



23 March 2017

Curtis Banks Group plc
("Curtis Banks", the "Group")
Final Results for 12 months to 31 December 2016

Curtis Banks Group plc, one of the UK's leading SIPP providers with a portfolio of over 72,000 SIPPs, is pleased to announce its final results for the 12 months to 31 December 2016.

Highlights for the period include:

| | 2016 | 2015 |
|--|-------------|-------------|
| Financial | | |
| Operating Revenue | £29.7m | £17.0m |
| Profit before Tax, Amortisation and Non-recurring costs | £7.1m | £6.0m |
| Profit Margin on Profit before Tax, Amortisation and Non-recurring costs | 24% | 35% |
| Basic EPS | 7.23p | 7.12p |
| Basic EPS on Profit before tax, amortisation and Non-recurring costs, less an effective tax rate | 11.38p | 11.24p |
| Operational Highlights | | |
| Number of SIPPs Administered | 72,983 | 39,236 |
| Assets under Administration | £18.8bn | £9.0bn |
| Total organic New Full SIPPs in year | 3,398 | 2,386 |

2016 Results delivered in line with expectations

86% growth in SIPP numbers, 16% gross from organic growth

Acquisition of Suffolk Life from Legal & General for £45m – completed 25 May 2016

£27m raised in equity placing

£15m, 5 year debt facility and £8.3m revolving credit facility secured

Full integration of European Pensions Management acquisition

Middle management strengthening programme completed

Commenting on the results and prospects, Rupert Curtis, CEO of Curtis Banks, said:

“2016 has been a transformational year for Curtis Banks with the acquisition of Suffolk Life. 7 years after founding the business we now administer over 72,000 SIPPs with approaching £20bn of assets.

“SIPP numbers grew by 86% in 2016 and revenues by 75%. Adjusted net profit increased to £7.1m and we will see the benefit of full year contributions in 2017 from our acquisitions and enhanced business levels. We see great opportunity to consolidate the businesses of Curtis Banks and Suffolk Life and enhance our performance as a unified business, building on what we have achieved so far. With the support of our great team of 600 people, we’re tremendously excited about 2017 and the future ahead of us.”

Analyst Presentation:

A briefing for Analysts will be held at 11.00am today. Those wishing to attend or requiring further information on the Company should contact Tom Cooper on 0797 122 1972 or tom.cooper@walbrookpr.com.

For more information:

Curtis Banks Group plc

Rupert Curtis – Chief Executive Officer
Paul Tarran – Finance Director

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Notes to Editors on Curtis Banks:

Curtis Banks administers 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. The Group employs approximately 600 staff in its head office in Bristol and regional offices in Ipswich, Dundee and Market Harborough.

For more information – www.curtisbanks.co.uk

Chairman's Statement

I am pleased to present the second set of annual results for Curtis Banks as a listed company, for the year ended 31 December 2016. We report continued growth combined with progress towards aligning our businesses and developing our infrastructure.

Growth

The acquisition of Suffolk Life Group in May 2016 delivered a positive contribution during the second half year, coming on top of continued strong organic growth through the reporting period. The full financial benefits of the acquisition of Suffolk Life will be delivered in the current reporting year and beyond, however benefits are already being realised. We are delighted to welcome the strong Suffolk Life management team to the Group and are working with them to strengthen our position as the largest dedicated SIPP provider in the UK.

In July 2016 we completed a further acquisition, of a book of circa 5,000 SIPPs from European Pensions Management Ltd, increasing the Group's administered plans to over 72,000.

Growth was also driven by full year contributions from the pension books acquired from Friends Life and the Zurich administration contract that completed in 2015.

We continue to grow and develop our introducer network without reliance on any one introducer for a significant portion of our business. New well-established introducers continue to be attracted to our service level proposition.

Infrastructure

Our focus during the year has been the consolidation of the growth over the past two years and development of our business proposition. This growth has required higher staff numbers, principally in middle management and support, as new books of business are aligned with the Group's existing robust processes and procedures contributing toward reduced yet still healthy operating margins in the reporting period. Development work to align books of business and deliver operational efficiencies has also begun. Continued investment and resource will be required before the benefits are fully realised.

In the second half of the year we delivered a key alignment of Suffolk Life's SIPP banking systems, to those already operated within the Group. The financial benefit will be delivered in full during 2017 and beyond. Stability of interest rates in recent months provides hope of retaining margins close to those currently being achieved by the Group's newly co-ordinated central treasury function

The development of our business proposition is focussed on aligning our business, combining the best of the existing operations of Curtis Banks and Suffolk Life. A strategy has been put in place that focusses on opportunities that are expected to be revenue enhancing and identify where efficiencies and cost savings can be made.

A key decision for 2017 is the direction of our IT strategy; the Chief Executive's Report provides more detail on this. The solution chosen will ultimately be the best for the Group over the longer term.

People

I am pleased to welcome Will Self to the Board as deputy CEO. Will joined the Board in August 2016, maintaining his role as Chief Executive Officer of Suffolk Life, and has a wealth of experience on both the SIPP industry and the operations of Suffolk Life.

During the year we introduced a Share Save Option Scheme to enable staff to participate in the success of the Group. This was well received and more than half of our 600 employees participated in the Scheme. Shortly after the year end we also introduced an Employee Benefit Trust.

