance personnel. There is full segregation of duties wherever needed to mitigate as much as possible any detrimental activities.

### 7. Online security

The Group's software and systems are at risk from computer viruses, and other breaches of cyber security. While the Group takes the security of its computer systems very seriously computer viruses or breaches of cyber security may cause the Group's systems to suffer delays or other service interruptions and result in claims against the Group.

#### Mitigation

To minimise this risk the Group carries out extensive testing of all computer systems on a regular basis to ensure security is maintained and also makes use of the latest technology and software to ensure there is appropriate cyber security in place.

### 8. Non Standard Investments ("NSIs")

Pension Schemes administered by the Group are permitted under HMRC rules to hold NSIs within them. Such investments are considered more high risk than standard investments such as quoted equities. As high risk investments, NSIs do occasionally fail and clients may look to the Group, as pension provider, for compensation.

#### Mitigation

The proportion of the plans under administration of the Group that hold NSIs is small and full due diligence procedures are carried out on all NSIs before they are accepted into a pension scheme. New business is only accepted from regulated financial advisors who have a duty to ensure that any NSIs that are recommended are suitable for the relevant pension scheme. Once held, NSIs are monitored annually by the Group's technical investments team to consider whether the NSI

remains acceptable. In addition, the Group carries high levels of professional indemnity insurance to protect against any claims.

### 9. Brexit

The method by which the United Kingdom will be leaving the EU is currently unknown which creates uncertainty within the economy, for clients and for the Group. The Group has carried out a full review of the impact of Brexit on the Group and the potential implications of a no deal scenario. Curtis Banks is a UK based business and we consider the Group to be largely isolated from many of the issues which other financial institutions face, such as tariffs, passporting and currency risks.

As part of our review we assessed the impact of a disorderly exit from EU including scenario reviews. Our review has focussed on the following areas:

- banking partners currently used by the Group and the ability of the Group to continue to use these partners;
- SIPP deposits and investments in the EU and the ability to realise these;
- financial markets and currency movements affecting investments within the SIPPs;
- SIPP members who have retired and are living in the EU; and
- employees of the Group.

#### Mitigation

Action has been taken to mitigate, to the extent possible, the risks arising from Brexit and the Group has concluded, based on the current understanding of the Brexit legislation, provisions and intentions, that the risks have been mitigated to the extent reasonably possible.

We do not consider there to be an overall adverse material impact of Brexit on the Group, even in the event of a no deal Brexit.

# STRATEGIC REPORT

continued

## Corporate and social responsibility

### Sponsorships and partnerships with charities and community organisations

The Group actively encourages support of charities and community organisations and activities. With three regional offices there is adequate scope to carry out this support. In Bristol, Curtis Banks are corporate sponsors of Bristol Museum. All offices regularly hold fund raising events for local charities or those charities where staff that have connections or have had need of those charities. As well as organising and funding the events, Curtis Banks also gives further support through a matching contribution to the relevant charity.

### Staff initiatives and interaction

Management engage closely with staff to determine their needs, and initiatives are implemented where these benefit the majority of employees. Procedures are in place to ascertain the views of staff on day to day operational aspects of the business. These procedures are designed to ensure the workforce are motivated and happy in their work environment. Internal surveys are carried out on a regular basis to assess staff satisfaction levels. Newsletters containing information about both Group developments and social events are provided to employees monthly. The Group provides for formal employee forums at all locations at which matters of concern to staff can be discussed and communicated to senior management. The Group provides a save as you earn share option scheme for the benefit of all employees to encourage active participation in the future of the Group.

It is the aim of the group to employ a workforce which reflects the diverse community within which it operates. In addition, employees are expected to conduct business so as to enhance the Group's reputation and to safeguard against unfair business

practices. The Group provides a clean and safe working environment to all. Employees are given regular opportunities to sit down with senior management to discuss any concerns they have together with regular team meetings, employee feedback surveys and social events and this is key to delivering heightened employee engagement.

### Staff Training

Staff are actively encouraged to train and develop through both structured and 'on the job' training above the core requirements. Staff are supported in these, both financially and through a dedicated training department. The Group has an approved list of professional qualifications that staff are sponsored to study towards, to help and motivate them to progress up through the organisation. All vacancies are filled internally whenever possible.

### Employment of staff with disabilities

The Group's approach to recruitment, promotion, training or any other benefit will be on the basis of aptitude and ability with all employees helped and encouraged to develop their full potential in order to maximise the efficiency of the group.

The development of all our employees is integral to our corporate goals and we look to maximise individual contribution at all levels by providing appropriate opportunities for personal and professional development. The Group aims to establish and maintain a culture that values lifelong learning and development amongst our employees. Training functions are equipped to meet any special needs of individuals with disabilities and consideration is given to the modification and adaptation of facilities and provision of special aids or equipment.



CSR fund raising activities at the Ipswich office

# STRATEGIC REPORT

*continued*

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## Corporate and social responsibility

*continued*

The Group actively monitors recruitment, development and promotion to ensure that the Group provides career development opportunities to employees with disabilities and the company remains satisfied that policy and practice meets and in some cases exceeds statutory requirements.

For those employees who develop a disability during the course of their employment, every effort is made to ensure they remain with the Group by finding them suitable alternative employment, whether through making appropriate adjustments, retaining or redeployment, or, where this is not possible, financial provision is made for such employees through the operation of long-term sickness cover.

On behalf of the board

**Paul Tarran**  
Chief Financial Officer  
19 March 2019

## GOVERNANCE

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### Board of Directors



**Will Self**

**Chief Executive Officer**

Will joined the Board in August 2016 and has over 17 years of experience in the SIPP and SSAS industry. Will was CEO of the Suffolk Life Group prior to acquisition by Curtis Banks Group plc. Prior to that Will was Chief Commercial Officer of the Digital Savings Division (including Cofunds) of L&G and holds an MBA from Cranfield School of Management.



**Paul Tarran**

**Chief Financial Officer**

Paul has over 35 years' experience in the financial services industry and was one of the founders of Curtis Banks in 2009. Paul is responsible for the finance function for the Group and in addition brings a wealth of experience in corporate matters to benefit the strategic development of the Group. Paul is a Fellow of the Institute of Chartered Accountants in England & Wales.



**Jane Ridgley**

**Chief Operating Officer**

Jane Ridgley joined the Board on 18 January 2019. Jane has many years' experience of working for Legal & General plc, working closely with advisers to deliver their clients' needs in a sales and operational capacity. 15 years' experience working directly with IFAs led her to take a role as Investment Development Director in 2009. She then progressed to Product Director, responsible for the design and development of workplace savings, investment and product proposition. Jane joined Suffolk Life as Operations Director in September 2013. Her role expanded to cover Human Resources in March 2016 before assuming the role of Chief Operating Officer for the Curtis Banks Group in April 2018.



**Chris Macdonald**

**Executive Chairman, Non-executive Director and Chairman of the Risk and Compliance Committee**

Chris was one of the founders of Brooks Macdonald Group plc where he was CEO until 2017. He is a qualified investment manager and has worked in investment management and financial services since the start of his career in 1982 and has won several investment management awards.

Chris is Chairman of Catley Lakeman Ltd, is an advisor to a number of financial services companies and is an associate of the Institute of Continuing Professional Development. Chris brings experience of involvement with an AIM listed company for many years and knowledge of the challenges and responsibilities towards all stakeholders attached to being a listed company as well as bringing financial services industry experience to the Group.



## GOVERNANCE

continued

### Board of Directors

continued



#### **Bill Rattray**

**Non-executive Director and Chairman of the Audit Committee**

Bill is Chief Financial Officer of Standard Life Aberdeen plc, one of the world's largest investment companies. Bill is a Chartered Accountant and brings strong financial skills and extensive experience of the asset management industry, having previously served as Finance Director of Aberdeen Asset Management PLC since 1991.

As an executive director of a FTSE 100 company Bill brings a depth of experience in dealing with shareholders and looking after their interests and has relevant industry experience.



#### **Jules Hydeleman**

**Non-executive Director and Chairman of the Remuneration Committee**

Jules has over 15 years' experience as a Non-executive Director and Chairman. Currently he holds Chairmanships of Equip Holdings Limited, Gro-group International Limited and Cornwall Farmers Co-operative. Previously Jules was Chairman of Innocent Drinks for 10 years from start up until eventual exit. Jules brings to the Board a 'non-industry' outlook to the activities of the Group and with a background in sales and marketing this provides valuable input. Jules also provides experience that focuses on remuneration policies based on performance and targets.

# GOVERNANCE

continued

## Directors' Report

The directors present their annual report and audited consolidated financial statements for the year ended 31 December 2018.

### Business review

The principal activity of the Group continued to be that of the provision of pension administration services principally for Self-Invested Personal Pension schemes ("SIPPs") and Small Self-Administered Pension Schemes ("SSASs"). The Group is staffed by experienced professionals who all have proven track records in this sector. The Company was incorporated in England and Wales (registered no. 07934492).

An indication of likely future developments in the business, corporate and social responsibility, and risk management of the Group is included in the Strategic Report.

### Results and dividends

The consolidated statement of comprehensive income for the year is set out on page 33.

A final dividend in respect of 2017 results of 4.75p per share totalling £2,551,000 was proposed and paid on 18 May 2018. An interim dividend in respect of 2018 results of 2.00p per share totalling £1,071,000 was proposed and paid on 15 November 2018. A final dividend of 6.00p per share is proposed and if approved, will be paid to shareholders on the register at the close of business on 26 April 2019. The shares will be marked ex-dividend on 25 April 2019 and the dividend paid on 23 May 2019.

### Substantial Shareholders

At 1 March 2019 the Company had been notified of the following interests (excluding directors still serving at year end) representing 3% or more of its issued share capital:

	No. of Ordinary shares	Percentage Holding
Chris Banks	14,651,142	27.23%
Liontrust Investment Partners LLP	6,537,223	12.15%
BlackRock Investment Management (UK) Ltd	4,872,158	9.05%
Canaccord Genuity Group Inc	3,240,050	6.02%
Pie Funds Management Ltd	1,901,338	3.53%

### Directors

The following directors have held office since 1 January 2018 and up to the date on which the financial statements were signed:

Rupert Curtis (Resigned 31 December 2018)  
Paul Tarran  
Will Self  
Jane Ridgley (Appointed 18 January 2019)  
Chris Macdonald  
Bill Rattray  
Jules Hydeleman

### Directors' indemnity

The directors had qualifying indemnity cover totalling £10,000,000 during the year ended 31 December 2018.

### Related party transactions

Details of related party transactions are given in note 32.

### Annual General Meeting

The Annual General Meeting of the Company will be held on 21 May 2019. The Notice of the Meeting is included with this document and contains further information on the business to be proposed at the meeting.

### Independent Auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

### Going concern

The directors have prepared the financial statements on a going concern basis, as in their opinion the Group is able to meet its obligations as they fall due. This opinion is based on detailed forecasting for the following 12 months based on current and expected market conditions together with current performance levels.

### Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

# GOVERNANCE

*continued*

## Directors' Report

*continued*

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 Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors of the ultimate parent company are responsible for the maintenance and integrity of the of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Directors' confirmations

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and

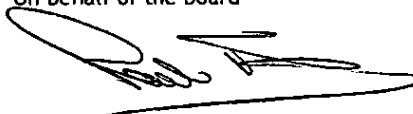
Company's position and performance, business model and strategy.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

This confirmation is given in accordance with Section 418(2) of the Companies Act 2006.

On behalf of the board



Paul Tarran  
Director

19 March 2019

# GOVERNANCE

continued

## Chairman's corporate governance report

### Introduction

The Board is committed to achieving high standards of corporate governance, integrity and business ethics. On 28 August 2018, the Board of Curtis Banks Group PLC decided to fully adopt the QCA Corporate Governance Code (2018 edition) ("the QCA Code"). The Board believes that the QCA Code provides the right governance framework for a Group of our size in which we can continue to develop our governance model to support our business.

### Corporate governance principles

The corporate governance principles contained in the QCA Code are as follows:

1. Establish a strategy and business model which promote long-term value for shareholders.
2. Seek to understand and meet shareholder needs and expectations.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.
5. Maintain the board as a well-functioning, balanced team led by the chair.
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.
8. Promote a corporate culture that is based on ethical values and behaviours.
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

### Application of the QCA Code and required disclosures in our annual report or on our website

Application of the QCA Code requires us to apply the principles set out above and also to publish certain related disclosures; these can appear in our annual report, be included on our website or we can adopt a combination of the two approaches. Recommended locations for each disclosure are specified in the QCA Code and these have been followed.

As Chairman of Curtis Banks Group plc, it is my responsibility to lead the board in ensuring that the Group has in place good standards of corporate governance. The Board believes that the QCA Code is the most appropriate corporate governance code for

the Group, given the size of our business, and will ensure the Group maintains good corporate governance practices while allowing the business to continue its entrepreneurial culture. The Board works together to ensure that these corporate governance standards are adhered to and the below sets out how they are practically implemented.

### The Board

The Board comprises of three Executive directors and three non-executive directors. Details of the directors and their strengths and experience are set out on pages 14 to 15 of this Report

All the Non-Executive Directors of the Group are considered to be independent and are as follows:

- Chris Macdonald (Chairman)
- Bill Rattray (Senior Independent Director)
- Jules Hydleman

All the Executive Directors are full time employees of the Group. In addition, Executive Directors are required to work such additional hours, over and above normal working hours, that are necessary for the proper performance of their duties.

There are no grounds to question the independence of any of the above Non-Executive Directors. Non-Executive Directors are expected to devote such time as is necessary for the proper performance of their duties. This is anticipated as an equivalent of a minimum of one day a month on work for the Group including attendance at a minimum of four Board meetings per annum and the AGM and consideration of all relevant papers before each meeting

All directors are subject to either an Executive Service Agreement or a letter of appointment. The Company's articles of association ("Articles") require that each Director shall retire from office at the third annual general meeting after the annual general meeting or general meeting (as the case may be) at which they were previously appointed. The Articles further provide that any Director who retires in such circumstances shall be eligible for re-appointment by the Shareholders at the annual general meeting at which his retirement takes effect.

The Board meets formally every three months and on other occasions where specific transactions or events dictate the need. In addition the Board has established a number of committees in order to provide corporate governance and these also meet formally on a quarterly basis. These committees are an audit committee, a risk and compliance committee and a remuneration committee and comprise of only the three Non-Executive directors with Executive directors in attendance as required. Each of the committees are governed by terms of reference that have been approved by the Board.

Both Chris Macdonald and Bill Rattray are, or have been, executive directors of UK publicly listed companies and maintain their skill sets through those

# GOVERNANCE

continued

## Chairman's corporate governance report

continued

connections. In addition non-executive directors attend external courses where appropriate.

Since listing on the AIM market the Company has used the services of external consultants for guidance on executive remuneration levels and share incentive packages. Consultants have also been engaged to assist in the design and documentation required for the introduction of share incentive plans for all levels of staff.

The Board regularly consult and meet with both internal and external auditors to the Company.

Executive directors maintain their skill set through day to day interaction with the industry and attendance at courses, both internal and external.

All directors are required to undertake and record continual professional development training.

The internal advisory responsibilities of the Company Secretary include that of also acting as Chief Financial Officer for the Group.

The Chief Executive currently conducts annual performance appraisals of the other executive directors that report to him. This is also supported by regular 1:1 meetings between the executives. In turn other executive directors conduct annual appraisal reviews of the Chief Executive.

The Board promotes and monitors a healthy corporate culture through ensuring that the Company has proper processes and written procedures in place to achieve this. Monitoring is carried out by the Executive Board members by day to day interaction with staff at all the offices and review of all relevant minutes to identify any areas of weakness. An 'open door' policy exists for all members of staff. Non-Executive directors visit the offices on a regular basis and have sight of management committee minutes and papers to keep fully briefed of the corporate culture and any issues that may arise.

The Board receives regular updates on matters of corporate culture through Executive Reports and Committee minutes, compliance and risk updates and regular presentations from the Group Heads of Departments. Board meetings are rotated to include both Bristol and Ipswich, providing the opportunity for Non-Executive Directors to experience the working and corporate culture and to gain greater understanding of all areas of the Group's business.

### Audit Committee

The primary focus of the Audit Committee is on corporate reporting (from an external perspective) and on monitoring the Group's internal control and risk management systems (from an internal perspective). Further details on the committee's responsibilities and activities are on page 21 of this annual report.

### Remuneration committee:

The primary function of the Remuneration Committee is to determine, on behalf of the board, the remuneration packages of the executive directors and

the bonus and share option schemes to be offered to employees. Further details on the committee are on pages 22 to 25 of this annual report.

