Annual Report and Consolidated Financial Statements

for the year ended 31 December 2016

Contents

Company Information

Directors	Christopher Banks – Executive Chairman Rupert Curtis – Chief Executive Officer Paul Tarran – Chief Financial Officer Will Self – Deputy Chief Executive Officer (appointed 30 August 2016) Chris Macdonald – Non Executive Director Bill Rattray – Non Executive Director Jules Hydleman – Non Executive Director
Company Secretary	Paul Tarran
Registered Office	3 Temple Quay Temple Back East Bristol BS1 6DZ
Registered Number	07934492
Nominated Advisor and Broker	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET
Auditor	PricewaterhouseCoopers 2 Glass Wharf Bristol BS2 0FR
Solicitors	Roxburgh Milkins Merchants House North Wapping Road Bristol BS1 4RW
Registrars	Computershare The Pavilions Bridgwater Road Bristol BS13 8AE

Strategic report

The directors present their strategic report for the year ended 31 December 2016.

Operational, Financial Highlights and Key Performance Indicators

Operational Highlights

	Year ended 31 December 2016	**Year ended 31 December 2015**
Number of SIPPs Administered	**72,983**	39,236
Number of SSASs Administered	**334**	326
Assets under Administration	**£18.8bn**	£9.0bn
Total new organic growth Full SIPPs	**3,398**	2,386

- Overall growth in SIPP numbers by 86%, 16% from gross organic growth.

Financial Highlights

Over the twelve month period relative to the corresponding period last year:

- Increase in operating revenue of 75%.
- Increase in net profit before tax, amortisation and non-recurring costs of 18%.
- Increase in Basic EPS of 2%.

	Year ended 31 December 2016	**Year ended 31 December 2015**
Operating Revenue	**£29.7m**	£17.0m
Profit before tax, amortisation and non-recurring costs	**£7.1m**	£6.0m
Profit before tax	**£4.5m**	£4.1m
Profit Margin on profit before tax, amortisation and non-recurring costs	**24%**	35%
Basic EPS (pence)	**7.23**	7.12
Basic EPS on Net Profit before tax, amortisation and non-recurring costs, less an effective tax rate (pence)	**11.38**	11.24

Strategic report *continued*

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 SSASs. 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 2016 the Group administered circa £18.8 billion (2015: £9.0 billion) of pension assets on behalf of over 72,000 (2015: 39,000) 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, Suffolk Life and Pointon York SIPP Solutions. Approximately 600 staff are employed across its head office in Bristol and regional offices in Ipswich, Dundee and Market Harborough.

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 include insurance policyholder assets, liabilities and returns, and hence the results for the year ended 31 December 2016 include certain changes in presentation compared to those for previous periods.

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

Overview

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 other 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 the current reporting period. 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 which are expected to be revenue enhancing and identify where efficiencies and cost savings can be made.

A key decision for early in 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.

Strategic report *continued*

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.

Christopher Banks
Chairman

23 March 2017

Strategic report *continued*

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 £10 billion 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:

1. 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.
2. 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
3. Enhance revenue generation – extend proven revenue generation activities across the wider group and continually review fee income relative to the services provided
4. Drive efficiency through technology – continue technology advances appropriate to the business to deliver improved margins through efficiency and improved service to customers
5. 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%.

Strategic report *continued*

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

23 March 2017

Strategic report *continued*

FINANCIAL REVIEW

Operational revenues of £29.7 million 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 £3.2 million of the operational revenue for the year ended 31 December 2016 (2015: £2.8 million).

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 £10.4 million 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 £1.9 million were generated through 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 £14 million 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 £8.4 million.

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 £45 million; however net assets acquired were £16 million, held principally for regulatory purposes. The £45 million consideration was satisfied by part equity and part debt. In January 2016 the Group raised new equity funds of £27 million (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 £15 million five year term loan facility and an £8.3 million 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.

Strategic report *continued*

FINANCIAL REVIEW *continued*

Non recurring costs

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

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

New 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 £10.3 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

23 March 2017

Strategic report *continued*

PRINCIPAL RISKS AND UNCERTAINTIES

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

1. 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 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.

2. 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.