Dividends

Your Board paid interim dividends of 3.5p per share on 26 February 2016 and 1.0p per share on 15 November 2016 in respect of the years ended 31 December 2015 and 31 December 2016. A further interim dividend of 3p per share will be paid to shareholders on the register at the close of business on 28 April 2017. The shares will be marked ex-dividend on 27 April 2017 and the dividend paid on 12 May 2017.

Summary and outlook

The year reflects positive progress for the Group with continued organic growth and successful acquisitions. The decisions and investments made to enhance our infrastructure will secure important capability to support future development and growth of the business.

The outlook for 2017 is strong. We continue to be approached by SIPP operators looking for an exit for a variety of reasons and we evaluate opportunities as they come to us. We will only consider acquisitions of high quality books of SIPPs where we have confidence that they can provide at least the required level of operating margins. Admission to AIM has provided us with the resources and ability to consider and fund all levels of acquisition.

The implementation of the BREXIT vote should have minimal effect on the operations of the Group. All our business is UK based and we have no exposure to Europe. Our fees are fixed sterling monetary amounts and as such insulated from any adverse market or currency movements. We are not reliant on free movement of labour across Europe.

Our strategy for the future is set out in detail in the Chief Executive's review. The focus of our business will be to deliver on this strategy, aligning and developing the two businesses of Curtis Banks and Suffolk Life for the benefit of shareholders.

The continued development of Curtis Banks is the result of the hard work of our staff Group-wide. I would like to take this opportunity to thank them all.

We continue to be inspired by the opportunity for Curtis Banks and believe the current strategy and economic environment to be complementary. We look forward to updating the market on further achievements in 2017.

Chris Banks
Chairman

Chief Executive's Review

Operational Review

The beginning of the year under review marked the full integration of the two transactions that completed in 2015: the acquisition of the Friends Life book of schemes and the Zurich third party administration arrangements. We recruited more staff, principally during the first half of the year, to service the enlarged Group with support and management functions, to deliver change and ensure that thorough and efficient procedures are being followed throughout the Group.

In January 2016 we exchanged contracts for the significant acquisition of the Suffolk Life Group of companies. Considerable due diligence was carried out on this operation prior to that date, using both internal and external resources. During the period from exchange of contracts to completion we worked closely with the management of Suffolk Life to understand their operations and began to plan the optimum way forward for the combined Group. Unlike previous acquisitions, where the Group had acquired a book of SIPPs, in this case we acquired the entire corporate structure and, when the acquisition completed in May, we gained the benefit of all the existing management, staff and systems.

The Suffolk Life operation has a strong and experienced management team that ran this business as a stand-alone operation under the Legal & General umbrella. This continued in the year under review as part of the Group, however the current focus is on merging the two operations as much as possible to identify operational synergies and efficiencies. Delivering these, as well as developing revenue enhancing opportunities for both businesses, will ensure the margins achievable are enhanced across the whole Group.

The operating structures, culture and quality of work at Suffolk Life are similar to those of Curtis Banks, and we are confident that we can apply best practice in each company, with the combined operations being significantly stronger than the component parts. The Suffolk Life acquisition brought circa 28,000 SIPPs to the Group with circa £10bn of assets under administration. As at 31 December 2016, 300 staff work for Suffolk Life, all based in Ipswich. Combined staff meetings already take place on a regular basis to exchange ideas and take action where there is synergy and duplication of resources across the Group.

Your Board has spent considerable time formulating the strategy of the Company going forward and has identified five primary statements of our strategic objectives:

- Meet changing customer needs – adapting to the changing needs of the UK population and regulatory environment to be the SIPP provider of choice both pre and post-retirement.
- Capitalise on the right opportunities for growth – Focus on profitable areas of organic market growth and selective acquisitions of well-aligned books or businesses, with a clear business identity
- Enhance revenue generation – extend proven revenue generation activities across the wider group and continually review fee income relative to the services provided
- Drive efficiency through technology – continue technology advances appropriate to the business to deliver improved margins through efficiency and improved service to customers

- Maintain a robust and sustainable business model – market leading governance, capitalisation and robust systems to ensure a sustainable long term business and confidence for our business partners, customers and shareholders.

Beneath these strategic objectives an action plan has been defined that sets out the internal initiatives in order to deliver the strategy above. The business will focus on delivering this strategy.

SIPP Numbers and Revenues

New SIPP numbers for both Full and mid SIPPs (Full SIPPs with one integrated investment relationship) from organic growth in the year for Curtis Banks were 2,750. Compared to the previous year (2015: 2,386) this shows an impressive growth of 15%. For Suffolk Life since acquisition in May 2016 new Full and mid SIPPs totalled 648. The number of SIPPs administered by the Group as at 31 December 2016 totalled 21,060 Full SIPPs, 23,277 mid SIPPs, 18,143 eSIPPs and 10,503 SIPPs administered under third party administration contracts. The increased staff numbers have been used to support this strong organic growth in Full SIPPs during the year, as well as working on books of SIPPs acquired.

The attrition rate for the year has remained comparable to the previous year at 5%.