### Risk Committee:

The primary function of the Risk Committee is to consider the Group's appetite to risk, to review and monitor the risk process undertaken by the Group and adherence to the risk profile and monitor procedures for identifying and controlling risk. Further details on the committee's responsibilities and activities are on pages 21 to 22 of this annual report.

The terms of reference for the Audit, Remuneration and Risk committees can be found in the investors section of the Group website ([www.curtisbanks.co.uk](http://www.curtisbanks.co.uk)).

Attendance at the four scheduled Board and Committee Meetings in the twelve month period ended 31 December 2018 is set out in the table below:

Executive directors	Board			
	Meeting	Audit	Remuneration	Risk
Rupert Curtis	4	4	4	4
Will Self	4	4	4	4
Paul Tarran	4	4	4	4
Non-Executive directors				
Chris Macdonald	4	4	4	4
Bill Rattray	4	4	4	4
Jules Hydleman	3	3	3	3

### Board Evaluation

Board effectiveness as a whole is evaluated annually by means of formal questionnaire to each director by the Chairman followed by collective discussions on the results and evaluation of the effectiveness of the Board.

The Chief Executive conducts annual performance appraisals of the other executive directors that report to him. This is also supported by regular 1:1 meetings between the executives. In turn other executive directors conduct annual appraisal reviews of the Chief Executive. The senior independent director, on behalf of the board, has agreed to explore performance evaluation of the other non-executive directors, the Board and the Board's committees.

### Relationships with shareholders

The Group has a programme of meetings each year with institutional shareholders, potential shareholders, brokers and analysts following the release of preliminary and half-year results. These include formal written presentations that are available on our website. These meetings allow the Executive Directors, to update shareholders on strategy and the Group's performance. Additional meetings with institutional investors and/or analysts are arranged from time to time during the year as requested by both our brokers and investor relations agents.

## GOVERNANCE

*continued*

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### Chairman's corporate governance report

*continued*

Following the formal bi annual presentations all Board members receive copies of feedback reports keeping them in touch with shareholder views. Will Self and Paul Tarran are the key contacts with the Group's shareholders.

Camarco LLP provide investor public relations to the Group and joint stockbrokers are Peel Hunt LLP and N+1 Singer LLP.

Chris Macdonald, as Chairman, and the other Non-Executive Directors are all willing to engage with shareholders should they have a concern that is not resolved through the normal channels. The Company Secretary can also be contacted by shareholders on matters of governance and investor relations.

The Board also uses the AGM to communicate with investors, including those staff holding shares or options in the Company. The meeting is held near the Head Office in Bristol each year and attended by shareholders and professional advisers. All shareholders are given the opportunity to ask questions and raise issues; this can be done formally during the meeting or informally with the directors after it. Computershare plc (Computershare) are registrars to the Company and attend the AGM.

Copies of our annual report (and the notice of AGM) and the interim report are sent to all shareholders and copies can be downloaded from the investors section of our website ([www.curtisbanks.co.uk](http://www.curtisbanks.co.uk)). Alternatively, they are available on request by writing to the Company Secretary at 3 Temple Quay, Bristol, BS1 6DZ.

Other information for shareholders (and other interested parties) is also provided on the Investors section of our website, including all RNS Announcements, preliminary and half-year results presentations to shareholders and other matters relevant to shareholders.

#### Compliance with legislation

The Group has fully documented internal policies to ensure compliance with legislation including those relating to The Bribery Act, The Modern Slavery Act, and the General Data Protection Regulations and anti-tax evasion procedures. There are also internal policies on dealing in shares of the Company to ensure compliance with Market Abuse Rules of the AIM market.

Approved on behalf of the Board

Chris Macdonald  
Chairman  
19 March 2019

# GOVERNANCE

continued

## Corporate governance

### Audit Committee Report

The Audit Committee is chaired by Bill Rattray with Chris Macdonald and Jules Hydleman as the other members.

The key duties of the Committee are:

- a) to monitor the integrity of the financial statements of the Group, including its annual and half yearly reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.
- b) to keep under review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems.
- c) to review the adequacy and security of the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.
- d) meet regularly with the external auditors, including once at the planning stage before the audit and once after the audit at the reporting stage to discuss their remit and any issues arising from the audit. In addition the Committee will review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team. The Committee will also agree the level of audit fee.

The Audit Committee has met four times during the year under review with the external statutory auditors and external Internal auditors being in attendance at all of those meetings. Specific matters discussed at those meetings included:

- a) Review of financial statements for the Group for the year ended 31 December 2017 and receiving the external auditors audit report thereon and considering the key accounting considerations and judgments attaching to those accounts.
- b) Consideration and approval of the plan for the interim review by the Auditors on the interim financial statements for the six month period to 30 June 2018.
- c) Review of financial statements for the Group for the six month period ended 30 June 2018 and receiving the external auditors review report thereon and considering the key accounting considerations and judgments attaching to those accounts.
- d) Consideration and approval of the year the audit plan for the year ended 31 December 2018 and confirmation of key audit matters.
- e) Consideration of the effect of the adoption and implementation of new accounting standards

that would affect the Group in the year ended 31 December 2018.

- f) Review of three internal audit reports produced by KPMG in their role as external internal auditors to the Group and consideration of actions to be taken on matters arising from those reports.
- g) Consideration of the Internal Audit plan prepared by KPMG for the year ending 31 December 2019 and agreement of matters to be covered in those reports.

### Risk and Compliance Committee Report

The Risk and Compliance committee is chaired by Chris Macdonald with Bill Rattray and Jules Hydleman as the other members.

The key duties of the Committee are:

- a) to consider the Group's appetite for risk, in particular review and monitor the process undertaken by the Group to set and adhere to the Group's current risk profile.
- b) to ensure that Group has in place procedures and mechanisms for the identification and control of all fundamental risks including financial, legal, regulatory and operational risks.
- c) In relation to proposed strategic transactions including acquisitions, disposals or joint ventures and significant new business streams, products or business partners, ensure that due diligence of the proposition has been carried out, in particular on the risk aspects and implications for the Group's risk appetite alongside the commercial and legal aspects.
- d) to ensure that the Group has in place sufficient regulatory capital.

Internal control and risk management is monitored by the Committee by the review of key risk and control documentation, review of internal compliance reports and discussions with Executive directors and Compliance staff.

The Risk and Compliance Committee has met four times during the year under review and received formal presentations from the Compliance Officer of the Group at two of the meetings.

Specific matters discussed at those meetings included:

- a) Review and consideration of Compliance Reviews and Compliance Strategy reports for the Group.
- b) Consideration of Risk appetite throughout the Group.
- c) Consideration of the corporate governance code to be adopted by the Group and conclusion as to the QCA Code being the most appropriate code for the Group.
- d) Review of the Group Risk Register and individual risks within each area of the business. This register summarises the key risks for the

# GOVERNANCE

continued

## Corporate governance

continued

business, their likely impact and relevant mitigation actions.

- e) Consideration and approval of updated Staff Share Dealing codes and Procedures following changes in FCA Market Abuse Rules.
- f) Review and acceptance of Own Risk and Solvency Assessments for Suffolk Life Annuities Limited.

### Remuneration Committee Report

The Remuneration Committee is chaired by Jules Hydeleyman with Bill Rattray and Chris Macdonald as the other members. The key duties of the Committee are:

- a) To determine and agree with the Board the framework or broad policy for the remuneration of the Group's Chairman and the executive directors including pension rights and compensation payments.
- b) In determining such policy, to take into account all factors which it deems necessary including relevant legal and regulatory requirements and the provisions and recommendations of the Corporate Governance Guidelines for Small and Mid-Size Quoted Companies published by the Quoted Companies Alliance (QCA Code) and other relevant guidance.
- c) To review the on-going appropriateness and relevance of the overall remuneration policies in the Group. To approve the design of, and determine targets for, any performance related pay schemes operated by the Group and approve the total annual payments made under such schemes.
- d) To review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors, company secretary and other senior executives and the performance targets to be used.
- e) Within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive as appropriate, to determine the total individual remuneration package of the Chairman, each executive director, the company secretary and other senior executives including bonuses, incentive payments and share options or other share awards.
- f) To obtain reliable, up-to-date information about remuneration in other companies of comparable scale.
- g) It is the policy of the Committee that all appointments in the Group with a remuneration package of in excess of £100,000 be reviewed and approved by the Committee. Any changes to existing employees with such packages are also reviewed and approved by the Committee.

The Remuneration Committee has met four times during the year under review.

Specific matters discussed at those meetings included:

- a) Annual salary reviews for all Executive Directors and senior management and approval of parameters for overall annual staff salary annual reviews.
- b) Agreement of Bonus awards in respect of the year ended 31 December 2017.
- c) Award of Long Term Incentives to Executive Directors and senior staff.
- d) Proposals and agreement to a further offering in 2018 to all staff of the Save As You Earn Share Scheme.
- e) Consideration and agreement of remuneration packages for new key executives joining the Group during the year.
- f) Consideration of the funding of the Employee Benefit Trust and the use of the Trust for satisfying options exercised.
- g) Consideration and agreement of the executive bonus schemes with performance targets for 2018 for Executive Directors and senior staff and approval of the parameters for the 2018 staff bonus scheme.
- h) Consideration and agreement of a bonus scheme for new sales team.

The committee continuing to evaluate other incentive based share option schemes for all employees and directors and additional grants under the existing schemes.

### Remuneration Policy

It is the policy of the remuneration committee to reward executive directors with packages that will retain, incentivise and motivate. The packages are designed to be market competitive and are reviewed annually.

Current remuneration packages for Executive directors comprise:

- a) Basic Annual salary.
- b) Pension contributions equivalent to 5% of basic salary.
- c) Benefits in kind comprising principally life assurance and car allowance.
- d) Performance based annual bonus.
- e) Award of shares under Long Term Incentive Plans.

The performance based annual bonus scheme provides for an Executive Director to earn a maximum annual bonus equivalent to 100% of their basic annual salary. A percentage of the annual bonus entitlement is based on the financial performance of the Group against budgets approved by the Board and a percentage based on individual performance. A percentage of bonus entitlement over certain monetary limits is



# GOVERNANCE

continued

## Corporate governance

continued

deferred for a period of two years and malus provisions apply.

Awards based under the Long Term Incentive Plan are in shares in the Company at nil value limited to a maximum of 100% of the Executive Directors salary in any one year and calculated using the market value of the shares in the Company at the date of grant. The percentage vesting of the shares depends on the performance of the fully diluted Earnings per Share ("EPS") of the Group, based on the adjusted operating profit of the Group. To fully vest the average increase of the adjusted EPS over a three year period has to average more than 8% per annum plus the annual increase in the Retail Price Index in the respective year. There is partial vesting for increases of more than 2% plus the annual increase in the Retail Price Index. After the shares vest the Executive Director is required to hold these for a minimum of two years before sale. In the event of the Executive Director ceasing employment with the Company during the vesting period, except under such conditions as retirement or illness, the grant of shares will lapse.

The Remuneration Committee continually reviews these elements of the Executive Remuneration packages to ensure that appropriate annual and long term incentives are in place and that management's interests are aligned with those of shareholders.

### Service Agreements and Notice periods for Executive directors.

Service Agreements for Executive Directors are terminable by either party on twelve months written notice, with the Group having the option to place the Executive on garden leave or to make a payment in lieu of notice.

The Service Agreements include restrictive covenants following the termination of employment for the period of six months as regards non-competition and solicitation of staff and clients.

### Non-Executive directors

The Executive Directors are responsible for determining the fees of the Non-executive Directors who do not receive pension, shared based payments or other benefits from the Group. Service Agreements for Non-executive Directors are terminable by either party on three months written notice.

The table below summarises the key terms of the Service Agreements for Executive and non-Executive Directors:

Director	Date of Service Agreements	Notice Period by Company	Notice Period by Director
<b>Executive:</b>			
Wilt Self	30 August 2016	12 months	12 months
Paul Tarran	14 April 2015	12 months	12 months
Jane Ridgley	18 January 2019	12 months	12 months
<b>Non-Executive:</b>			
Chris Macdonald	2 April 2015	3 months	3 months
Bill Rattray	2 April 2015	3 months	3 months
Jules Hydleman	2 April 2015	3 months	3 months

## GOVERNANCE

continued

### Directors' remuneration report

#### Directors' remuneration

Director	Basic salary and fees	Bonus	Pension contributions	Benefits	Total emoluments	
					2018 £	2017 £
Rupert Curtis*	294,624	75,000	13,258	7,385	390,267	476,157
Paul Tarran	214,830	65,000	9,667	8,885	298,382	357,060
Will Self	214,830	150,000	9,643	7,385	381,858	340,410
Chris Macdonald	100,000	—	—	—	100,000	66,500
Bill Rattray	50,000	—	—	—	50,000	50,000
Jules Hydeleman	50,000	—	—	—	50,000	50,000
<b>Total</b>	<b>924,284</b>	<b>290,000</b>	<b>32,568</b>	<b>23,655</b>	<b>1,270,507</b>	<b>1,340,127</b>

\*Resigned 31 December 2018.

#### Directors' shareholdings

As at 31 December 2018, the interest of the Directors in the issued shares of the Company, as shown in its register maintained under section 809 (2) and (3) of the Companies Act 2006 were:

Director	2018		2017	
	No.	%	No.	%
Rupert Curtis	6,370,084	11.84	7,347,684	13.66
Paul Tarran	3,510,478	6.52	3,803,758	7.07
Will Self	—	—	—	—
Chris Macdonald	7,894	0.01	7,894	0.01
Bill Rattray	7,894	0.01	7,894	0.01
Jules Hydeleman	46,548	0.09	51,973	0.10

The following share options are currently held by Directors under the Long Term Incentive Plan ("LTIP"):

Director	Date of grant	Number of shares under option at 31 December 2017	Granted during the year	Number of shares under option at 31 December 2018	Exercise price	Exercise date
Rupert Curtis	26 October 2017	100,174	—	100,174	0p	26 October 2020
Paul Tarran	26 October 2017	73,043	—	73,043	0p	26 October 2020
Will Self	26 October 2017	73,043	—	73,043	0p	26 October 2020
Will Self	5 October 2018	—	55,559	55,559	0p	5 October 2021
Jane Ridgley	26 October 2017	17,391	—	17,391	0p	26 October 2020
Jane Ridgley	18 September 2018	—	21,951	21,951	0p	18 September 2021
		<b>263,651</b>	<b>77,510</b>	<b>341,161</b>		

## GOVERNANCE

*continued*

### Directors' remuneration report

*continued*

The following share options are currently held by Directors under the Company Share Option Plan ("CSOP"):

Director	Date of grant	Number of shares under option at 31 December 2017	Granted during the year	Number of shares under option at 31 December 2018	Exercise price	Exercise date
Will Self	14 September 2016	53,745	–	53,745	267p	14 March 2018
Will Self	15 December 2016	535,996	–	535,996	201p	15 December 2019
Will Self	26 June 2017	535,996	–	535,996	260p	25 March 2020
Jane Ridgley	14 September 2016	27,388	–	27,388	267p	14 March 2018
		1,153,125	–	1,153,125		

Further information about the CSOP and LTIP share option schemes are contained within note 25.

#### Group Remuneration

Remuneration paid to employees of the Group, including salary and benefits, are set in line with prevailing market rates and at levels to attract the speciality skills required by the Group. In addition to salary and benefits wider share ownership of the Group by staff is encouraged through share option and sharesave schemes.

Jules Hydleman  
Chairman of the Remuneration Committee  
19 March 2019

# CONSOLIDATED FINANCIAL STATEMENTS

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# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CURTIS BANKS GROUP PLC

## Report on the audit of the financial statements

### Opinion

In our opinion, Curtis Banks Group PLC's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2018; the consolidated statement of comprehensive income, the consolidated and company statements of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

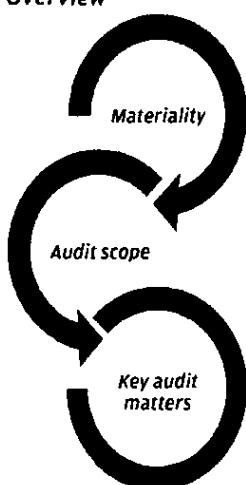
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Our audit approach

#### Context

Curtis Banks Group PLC is an administrator of self-invested pension products in the United Kingdom. There have been no significant changes in the business impacting the current financial year.