3. Regulatory risks

The Group's operations are subject to authorisation from the FCA, and supervision from bodies such as HMRC and The Pensions Regulator. In particular, Curtis Banks is subject to the FCA's regulatory capital requirements. It is possible that the FCA 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.

4. Interest on client money

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 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 money 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 increases and the interest turn received by the Group reduces.

Mitigation

To minimise this risk the Group has a dedicated Treasury function that 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.

Strategic report *continued*

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

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. Significant system enhancements are currently 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.

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 prevent 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.

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 this 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 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, and these are now aligned across the Group. Newsletters containing information about both group developments and social events are provided to employees monthly. Abridged minutes from senior management meetings are also circulated. 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 strives to provide 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 though 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.

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 the behalf of the board

Paul Tarran
Chief Financial Officer

23 March 2017

Governance

BOARD OF DIRECTORS

Christopher Banks, Executive Chairman

Chris is a founding director of Curtis Banks and has built an extensive network of contacts in the pensions industry and Financial Services sector over the past 30 years. He has a track record of founding and successfully growing several high profile companies including IPS Pensions, which is now part of James Hay. In partnership with the Nationwide Building Society, Chris designed and established the *IPS Pension Builder*, one of the first and most successful SIPP products in the UK.

Rupert Curtis, Chief Executive Officer

Rupert has over 38 years' experience at a senior level in the SIPP and SSAS industry, making him one of the most experienced executives in the sector. Previously the Managing Director of IPS Pensions and a director at James Hay, Rupert has overseen the successful development of Curtis Banks from a standing start to one of the major SIPP operators in the UK. Rupert was one of the founders of Curtis Banks and is a Fellow of the Institute of Actuaries.

Paul Tarran, Chief Financial Officer

Paul has over 30 years' experience in the financial services industry having previously held the position of Finance Director with Savoy Asset Management plc, a publicly listed stockbroker, and being a founding director and finance director of IPS Pensions. Paul is responsible for the finance function for the Group and brings a wealth of experience in corporate matters, to benefit the strategic development of the Group. Paul was one of the founders of Curtis Banks and is a Fellow of the Institute of Chartered Accountants in England & Wales.

Will Self, Deputy Chief Executive Officer

Will joined the board in August 2016. Will has over 15 years of experience in the SIPP and SSAS industry and is CEO of Suffolk Life Group. Previously Will was COO of the Digital Savings division of Legal & General Group.

Governance *continued*

BOARD OF DIRECTORS *continued*

Chris Macdonald, Non-executive Director and Chairman of the Risk and Compliance Committee

Chris is the founder and Chief Executive Officer of Brooks Macdonald Group plc. He is a qualified investment manager, 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 also the non-executive director of the Invesco AiM VCT and an associate of the Institute of Continuing Professional Development.

Bill Rattray, Non-executive Director and Chairman of the Audit Committee

Bill is the Finance Director of Aberdeen Asset Management plc, one of the world's leading asset managers. Bill joined Aberdeen Asset Management in 1985 as Company Secretary and subsequently became group financial controller. He was appointed finance director of the group on 31 January 1991. Before joining Aberdeen, he trained as a chartered accountant with Ernst & Whinney and qualified in 1982.

Jules Hydleman 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. During that time Innocent won numerous awards for Human Resource Management as well as running the Innocent Foundation that worked directly with farmer/growers in third world countries to improve working conditions.

Governance *continued*

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2016.

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 & Wales (registered no. 07934492).

Details of significant events since the statement of financial position date are contained in note 37. An indication of likely future developments in the business 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 23.

An interim dividend of 3.5p per share totalling £1,869,000 was proposed and paid on 26 February 2016. A further interim dividend of 1p per share totalling £534,000 was proposed and paid on 15 November 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.

Substantial Shareholders

At 1st March 2017 the Company had been notified of the following interests (excluding directors) representing 3% or more of its issued share capital:

	Number of Ordinary shares	Percentage Holding
Liontrust Asset Management	3,786,349	7.06%
Hargreave Hale	3,049,984	5.69%
Kames Capital	1,881,414	3.51%
River & Mercantile	1,875,000	3.50%

Directors

The following directors have held office since 1 January 2016:

Christopher Banks
Rupert Curtis
Paul Tarran
Will Self (Appointed 30.08.2016)
Chris Macdonald
Bill Rattray
Jules Hydleman

Directors' indemnity

The directors had qualifying indemnity cover totalling £10,000,000 during the year ended 31 December 2016.