The average revenue per SIPP has fallen to £574 (excluding SIPPs administered under outsourcing contracts) in the year 31 December 2016 from £620 for the year ended 31 December 2015. This is attributable to the effect of the lower interest rates received on client deposits during the year and interest margins only being received of the Suffolk Life books of SIPPs from late in the year. On average 88% of the revenue per Full SIPP is derived from fees and the balance from interest. Average total revenues from Full SIPPs were £1,207, £379 from mid SIPPs and £124 from eSIPPs.

Our market and products

The changes to pension legislation over the past three Budgets have, to date, had little impact on the business of Curtis Banks other than implicitly driving the growth levels in new SIPPs by increasing the flexibilities available. The Group has experienced no significant increase in withdrawals as a result of the new pension freedom abilities. All products, systems and literature of Curtis Banks and the Group companies have however been updated to reflect the changes and allow clients to take full advantage of the new rules where allowed.

Through acquisitions the Group has taken on a number of different products. Work has begun on aligning these products to bring consistency of features, terms and conditions, thus enhancing product management and strengthening governance.

The Group acquired additional marketing and brand capability through the purchase of Suffolk Life. A review of the Group brand strategy began in the reporting year, with implementation and delivery anticipated during the current year.

IT strategy

As reported in previous years, we are reviewing the back office operating systems in place throughout the Group. Prior to the acquisition of Suffolk Life in May 2016, all acquisitions of SIPP business made by the Group were integrated onto the current operating systems used by Curtis Banks. A specific new operating system has been under review for the past two years and considerable time and expense incurred on evaluating and developing this potentially more efficient back office system as a replacement.

The decision as to which new operating system to adopt will be based on the most commercially appropriate and operationally effective system over the longer term. It will deliver a pathway to the most efficient processing for the Group's products and services, and will allow for automation of many of the manual processes currently incurred. This will lead to improved margins and profitability for the Group.

As well as the core operating system, work is being done to align and develop ancillary systems and processes, to deliver increased functionality and efficiencies. We see significant opportunities to deliver a more effective operating model across the whole group.

People

As a result of the exceptional growth of the business over the past few years additional staff have been recruited to strengthen the provision of general support services. Staff numbers were increased across the Group, principally in Bristol. Staff resource is now considered to be at the level necessary to support current business levels and provide the service levels expected using current systems and processes.

Rupert Curtis
Chief Executive Officer

Financial Review

Operational revenues of £29.7m in 2016 have increased by 75% over the comparable period. This is through a combination of strong organic growth, the acquisition of the Suffolk Life Group of Companies and the full year effect of two transactions that completed in the year ended 31 December 2015. These transactions were:

- Third Party administration arrangements for a book of over 10,000 Zurich SIPPs commencing in October 2015; and
- A book of self-invested pension products acquired from Friends Life PLC on 13 March 2015.

The contribution from these two transactions accounted for £3.2m of the operational revenue for the year ended 31 December 2016 (2015 - £2.8m)

The acquisition of the Suffolk Life Group of Companies completed on 25 May 2016 and accordingly the results for the year to 31 December 2016 include only seven months of results for Suffolk Life with operating revenues of £10.4m in that period. The full contribution of this acquisition will be felt in the current and future financial periods.

Additional year on year revenues of £1.9m were generated from organic growth.

During the latter part of the year the client banking systems at Suffolk Life were aligned with the virtual banking system operated at Curtis Banks. This allowed for a central treasury function, placing these funds on deposit with more attractive interest rates as well as enabling these accounts to be operated more efficiently. The full benefit of this will be recognised in the current year. In the year ended 31 December 2016 £4.5m of the Group operating revenues were from interest margin.

Administrative expenses of £14m at Curtis Banks only (excluding Suffolk Life) increased by 29% compared to the previous year. This was largely a result of recruiting additional staff resources needed to service the two new transactions noted above and also to strengthen central support functions. Suffolk Life administration costs for the seven month period to 31 December 2016 amounted to £8.4m.

Excluding the Suffolk Life acquisition, staff numbers in Curtis Banks have increased from 235 as at 31 December 2015 to 291 as at 31 December 2016, resulting in an increase in staff costs of 27%. Due to higher staff numbers and the transactions that completed part way through 2015, computer and licensing costs have also increased significantly.

As a result of these increased costs and lower interest margins in 2016 the operating margins at Curtis Banks have fallen to 26% from 35% in the previous years. Lower margins at Suffolk Life, due to virtual banking not being introduced until later in the reporting year as noted above, resulted in the overall operating margins for the Group falling to 24% for the year.

The successful implementation of a new core infrastructure, along with other changes being made to our business model, will deliver improved capability to sustain organic and acquisitive growth as well as drive margin enhancing internal efficiencies.

Suffolk Life acquisition

The acquisition of Suffolk Life Group completed on 25 May 2016. The total acquisition cost was £45m; however net assets acquired were £16m, held principally for regulatory purposes. The £45m consideration was satisfied by part equity and part debt. In January 2016 the Group raised new equity funds of £27m (gross) through a placing at £3.20 a share. The remaining balance of the consideration was provided by bank debt. Existing outstanding bank debt was repaid and refinanced at reduced interest rates through the provision of a £15m 5 year term loan facility and an £8.3m revolving credit facility.