#### Overview



- Overall group materiality: £607,000 (2017: £537,000), based on 5% of adjusted profit before tax, amortisation and non-recurring costs.
- Overall company materiality: £458,000 (2017: £367,000), based on 1% of net assets.
- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment, the financial significance of components and other qualitative factors including history of misstatement through fraud or error.
- We concluded that the three principal trading entities (Curtis Banks Limited, Suffolk Life Pensions Limited and Suffolk Life Annuities Limited) and the group holding company (Curtis Banks Group PLC) are significant components for the group audit and as such we performed audit procedures on each of these components.
- Carrying value of intangible assets (Group).
- Carrying value of investment in subsidiaries (Parent).
- Provisioning and contingent liability disclosure (Group).

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CURTIS BANKS GROUP PLC

*continued*

## *The scope of our audit*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of *significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain*. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

## *Key audit matters*

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><b>Carrying value of intangible assets (Group)</b> The Group financial statements include intangible assets arising from the acquisition of Suffolk Life Group Limited during 2016 and the acquisitions of client portfolios.</p> <p>The total intangible assets as of the year-end amount to £44.1m within the consolidated Group accounts.</p> <p>An impairment loss is recognised if the carrying value of an asset is less than its recoverable value. The recoverable amount is determined by estimating the present value of future cash flows that are expected to be derived from the assets. Management consider the fair value of the intangible assets to be its value in use.</p> <p>We consider the risk to relation to the assumptions adopted by management as part of their impairment assessments.</p> <p>Refer to page 21 (Corporate Governance); note 2, pages 44 and 46 (Significant accounting policies); and note 12, pages 55 to 56 (Intangible assets).</p>	<p>The audit procedures we have performed to address this key audit matter are as follows:</p> <ul style="list-style-type: none"> <li>- We assessed the key assumptions which management have adopted in their impairment assessment. This included: <ul style="list-style-type: none"> <li>• the relevant future expected cash flows from the business that are used to support intangible assets and goodwill;</li> <li>• the revenue and margin forecasts for each of the customer books; and</li> <li>• the discount rate and attrition assumption used in these calculations.</li> </ul> </li> <li>- We performed a sensitivity analysis over the assumptions used; and</li> <li>- We assessed management's forecasting ability by comparing previous forecasts to actual past performance.</li> </ul> <p>From our work carried out we found that the assumptions used were supported by the evidence we obtained.</p>

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CURTIS BANKS GROUP PLC

continued

Key audit matter	How our audit addressed the key audit matter
<p><b>Carrying value of investment in subsidiaries (Company)</b></p> <p>The Company financial statements include an investment in Suffolk Life Group Limited. This investment is held at cost and must be impaired if the recoverable amount falls below this value.</p> <p>The assumptions used in the impairment assessment can be subjective, in particular, the assessment is sensitive to changes in forecast net cash contributions and discount rate used.</p> <p>Refer to page 21 (Corporate Governance); note 2, page 45 (Significant accounting policies); and note 15, page 58 (Intangible assets).</p>	<p>The audit procedures we have performed to address this key audit matter are as follows:</p> <ul style="list-style-type: none"> <li>- We compared the carrying value of investment to the net assets of the subsidiary balance sheet;</li> <li>- We considered whether the future forecast net cash flows arising within Suffolk Life Group Limited were reasonable; and</li> <li>- We considered the discount rate assumption used in these calculations is appropriate.</li> </ul> <p>From our work carried out we found that the assumptions used were supported by the evidence we obtained.</p>
<p><b>Provisioning and contingent liability disclosure (Group)</b></p> <p>In the year the Group initiated a review of data records on a certain population of properties held within SIPPs administered by the Group. Deficiencies have been identified in the way some of these SIPPs had been administered and management is currently assessing the historic issues identified.</p> <p>In order to estimate the potential financial effect on the Group as at 31 December 2018 management completed case reviews on a sample of properties affected and extrapolated their findings across the remaining population.</p> <p>A provision of £500k has been recognised to estimate for the probable direct costs the Group may bear. A contingent liability in respect of indirect costs that the Group may possibly be exposed to in the future has also been disclosed with a current best estimate of £1.5m.</p> <p>There are inherent uncertainties in the estimate of the provision including, for example, uncertainties resulting from the current sampling and extrapolation approach and the quality of data.</p> <p>There is a greater degree of uncertainty in relation to the estimation of the best estimate quantification of the contingent liability with potential significant variations in the possible liabilities payable to rectify individual SIPP positions alongside the same sampling and data uncertainties associated with the provision itself.</p>	<p>The audit procedures we have performed to address this key audit matter are as follows:</p> <ul style="list-style-type: none"> <li>- We considered relevant historical experience within the Group and reviewed external advice in relation to this matter to inform our own assessment of potential liabilities and contingent liabilities.</li> <li>- We understood and evaluated the process and controls management have in place to assess and quantify an appropriate contingent liability and associated provision.</li> <li>- We tested management's process to support the quantification of both the provision and contingent liability, and to inform our understanding of the inherent uncertainties within each. To do this we re-performed a sample of case reviews to assess the validity of conclusions drawn by management.</li> <li>- We performed substantive procedures over completeness and accuracy of the key reports used by management to assess the provision and contingent liability.</li> <li>- We obtained and re-performed management's provision calculation and management's calculation of their best estimate of the associated contingent liability.</li> <li>- We assessed the appropriateness of the key assumptions used within the calculations.</li> <li>- We performed independent sensitivity analysis over the key assumptions.</li> </ul> <p>As described in the notes to the financial statements, there are inherent uncertainties within both these amounts.</p> <p>Based on the work we have performed, we consider the provision and contingent liability to be based on information currently available, and related disclosures to be fair and balanced.</p>

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CURTIS BANKS GROUP PLC

*continued*

Refer to page 21 (Corporate Governance);  
note 2, page 46 (Significant accounting policies);  
note 3, page 49 (Critical accounting judgements  
and key sources of estimation uncertainty); and  
note 33, page 73 (Contingent liabilities).

## **How we tailored the audit scope**

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment, the financial significance of components and other qualitative factors including history of misstatement through fraud or error.

We concluded that the three principal trading entities (Curtis Banks Limited, Suffolk Life Pensions Limited and Suffolk Life Annuities Limited) and the group holding company (Curtis Banks Group PLC) to be significant components for the group audit and as such we performed audit procedures on each of these components.

## **Materiality**

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
<b>Overall materiality</b>	£607,000 (2017: £537,000).	£458,000 (2017: £367,000).
<b>How we determined it</b>	5% of adjusted profit before tax, amortisation and non-recurring costs.	1% of net assets.
<b>Rationale for benchmark applied</b>	We have selected this benchmark because it is considered by the Directors to be a key performance indicator of the group and to be a reflection of the underlying performance of the trading business.	We consider the net assets of the Company to be an appropriate benchmark as the entity is principally a holding company and does not itself trade. Profit measures are therefore less relevant to the financial reporting for this entity.

We have applied a higher materiality of £35m (2017: £37m), based on 1% of total policyholder assets, solely for the purpose of identifying and evaluating the effect of misstatements that are likely only to lead to a reclassification between line items within the Statement of Financial Position or the Statement of Comprehensive Income.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £101,000 and £577,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £30,000 (Group audit) (2017: £27,000) and £23,000 (Company audit) (2017: £18,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CURTIS BANKS GROUP PLC

*continued*

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## Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's or company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's or company's trade, customers, suppliers and the wider economy.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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## Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

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# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CURTIS BANKS GROUP PLC

*continued*

## Responsibilities for the financial statements and the audit

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities set out on pages 16 to 17, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

### *Auditors' responsibilities for the audit of the financial statements*

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### *Companies Act 2006 exception reporting*

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

 We have no exceptions to report arising from this responsibility.

Sue Morling (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol

19 March 2019

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

Year ended 31 December 2018					Year ended 31 December 2017		
Group	Notes	Before amortisation and non-recurring costs £'000	Amortisation and non-recurring costs £'000	Total £'000	Before amortisation and non-recurring costs £'000	Amortisation and non-recurring costs £'000	Total £'000
Operating revenue		46,125	—	46,125	43,573	—	43,573
Policyholder investment returns	21	41,677	—	41,677	343,009	—	343,009
<b>Revenue</b>	<b>4</b>	<b>87,802</b>	<b>—</b>	<b>87,802</b>	<b>386,582</b>	<b>—</b>	<b>386,582</b>
Administrative expenses		(33,637)	—	(33,637)	(32,336)	—	(32,336)
Non-participating investment contract expenses	21	(34,477)	—	(34,477)	(34,560)	—	(34,560)
Changes in provisions: Non-participating investment contract liabilities		(7,200)	—	(7,200)	(308,449)	—	(308,449)
Policyholder total expenses		(41,677)	—	(41,677)	(343,009)	—	(343,009)
<b>Operating profit before amortisation and non-recurring costs</b>		<b>12,488</b>	<b>—</b>	<b>12,488</b>	<b>11,237</b>	<b>—</b>	<b>11,237</b>
Non-recurring costs	6	—	(748)	(748)	—	(3,754)	(3,754)
Amortisation	5	—	(1,268)	(1,268)	—	(1,131)	(1,131)
<b>Operating profit</b>		<b>12,488</b>	<b>(2,016)</b>	<b>10,472</b>	<b>11,237</b>	<b>(4,885)</b>	<b>6,352</b>
Finance income	9	116	—	116	67	—	67
Finance costs	8	(467)	—	(467)	(562)	—	(562)
<b>Profit before tax</b>		<b>12,137</b>	<b>(2,016)</b>	<b>10,121</b>	<b>10,742</b>	<b>(4,885)</b>	<b>5,857</b>
Tax	10	(2,294)	383	(1,911)	(1,565)	940	(625)
<b>Total comprehensive income for the year</b>		<b>9,843</b>	<b>(1,633)</b>	<b>8,210</b>	<b>9,177</b>	<b>(3,945)</b>	<b>5,232</b>
<b>Attributable to:</b>							
Equity holders of the company				8,204			5,222
Non-controlling interests				6			10
				<b>8,210</b>			<b>5,232</b>
<b>Earnings per ordinary share on net profit</b>							
Basic (pence)	11			15.30			9.75
Diluted (pence)	11			14.45			9.26

The consolidated statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

Group	Notes	As at 31 Dec 18 £'000	As at 31 Dec 17 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	12	44,110	44,593
Investment property	13	1,274,452	1,206,298
Property, plant and equipment	14	1,216	1,148
Investments	15	1,813,057	2,032,293
Deferred tax asset	22	595	124
		<b>3,133,430</b>	<b>3,284,456</b>
<b>Current assets</b>			
Trade and other receivables	17	18,055	16,687
Cash and cash equivalents	18	431,576	437,849
Current tax asset		243	310
		<b>449,874</b>	<b>454,846</b>
<b>Total assets</b>		<b>3,583,304</b>	<b>3,739,302</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	19	15,204	12,658
Deferred income		24,601	24,374
Borrowings	20	30,005	29,444
Provisions	22	500	641
Deferred consideration		255	341
Current tax liability		991	—
		<b>71,556</b>	<b>67,458</b>
<b>Non-current liabilities</b>			
Borrowings	20	56,525	64,584
Provisions	22	—	259
Deferred consideration		125	454
Non-participating investment contract liabilities	21	3,405,428	3,561,929
		<b>3,462,078</b>	<b>3,627,226</b>
<b>Total liabilities</b>		<b>3,533,634</b>	<b>3,694,684</b>
<b>Net assets</b>		<b>49,670</b>	<b>44,618</b>
<b>Equity attributable to owners of the parent</b>			
Issued capital	23	269	269
Share premium	24	33,451	33,451
Equity share based payments	24	1,357	731
Treasury shares	24	(716)	(250)
Retained earnings	24	15,295	10,403
		<b>49,656</b>	<b>44,604</b>
<b>Non-controlling interest</b>	26	<b>14</b>	<b>14</b>
<b>Total equity</b>		<b>49,670</b>	<b>44,618</b>

The financial statements on pages 33 to 76 are approved by the Board of Directors and authorised for issue on 19 March 2019.

Paul Tarran  
Chief Financial Officer

Company Registration No. 07934492

# COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

Company	Notes	As at 31 Dec 18 £'000	As at 31 Dec 17 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	15	58,440	57,266
		58,440	57,266
<b>Current assets</b>			
Trade and other receivables	17	52	15
Cash and cash equivalents	18	1,967	2,318
Current tax asset		81	—
		2,100	2,333
<b>Total assets</b>		<b>60,540</b>	<b>59,599</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	19	220	108
Borrowings	20	3,158	3,158
		3,378	3,266
<b>Non-current liabilities</b>			
Borrowings	20	11,396	14,508
		11,396	14,508
<b>Total liabilities</b>		<b>14,774</b>	<b>17,774</b>
<b>Net assets</b>		<b>45,766</b>	<b>41,825</b>
<b>Equity attributable to owners of the parent</b>			
Issued capital	23	269	269
Share premium	24	33,451	33,451
Equity share based payments	24	1,357	731
Retained earnings	24	10,689	7,374
<b>Total equity</b>		<b>45,766</b>	<b>41,825</b>

The financial statements on pages 33 to 76 are approved by the Board of Directors and authorised for issue on 19 March 2019.

Paul Tarran  
Chief Financial Officer

Company Registration No. 07934492

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Issued capital £'000	Share premium £'000	Equity share based payments £'000	Treasury shares £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
<b>At 1 January 2017</b>	268	33,425	239	—	7,589	41,521	9	41,530
Total comprehensive income for the year	—	—	—	—	5,222	5,222	10	5,232
Share based payments	—	—	492	—	—	492	—	492
Ordinary shares bought by EBT	—	—	—	(250)	—	(250)	—	(250)
Ordinary shares issued	1	26	—	—	—	27	—	27
Ordinary dividends declared and paid	—	—	—	—	(2,408)	(2,408)	(5)	(2,413)
<b>At 31 December 2017</b>	269	33,451	731	(250)	10,403	44,604	14	44,618
Total comprehensive income for the year	—	—	—	—	8,204	8,204	6	8,210
Share based payments	—	—	626	—	—	626	—	626
Ordinary shares bought and sold by EBT	—	—	—	(466)	—	(466)	—	(466)
Deferred tax on share based payments	—	—	—	—	310	310	—	310
Ordinary dividends declared and paid	—	—	—	—	(3,622)	(3,622)	(6)	(3,628)
<b>At 31 December 2018</b>	269	33,451	1,357	(716)	15,295	49,656	14	49,670

## COMPANY STATEMENT OF CHANGES IN EQUITY

Company	Issued capital £'000	Share premium £'000	Equity share based payments £'000	Retained earnings £'000	Total £'000
At 1 January 2017	268	33,425	239	2,275	36,207
Total comprehensive income for the year	—	—	—	7,507	7,507
Share based payments	—	—	492	—	492
Ordinary shares issued	1	26	—	—	27
Ordinary dividends declared and paid	—	—	—	(2,408)	(2,408)
At 31 December 2017	269	33,451	731	7,374	41,825
Total comprehensive income for the year	—	—	—	6,937	6,937
Share based payments	—	—	626	—	626
Ordinary dividends declared and paid	—	—	—	(3,622)	(3,622)
At 31 December 2018	269	33,451	1,357	10,689	45,766

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

Group	Year ended 31 December	
	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>		
Profit before tax	10,121	5,857
Adjustments for:		
Depreciation	596	570
Amortisation and impairments	1,268	3,126
Interest expense	467	554
Share based payment expense	626	492
Fair value losses/(gains) on financial investments	116,517	(156,046)
Additions of financial investments	(490,830)	(493,638)
Disposals of financial investments	593,549	542,304
Fair value gains on investment properties	(47,275)	(44,074)
(Decrease)/increase in liability for investment contracts	(156,498)	167,525
Changes in working capital:		
Decrease/(increase) in trade and other receivables	247	(433)
Increase in trade and other payables	992	4,193
Taxes paid	(1,375)	(999)
<b>Net cash flows received from operating activities</b>	<b>28,405</b>	<b>29,431</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible assets	(785)	(277)
Purchase of property, plant and equipment	(202,089)	(161,923)
Purchase and sale of shares in the Group by the EBT	(466)	(250)
Receipts from sale of property, plant and equipment	180,546	148,191
Net cash flows from acquisitions	(421)	(669)
<b>Net cash flows used in investing activities</b>	<b>(23,215)</b>	<b>(14,928)</b>
<b>Cash flows from financing activities</b>		
Equity dividends paid	(3,628)	(2,413)
Net proceeds from issue of ordinary shares	—	27
Net decrease in borrowings	(7,538)	(21,274)
Interest paid	(297)	(504)
<b>Net cash used in financing activities</b>	<b>(11,463)</b>	<b>(24,164)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(6,273)</b>	<b>(9,661)</b>
Cash and cash equivalents at the beginning of the year	437,849	447,510
<b>Cash and cash equivalents at the end of the year</b>	<b>431,576</b>	<b>437,849</b>



# COMPANY STATEMENT OF CASH FLOWS

Year ended 31 December 2018

Company	Year ended 31 December	
	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>		
Profit before tax	6,937	7,507
Adjustments for:		
Interest expense	467	554
Changes in working capital:		
Decrease in trade and other receivables	—	38
(Decrease)/increase in trade and other payables	(50)	54
Taxes paid	(81)	—
<b>Net cash flows received from operating activities</b>	<b>7,273</b>	<b>8,153</b>
<b>Cash flows from investing activities</b>		
Investment in employee benefit trust	(548)	(250)
<b>Net cash flows used in investing activities</b>	<b>(548)</b>	<b>(250)</b>
<b>Cash flows from financing activities</b>		
Equity dividends paid	(3,622)	(2,408)
Net proceeds from issue of ordinary shares	—	27
Net decrease in borrowings	(3,157)	(3,158)
Interest paid	(297)	(504)
<b>Net cash used in financing activities</b>	<b>(7,076)</b>	<b>(6,043)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(351)</b>	<b>1,860</b>
Cash and cash equivalents at the beginning of the year	2,318	458
<b>Cash and cash equivalents at the end of the year</b>	<b>1,967</b>	<b>2,318</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 1. Corporate information

Curtis Banks Group PLC ("the Company") is a public limited company incorporated and domiciled in England and Wales, whose shares are publicly traded on the AIM market of the London Stock Exchange PLC. The financial statements were authorised for issue in accordance with a resolution of the Directors on 19 March 2019.