Related party transactions

Details of related party transactions are given in note 35.

Annual General Meeting

The Annual General Meeting of the Company will be held on 26 June 2017. The Notice of the Meeting is included with this document and contains further information on the business to be proposed at the meeting.

Auditors

The 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.

Events after the statement of financial position date

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.

Governance *continued*

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Company and Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and the profit or loss of the Company and the Group for that period.

In preparing the financial statements the directors are required to:

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

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

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the Group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Group's auditors are aware of that information.

On the behalf of the board

Rupert Curtis
Chief Executive Officer

23 March 2017

Governance *continued*

CORPORATE GOVERNANCE

The Board is committed to achieving high standards of corporate governance, integrity and business ethics. Under the AIM Rules the Group is not required to comply with the provisions of the UK Corporate Governance Code issued by the Financial Reporting Council in September 2012 ("the Code"). The Board has taken into consideration the Guidance for Smaller Quoted Companies in the Code produced by the Quoted Companies Alliance. The Board will in due course be taking steps to apply the principles of the Code in so far as they can be applied practically, given the size of the Group and the nature of its operations.

The Board meets formally every three months and on other occasions where specific transactions or events dictate the need. In addition the Board has committees in order to provide corporate governance and these also meet formally on a quarterly basis. These committees 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.

Audit Committee

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 auditor, 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 auditors being in attendance at two of those meetings. During the year the Committee oversaw the tender process for a change of auditor for the Group. This change arose from the need for more specialised audit services as a result of the acquisition of an insurance company, Suffolk Life Annuities Limited, as part of the overall acquisition of the Suffolk Life Group. The audit plan for the year ended 31 December 2016 was reviewed and approved by the Audit Committee.

Risk and Compliance Committee

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.

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

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.

Remuneration Committee

The Remuneration Committee is chaired by Jules Hydleman 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.

Governance *continued*

CORPORATE GOVERNANCE *continued*

(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.

(d) 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.

(e) 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.

(f) 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.

(g) To obtain reliable, up-to-date information about remuneration in other companies of comparable scale.

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. At those meetings the Committee has considered various types of share option schemes which might be introduced by the Group to incentivise employees. The Committee has recommended to the Board the introduction of a Save As You Earn Share option Scheme for all employees of the Group. This recommendation was approved by the Board and was offered to staff in June 2016. It is expected that the Scheme will be offered to staff again in the current year. The committee is also evaluating other incentive based share option schemes for all employees and directors and intends to make recommendations on this to the Board in the current year.

Governance *continued*

DIRECTORS' REMUNERATION REPORT

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 3% of basic salary.

(c) Benefits in kind comprising principally life assurance and car allowance.

(d) Discretionary Annual bonus.

The Remuneration Committee is in the process of reviewing 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.

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 or other benefits from the Group. Service Agreements for Non-Executive Directors are terminable by either party on three months written notice.

Directors' remuneration

				Total emoluments	
Director	**Basic salary and fees**	**Pension contributions**	**Benefits**	**2016 £**	**2015 £**
Christopher Banks	130,000	–	8,000	138,000	138,000
Rupert Curtis	252,000	7,580	6,000	265,580	201,700
Paul Tarran	191,670	5,750	7,500	204,920	162,000
Will Self*	61,167	7,175	6,173	74,515	–
Chris Macdonald	50,000	–	–	50,000	35,835
Bill Rattray	37,500	–	–	37,500	16,857
Jules Hydleman	37,500	–	–	37,500	17,705
Total	759,837	20,505	27,673	**808,015**	572,097

* from date of appointment 30 August 2016.