As a result of the acquisition of Suffolk Life, Suffolk Life Annuities Limited became a wholly owned subsidiary of the Group. It is an insurance company that writes SIPP Products as insurance contracts. These are all non-participating insurance policy 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 will also show on the Group balance sheet on consolidation. As the policies are non-participating contracts, the Client related assets and liabilities in Suffolk Life Annuities match. In addition the revenues, expenses and investment returns of the non-participating insurance policy contracts are shown in the consolidated statement of comprehensive income. Again, these income, expense items and investment returns due to the policy holders equal each other. The acquisition has been accounted for in accordance with IFRS 3 *Business Combinations*. Consequently, the results of Suffolk Life are included from 25 May 2016 through to 31 December 2016, and there is no impact on the prior year figures. An illustrative balance sheet as at 31 December 2016 showing the financial position of the Group excluding the policy holder assets and liabilities is included in the Notes to the Accounts.

Non recurring costs

Non recurring costs for the year ended 31 December 2016 principally comprise:

- Acquisition costs of £0.7m relating to the Suffolk Life transaction that were required to be expensed in accordance with IFRS 3 *Business Combinations*;
- Costs of £0.5m relating to our defence and settlement of a legal action by another business;
- Restructuring costs of £0.5m following acquisitions of businesses.

Capital requirements

New capital adequacy requirements for SIPP operators became effective from September 2016. As a result of the Suffolk Life acquisition, the Group also came under new Solvency II requirements for Insurance Companies. Based on calculations as at 31 December 2016, Curtis Banks Group has a healthy level of headroom above the requirements and its internal policy. Group internal policy is for regulated companies within the Group to hold at least 130% of their required regulatory capital.

The Group's regulated subsidiary companies submit regular returns to the FCA and the PRA relating to their capital resources. At 31 December 2016 the total regulatory capital requirement across the Group was £10.3m million (2015: £2.4 million) and the Group had an aggregate surplus of £15.98 million (2015: £1 million) across all regulated entities. All the regulated firms within the Group maintained surplus regulated capital throughout the year.

Paul Tarran
Chief Financial Officer

Curtis Banks Group PLC

Consolidated statement of comprehensive income

| | Notes | Year ended 31 December 2016 | | | Year ended 31 December 2015 | | |
|--|-------|--|---|---------------------|--|---|---------------------|
| | | 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 | | 29,731 | - | 29,731 | 16,999 | - | 16,999 |
| Policyholder investment returns | | 261,639 | - | 261,639 | - | - | - |
| Revenue | | <u>291,370</u> | <u>-</u> | <u>291,370</u> | <u>16,999</u> | <u>-</u> | <u>16,999</u> |
| Administrative expenses | | (22,403) | - | (22,403) | (10,874) | - | (10,874) |
| Non-participating investment contract expenses | | (18,268) | - | (18,268) | - | - | - |
| Changes in provisions: Non-participating investment contract liabilities | | (243,371) | - | (243,371) | - | - | - |
| Policyholder total expenses | | <u>(261,639)</u> | <u>-</u> | <u>(261,639)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Operating profit before amortisation and non-recurring costs | | 7,328 | - | 7,328 | 6,125 | - | 6,125 |
| Non-recurring costs | 3 | - | (1,690) | (1,690) | - | (1,194) | (1,194) |
| Amortisation | | - | (884) | (884) | - | (733) | (733) |
| Operating profit | 2 | <u>7,328</u> | <u>(2,574)</u> | <u>4,754</u> | <u>6,125</u> | <u>(1,927)</u> | <u>4,198</u> |
| Finance income | | 117 | - | 117 | 40 | - | 40 |
| Finance costs | | (381) | - | (381) | (158) | - | (158) |
| Profit before tax | | <u>7,064</u> | <u>(2,574)</u> | <u>4,490</u> | <u>6,007</u> | <u>(1,927)</u> | <u>4,080</u> |
| Tax | 4 | (1,126) | 470 | (656) | (1,368) | 385 | (983) |
| Total comprehensive income for the year | | <u><u>5,938</u></u> | <u><u>(2,104)</u></u> | <u><u>3,834</u></u> | <u><u>4,639</u></u> | <u><u>(1,542)</u></u> | <u><u>3,097</u></u> |
| Attributable to: | | | | | | | |
| Equity holders of the company | | | | 3,829 | | | 3,072 |
| Non-controlling interests | | | | 5 | | | 25 |
| | | | | <u>3,834</u> | | | <u>3,097</u> |
| Earnings per ordinary share on net profit | | | | | | | |
| Basic (pence) | 5 | | | 7.23 | | | 7.12 |
| Diluted (pence) | 5 | | | 7.02 | | | 6.96 |