## 2. Significant accounting policies

### Basis of preparation

The financial statements comprise the financial statements of the Company and its subsidiaries ("the Group") as at 31 December each year. The nature of the Group's operations and its principal activities are set out in the Chief Executive's review.

The financial statements have been prepared on a historical cost basis modified by revaluation of financial assets and financial liabilities through profit and loss where held at fair value, and are presented in pounds sterling, with all values rounded to the nearest thousand pounds except when otherwise indicated.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with the IFRS Interpretations Committee ("IFRS IC") interpretations.

The financial statements have been prepared in accordance with The Companies Act 2006 as applicable to companies using IFRS and accounting policies have been consistently applied.

### New standards adopted by the Group

The Group has applied the following new accounting standards for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*

### IFRS 9

Shareholder financial assets and liabilities were previously all recognised under existing IAS 39 categories of "loans and receivables" and "available for sale"; none were recognised under "held to maturity". From 1 January 2018, all shareholder financial assets are now either recognised at amortised cost or fair value through profit and loss ("FVTPL") under IFRS 9. There was no impact to equity on transition due to the simple nature of these assets.

The Group holds a wide variety of policyholder financial assets and liabilities within non-participating investment contracts. All gains or losses on policyholder assets and liabilities are ultimately borne by the policyholder and therefore net impact on equity from application of IFRS 9 was £nil.

IFRS 9 requires the Group to recognise a provision for impairment of trade and other receivables based on an 'expected credit loss' ("ECL") model, which replaces the old 'incurred loss' model required under IAS 39. Consequently, the Group has introduced additional disclosures within the notes to the financial statements to describe the way in which it has applied the ECL model and the relevant implications for the financial statements. Principally, this is a change in the method used to measure and manage credit risk attached to trade and other receivables. The new methodology is further described in note 30 to the financial statements.

There was no material impact to equity at 1 January 2018 on application of the new ECL model. In determining this, the Group has considered the following factors:

- The Group's shareholder financial assets and specifically the trade receivables balance do not contain any significant financing components therefore a simplified approach has been taken to recognise lifetime ECLs on all relevant financial assets.
- The time value of money is not expected to have a material impact on ECLs as the Group's shareholder current financial assets are all expected to be recoverable within one year, and the Group holds no shareholder non-current financial assets.
- The Group holds data about its customers' individual holdings within their respective SIPPs and SSAs, and can therefore determine a consequent level of liquidity in the scheme. This data provides reasonable and supportable information about the past, current and future likelihood of recovering fees due. An analysis of this data had already been prepared in order to assess the current impairment provision in place under IAS 39 against the Group's trade receivables as at 31 December 2017. The same data used under the ECL model as at 1 January 2018 indicated that the provision required was not materially different.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 2. Significant accounting policies – continued

### IFRS 15

IFRS 15 introduced a new five stage model for the recognition of revenue from contracts with customers replacing the previous standards IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related IFRIC and SIC Interpretations. The reasons for clarifying the principles for recognising revenue were to:

- Remove inconsistencies and weaknesses in previous revenue requirements
- Provide a more robust framework for addressing revenue issues
- Improve comparability of revenue recognition practices across entities
- Provide more useful information to users of financial statements through improved disclosure requirements
- Simplify the preparation of financial statements by reducing the number of requirements to which entities must refer

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Application of this model depends on the facts and circumstances presented in a contract with a customer and requires the exercise of judgement.

The standard also includes a comprehensive set of disclosure requirements that results in the Group providing users of the financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the Group's contracts with customers.

The Group has applied this model from 1 January 2018, making the following key judgements against the five step model:

- Step 1: The Group's customers are deemed to be the underlying SIPP & SSAS members regardless of whether the Group is providing services under a third party administration agreement or directly to its own clients.
- Step 2: Performance obligations are understood to be the individual components of SIPP & SSAS administration as detailed in the Group's products' terms and conditions and fee schedules. Annual renewal fees are deemed to comprise multiple individual obligations. However, each of these obligations represents a continuous service over the same annual period and can therefore be viewed collectively as one obligation for the purpose of revenue recognition. Obligations under set up fees and transaction fees are deemed to be short term in nature (three months or less).
- Step 3: The transaction price is deemed to be that shown in the Group's products' terms and conditions and fee schedules against each individual fee item which includes interest turn on client funds. Transaction prices for individual components of the annual renewal fee are not separable as the combined set of obligations represents a continuous service over the same annual period.
- Step 4: The result of judgements made in Step 2 and Step 3 mean that transaction prices are allocated in substance to fee items included in the Group's product's terms and conditions and fee schedules, as these also wholly reflect the individual performance obligations.
- Step 5: The Group's current revenue recognition policy appropriately recognises revenue when (or as) performance obligations are satisfied.

Following adoption of IFRS 15, the Group has updated its revenue recognition accounting policy to reflect the requirements of the new accounting standard, and enhanced other disclosures within the financial statements in order to comply with the standard. There has been no material change to the value and timing of revenue recognition from adoption of IFRS 15 in the Group's financial statements and no material impact on equity as at 1 January 2018.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 2. Significant accounting policies – continued

### Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings up to 31 December 2018.

The profits and losses of the Company and its subsidiaries are consolidated from the date of acquisition using the acquisition method of accounting.

The trading subsidiaries of Curtis Banks Group PLC as at 31 December 2018 were Curtis Banks Limited, Suffolk Life Pensions Limited, Suffolk Life Annuities Limited, Curtis Banks Investment Management Limited, Rivergate Legal Limited and Templemead Property Solutions Limited. The trading subsidiaries of Curtis Banks Group PLC as at 31 December 2017 were Curtis Banks Limited, Suffolk Life Pensions Limited, Suffolk Life Annuities Limited and Curtis Banks Investment Management Limited.

Suffolk Life Annuities Limited provides SPPs through non-participating individual insurance contracts. As such, it is regarded as an insurance company for the purposes of regulatory and statutory reporting. Due to Suffolk Life Annuities Limited's status as an insurance company, the consolidated results for the whole Group include insurance policyholder assets, liabilities and returns.

Certain trading subsidiaries of Curtis Banks Group PLC hold the entire issued share capital of a large number of non-trading trustee companies. The accounts of these companies have not been consolidated into the Group accounts as they would be immaterial to the Group's position. All of these companies are bare trustee companies for the pension products administered by the trading subsidiaries of Curtis Banks Group PLC and have been dormant throughout the period and are expected to remain dormant.

### Going concern

The Group is required to assess whether it has sufficient resources to continue its operations and to meet its commitments for the foreseeable future. The directors have prepared the financial statements on a going concern basis, as in their opinion the Group is able to meet its obligations as they fall due. This opinion is based on detailed forecasting for the following 12 months based on current and expected market conditions together with current performance levels.

### Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights currently exercisable are taken into account. The financial statements of trading subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

### Business Combinations

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange of control of the acquiree, plus any costs directly attributable to the business combination. Any deferred consideration is included as part of the initial fair value, with a corresponding liability being recognised. The acquiree's identifiable assets, liabilities and contingent liabilities that meet conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the acquisition date.

### Segment Reporting

IFRS 8 Operating Segments requires segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker ("CODM").

All results are viewed as one by the CODM for the purposes of management decisions. This is because all operations are conducted within the UK and all material operations are of the same nature and share the same economic characteristics including a similar customer base and nature of product and services (i.e. pensions administration). As a result, the Group only has one reportable segment being pensions administration, the results of which are included within the financial statements.

### Foreign Currencies

The consolidated financial statements are presented in Pound Sterling which is the Group's functional and presentational currency. All foreign currency transactions and foreign currency balances relate to policyholder assets and liabilities.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the Statement of Financial Position date and the gains or losses on translation are included in the Statement of Comprehensive Income.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 2. Significant accounting policies – continued

All foreign exchange gains or losses arising on policyholder transactions and balances have a net impact of £nil on the consolidated statement of comprehensive income due to the legal structure of policyholder assets and liabilities as further described in the accounting policy for non-participating investment contracts.

### Pensions

The Group contributes to defined contribution schemes for the benefit of its employees. Contributions payable are charged to the consolidated statement of comprehensive income in the year they are payable.

### Research and development

Research expenditure is written off to the consolidated statement of comprehensive income in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over a four year period during which the Group is expected to benefit.

### Non-participating investment contracts

The Group's long term business includes unit linked Self-Invested Personal Pension policies, also referred to as the 'Policyholder Business', wholly administered by Suffolk Life Annuities Limited, a subsidiary company. The liability of the Group towards its policyholders is exactly equal to the value of policyholder assets held at all times.

Non-participating investment contract liabilities are measured at fair value by reference to the value of the underlying net asset values of the assets held to cover investment contracts at the Statement of Financial Position date.

For non-participating investment contracts, premiums are not included in the consolidated statement of comprehensive income but are reported as contributions to non-participating investment contract liabilities in the consolidated statement of financial position. Investment income in respect of non-participating investment contracts are accounted for in 'Investment return'. Investment income and investment return includes dividends, rental and interest income.

Expenses and charges in respect of non-participating investment contracts are accounted for in 'non-participating investment contract expenses'. These expenses include investment management fees and interest payable.

Claims are not included in the consolidated statement of comprehensive income but are deducted from non-participating investment contract liabilities.

Transfers out, annuity purchases and drawdowns are accounted for when the associated assets have been transferred out of the Company. Acquisition costs comprising direct and indirect costs arising from the conclusion of non-participating investment contracts are expensed on receipt of the inwards premium. There are no deferred acquisition costs.

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the assets, at their fair value less transaction costs. Investments carried at fair value are measured using a fair value hierarchy, with values based on quoted bid prices where available.

Investment property held within non-participating investment contracts comprises land and buildings which are held for long term rental yields and capital growth. It is carried at fair value with movements recognised in the consolidated statement of comprehensive income.

Unquoted investments in property vehicles and direct holdings in investment property are valued by independent valuers on the basis of open market value as defined in the appraisal and valuation manual of the Royal Institute of Chartered Surveyors or by reference to the movement in a property index from the last purchase or valuation date. Valuation techniques may include discounted cash flow calculations using net current rent, and estimated and terminal values; they may also include yield methodology calculations using market rental values capitalised with a market capitalisation rate. Both of these are then further validated against market transactions to produce a final valuation.

### Revenue recognition

Operating revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activity. Revenue is shown net of value added tax ("VAT"), returns, rebates and discounts and after eliminating sales within the Group. The Group applies the 5 step model under IFRS 15 *Revenue from Contracts with Customers* to recognition of revenue as follows:

- Step 1: Identify the contract(s) with a customer

The Group's customers are deemed to be the underlying SIPP & SSAS members regardless of whether the Group is providing services under a third party administration agreement or direct to its own clients.

# NOTES TO THE FINANCIAL STATEMENTS

*continued*

## 2. Significant accounting policies – continued

### Revenue recognition – continued

- Step 2: Identify the performance obligations in the contract

Performance obligations are understood to be the individual components of SIPP & SSAS administration as detailed on the Group's products' terms and conditions and fee schedules. Annual renewal fees are deemed to comprise multiple individual obligations. However, each of these obligations represents a continuous service over the same annual period and can therefore be viewed collectively as one obligation for the purpose of revenue recognition. Obligations under set up fees and transaction fees are deemed to be short term in nature (three months or less).

- Step 3: Determine the transaction price

The transaction price is deemed to be that shown in the Group's products' terms and conditions and fee schedules against each individual fee item which includes interest turn on client funds. Transaction prices for individual components of the annual renewal fee are not separable as the combined set of obligations represents a continuous service over the same annual period.

- Step 4: Allocate the transaction price to the performance obligations in the contract

The result of judgements made in Step 2 and Step 3 mean that transaction prices are allocated in substance to fee items included in the Group's product's terms and conditions and fee schedules, as these also wholly reflect the individual performance obligations.

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Set up, and initial transaction fees, as well as ad hoc transaction fees are recognised as the work is completed and performance obligations satisfied, net of VAT.

Annual renewal fees are invoiced in advance and recognised, net of VAT, evenly over the year to which they relate, and held as deferred income at the year end where the annual fee period spans multiple accounting periods.

Fees which are received in arrears, including certain property annual fees and property acquisition fees, are accrued over the period in which services are provided and performance obligations are satisfied.

Any interest received in excess of that payable to clients is retained by the Group and is included within revenue. Interest income receivable by the Group is recognised as it accrues.

The timing of satisfaction of performance obligations under contracts with SIPP & SSAS members does not bear any relevance to the typical timing of payment for such services. The typical timing of payment is on or after the related fee invoice is issued.

Policyholder revenue comprises investment income and investment gains and losses on non-participating investment contracts. Investment income includes dividends, rental and interest income. Dividends and distributions from collective investment schemes are recognised on the date on which shares are quoted ex-dividend. Interest and rental income is recognised on an accruals basis.

Investment gains and losses in the consolidated statement of comprehensive income comprise realised and unrealised gains and losses. Realised gains and losses are calculated as the difference between the net sale proceeds and the original cost or, if previously re-valued, the valuation at the last statement of financial position date. Unrealised gains and losses on investments are calculated as the difference between the current valuation and the original cost or, if previously re-valued, the valuation at the last statement of financial position date.

### Intangible assets – Client Portfolios

Client portfolios are included in the statement of financial position at cost to the Group less accumulated amortisation and provisions for impairment.

The carrying value of client portfolios is reviewed for impairment if events or circumstances change and indicate that the carrying values may not be recoverable. In this event the values are written down to the recoverable amount. The carrying value of client portfolios is also reviewed for impairment annually at each reporting date.

Client portfolios are amortised on a straight line basis over their estimated useful life of 20 years.

### Intangible assets – Computer Software

Computer software is included in the statement of financial position at cost to the Group less accumulated amortisation and provisions for impairment. The carrying value of computer software is reviewed for impairment if events or circumstances change and indicate that the carrying values may not be recoverable. In this event the values are written down to the recoverable amount. The carrying value of computer software is also reviewed for impairment annually at each reporting date. Computer software is amortised on a straight line basis over its estimated useful life of between four and five years.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 2. Significant accounting policies - continued

### Property, plant and equipment

Property, plant and equipment are included in the statement of financial position at cost to the Group less accumulated depreciation and provisions for impairment.

The carrying value of property, plant and equipment is reviewed for impairment if events or circumstances change and indicate that the carrying values may not be recoverable. In this event the values are written down to the recoverable amount.

Property, plant and equipment is depreciated on a straight line basis at rates sufficient to write off the cost less estimated residual values of individual assets over their estimated useful lives. The depreciation rates for the principal categories of assets are as follows:

Leasehold improvements	25%	straight line
Computer equipment	25%	straight line
Office equipment, fixtures & fittings	25%	straight line

### Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment 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. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In 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 money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Investments

Non-current asset investments excluding those held under non-participating investment contracts are stated at cost less provision for diminution in value.