Governance *continued*

DIRECTORS' REMUNERATION REPORT *continued*

Directors' shareholdings

As at 31 December 2016, 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:

	2016		2015	
Director	**Number**	**%**	**Number**	**%**
Christopher Banks	20,516,743	38.27	20,436,843	45.46
Rupert Curtis	7,347,684	13.71	7,321,053	16.29
Paul Tarran	3,803,758	7.10	3,777,127	8.40
Will Self	–	–	–	–
Chris Macdonald	7,894	0.01	7,894	0.02
Bill Rattray	7,894	0.01	7,894	0.02
Jules Hydleman	51,973	0.10	39,473	0.09

In addition, the following share options are currently held by Will Self under the Company Share Option Plan ("CSOP"):

Date of grant	Number of shares under option at 31 December 2015	Granted during the year	Number of shares under option at 31 December 2016	Exercise price	Expiry date
14 September 2016	–	11,235	**11,235**	267p	14 September 2026
15 December 2016	–	535,996	**535,996**	201p	15 December 2026
	-	547,231	**547,231**		

Further information about the CSOP share option scheme is contained within note 26.

Jules Hydleman
Chairman of the Remuneration Committee

23 March 2017

Auditors Report

REPORT ON THE FINANCIAL STATEMENTS

Our 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 2016 and of the group's profit and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), comprise:

- the Consolidated Statement of Financial Position as at 31 December 2016;
- the Company Statement of Financial Position as at 31 December 2016;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Company Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Auditors Report *continued*

REPORT ON THE FINANCIAL STATEMENTS *continued*

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of the financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Sue Morling
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants
Statutory Auditors
Bristol
23 March 2017

- The maintenance and integrity of the Curtis Banks Group PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Group	Notes	Year ended 31 December 2016 Before amortisation and non-recurring costs £'000	Amortisation and non-recurring costs £'000	Total £'000	Year ended 31 December 2015 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	22	261,639	–	261,639	–	–	–
Revenue		291,370	–	291,370	16,999	–	16,999
Administrative expenses		(22,403)	–	(22,403)	(10,874)	–	(10,874)
Non-participating investment contract expenses	22	(18,268)	–	(18,268)	–	–	–
Changes in provisions: Non-participating investment contract liabilities		(243,371)	–	(243,371)	–	–	–
Policyholder total expenses		(261,639)	–	(261,639)	–	–	–
Operating profit before amortisation and non-recurring costs		7,328	–	7,328	6,125	–	6,125
Non-recurring costs	6	–	(1,690)	(1,690)	–	(1,194)	(1,194)
Amortisation	5	–	(884)	(884)	–	(733)	(733)
Operating profit		7,328	(2,574)	4,754	6,125	(1,927)	4,198
Finance income	9	117	–	117	40	–	40
Finance costs	8	(381)	–	(381)	(158)	–	(158)
Profit before tax		7,064	(2,574)	4,490	6,007	(1,927)	4,080
Tax	10	(1,126)	470	(656)	(1,368)	385	(983)
Total comprehensive income for the year		**5,938**	**(2,104)**	**3,834**	4,639	(1,542)	3,097
Attributable to:							
Equity holders of the company				3,829			3,072
Non-controlling interests				5			25
				3,834			3,097
Earnings per ordinary share on net profit							
Basic (pence)	11			7.23			7.12
Diluted (pence)	11			7.02			6.96

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

The notes on pages 30 to 68 form part of these financial statements.

Financial Statements *continued*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Issued capital £'000	Share premium £'000	Equity share based payments £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total equity £'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**

The notes on pages 30 to 68 form part of these financial statements.

Financial Statements *continued*

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 2015	200	–	32	15	247
Total comprehensive income for the year	–	–	–	2,513	2,513
Share based payments	–	–	65	–	65
Ordinary shares issued	25	7,146	–	–	7,171
Ordinary dividends declared and paid	–	–	–	(500)	(500)
At 31 December 2015	225	7,146	97	2,028	9,496
Total comprehensive income for the year	–	–	–	2,650	2,650
Share based payments	–	–	142	–	142
Ordinary shares issued	43	26,279	–	–	26,322
Ordinary dividends declared and paid	–	–	–	(2,403)	(2,403)
At 31 December 2016	**268**	**33,425**	**239**	**2,275**	**36,207**

The notes on pages 30 to 68 form part of these financial statements.