Curtis Banks Group PLC

Consolidated statement of changes in equity

Group

| | Issued capital | Share premium | Equity share based payments | Retained earnings | Total | Non- controlling interest | Total equity |
|---|---------------------------|--------------------------|--|------------------------------|--------------|--|-------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2015 | 200 | - | 32 | 3,591 | 3,823 | 1,405 | 5,228 |
| Total comprehensive income for the year | - | - | - | 3,072 | 3,072 | 25 | 3,097 |
| Share based payments | - | - | 65 | - | 65 | - | 65 |
| Ordinary shares issued | 25 | 7,146 | - | - | 7,171 | - | 7,171 |
| Ordinary dividends declared and paid | - | - | - | (500) | (500) | - | (500) |
| Preference dividends declared and paid | - | - | - | - | - | (21) | (21) |
| Preference shares redeemed | - | - | - | - | - | (1,400) | (1,400) |
| At 31 December 2015 | 225 | 7,146 | 97 | 6,163 | 13,631 | 9 | 13,640 |
| Total comprehensive income for the year | - | - | - | 3,829 | 3,829 | 5 | 3,834 |
| Share based payments | - | - | 142 | - | 142 | - | 142 |
| Ordinary shares issued | 43 | 26,279 | - | - | 26,322 | - | 26,322 |
| Ordinary dividends declared and paid | - | - | - | (2,403) | (2,403) | (5) | (2,408) |
| At 31 December 2016 | 268 | 33,425 | 239 | 7,589 | 41,521 | 9 | 41,530 |

Curtis Banks Group PLC

Consolidated statement of financial position

| Group | Notes | Group | |
|--|-------|--------------------|--------------------|
| | | 31-Dec-16 £'000 | 31-Dec-15 £'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 6 | 47,442 | 14,226 |
| Investment property | 7 | 1,149,135 | - |
| Property, plant and equipment | 8 | 1,073 | 672 |
| Investments | | 1,924,913 | 1 |
| | | <u>3,122,563</u> | <u>14,899</u> |
| Current assets | | | |
| Trade and other receivables | | 17,523 | 4,049 |
| Cash and cash equivalents | 9 | 447,510 | 7,630 |
| | | <u>465,033</u> | <u>11,679</u> |
| Total assets | | <u>3,587,596</u> | <u>26,578</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 12,138 | 1,951 |
| Deferred income | | 21,993 | 4,649 |
| Borrowings | | 38,329 | 1,195 |
| Deferred consideration | | 641 | 1,242 |
| Current tax liability | | 504 | 434 |
| | | <u>73,605</u> | <u>9,471</u> |
| Non-current liabilities | | | |
| Borrowings | | 77,194 | 2,036 |
| Deferred consideration | | 821 | 1,219 |
| Non-participating investment contract liabilities | | 3,394,404 | - |
| Deferred tax liability | | 42 | 212 |
| | | <u>3,472,461</u> | <u>3,467</u> |
| Total liabilities | | <u>3,546,066</u> | <u>12,938</u> |
| Net assets | | <u>41,530</u> | <u>13,640</u> |
| Equity attributable to owners of the parent | | | |
| Issued capital | | 268 | 225 |
| Share premium | | 33,425 | 7,146 |
| Equity share based payments | | 239 | 97 |
| Retained earnings | | 7,589 | 6,163 |
| | | <u>41,521</u> | <u>13,631</u> |
| Non-controlling interest | | 9 | 9 |
| Total equity | | <u>41,530</u> | <u>13,640</u> |

Curtis Banks Group PLC

Consolidated statement of cash flows

| | Group | |
|---|------------------------|----------------|
| | Year ended 31 December | |
| | 2016 | 2015 |
| | £'000 | £'000 |
| Cash flows from operating activities | | |
| Profit before tax | 4,490 | 4,080 |
| Adjustments for: | | |
| Depreciation | 519 | 267 |
| Amortisation | 884 | 733 |
| Dividend income | - | - |
| Interest expense | 387 | 158 |
| Share based payment expense | 142 | 19 |
| Fair value gains on financial investments | (199,681) | - |
| Additions of financial investments | (328,511) | - |
| Disposals of financial investments | 390,603 | - |
| Fair value gains on investment properties | 25,038 | - |
| Increase in liability for investment contracts | 156,175 | - |
| Changes in working capital: | | |
| Increase in trade and other receivables | (6,447) | (2,055) |
| Increase/(decrease) in trade and other payables | 11,024 | 1,113 |
| Taxes paid | (667) | (794) |
| Net cash flows from operating activities | <u>53,956</u> | <u>3,521</u> |
| Cash flows from investing activities | | |
| Purchase of intangible assets | (1,533) | (843) |
| Purchase of property, plant and equipment | (101,473) | (469) |
| Receipts from sale of property, plant and equipment | 85,758 | - |
| Net cash flows from acquisitions | 357,821 | (1,128) |
| Net cash flow from investing activities | <u>340,573</u> | <u>(2,440)</u> |
| Cash flows from financing activities | | |
| Capital element of finance lease contracts | - | (20) |
| Equity dividends paid | (2,408) | (535) |
| Net proceeds from issue of ordinary shares | 26,322 | 7,171 |
| Redemption of preference shares | - | (1,400) |
| Net increase/(decrease) in borrowings | 21,848 | (1,195) |
| Interest element of finance lease rentals | - | (4) |
| Interest paid | (411) | (167) |
| Net cash received from financing activities | <u>45,351</u> | <u>3,850</u> |
| Net increase/(decrease) in cash and cash equivalents | <u>439,880</u> | <u>4,931</u> |
| Cash and cash equivalents at the beginning of the year | <u>7,630</u> | <u>2,699</u> |
| Cash and cash equivalents at the end of the year | <u>447,510</u> | <u>7,630</u> |

The Group's Consolidated Statement of Cash Flows includes all cash and cash equivalent flows, including £426,054,538 (2015: £nil) relating to policyholder non-participating investment contracts.