### Financial assets

Financial assets held under non-participating investment contracts are categorized either as fair value through profit and loss, or as loans and receivables. All other financial assets are classified in the category of loans and receivables. The classification depends on the purposes for which these assets were acquired. Management takes decisions concerning the classification of its financial assets at initial recognition and reviews such classification for reliability at each reporting date. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Group's financial assets comprise "non-current asset investments", "investment property", "trade and other receivables" and "cash and cash equivalents" in the statement of financial position.

### Trade receivables

Trade receivables, defined as loans and receivables in accordance with IFRS 9 *Financial Instruments*, are recorded and subsequently measured at amortised cost.

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared characteristics and overall credit quality. A provision for impairment of trade receivables is established when there is evidence that the Group might not be able to collect all amounts due according to the original terms of the receivables. The movement in the provision is recognised in the consolidated statement of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

*continued*

## 2. Significant accounting policies – continued

### Trade receivables – continued

The expected loss rates for each grouping are based on historic actual recovery rates achieved for such groupings over the last 12 months, modified for factors such as existing market conditions, days past due or forward looking estimates, where supported by existing reliable evidence.

### Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

### Financial liabilities – Trade and other payables

Trade and other payables are recognised and initially measured at cost, due to their short term nature. All of the Group's trade payables are non-interest bearing.

### Financial liabilities – Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less attributable transaction costs. After initial recognition interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Current and deferred income tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of comprehensive income, because it excludes items of income or expense that are taxable or tax deductible in other years and it further excludes items that are never taxable or tax deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are 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 deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled. Deferred tax is charged or credited in the profit or loss, except when it relates to items credited or charged in other comprehensive income directly to equity, in which case the deferred tax is also dealt with in other comprehensive income.

### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-tax discount rate.

### Non-recurring costs

Non-recurring costs are classified as such when the nature of the expense is significant and expected to be a 'one off' business event or activity that does not form part of usual day to day operations. Examples of such costs include acquisitions, office relocations and restructuring. Where costs are classified as non-recurring due to their nature, these are described in full within a note to the financial statements.

### Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is recognised immediately as an expense and is not subsequently reversed.



# NOTES TO THE FINANCIAL STATEMENTS

continued

## 2. Significant accounting policies – continued

### Leases

Leases of property, plant and equipment which transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases. Finance leases are classified as a financial liability and measured at amortised cost. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments and depreciated over the term of the lease. The resulting lease obligations are included in liabilities. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

All other leases are classified as operating leases. Rentals payable under operating leases, net of lease incentives, are charged to the consolidated statement of comprehensive income on a straight-line basis over the year of the lease. Where property lease contracts contain guaranteed minimum incremental rental payments, the total committed cost is determined and is amortised on a straight-line basis over the life of the lease.

### Share based payments

Curtis Banks Group PLC operates several share schemes under which certain employees of the Group receive part of their remuneration for the financial year in the form of options to purchase shares in Curtis Banks Group PLC, the ultimate parent Company.

These schemes are accounted for as equity-settled share-based payment transactions in accordance with IFRS 2.

The share options granted become exercisable at varying future dates. If certain conditions are met, following the vesting period, employees and third parties will be eligible to exercise their option at an exercise price determined on the date the share options are granted.

The fair value of Curtis Banks Group PLC's share options is determined at the date of grant. This fair value is calculated by applying the Black Scholes model. The model utilises inputs for the risk free rate, expected volatility in share price, dividend yield and the current share price at fair value, which are factors determined on the date the share options are granted.

The share based payment charge to the consolidated statement of comprehensive income is calculated based on the Group's estimate of the number of options that will eventually vest.

The resulting staff costs under the share schemes are recognised pro rata in the consolidated statement of comprehensive income to reflect the services rendered as consideration during the vesting period.

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group**

The following standards, interpretations and amendments to existing standards have been published by the IASB but are yet to be endorsed by the EU or are not effective for the period presented in the financial statements and the Group has decided not to early adopt them.

Standard	Effective date, annual period beginning on or after
IFRS 17 <i>Insurance Contracts</i>	1 January 2022
Amendments to IAS 1 and IAS 8 - <i>Definition of material</i>	1 January 2020
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to IFRS 3 <i>Business combinations - definition of a business</i>	1 January 2020
IFRS 16 <i>Leases</i>	1 January 2019
Amendments to references to the conceptual framework in IFRS standards	1 January 2020
Amendments to IFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to IAS 19 <i>Plan amendment, curtailment of settlement</i>	1 January 2019
Amendments to IAS 28 <i>Long-term Interests in Associates &amp; Joint Ventures</i>	1 January 2019
Annual improvements to IFRSs 2015-2017 Cycle	1 January 2019

# NOTES TO THE FINANCIAL STATEMENTS

*continued*

## 2. Significant accounting policies – continued

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group – *continued*

Except for IFRS 16, the directors anticipate that the adoption of these standards and interpretations and amendments in future periods will have no material impact on the financial statements of the Group. The Group is required to adopt IFRS 16 from 1 January 2019 and the estimated impact of the adoption of this standards is as described:

### *Nature of change*

IFRS 16 Leases was issued in January 2016. It introduces significant changes to lessee accounting by requiring a lessee to recognise assets and liabilities on the balance sheet for almost all leases. The only exceptions are short term and low value leases. It applies to accounting periods ending on or after 1 January 2019.

Currently, International Accounting Standard 17 (IAS 17) Leases, requires companies within the Group to classify leases as either operating or finance leases. The new standard eliminates the classification of leases by lessees as either operating leases or finance leases. Instead, applying IFRS 16, each company within the Group will be required to recognise both an asset and a liability on the balance sheet.

The asset represents the lessee's right to use the underlying lease for the duration of the lease term, creating a right-of-use asset. The liability reflects the lessee's contractual obligation to make payments to the lessor throughout the lease term, using a discounted cash flow model.

Once on the balance sheet, the Group will recognise a depreciation charge and a lease interest charge in the profit & loss account throughout the life of the lease. The liability reflects the lessee's contractual obligation to make payments to the lessor throughout the lease term.

### *Impact*

A full review of all leases in the group has been undertaken.

The majority of leases within the group are operating leases because the risks and rewards are not transferred to the lessee with the transfer of the asset; operating leases do not currently appear on the balance sheet. From 1 January 2019, this will change when lessees are required to apply IFRS 16.

A lessee may become an intermediate lessor if it sub-leases an asset it in turn leases from another lessor. IFRS 16 requires the intermediate lessor to determine the classification of the sub-lease by reference to the right-of-use asset arising from the head lease.

In the Group, this applies to the following leases:

- The sub-let of 153 Princes Street, Ipswich;
- The sub-let of the Market Harborough office; and
- The sub-let of SIPP investment properties which were originally purchased as leasehold properties by Suffolk Life Annuities Limited (SLA) and held legally and beneficially on behalf of policyholders within non-participating investment contracts (SIPPS); these properties are then sub-let to tenants within the legal framework of the non-participating investment contracts.

IFRS 16 defines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to.

The following Group lease contains break clauses which have been considered in line with the above:

- The lease of 153 Princes Street, Ipswich and associated sub-leases.

All other leases are fixed term and non-cancellable.

Ground rent leases of SIPP investment property have been excluded, based on immateriality.

Principally as a result of operating leases held for the Group's Bristol, Ipswich, Dundee and Market Harborough offices, the following changes are anticipated in the Group financial statements on adoption as at 1 January 2019:

- Group right of use assets: increase by circa £5.3m.
- Group finance lease receivables: increase by circa £0.2m.
- Group liabilities: increase by circa £5.4m.
- Group retained earnings: increase by circa £0.1m.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 2. Significant accounting policies – continued

### Date of adoption

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the cumulative catch-up method and will not restate comparative amounts for the first year of adoption. Right-of-use assets for property leases will be measured on transition as if the new rules have always been applied. Any other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusting for any prepaid or accrued lease expenses).

## 3. Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing the financial statements the Group has selected and applied various accounting policies which are described in the notes to the financial statements. In order to apply these accounting policies the Group has made estimates and judgements concerning the future.

There are no critical judgements in the application of accounting policies.

The key sources of estimation uncertainty are disclosed below:

### Client portfolios

Client portfolios acquired are amortised over their useful economic life (UEL) which management estimate to be 20 years. This estimated UEL is based upon management's historical experience of similar portfolios and expectation of the future persistency of the portfolio. The reasonableness of this estimated is assessed annually by comparison to actual lapse rates and consideration of factors that may affect it in the future, for example, changes to products.

Additionally, the Group reviews and judges whether acquired client portfolios show any indicators of impairment at least on an annual basis by considering actual versus forecast lapse rates and comparing the carrying value and recoverable amount. An impairment would exist where the recoverable amount determined is less than the carrying value of the asset.

Assessing recoverable amount through value in use comprises an estimation of future cash flows expected to arise from each client portfolio, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset, together with an estimated rate of attrition for each portfolio. The estimation of future cash flows is derived by taking the current earnings before tax, interest, depreciation and amortisation ("EBITDA") margin of the Group and applying this against forecast revenue from the relevant client portfolio. The key source of estimation uncertainty arises from the attrition rates used because the recoverable amount is most sensitive to this assumption. A 20% increase to the attrition rate assumption would result in no change to the carrying value of the book. A 40% increase to the attrition rate assumption would result in a cumulative £100,000 decrease in the carrying value of client portfolios.

### IFRS 9 impairment

Trade and other receivables are impaired based on the IFRS 9 simplified approach to measure expected credit losses using a lifetime expected loss allowance for all trade receivables. The loss allowances for trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history of shared credit risk characteristics, days past due, existing market conditions as well as forward looking estimates at the end of each reporting period. The loss rates are considered the key source of estimation uncertainty because the impact of a change in these could result in a material change in the expected credit loss. Details of the key assumptions and estimates are disclosed in note 30 to the financial statements.

### Provisions

As part of the consolidation and integration exercise undertaken in the past year management initiated a review of data records relating to properties held within SIPP's administered by the Group.

Based on a detailed review of a sample of properties and extrapolation of the initial findings across the full population of relevant properties, the directors recognise that additional direct costs will be incurred in completing this data cleansing exercise. These costs include incremental costs of completing the review, as well as some potential costs of remediation. A provision of £500,000 has been recognised made for this matter, being the directors' best estimate of the direct costs the Group may have to bear.

In estimating the amount provided, the main areas of uncertainty include:

- The number of properties within the population that may require remediation; and
- The nature and financial impact of the remediation required.

If the number of properties requiring remediation were to increase by 10% the potential cost of the exercise would increase by £39,000.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 4. Revenue

Revenue is wholly derived from activities undertaken within the United Kingdom and comprises the following categories:

	Year ended 31 December	
	2018 £'000	2017 £'000
Fees	35,352	34,073
Interest income	10,773	9,500
Policyholder investment returns	41,677	343,009
	87,802	386,582

## 5. Profit for the year

Profit for the year is arrived at after:

	Year ended 31 December	
	2018 £'000	2017 £'000
Charging:		
Amortisation of intangible assets	1,268	1,131
Depreciation of property, plant and equipment	596	570
Auditors remuneration:		
- audit of the financial statements of the Group	234	177
- audit of the financial statements of the Company	56	29
- audit related assurance services	8	97

## 6. Non-recurring costs

Non-recurring costs include the following significant items:

	Year ended 31 December	
	2018 £'000	2017 £'000
Set up costs associated with the take on of SPPs	—	20
Hargreave Hale acquisition costs	45	—
Exceptional legal fees	—	67
Redundancy & restructuring costs following acquisitions	156	1,143
Suffolk Life acquisition costs	—	72
European Pension Management acquisition costs	47	328
Exceptional impairment charge	—	2,124
Data cleansing provision	500	—
	748	3,754

### Redundancy & restructuring costs following acquisitions

During the year ended 31 December 2018, the two existing sales teams within the Group were restructured into one to coincide with the launch of a new Group wide product in H1 2019. During the year ended 31 December 2017 a full strategic review of all the office locations used by the Group was carried out. As a result of that review, the decision was taken to close the Group's office in Market Harborough and full provision was made for this in the financial statements for the year ended 31 December 2017.

### Exceptional impairment charge

During the year ended 31 December 2017 the Group completed the review of its operating systems following the acquisition of the Suffolk Life business in May 2016. As a result of this review the Group concluded that the most cost effective, appropriate and lowest risk solution was, subject to contract, to implement a material upgrade of the existing back office operating system at the Group.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 6. Non-recurring costs - continued

As a result of this decision, costs of approximately £2.1m incurred and capitalised on the initial development, installation, evaluation and testing of an alternative system over recent years were written off as an exceptional impairment charge in the financial statements for the year ended 31 December 2017.

### Data cleansing provision

As part of the consolidation and integration exercise undertaken in the past year management initiated a review of data records relating to properties held within SPPs administered by the Group.

Based on a detailed review of a sample of properties and extrapolation of the initial findings across the full population of relevant properties, the directors recognise that additional direct costs will be incurred in completing this data cleansing exercise. These costs include incremental costs of completing the review, as well as some potential costs of remediation. A provision of £500,000 has been recognised for this matter, being the directors' best estimate of the direct costs the Group may have to bear.

In estimating the amount provided, the main areas of uncertainty include:

- The number of properties within the population that may require remediation; and
- The nature and financial impact of the remediation required.

## 7. Directors and employees

	Year ended 31 December	
	2018 £'000	2017 £'000
Wages and salaries	18,034	17,585
Social security costs	1,627	1,630
Other pension costs	1,413	1,337
Share-based incentive awards	626	492
	21,700	21,044

	2018 Number	
	2018 Number	2017 Number
The monthly average number of employees during the year was:		
Directors	6	7
Administration	552	571
	558	578

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 7. Directors and employees – continued

Details of emoluments paid to the directors and key management personnel of the Group are as follows:

	Year ended 31 December	
	2018 £'000	2017 £'000
Total emoluments paid to:		
Directors		
Wages and salaries	1,876	1,411
Social security costs	139	123
Post-employment costs	33	21
Share-based incentive awards	467	83
Key management personnel		
Wages and salaries	1,151	806
Social security costs	135	93
Post-employment costs	60	47
Share-based incentive awards	130	184
	3,991	2,768
Emoluments of highest paid director:		
Wages and salaries	377	468
Pension contribution	13	8
	390	476

## 8. Finance costs

	Year ended 31 December	
	2018 £'000	2017 £'000
Interest payable on bank loans	467	562

## 9. Finance income

	Year ended 31 December	
	2018 £'000	2017 £'000
Interest income	116	67

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 10. Taxation

	Year ended 31 December	
	2018 £'000	2017 £'000
<b>Domestic current year tax</b>		
UK Corporation tax	2,072	791
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(161)	(166)
	1,911	625
<b>Factors affecting the tax charge for the year</b>		
Profit before tax	10,121	5,857
Profit before tax multiplied by standard rate of UK Corporation tax of 19.00% (2017: 19.25%)	1,923	1,127
<b>Effects of:</b>		
Adjustment to prior year	23	(305)
Non-deductible expenses	10	13
Other tax adjustments	(45)	(210)
	(12)	(502)
<b>Total tax charge</b>	1,911	625

## 11. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Changes in income or expense that would result from the conversion of the dilutive potential ordinary shares are deemed to be trivial, and therefore no separate diluted net profit is presented.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2018 £'000	2017 £'000
Net profit available to equity holders of the Group	8,204	5,222
Net profit before tax, non-recurring costs (note 6) and amortisation (note 5) available to equity holders of the Group.	12,137	10,742

# NOTES TO THE FINANCIAL STATEMENTS

*continued*

## 11. Earnings per share - continued

	Number	Number
Weighted average number of ordinary shares:		
Issued ordinary shares at start of the year	53,809,146	53,599,669
Effect of shares issued in the current year		25,127
Effect of shares held by employee benefit trust	(201,622)	(78,941)
Basic weighted average number of shares	53,607,524	53,545,855
Effect of options exercisable at the reporting date	985,661	800,000
Effect of options not yet exercisable at the reporting date	2,165,288	2,044,484
Diluted weighted average number of shares	56,758,473	56,390,339
	Pence	Pence
Earnings per share:		
Basic	15.30	9.75
Diluted	14.45	9.26
Earnings per share on net profit before non-recurring costs and amortisation, less an effective tax rate*:		
Basic	18.34	16.20
Diluted	17.32	15.38

\* In order to reduce the impact of accounting measures such as deferred tax, and the timing of tax reliefs, the effective tax rate matches the current tax rate applicable to the accounting year. The current tax rate applicable for the year ended 31 December 2018 was 19.00% (2017: 19.25%).