Curtis Banks Group PLC

Notes to the Results

1 Corporate information

Curtis Banks Group PLC ("the Company") is a public limited company incorporated and domiciled in England and Wales, whose shares are public traded on the AIM market of the London Stock Exchange PLC. The consolidated financial statements of Curtis Banks Group PLC and its subsidiaries ("the Group") have been prepared on a historical cost basis and are presented in pounds sterling, with all values rounded to the nearest thousand pounds except when otherwise indicated.

The principal activity of the Group is 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.

As a result of the acquisition of Suffolk Life during the year, Suffolk Life Annuities Limited became a wholly owned subsidiary of the Group. This company is an insurance company that writes SIPP Products as insurance contracts. These are all non-participating insurance policy 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 will also show on the Group balance sheet on consolidation. As the policies are non-participating contracts, the Client related assets and liabilities in Suffolk Life Annuities match. In addition the revenues, expenses and investment returns of the non-participating insurance policy contracts are shown in the consolidated statement of comprehensive income. Again, these income, expense items and investment returns due to the policy holders equal each other. Note 13 to this Announcement shows for illustrative purposes the Group Balance Sheet excluding policy holder assets and liabilities.

2 Profit for the year

Profit for the year is arrived at after:

| | Year ended 31 December | |
|--|------------------------|-------|
| | 2016 | 2015 |
| | £'000 | £'000 |
| Charging: | | |
| Amortisation of intangible assets | 884 | 733 |
| Depreciation of property, plant and equipment | 519 | 267 |
| Operating lease rentals for land and buildings | 320 | 321 |
| Other operating lease rentals | - | 326 |
| Auditors remuneration: | | |
| - audit of the annual accounts of the Group | 186 | 55 |
| - regulatory and tax audits | 83 | 18 |
| - corporation tax services | - | 8 |
| - professional fees in respect of listing | - | 130 |

3 Non-recurring costs

Non-recurring costs include the following significant items:

| | Year ended 31 December | |
|---|------------------------|--------------|
| | 2016 | 2015 |
| | £'000 | £'000 |
| IPO of the Company and listing on AIM | - | 750 |
| Set up costs associated with the take on of SIPPs | 50 | 243 |
| Bristol head office move | - | 103 |
| Exceptional legal fees | 537 | 68 |
| Redundancy & restructuring costs following acquisitions | 310 | 30 |
| Suffolk Life acquisition costs | 735 | - |
| European Pension Management acquisition costs | 58 | - |
| | <u>1,690</u> | <u>1,194</u> |

IPO of the Company and listing on AIM

The Company listed on the Alternative Investment Market ("AIM") on 7 May 2015. The initial public offering ("IPO") consisted of 3,947,369 new ordinary shares issued, and 7,273,681 existing shares offered. All costs directly attributable to the issue of the new ordinary shares have been offset against share premium created in the year in accordance with IAS 32 *Financial Instruments: Presentation*. All remaining costs attributable to the listing itself, and existing shares offered, have been recognised above as non-recurring costs.

Exceptional legal fees

During the year ended 31 December 2016 the Group entered into an agreement to settle a potential legal claim by another business. The terms of settlement are confidential however no further costs are expected after 31 December 2016 and the total cost included above includes all associated legal fees incurred.

Suffolk Life acquisition costs

The Group incurred a significant level of legal and professional fees in connection with the acquisition of Suffolk Life Group Limited and its subsidiaries. In accordance with IFRS 3 *Business Combinations*, these have been expensed and treated as non-recurring costs.

European Pension Management acquisition costs

The Group incurred considerable legal and professional fees in connection with the acquisition of the trade and assets of European Pension Management Limited. In accordance with IFRS 3 *Business Combinations*, these have been expensed and treated as non-recurring costs.

4 Taxation

| | Year ended 31 December | |
|---|------------------------|-------|
| | 2016 | 2015 |
| | £'000 | £'000 |
| Domestic current period tax | | |
| UK Corporation tax | 650 | 851 |
| Deferred tax | | |
| Origination and reversal of temporary differences | 6 | 132 |

| | | |
|--|--------------|--------------|
| | <u>656</u> | <u>983</u> |
| Factors affecting the tax charge for the period | | |
| Profit before tax | <u>4,490</u> | <u>4,080</u> |
| Profit before tax multiplied by standard rate of UK Corporation tax of 20.00% (2015: 20.25%) | <u>898</u> | <u>826</u> |
| Effects of: | | |
| Adjustment to prior period | (234) | - |
| Non-deductible expenses | 61 | 165 |
| Depreciation | 104 | 201 |
| Capital allowances | (146) | (311) |
| Other tax adjustments | <u>(33)</u> | <u>(30)</u> |
| | <u>(248)</u> | <u>25</u> |
| Current tax charge | <u>650</u> | <u>851</u> |

5 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:

| | 2016 | 2015 |
|---|-------------------|-------------------|
| | £'000 | £'000 |
| Net profit and diluted net profit available to equity holders of the Group | <u>3,829</u> | <u>3,072</u> |
| Net profit and diluted net profit before non-recurring costs and amortisation available to equity holders of the Group. | <u>7,064</u> | <u>6,007</u> |
| Weighted average number of ordinary shares: | Number | Number |
| Issued ordinary shares at start of period | 44,954,769 | 200,000 |
| Subdivision of shares by factor of 200 | - | 39,800,000 |
| Effect of shares issued in current period | <u>8,031,907</u> | <u>3,147,923</u> |
| Basic weighted average number of shares | 52,986,676 | 43,147,923 |
| Effect of options exercisable at the reporting date | 533,333 | 195,604 |
| Effect of options not yet exercisable at the reporting date | <u>991,959</u> | <u>806,009</u> |
| Diluted weighted average number of shares | <u>54,511,968</u> | <u>44,149,536</u> |

| | Pence | Pence |
|---|-------|-------|
| Earnings per share: | | |
| Basic | 7.23 | 7.12 |
| Diluted | 7.02 | 6.96 |
| Earnings per share on operating profit before non-recurring costs and amortisation, less an effective tax rate: | | |
| Basic | 11.38 | 11.24 |
| Diluted | 11.07 | 10.99 |

6 Intangible assets

Group

| | Goodwill £'000 | Development Costs £'000 | Client Portfolios £'000 | Computer Software £'000 | Total £'000 |
|------------------------|-------------------|-------------------------------|-------------------------------|-------------------------------|----------------|
| Cost | | | | | |
| At 1 January 2016 | - | 151 | 14,641 | 1,039 | 15,831 |
| Arising on acquisition | 28,903 | - | 3,789 | 472 | 33,164 |
| Additions | - | 1 | - | 1,548 | 1,549 |
| Disposals | - | - | - | (95) | (95) |
| At 31 December 2016 | <u>28,903</u> | <u>152</u> | <u>18,430</u> | <u>2,964</u> | <u>50,449</u> |
| Amortisation | | | | | |
| At 1 January 2016 | - | - | 1,477 | 128 | 1,605 |
| Arising on acquisition | - | - | 229 | 384 | 613 |
| Charge for the year | - | - | 827 | 57 | 884 |
| Disposals | - | - | - | (95) | (95) |
| At 31 December 2016 | <u>-</u> | <u>-</u> | <u>2,533</u> | <u>474</u> | <u>3,007</u> |
| Net book value | | | | | |
| At 31 December 2015 | <u>-</u> | <u>151</u> | <u>13,164</u> | <u>911</u> | <u>14,226</u> |
| At 31 December 2016 | <u>28,903</u> | <u>152</u> | <u>15,897</u> | <u>2,490</u> | <u>47,442</u> |

Intangible assets include a re-presentation of computer software costs relating to a software package for SIPP administration with a carrying value of £1,991,553 (2015: £847,218). As at 31 December 2015, these costs were presented as property, plant and equipment.

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. These calculations use operating cash flow projections based on financial budgets approved

by management covering a three year period, assuming business then continues onward after this point at a steady rate for the purpose of the analysis.

Development Costs

Development costs represent costs incurred for the development of new SIPP products, with a carrying value as at 31 December 2016 of £151,922 (2015: £151,402). No amortisation has been provided in the year to 31 December 2016 as products have yet to be released to the market and are consequently not yet available for sale.

Computer Software

Computer software includes costs for a software package for SIPP administration, with a carrying value of £1,991,553 (2015: £847,218). As at 31 December 2016 this was still under construction and therefore is not yet being amortised.

Computer software also includes a virtual banking system to improve the efficiency of treasurer facilities within the Group and generate higher levels of interest, with a carrying value as at 31 December 2015 and 2016 of £63,978 and £435,477 respectively. This is being amortised over its useful economic life of four years on a straight line basis.

Client Portfolios

Client portfolios represent individual client portfolios acquired through business combinations.

The brought forward balance relates to the purchase of the trade and assets of Montpelier 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.

Client portfolios arising on acquisition represent the two business combinations undertaken during the year; that of Suffolk Life and EPM. The Suffolk Life business combination included existing intangible assets for historical 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.

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 2016 of 17 years and 4 months.

7 Investment Property

Assets held at fair value

Group

| | Investment Properties £'000 | Total £'000 |
|---------------------------|-----------------------------------|----------------|
| Fair value | | |
| At 1 January 2016 | - | - |
| Arising on acquisitions | 1,158,965 | 1,158,965 |
| Additions | 100,967 | 100,967 |
| Disposals | (85,758) | (85,758) |
| Fair value gains/(losses) | (25,039) | (25,039) |

At 31 December 2016

1,149,135

1,149,135

All investment properties have been valued by the directors at the year end with reference to previous 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.

8 Property, plant and equipment

Assets held at cost

Group

| | Leasehold Improvements £'000 | Computer equipment £'000 | Plant & equipment £'000 | Total £'000 |
|------------------------|------------------------------------|--------------------------------|-------------------------------|----------------|
| Cost | | | | |
| At 1 January 2016 | 54 | 1,149 | 138 | 1,341 |
| Arising on acquisition | - | 2,051 | 859 | 2,910 |
| Additions | - | 406 | 99 | 505 |
| Disposals | - | - | (3) | (3) |
| At 31 December 2016 | <u>54</u> | <u>3,606</u> | <u>1,093</u> | <u>4,753</u> |
| Depreciation | | | | |
| At 1 January 2016 | 15 | 576 | 78 | 669 |
| Arising on acquisition | - | 1,664 | 831 | 2,495 |
| Charge for the year | 13 | 457 | 49 | 519 |
| Disposals | - | - | (3) | (3) |
| At 31 December 2016 | <u>28</u> | <u>2,697</u> | <u>955</u> | <u>3,680</u> |
| Carrying value | | | | |
| At 31 December 2015 | <u>39</u> | <u>573</u> | <u>60</u> | <u>672</u> |
| At 31 December 2016 | <u>26</u> | <u>909</u> | <u>138</u> | <u>1,073</u> |

Intangible assets include a re-presentation of computer software costs relating to a software package for SIPP administration with a carrying value of £1,991,553 (2015: £847,218). As at 31 December 2015, these costs were presented as property, plant and equipment.