# NOTES TO THE FINANCIAL STATEMENTS

continued

## 12. Intangible assets

### Group

	Goodwill £'000	Client Portfolios £'000	Computer Software £'000	Total £'000
<b>Cost</b>				
At 1 January 2017	28,903	18,430	3,116	50,449
Additions	—	5	272	277
Disposals	—	(2)	(1,993)	(1,995)
At 31 December 2017	28,903	18,433	1,395	48,731
Additions	—	433	352	785
Disposals	—	—	(266)	(266)
At 31 December 2018	28,903	18,866	1,481	49,250
<b>Amortisation</b>				
At 1 January 2017	—	2,533	474	3,007
Charge for the year	—	922	209	1,131
At 31 December 2017	—	3,455	683	4,138
Charge for the year	—	924	344	1,268
Disposals	—	—	(266)	(266)
At 31 December 2018	—	4,379	761	5,140
<b>Net book value</b>				
At 1 January 2017	28,903	15,897	2,642	47,442
At 31 December 2017	28,903	14,978	712	44,593
At 31 December 2018	28,903	14,487	720	44,110

### Goodwill

Goodwill arose on the acquisition of Suffolk Life Group Limited and its subsidiaries on 25 May 2016. The Group tests goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired. The recoverable amount of goodwill has been determined based on value-in-use calculations using a discount rate appropriate to the risk profile of the asset. These calculations use operating cash flow projections based on financial budgets approved by management covering a three year period, assuming business then continues onwards after this period at a steady rate for the purpose of the analysis.

### Client Portfolios

Client portfolios represent individual client portfolios acquired through business combinations and accounted for under the acquisition method. The directors consider that there is no impairment to assets as at the year end. The client portfolios are being amortised over a period of 20 years.

The brought forward balance relates to the purchase by Curtis Banks Limited, a subsidiary company, of the trade and assets of Montpellier Pension Administration Services Limited on 13 May 2011, the full SIPP business of Alliance Trust Savings Limited on 18 January 2013, the full SIPP business and certain assets of Pointon York SIPP Solutions Limited on 31 October 2014, the full SIPP business of Rathbones Pension & Advisory Services Limited on 31 December 2014, and a book of full SIPPs from Friends Life PLC (now Aviva PLC) on 13 March 2015.

The brought forward balance also includes the purchase by Suffolk Life Pensions Limited, a subsidiary company, of the trade and assets of European Pensions Management Limited on 14 July 2016, and books of SIPPs purchased from Pointon York SIPP Solutions Limited on 9 November 2012, Pearson Jones PLC on 30 April 2013, and Origen Investment Services Limited on 22 May 2013.

Additions in the year comprise the purchase by Curtis Banks Limited of a book of 578 SIPPs from Hargreave Hale Limited for cash consideration of £433,000, all of which was settled on the acquisition completion date of 10 December 2018. Acquisition related costs of £45,000 were incurred in relation to this which have been expensed as non-recurring costs.

# NOTES TO THE FINANCIAL STATEMENTS

*continued*

## 12. Intangible assets – continued

All acquisitions have been accounted for under the acquisition method of accounting.

The directors have considered the carrying value of the client portfolios and have concluded that no impairment is required. The client portfolios are being amortised over a period of 20 years and have an average remaining expected useful economic life as at 31 December 2018 of 15 years and seven months.

### Computer Software

Computer software contains costs that meet the recognition criteria under IAS 38 as Intangible Assets. General small computer software costs are amortised over their useful economic life of four years on a straight-line basis. Computer software costs for significant projects are amortised over an estimated UEL on a project by project basis.

## 13. Investment Property

Assets held at fair value

Group

	Year ended 31 December	
	2018 £'000	2017 £'000
Fair value		
At 1 January	1,206,298	1,149,135
Additions	201,425	161,280
Disposals	(180,546)	(148,191)
Fair value gains	47,275	44,074
At 31 December	1,274,452	1,206,298

All investment properties have been valued at the year end by reference to most recent professional valuations and this is further adjusted by applying the corresponding property index available. Investment properties held to cover the linked policyholder business are included in non-participating investment contract liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 14. Property, plant and equipment

Assets held at cost

Group

	Leasehold Improvements £'000	Computer equipment £'000	Office equipment, fixtures & fittings £'000	Total £'000
<b>Cost</b>				
At 1 January 2017	54	3,606	1,093	4,753
Additions	—	520	125	645
Disposals	—	(42)	—	(42)
At 31 December 2017	54	4,084	1,218	5,356
Additions	—	318	346	664
Disposals	(54)	(64)	(36)	(154)
At 31 December 2018	—	4,338	1,528	5,866
<b>Depreciation</b>				
At 1 January 2017	28	2,697	955	3,680
Charge for the year	13	493	64	570
Disposals	—	(42)	—	(42)
At 31 December 2017	41	3,148	1,019	4,208
Charge for the year	13	471	112	596
Disposals	(54)	(64)	(36)	(154)
At 31 December 2018	—	3,555	1,095	4,650
<b>Carrying value</b>				
At 1 January 2017	26	909	138	1,073
At 31 December 2017	13	936	199	1,148
At 31 December 2018	—	783	433	1,216

## 15. Investments

Assets held at fair value

Total fair value as at 31 December 2018

	Group	
	2018 £'000	2017 £'000
<b>Fair value</b>		
Equity and other variable-yield securities	1,734,341	1,955,264
Debt securities and other fixed-income securities	78,716	77,029
<b>Total shares and securities</b>	<b>1,813,057</b>	<b>2,032,293</b>
<b>At cost</b>	<b>1,580,306</b>	<b>1,588,937</b>

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 15. Investments - continued

Movement in the year on total shares and securities

	Group	
	2018 £'000	2017 £'000
At beginning of the year	2,032,293	1,924,913
Additions	490,830	493,638
Disposals	(593,549)	(542,304)
Unrealised (losses)/gains	(116,517)	156,046
At end of the year	1,813,057	2,032,293

The Group values all investments in line with its accounting policy.

### Assets held at cost

	Company £'000
<b>Cost</b>	
At 1 January 2017	56,524
Additions	742
At 31 December 2017	57,266
Additions	1,174
At 31 December 2018	58,440
<b>Net book value</b>	
At 1 January 2017	56,524
At 31 December 2017	57,266
At 31 December 2018	58,440

Additions in the year comprise further net investment in the Group's employee benefit trust of £498,000, investment in Rivergate Legal Limited of £50,000 and equity share based payment cost additions of £626,000.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 15. Investments – continued

The directors are satisfied that no impairment has occurred in the carrying value of the non-current asset investments at 31 December 2018. Details of the investments are as follows:

Name of entity	Registered Office Address Indicator	Principal activity	Country of Incorporation	% of Ordinary Shares held by parent Company	% of Ordinary Shares held by Group
Curtis Banks Limited	(A)	Provision of pension administration services	England and Wales	100.00	100.00
✶ Suffolk Life Group Limited	(B)	Holding company	England and Wales	100.00	100.00
Suffolk Life Pensions Limited	(B)	Provision of pension administration services	England and Wales	—	100.00
Suffolk Life Annuities Limited	(B)	Provision of pension administration services	England and Wales	—	100.00
Curtis Banks Investment Management Limited	(A)	Provision of financial advice	England and Wales	—	90.00
Rivergate Legal Limited	(A)	Provision of legal services	England and Wales	—	100.00
Templemead Property Solutions Limited	(A)	Provision of property valuation services	England and Wales	—	100.00
Colston Trustees Limited	(A)	Dormant	England and Wales	—	100.00
Montpelier Pension Trustees Limited	(A)	Dormant	England and Wales	—	100.00
Tower Pension Trustees Limited	(A)	Dormant	England and Wales	—	100.00
SPS Trustees Limited	(A)	Dormant	England and Wales	—	100.00
Crescent Trustees Limited	(A)	Dormant	England and Wales	—	100.00
Tower Pension (S-B) Trustees Limited	(C)	Dormant	Scotland	—	100.00
Bridgewater Pension Trustees Limited	(A)	Non-trading	England and Wales	—	100.00
Temple Quay Pension Trustees Limited	(A)	Dormant	England and Wales	—	100.00
Suffolk Life Trustees Limited	(B)	Non-trading	England and Wales	—	100.00
Suffolk Life (Spartan Estate) Limited	(B)	Dormant	England and Wales	—	100.00
SLA Property Company Limited	(B)	Dormant	England and Wales	—	100.00
EPPL P1056 Limited	(B)	Dormant	England and Wales	—	100.00
EPPL P1060 Limited	(B)	Dormant	England and Wales	—	100.00

The registered office address indicator included in the table above reflects the following current registered offices for each company:

(A) 3 Temple Quay, Temple Back East, Bristol, BS1 6DZ.

(B) 153 Princes Street, Ipswich, Suffolk, IP1 1QJ.

(C) Suite 3, West Port House, 144 West Marketgait, Dundee, DD1 1NJ.

In the opinion of the directors, the aggregate value of the Group's investment in subsidiary undertakings is not less than the amount included in the statement of financial position. All subsidiaries, other than Curtis Banks Limited, Suffolk Life Pensions Limited and Suffolk Life Annuities Limited are exempt from audit under the requirements of s479A of the Companies Act 2006.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 16. Fair value hierarchy

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.

Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflects the Group's view of market assumptions in the absence of observable market information. The Group utilises techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

The levels of fair value measurement bases are defined as follows:

**Level 1:** fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** fair values measured using valuation techniques for all inputs significant to the measurement other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** fair values measured using valuation techniques for any input for the asset or liability significant to the measurement that is not based on observable market data (unobservable inputs).

The following table presents the Group's financial investments and investment property by IFRS 13 hierarchy levels:

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
<b>As at 31 December 2018</b>				
Equity and other variable-yield securities	1,734,341	1,692,505	24,929	16,907
Debt securities and other fixed-income securities	78,716	46,533	27,994	4,189
Cash equivalents	1,342	1,328	14	—
Investment property	1,274,452	—	—	1,274,412
<b>Total financial investments and investment property</b>	<b>3,088,851</b>	<b>1,740,366</b>	<b>52,937</b>	<b>1,295,508</b>
	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
<b>As at 31 December 2017</b>				
Equity and other variable-yield securities	1,955,264	1,905,318	30,513	19,433
Debt securities and other fixed-income securities	77,029	44,056	31,643	1,330
Cash equivalents	48	32	16	—
Investment property	1,206,298	—	—	1,206,298
<b>Total financial investments and investment property</b>	<b>3,238,639</b>	<b>1,949,406</b>	<b>62,172</b>	<b>1,227,061</b>

There have been no significant transfers between level 1 and level 2 in 2018 (2017: £nil).

All non-participating investment contract liabilities included within note 21 are classified as level 2.

Level 3 assets where internal models are used comprise property and unquoted investments, the latter including investments in private equity, property vehicles and suspended securities.

In many situations, inputs used to measure the fair value of an asset or liability may fall into different levels of the fair value hierarchy. In these situations, the Group determines the level in which the fair value falls based upon the lowest level input that is significant to the determination of the fair value. As a result, both observable and unobservable inputs may be used in the determination of fair values that the Group has classified within level 3.

The Group determines the fair values of certain financial assets and liabilities based on quoted market prices, where available. The Group also determines fair value based on estimated future cash flows discounted at the appropriate current market rate. As appropriate, fair values reflect adjustments for counterparty credit quality, the Group's credit standing, liquidity and risk margins on unobservable inputs.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 16. Fair value hierarchy – continued

Where quoted market prices are not available, fair value estimates are made at a point in time, based on relevant market data, as well as the best information about the individual financial instrument. Illiquid market conditions have resulted in inactive markets for certain of the Group's financial instruments. As a result, there is generally no or limited observable market data for these assets and liabilities. Fair value estimates for financial instruments deemed to be in an illiquid market are based on judgements regarding current economic conditions, liquidity discounts, currency, credit and interest rate risks, loss experience and other factors. These fair values are estimates and involve considerable uncertainty and variability as a result of the inputs selected and may differ significantly from the values that would have been used had a ready market existed, and the differences could be material. As a result, such calculated fair value estimates may not be realisable in an immediate sale or settlement of the instrument. In addition, changes in the underlying assumptions used in the fair value measurement technique could significantly affect these fair value estimates.

	Equity and other variable-yield securities 2018 £'000	Debt securities and other fixed income securities 2018 £'000	Investment Property 2018 £'000
Level 3 Investments			
<b>Fair value</b>			
At 1 January 2018	19,433	1,330	1,206,298
Net (losses)/gains for the year recognised in profit and loss	(4,907)	(775)	47,275
Purchases/Additions	—	—	201,425
Disposals	—	—	(180,546)
Transfers into level 3	12,670	4,109	—
Transfers out of level 3	(10,289)	(475)	—
<b>At 31 December 2018</b>	<b>16,907</b>	<b>4,189</b>	<b>1,274,452</b>

	Equity and other variable-yield securities 2017 £'000	Debt securities and other fixed income securities 2017 £'000	Investment Property 2017 £'000
Level 3 Investments			
<b>Fair value</b>			
At 1 January 2017	13,172	180	1,149,135
Net (losses)/gains for the year recognised in profit and loss	(5,304)	(133)	44,074
Purchases/Additions	—	—	161,280
Disposals	—	—	(148,191)
Transfers into level 3	13,766	1,283	—
Transfers out of level 3	(2,201)	—	—
<b>At 31 December 2017</b>	<b>19,433</b>	<b>1,330</b>	<b>1,206,298</b>

Transfers out of level 3 relate to assets held for which observable inputs subsequently became available. Transfers into level 3 relate to assets formerly categorised as level 1 or level 2 assets. This is principally due to assets becoming illiquid meaning that observable inputs are no longer available.

Fair values of financial instruments are, in certain circumstances, measured using valuation techniques that incorporate inputs and assumptions that are not evidenced by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the level 3 financial instruments carried at fair value as at the balance sheet date, the valuation basis, main assumptions used in the valuation of these instruments and reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 16. Fair value hierarchy - continued

As at 31 December 2018				Reasonably possible alternative assumptions	
Assets	Valuation Basis/Technique	Main inputs and assumptions	Current fair value 2018 £'000	Increase in fair value 2018 £'000	Decrease in fair value 2018 £'000
Suspended securities	Note 1	Estimated recoverable amount	4,327	216	(216)
Unquoted securities	Note 1	Price earning multiple	16,770	839	(839)
Investment property	Note 2	Third party property index	1,274,452	63,723	(63,723)
			1,295,549	64,778	(64,778)

As at 31 December 2017				Reasonably possible alternative assumptions	
Assets	Valuation Basis/Technique	Main inputs and assumptions	Current fair value 2017 £'000	Increase in fair value 2017 £'000	Decrease in fair value 2017 £'000
Suspended securities	Note 1	Estimated recoverable amount	7,592	380	(380)
Unquoted securities	Note 1	Price earning multiple	13,171	659	(659)
Investment property	Note 2	Third party property index	1,206,298	60,315	(60,315)
			1,227,061	61,354	(61,354)

1. Values are based on estimate of market price. Sources used in deriving these estimates include the last traded price between a buyer and a seller, brokers providing a matched bargain facility or a company's audited financial statements, if available.

2. Valued using professional specialist property third party indexation data and indexation from the last valuation.

The Directors consider that the carrying value of financial instruments in the Group's and Company's financial statements is equivalent to fair value.

The fair value of cash equivalents, trade receivables and trade payables approximate to their carrying values due to their short-term nature.

The fair value of deferred consideration payable is split between creditors due within one year and creditors due in more than one year. The total deferred consideration payable relates to a book of SPPs acquired and is linked to a share of the fees received over a five year period from the date of acquisition.

Any changes in value of assets held within non-participating investment contracts are offset by an equal and opposite change in investment contract liabilities.



# NOTES TO THE FINANCIAL STATEMENTS

continued

## 17. Trade and other receivables

	Group As at 31 December		Company As at 31 December	
	2018 £'000	2017 As restated* £'000	2018 £'000	2017 £'000
Trade receivables	10,698	11,668	—	—
Prepayments and accrued income	5,811	3,219	2	2
Amounts owed by group undertakings	—	—	50	—
Other receivables	1,546	1,800	—	13
	18,055	16,687	52	15

All of the trade receivables were non-interest bearing and receivable under normal commercial terms. The directors consider that the carrying value of trade and other receivables approximates to their fair value. All trade receivables are fees due from SIPPs and SSAs or due to policyholders in relation to their investments. Fees are taken from the assets of the respective schemes of which the Group has control. If there are no assets in the scheme, payment of the fees is the responsibility of the member who set the scheme up. As such, all debts should be recoverable over time. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Details about the Group's impairment policies and the calculation of loss allowance are provided in note 30 to the financial statements.