9 Cash and cash equivalents

As at 31 December 2016 and 2015 cash and cash equivalents were as follows:

| | Group | | Company | |
|---------------------------------|-------------------|--------------|-------------------|--------------|
| | As at 31 December | | As at 31 December | |
| | 2016 | 2015 | 2016 | 2015 |
| | £'000 | £'000 | £'000 | £'000 |
| Cash at bank and in hand | <u>447,510</u> | <u>7,630</u> | <u>458</u> | <u>4,832</u> |

All cash at bank is held on overnight deposit. Cash at bank and in hand includes £1,634,000 (2015: £nil) of cash equivalents held at fair value.

10 Dividends

| | Year to 31 December | |
|------------------------------------|---------------------|------------|
| | 2016 | 2015 |
| | £'000 | £'000 |
| Ordinary interim declared and paid | 2,403 | 500 |
| | <u>2,403</u> | <u>500</u> |

An ordinary interim share dividend was declared and paid on 26 February 2016 equating to 3.5p per ordinary share.

A further interim share dividend was declared and paid on 15 November 2016 equating to 1p per ordinary share.

11 Post balance sheet events

On 10 February 2017 the Company established an offshore Employee Benefit Trust ("EBT") to benefit, encourage and motivate all employees by facilitating the long term interests in, and ownership of, shares in the Company. Shares held by the EBT will be used to satisfy awards under the Company's Long Term Incentive Schemes and other share-based payment schemes. As at the date of this report the EBT had acquired 83,725 ordinary shares in the Company.

12 Contingent liabilities

The Group has been in recent correspondence with HMRC regarding processes and documentation in respect of tax reliefs granted on pension contributions. HMRC have alleged that incorrect procedures were followed and as a result there may be assessments in respect of tax reliefs granted and interest thereon. This correspondence includes the processing of in specie contributions, which is an industry wide issue affecting other SIPP operators and is being challenged by the industry as a whole. Any tax reliefs incorrectly granted would in the normal course of events, where possible, be recovered from the SIPP that has received that relief. This issue is at an early stage and it is not possible at this time to determine the likely quantum of any settlement if HMRC were successful in their claims, or when this matter will be resolved.

13 Illustrative Consolidated Statement of Financial Position as at 31 December 2016 split between insurance policy holders and the Group's shareholders

| ASSETS | £'000 | £'000 | £'000 |
|--|--------------------|---------------------|--------------------|
| | Group Total | Policyholder | Shareholder |
| Non-current assets | | | |
| Intangible assets | 47,442 | - | 47,442 |
| Property, plant and equipment | 1,150,208 | 1,149,099 | 1,109 |
| Investments | 1,924,913 | 1,924,912 | 1 |
| | <u>3,122,563</u> | <u>3,074,011</u> | <u>48,552</u> |
| Current assets | | | |
| Trade and other receivables | 17,523 | 8,763 | 8,760 |
| Cash and cash equivalents | 447,510 | 426,055 | 21,455 |
| | <u>465,033</u> | <u>434,818</u> | <u>30,215</u> |
| Total assets | <u>3,587,596</u> | <u>3,508,829</u> | <u>78,767</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 12,138 | 7,724 | 4,414 |
| Deferred income | 21,993 | 12,120 | 9,873 |
| Borrowings | 38,329 | 35,169 | 3,160 |
| Deferred consideration | 641 | - | 641 |
| Current tax liability | 504 | - | 504 |
| | <u>73,605</u> | <u>55,013</u> | <u>18,592</u> |
| Non-current liabilities | | | |
| Borrowings | 77,194 | 59,412 | 17,782 |
| Deferred consideration | 821 | - | 821 |
| Non-participating investment contract liabilities | 3,394,404 | 3,394,404 | - |
| Deferred tax liability | 42 | - | 42 |
| | <u>3,472,461</u> | <u>3,453,816</u> | <u>18,645</u> |
| Total liabilities | <u>3,546,066</u> | <u>3,508,829</u> | <u>37,237</u> |
| Net assets | <u>41,530</u> | <u>-</u> | <u>41,530</u> |
| Equity attributable to owners of the parent | | | |
| Issued capital | 268 | - | 268 |
| Share premium | 33,425 | - | 33,425 |
| Equity share based payments | 239 | - | 239 |
| Retained earnings | 7,589 | - | 7,589 |
| | <u>41,521</u> | <u>-</u> | <u>41,521</u> |
| Non-controlling interest | 9 | - | 9 |
| Total equity | <u>41,530</u> | <u>-</u> | <u>41,530</u> |