\*Accrued interest income of £1,038,000 as at 31 December 2017 was previously reported within other receivables. To better reflect the underlying nature of this balance the amount is now included within prepayments and accrued income.

## 18. Cash and cash equivalents

As at 31 December 2018 and 2017 cash and cash equivalents were as follows:

	Group As at 31 December		Company As at 31 December	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash at bank and in hand	28,018	25,673	1,967	2,318
Deposits with credit institutions	402,216	412,128	—	—
Cash equivalents	1,342	48	—	—
Cash and cash equivalents	431,576	437,849	1,967	2,318

## 19. Trade and other payables

	Group As at 31 December		Company As at 31 December	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade payables	1,787	1,027	19	12
Taxes and social security costs	2,165	2,668	—	—
Amounts owed to group undertakings	—	—	27	31
Other payables	5,442	3,498	—	—
Accruals	5,810	5,465	174	65
	15,204	12,658	220	108

Trade payables are non-interest bearing and are normally settled on 30 day terms.

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 20. Borrowings

	Group As at 31 December		Company As at 31 December	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Current</b>				
Bank loans	30,005	29,444	3,158	3,158
	30,005	29,444	3,158	3,158
<b>Non-current</b>				
Bank loans	56,525	64,584	11,396	14,508
	56,525	64,584	11,396	14,508
<b>Total borrowings</b>	<b>86,530</b>	<b>94,028</b>	<b>14,554</b>	<b>17,666</b>

#### Bank borrowings

The bank borrowings are repayable as follows:

	Group As at 31 December		Company As at 31 December	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Within 1 year	30,005	29,444	3,158	3,158
Between 1 year and 5 years	38,306	44,158	11,396	14,508
After more than 5 years	18,219	20,426	—	—
	86,530	94,028	14,554	17,666

Bank borrowings of the Company are repayable between January 2019 and December 2020 and bear average coupons of 2.25% plus LIBOR per annum.

Total borrowings of the Group include liabilities of £72,085,000 (2017: £76,464,000) secured by legal charge over certain properties held within non-participating investment contracts, and liabilities of £14,554,000 (2017: £17,666,000) secured on the shares of Curtis Banks Limited, Suffolk Life Pensions Limited and Suffolk Life Annuities Limited.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 21. Non-participating investment contract liabilities

### (a) Analysis of investment contract liabilities

Investment contract liability provisions for linked liabilities arising in connection with the above policies are detailed below. There is no reinsurance amount (2017: £nil).

For each linked SIPP the Group provides, there is a separate internal fund. Where the Group provides a Trustee Investment Plan or Group Managed Fund, there are a number of separate internal funds.

Movement in non-participating investment contract liabilities	2018 £'000	2017 £'000
As at 1 January	3,561,929	3,394,404
Reserves in respect of new business	182,532	162,788
Amounts paid on surrenders and maturities during the year	(346,233)	(303,712)
Investment income	41,677	343,009
Expenses	(34,477)	(34,560)
As at 31 December	3,405,428	3,561,929

These relate to:

	2018 £'000	2017 £'000
Self-Invested Personal Pensions	2,355,773	2,593,639
Group Managed Funds - Trustee Investment Plans	70,172	72,727
Group Managed Funds	76,230	82,930
Trustee Investment Plans	903,253	812,633
As at 31 December	3,405,428	3,561,929

Assets held to cover non-participating investment contracts are detailed under separate notes to the financial statements.

### (b) Investment contract liabilities – investment income

	2018 £'000	2017 £'000
Rents receivable	78,358	78,249
Interest receivable	3,222	3,329
Investment and other income	37,734	38,370
Realised (losses)/gains on investments	(9,689)	24,528
Unrealised (losses)/gains on investments	(67,948)	198,533
	41,677	343,009

### (c) Investment contract liabilities – expenses

	2018 £'000	2017 £'000
Investment management fees	10,558	10,297
Adviser fees	315	341
Management charges - administration	6,988	6,803
Bank fees and charges	117	145
Professional fees and sundries	13,233	14,031
Bad debts	663	583
Interest payable on bank loans and overdrafts	2,603	2,360
	34,477	34,560

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 21. Non-participating investment contract liabilities - continued

### (d) Reserves in respect of new business

	2018 £'000	2017 £'000
Gross premiums		
Periodic premiums relating to Self-Invested Personal Pensions	2,777	2,926
Single premiums relating to Self-Invested Personal Pensions	52,965	54,474
Single premiums relating to Group Managed Funds - TIPS	6,671	6,460
Single premiums relating to Group Managed Funds	8,243	8,571
Single premiums relating to Trustee Investment Plans	111,876	90,357
	182,532	162,788

### (e) Amounts paid on surrenders and maturities during the year

	2018 £'000	2017 £'000
Gross claims paid		
Lump sums on death	28,366	20,218
Lump sums on pensions vesting	21,697	22,297
Income withdrawals	38,341	36,741
Annuities purchased	856	89
Transfers out	247,186	218,287
Surrenders of managed funds - Trustee Investment Plans	9,787	6,080
	346,233	303,712

## 22. Provisions for liabilities

### Deferred taxation

As a result of the taxation position set out in note 10, a deferred tax asset has arisen as follows:

	Group As at 31 December	
	2018 £'000	2017 £'000
Brought forward (asset)/provision	(124)	42
Net change in temporary differences on equity share based payments	(454)	—
Net change in temporary differences on plant and equipment	(17)	(166)
Carried forward (asset)/provision	(595)	(124)

The deferred tax asset with respect to temporary differences is analysed as follows:

	Group As at 31 December	
	2018 £'000	2017 £'000
Temporary differences on equity share based payments	(454)	—
Temporary differences on plant and equipment	(141)	(124)
	(595)	(124)

The deferred tax asset assumes a future corporation tax rate of 19% will be applicable to the Group up to and including the year ended 31 December 2019, and a rate of 17% applicable thereafter.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 22. Provisions for liabilities – continued

Provisions	Other provision* £'000	Group As at 31 December Restructuring provision £'000	Onerous lease provision £'000
Balance as at 1 January 2017	–	–	–
Amounts introduced	–	534	366
Balance as at 31 December 2017	–	534	366
Amounts introduced	500	–	–
Amounts utilised	–	(532)	(197)
Amounts written back unused	–	(2)	(169)
Balance as at 31 December 2018	500	–	–

\* See note 3 for details.

## 23. Issued capital

As at 31 December	Group and Company	
	2018 £'000	2017 £'000
Allotted, called up and fully paid		
Ordinary shares of 0.5p each	269	269
	269	269
	Number	
	Number	Number
Number of Ordinary shares		
Brought forward	53,809,146	53,599,669
Issued during the year	–	209,477
Carried forward	53,809,146	53,809,146

Ordinary shares are classified as equity. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The ordinary shares rank equally for voting purposes. On a show of hands each member shall have one vote and on a poll each member shall have one vote per share held. Each ordinary share ranks equally for any dividend declared and rank equally for any distribution made on a winding up.

There were no ordinary shares reserved for issue under options at 31 December 2018 (2017: nil).

## 24. Reserves

### Share premium

This reserve was created on admission to trading on the Alternative Investment Market ("AIM") and arises on the difference between the placing price and the par value of Ordinary shares issued. Expenses directly relating to the issue of new shares in the Company onto the AIM market have been deducted from the share premium account.

### Equity share based payments

This reserve arises from share options granted by the Group to certain employees of the Group. Further details are disclosed in note 25.

### Retained earnings

Retained earnings comprise the cumulative realised gains and losses of the Group from each of the individual combined entities.

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The Company's profit after tax for the year was £6,937,000 (2017: £7,507,000).

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 24. Reserves - continued

### Treasury shares

The Group established an employee benefit trust ("EBT") during the year ended 31 December 2017 in order to acquire ordinary shares in the Company to satisfy awards under the Group's share based payment schemes. At 31 December 2018, the EBT held 263,790 ordinary shares in the Company, acquired for a total consideration of £793,027 with a market value of £701,681 (2017: 99,155 ordinary shares acquired for a total consideration of £250,000 with a market value of £282,592). They are classified as treasury shares in the Consolidated Statement of Financial Position, their cost being deducted from equity.

## 25. Equity share based payments

The weighted average exercise price for all options outstanding at 31 December 2018 was 151.71p (2017: 174.38p).

The weighted average exercise price for all options exercised during the year ended 31 December 2018 was 249.49p (2017: 12.90p).

The weighted average remaining contractual life of all unexercised share options as at 31 December 2018 was six years and seven months (2017: six years and ten months).

The total charge to the Consolidated Statement of Comprehensive Income arising from equity-settled share-based payment transactions for the year ended 31 December 2018 was £626,000 (31 December 2017: £492,000). The total increase in equity arising from equity-settled share-based payment transactions for the year ended 31 December 2018 was £626,000 (31 December 2017: £492,000).

The following table sets out each of the Group's equity share based payments in operation during the year ended 31 December 2018:

Scheme	Date of grant	Number of shares under option at 1 January 2018	Granted	Exercised	Lapsed	Number of shares under option at 31 December 2018	Exercise price	Latest Exercise Date
EMI15	08/04/15	800,000	—	—	—	800,000	62.54p	08/04/25
SS16	28/06/16	126,297	—	(3,313)	(42,310)	80,674	288.88p	01/02/20
SS17	30/05/17	630,394	—	(10,485)	(103,845)	516,064	213.60p	01/02/21
SS18	21/05/18	—	137,304	—	(29,998)	107,306	268.80p	01/02/22
CSOP16A	14/09/16	635,119	—	(14,045)	(449,458)	171,616	267.00p	14/09/26
CSOP16B	15/12/16	535,996	—	—	—	535,996	201.00p	15/12/26
CSOP17	26/06/17	535,996	—	—	—	535,996	260.00p	25/06/27
LTIP17	26/10/17	393,943	—	—	(20,870)	373,073	0p	26/10/27
LTIP18A	18/09/18	—	154,603	—	—	154,603	0p	18/09/28
LTIP18B	05/10/18	—	55,559	—	—	55,559	0p	05/10/28
		3,657,745	347,466	(27,843)	(646,481)	3,330,887		

### EMI15

The Group set up an EMI scheme during the year ended 31 December 2014 by which certain employees and key management personnel of Curtis Banks Limited were able to subscribe to ordinary shares in the Company. As at the year end 31 December 2018, one employee of Curtis Banks Limited held options under the EMI.

### SS16, SS17 & SS18

The Group operates a Save As You Earn ("SAYE") share option scheme under which almost all employees of the Group are eligible to subscribe to ordinary shares in the Company following a three year contribution and vesting period. Grants under the SAYE are expected to be provided to eligible employees annually.

### CSOP16A, CSOP16B & CSOP17

During the year ended 31 December 2016, the Group set up a Company Share Option Plan ("CSOP") share option scheme under which certain key management of the Group are able to subscribe to ordinary shares in the Company. As at the year end 31 December 2018, six key management personnel of the Group held options under the CSOP. The CSOP is a performance based option grant.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 25. Equity share based payments - continued

### LTIP17, LTIP18A & LTIP18B

The Group operates a performance based Long Term Incentive Plan ("LTIP") share option scheme under which certain key management and senior management of the Group are able to subscribe to ordinary shares in the Company. As at the year end 31 December 2018, 11 key management personnel of the Group and 9 senior management personnel within the Group held options under the LTIP.

### Share based payment expenses - all schemes

The fair values of all options at the date of grant were determined by using the Black Scholes model. Expected volatility was based upon historical information about the Group's share price, measured using the standard deviation of its monthly share prices over the last three years (where data is available) and comparisons against similar entities at the date of grant. The Company first listed on the Alternative Investment Market ("AIM") in May 2015 and consequently less than three years of data has been available for use in measuring the expected volatility of certain grants shown below. The model includes separate vesting periods for each proportion of options based on their exercise dates. The fair values derived and model inputs for each grant are reflected in the table below:

Scheme	Date of grant	Fair value per option granted	Share price on grant date	Risk free rate of interest	Expected volatility	Dividend yield
EMI15	08/04/15	5.64p	62.54p	0.50%	24.00%	0.00%
SS16	28/06/16	58.76p	302.50p	0.50%	29.00%	1.00%
SS17	30/05/17	99.77p	282.50p	0.25%	44.29%	1.50%
SS18	21/05/18	84.09p	316.00p	0.50%	37.39%	1.98%
CSOP16A	14/09/16	45.58p	267.00p	0.25%	39.01%	1.00%
CSOP16B	15/12/16	52.42p	201.00p	0.25%	42.95%	1.00%
CSOP17	26/06/17	63.54p	260.00p	0.25%	43.41%	1.50%
LTIP17	26/10/17	289.25p	310.00p	0.25%	46.66%	1.50%
LTIP18A	18/09/18	262.35p	287.00p	0.75%	36.05%	2.18%
LTIP18B	05/10/18	265.09p	290.00p	0.75%	35.98%	2.18%

## 26. Non-controlling interests

The non-controlling interests reflect the relevant amounts of the trading results and net assets or liabilities attributable to the non-controlling shareholders in Curtis Banks Investment Management Limited (see note 15).

	As at 31 December	
	2018 £'000	2017 £'000
Share of net assets brought forward	14	9
Movement in the year - share of profits	6	10
Ordinary dividends declared	(6)	(5)
Share of net assets	14	14

## 27. Financial commitments

The future aggregate minimum lease payments under non-cancellable operating leases attributable to shareholder reserves are as follows:

	As at 31 December	
Attributable to shareholder reserves	2018 £'000	2017 £'000
Land and buildings		
Within 1 year	901	895
Within 2 - 5 years	908	1,809
	1,809	2,704

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 27. Financial commitments – continued

The Group holds investment properties on behalf of non-participating investment contracts which generate income by leasing these to tenants under operating leases.

At the statement of financial position date, the Group had contracted with vendors to purchase investment properties or develop existing investment properties to pay the following future payments:

	As at 31 December	
	2018 £'000	2017 £'000
Attributable to non-participating investment contracts		
Authorised and contracted commitments not provided for in respect of investment property acquisition and development, payable after 31 December:	1,832	2,174

At the statement of financial position date, the Group had contracted with tenants to receive the following future minimum lease payments on behalf of non-participating investment contracts:

	As at 31 December	
	2018 £'000	2017 £'000
Attributable to non-participating investment contracts		
Future aggregate minimum lease receivables under non-cancellable operating leases:		
Within 1 year	70,126	66,206
Within 2 - 5 years	162,679	140,520
After more than 5 years	290,557	82,949
	523,362	289,675

## 28. Pension costs – defined contribution

	Year to 31 December	
	2018 £'000	2017 £'000
Contributions payable by the Group for the year	1,413	1,337

## 29. Dividends

	Year to 31 December	
	2018 £'000	2017 £'000
Ordinary interim declared and paid	3,622	2,408
	3,622	2,408

A final share dividend in respect of 2017 of 4.75p per share was declared and paid on 18 May 2018.

An interim share dividend in respect of 2018 of 2.00p per share was declared and paid on 15 November 2018.



# NOTES TO THE FINANCIAL STATEMENTS

continued

## 30. Financial risk management

Financial assets principally comprise trade and other receivables, cash and short-term deposits, which arise directly from its operations. Financial liabilities principally comprise trade and other payables, deferred consideration and borrowings.

The main risks arising from financial instruments are interest rate risk, credit risk, and liquidity risk. Each of these risks is discussed in detail below.

The Group monitors financial risks on a consolidated basis, with its financial risk management based upon sound economic objectives and good corporate practice. No hedging transactions have taken place during the years presented.

### Interest rate risk

Interest rate risk is the risk that the Group will sustain losses from adverse movements in interest bearing assets. There is an exposure to interest rates on shareholder owned banking deposits held in the ordinary course of business. The value of financial instruments on the Group's consolidated statement of financial position exposed to interest rate risk was £28.02m (2017: £25.68m) comprising cash and short-term deposits. This exposure is monitored to ensure that the Group is maximising its interest earning potential within accepted liquidity and credit constraints. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are also made for varying periods of between one day and 30 days depending on the immediate cash requirements of the Group and earn interest at the respective term deposit rates.

The Group had external borrowings attributable to shareholders at the year end of £14.45m (2017: £17.56m). The interest rates attached to borrowings held include a floating rate based on the London Interbank Offered Rate ("LIBOR"). There is an exposure on external borrowings therefore to interest rate risk.

The following table demonstrates the sensitivity to a 100bps (1%) change in interest rates on actual borrowings, with all other variables held constant, on the Group's profit before tax.

	Increase/decrease in basis points	Effect on profit before tax £'000
<b>2018</b>		
£ Sterling	+100	(176)
£ Sterling	-100	176
<b>2017</b>		
£ Sterling	+100	(207)
£ Sterling	-100	207

In addition, a source of revenue is based on the value of client cash under administration. The Group has an indirect exposure to interest rate risk on these cash balances held for clients. The Group manages this risk through a central treasury function which monitors client cash and interest rate movement on a monthly basis.

### Credit risk

The Group trades only with third parties it recognises as being creditworthy. In addition, receivable balances are monitored continually.

The maximum credit risk exposure of the Group's financial instruments in the event of other parties failing to perform their obligations is considered to be equal to the carrying amount of such financial instruments, excluding policyholder assets and liabilities within non-participating investment contracts included within the consolidated statement of financial position. Given the nature of the Group's operations, it does not have significant concentration of credit risk in respect of shareholder trade receivables, with exposure spread over a large number of customers.

All of the banks currently used by the Group have long-term credit ratings of at least BBB+ (Fitch). This results in the Group retaining the ability to further mitigate the counterparty risk on its own behalf and that of its customers. The directors continue to monitor the strength of the banks used by the Group.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss rate is determined by reference to the underlying level of liquidity in each of the Group's clients' SIPP's because clients' fees are normally settled directly from their SIPP cash holdings. A lower level of liquidity in the SIPP, or indeed illiquidity, indicates reduced credit quality in the related trade receivable balance.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 30. Financial risk management – continued

The Group's credit quality ratings as at 31 December 2018 in respect of shareholder trade receivables are set out below:

	IFRS 9 loss rate %	Trade receivables gross carrying amount £'000	Loss allowance £'000	Net trade receivables £'000
Good quality	0.00 - 10.00	3,344	(139)	3,205
Satisfactory quality	10.01 - 30.00	52	(16)	36
Low quality	30.01 - 99.99	1,205	(944)	261
No expected recovery	100.00	101	(101)	–
		4,702	(1,200)	3,502

### Credit risk – continued

The Group's approach to managing credit risk is based on its credit quality ratings, where a set of policies and procedures are in place to recover fee debt based on individual SIPP liquidity. This underlying level of liquidity in each of the Group's clients' SIPPs is mostly driven by the clients' use of the SIPP and what they choose to invest in.

The terms and conditions attached to the Group's SIPP products include a requirement to maintain a minimum cash balance from which the Group normally draws fees when due. Where cash is not immediately available, assets from the SIPP are disinvested in order to settle fees. We also request fees direct from clients where necessary.

Trade receivables of £10,698,000 at 31 December 2018 (2017: £11,668,000) includes £7,196,000 (2017: £7,853,000) of policyholder receivables under non-participating investment contracts. Since there is a direct link between the investments and obligations for non-participating investment contracts, these policyholder receivables have not been included in the credit quality rating analysis since the Group is not directly exposed to the risks from these contracts.

The Group's credit quality ratings and resulting loss allowance at 1 January 2018 in respect of shareholder trade receivables were not different to the loss allowance as at 31 December 2017 of £703,000 recognised under IAS 39.

The Group continually assesses historical recovery data to help determine how the underlying level of liquidity in the SIPPs fits into each of the credit quality ratings. Future historical data available may lead to changes in the estimated categorisation of trade receivables gross carrying amounts and associated loss allowance.

Where trade and other receivables have been outstanding for more than six years, amounts are deemed to have no reasonable expectation of recovery and are written off.

Changes in macroeconomic factors may impact the Group's clients' use of the SIPP and cause the level of liquidity in the SIPP to increase or decrease. A 10% increase or decrease in loss rates estimated at the year end would have the following impact:

Year ended 31 December 2018	Increase/(decrease) in percentage rates	Effect on profit before tax £'000
Loss rate	10%	228
Loss rate	(10%)	(381)

The Group charges fixed fees for its services reducing its exposure to changes in macroeconomic factors which may otherwise impact a percentage basis point fee charging model.

### Liquidity risk

This is the risk that the Group may be unable to meet its liabilities as and when they fall due. The Group monitors its risk to a shortage of funds by considering the maturity of its financial assets (e.g. trade receivables, other financial assets) and projected cash flows from operations. As part of these projections, the Group also monitors anticipated capital expenditure and the expected timing of settlement of financial liabilities. The Group is a highly cash generative business and maintains sufficient cash to fund its foreseeable trading requirements. Details on the maturity of the Group's borrowings are disclosed in note 20.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 31. Capital management

Certain subsidiaries of the Group are supervised in the UK by the Financial Conduct Authority ("FCA") and, following the acquisition of Suffolk Life Annuities Limited during the year ended 31 December 2016, the Prudential Regulation Authority ("PRA"). The Group manages its capital through continuous review of the capital requirements of its regulated subsidiaries, which are monitored by the Group's management and reported monthly to the Board. The Group's objectives when managing capital are:

- To comply with the regulatory capital requirements set by the FCA and the PRA;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital of the Group as at 31 December 2018 was £49.67m (2017: £44.60m). The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. The Group's regulated subsidiary companies submit regular returns to the FCA and the PRA relating to their capital resources. The regulated subsidiaries are limited in the distributions that can be paid up to the Group by each of their individual capital resource requirements. Group internal policy is for regulated companies within the Group to hold at least 130% of their required regulatory capital.

## 32. Related parties

At the year end, Curtis Banks Group PLC owed £26,586 to Curtis Banks Limited (2017: £31,285). This relates to expenses paid by Curtis Banks Limited on behalf of Curtis Banks Group PLC. The total amount of expenses recharged by Curtis Banks Limited in the year amounted to £220,374 (2017: £127,858).

During the year ended 31 December 2018, Suffolk Life Group Limited paid dividends totalling £4,000,000 to Curtis Banks Group PLC (2017: £4,000,000). During the year ended 31 December 2018, Curtis Banks Limited paid dividends totalling £4,000,000 to Curtis Banks Group PLC (2017: £4,000,000).

During the year the Group paid £138,000 gross emoluments to Chris Banks, a strategic advisor and significant shareholder of Curtis Banks Group Plc.

During the year Curtis Banks Group PLC provided an unsecured loan of £50,000 to Templemead Property Solutions Limited, a subsidiary of the Group, to assist with set up costs. The loan is repayable on demand and remains outstanding at the year end.

## 33. Contingent liabilities

### In-specie contributions

The Group has been in correspondence with HMRC regarding processes and documentation in respect of in specie contributions. HMRC have alleged that incorrect procedures were followed and is seeking to reclaim tax reliefs granted and interest thereon. This is an industry wide issue affecting other SIPP operators and is being challenged by the industry as a whole. It is not possible to determine when this matter will be resolved and the outcome and impact are not known at this stage. We do not believe that the net exposure arising from this will be material to the Group.

### Data cleansing

As reported in note 3, management initiated a review of data records related to properties held within SIPPs administered by the Group.

This review requires a case by case assessment of each of the properties within the population in order to assess whether any remedial action is required by the Group in respect of that property or the associated SIPP.

In addition to the provision of £500,000 for the estimated direct costs that the Group may incur in respect of this exercise, the directors consider that it is possible that the Group may also be exposed to indirect costs in the future, depending on the outcome of the case by case reviews.

The directors' best estimate of this contingent liability is £1.5m, however there are inherent uncertainties in this estimate including due to the sampling and extrapolation approach adopted so far, the quality of data and potential significant variations in the assumed liabilities payable to rectify individual SIPP positions.

This estimate will be reviewed regularly, and any changes or refinements will be reported as appropriate. The directors currently expect that the review will be completed by the end of 2019 with any potential material follow up actions completed by 2020.

## 34. Control

There is no one ultimate controlling party.

## COMPANY INFORMATION

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### Directors

Will Self - Chief Executive Officer

Paul Tarran - Chief Financial Officer

Jane Ridgley - Chief Operating Officer

Chris Macdonald - Non Executive Director

Bill Rattray - Non Executive Director

Jules Hydeleman - Non Executive Director

### Founders & Strategic Advisors

Chris Banks

Rupert Curtis

### Company Secretary

Paul Tarran

### Registered Office

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Bristol

BS1 6DZ

### Registered Number

07934492

### Nominated Advisor and Broker

Peel Hunt

Moor House

120 London Wall

London

EC2Y 5ET

### Joint Broker

N+1 Singer

1 Bartholomew Lane

London

EC2N 2AX

### Independent Auditors

PricewaterhouseCoopers LLP

2 Glass Wharf

Bristol

BS2 0FR

### Solicitors

Roxburgh Milkins

Merchants House North

Wapping Road

Bristol

BS1 4RW

### Registrars

ComputerShare Plc

The Pavilions

Bridgewater Road

Bristol

BS13 8AE

## SUPPLEMENTARY UNAUDITED INFORMATION

Unaudited IFRS Consolidated Statement of Financial Position as at 31 December 2018 split between insurance policy holders and the Group's shareholders

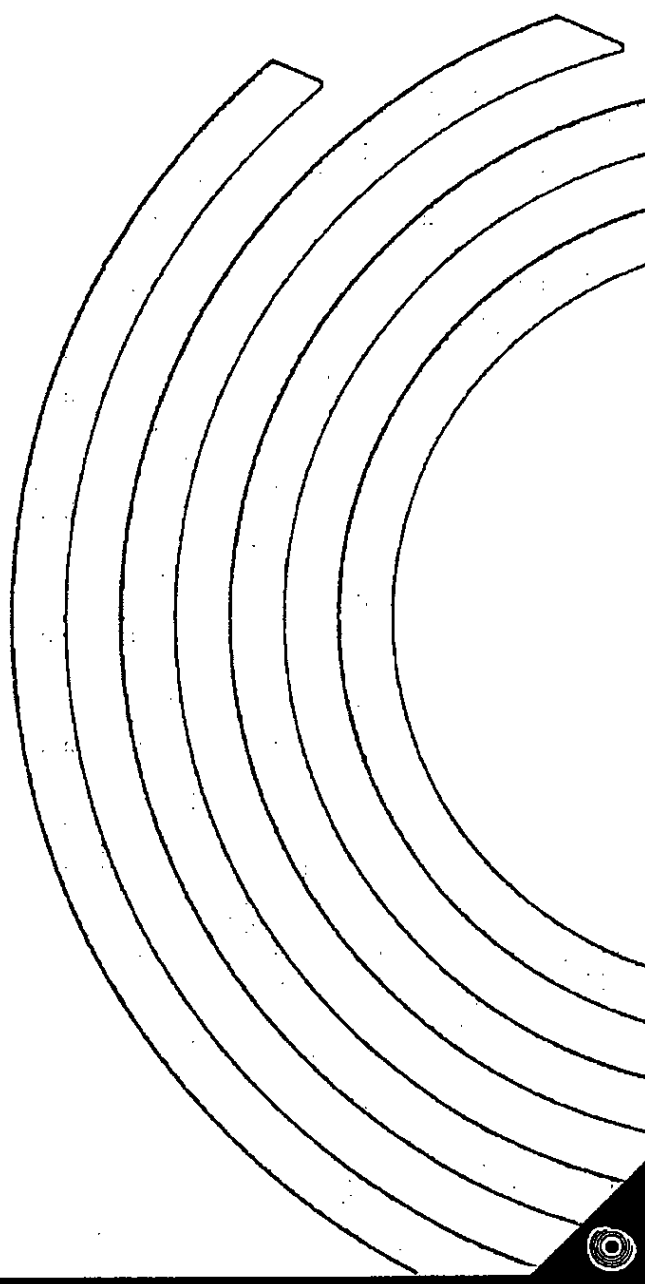
ASSETS	2018 £'000 Group Total	2018 £'000 Policyholder	2018 £'000 Shareholder	2017 £'000 Shareholder
<b>Non-current assets</b>				
Intangible assets	44,110	—	44,110	44,593
Investment property	1,274,452	1,274,411	41	40
Property, plant and equipment	1,216	—	1,216	1,148
Investments	1,813,057	1,813,057	—	—
Deferred tax asset	595	—	595	124
	3,133,430	3,087,468	45,962	45,905
<b>Current assets</b>				
Trade and other receivables	18,055	8,344	9,711	8,832
Cash and cash equivalents	431,576	403,558	28,018	25,673
Current tax asset	243	243	—	—
	449,874	412,145	37,729	34,505
<b>Total assets</b>	<b>3,583,304</b>	<b>3,499,613</b>	<b>83,691</b>	<b>80,410</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	15,204	8,909	6,295	5,310
Deferred income	24,601	13,194	11,407	10,928
Borrowings	30,005	26,847	3,158	3,158
Provisions	500	—	500	641
Deferred consideration	255	—	255	341
Current tax liability	991	—	991	295
	71,556	48,950	22,606	20,673
<b>Non-current liabilities</b>				
Borrowings	56,525	45,235	11,290	14,406
Provisions	—	—	—	259
Deferred consideration	125	—	125	454
Non-participating investment contract liabilities	3,405,428	3,405,428	—	—
	3,462,078	3,450,663	11,415	15,119
<b>Total liabilities</b>	<b>3,533,634</b>	<b>3,499,613</b>	<b>34,021</b>	<b>35,792</b>
<b>Net assets</b>	<b>49,670</b>	<b>—</b>	<b>49,670</b>	<b>44,618</b>
<b>Equity attributable to owners of the parent</b>				
Issued capital	269	—	269	269
Share premium	33,451	—	33,451	33,451
Equity share based payments	1,357	—	1,357	731
Treasury shares	(716)	—	(716)	(250)
Retained earnings	15,295	—	15,295	10,403
	49,656	—	49,656	44,604
<b>Non-controlling interest</b>	<b>14</b>	<b>—</b>	<b>14</b>	<b>14</b>
<b>Total equity</b>	<b>49,670</b>	<b>—</b>	<b>49,670</b>	<b>44,618</b>

## SUPPLEMENTARY UNAUDITED INFORMATION

continued

Unaudited IFRS Consolidated Statement of Cash Flows as at 31 December 2018 split between insurance policy holders and the Group's shareholders

ASSETS	2018 £'000 Group Total	2018 £'000 Policyholder	2018 £'000 Shareholder	2017 £'000 Shareholder
<b>Cash flows from operating activities</b>				
Profit before tax	10,121	—	10,121	5,857
Adjustments for:				
Depreciation	596	—	596	570
Amortisation and impairments	1,268	—	1,268	3,126
Interest expense	467	—	467	554
Share based payment expense	626	—	626	492
Fair value losses on financial investments	116,517	116,517	—	—
Additions of financial investments	(490,830)	(490,830)	—	—
Disposals of financial investments	593,549	593,549	—	—
Fair value gains on investment properties	(47,275)	(47,275)	—	—
Decrease in liability for investment contracts	(156,498)	(156,498)	—	—
Changes in working capital:				
Decrease/(increase) in trade and other receivables	247	1,019	(772)	(122)
Increase in trade and other payables	992	159	833	2,629
Taxes paid	(1,375)	—	(1,375)	(999)
<b>Net cash flows from operating activities</b>	<b>28,405</b>	<b>16,641</b>	<b>11,764</b>	<b>12,107</b>
<b>Cash flows from investing activities</b>				
Purchase of intangible assets	(785)	—	(785)	(277)
Purchase of property, plant & equipment	(202,089)	(201,425)	(664)	(645)
Investment in employee benefit trust	(466)	—	(466)	(250)
Receipts from sale of property, plant & equipment	180,546	180,546	—	—
Net cash flows from acquisitions	(421)	—	(421)	(669)
<b>Net cash flows from investing activities</b>	<b>(23,215)</b>	<b>(20,879)</b>	<b>(2,336)</b>	<b>(1,841)</b>
<b>Cash flows from financing activities</b>				
Equity dividends paid	(3,628)	—	(3,628)	(2,413)
Net proceeds from issue of ordinary shares	—	—	—	27
Net decrease in borrowings	(7,538)	(4,380)	(3,158)	(3,158)
Interest paid	(297)	—	(297)	(504)
<b>Net cash flows from financing activities</b>	<b>(11,463)</b>	<b>(4,380)</b>	<b>(7,083)</b>	<b>(6,048)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,273)</b>	<b>(8,618)</b>	<b>2,345</b>	<b>4,218</b>
Cash and cash equivalents at the beginning of the year	437,849	412,176	25,673	21,455
<b>Cash and cash equivalents at the end of the year</b>	<b>431,576</b>	<b>403,558</b>	<b>28,018</b>	<b>25,673</b>



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