Financial Statements *continued*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Group	Notes	As at 31 December 2016 £'000	 2015 £'000
ASSETS			
Non-current asset			
Intangible assets	12	47,442	14,226
Investment property	13	1,149,135	–
Property, plant and equipment	14	1,073	672
Investments	15	1,924,913	1
		3,122,563	14,899
Current assets			
Trade and other receivables	18	17,523	4,049
Cash and cash equivalents	19	447,510	7,630
		465,033	11,679
Total assets		**3,587,596**	26,578
LIABILITIES			
Current liabilities			
Trade and other payables	20	12,138	1,951
Deferred income		21,993	4,649
Borrowings	21	38,329	1,195
Deferred consideration		641	1,242
Current tax liability		504	434
		73,605	9,471
Non-current liabilities			
Borrowings	21	77,194	2,036
Deferred consideration		821	1,219
Non-participating investment contract liabilities	22	3,394,404	–
Deferred tax liability	23	42	212
		3,472,461	3,467
Total liabilities		**3,546,066**	12,938
Net assets		**41,530**	13,640
Equity attributable to owners of the parent			
Issued capital	24	268	225
Share premium	25	33,425	7,146
Equity share based payments	25	239	97
Retained earnings	25	7,589	6,163
		41,521	13,631
Non-controlling interest	27	9	9
Total equity		**41,530**	13,640

The notes on pages 30 to 68 form part of these financial statements.

Financial Statements *continued*

COMPANY STATEMENT OF FINANCIAL POSITION

Company	Notes	As at 31 December 2016 £'000	2015 £'000
ASSETS			
Non-current assets			
Investments	15	56,524	7,382
		56,524	7,382
Current assets			
Trade and other receivables	18	41	560
Cash and cash equivalents	19	458	4,832
		499	5,392
Total assets		**57,023**	12,774
LIABILITIES			
Current liabilities			
Trade and other payables	20	41	47
Borrowings	21	3,108	1,195
		3,149	1,242
Non-current liabilities			
Borrowings	21	17,667	2,036
		17,667	2,036
Total liabilities		**20,816**	3,278
Net assets		**36,207**	9,496
Equity attributable to owners of the parent			
Issued capital	24	268	225
Share premium	25	33,425	7,146
Equity share based payments	25	239	97
Retained earnings	25	2,275	2,028
Total equity		**36,207**	9,496

Approved by the Board and authorised for issue on 23 March 2017.

Paul Tarran
Chief Financial Officer

Company Registration No. 07934492

The notes on pages 30 to 68 form part of these financial statements.

Financial Statements *continued*

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Group Year ended 31 December 2016 £'000	2015 £'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 in trade and other payables		11,024	1,113
Taxes paid		(667)	(794)
Net cash flows from operating activities		**53,956**	3,521
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	17	357,821	(1,128)
Net cash flow from investing activities		**340,573**	(2,440)
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		45,351	3,850
Net increase/(decrease) in cash and cash equivalents		439,880	4,931
Cash and cash equivalents at the beginning of the year		7,630	2,699
Cash and cash equivalents at the end of the year		**447,510**	7,630

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.

The notes on pages 30 to 68 form part of these financial statements.

Financial Statements *continued*

COMPANY STATEMENT OF CASH FLOWS

Company	Notes	Company Year ended 31 December 2016 £'000	2015 £'000
Cash flows from operating activities			
Profit before tax		2,650	2,513
Adjustments for:			
Interest expense		498	151
Changes in working capital:			
(Increase)/decrease in trade and other receivables		475	(515)
Decrease in trade and other payables		(12)	(1,230)
Net cash flows from operating activities		3,611	919
Cash flows from investing activities			
Net cash flows from acquisitions	17	(45,000)	–
Additional investment in subsidiaries		(4,000)	–
Net cash flow from investing activities		(49,000)	–
Cash flows from financing activities			
Equity dividends paid		(2,403)	(500)
Net proceeds from issue of ordinary shares		26,322	7,171
Redemption of preference shares		–	(1,400)
Net increase/(decrease) in borrowings		17,510	(1,195)
Interest paid		(414)	(163)
Net cash received from financing activities		41,015	3,913
Net increase/(decrease) in cash and cash equivalents		(4,374)	4,832
Cash and cash equivalents at the beginning of the year		4,832	–
Cash and cash equivalents at the end of the year		**458**	4,832

The notes on pages 30 to 68 form part of these financial statements.

Notes to the Financial Statements

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 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 financial statements were authorised for issue in accordance with a resolution of the Directors on 23 March 2017.

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 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with the IFRS Interpretations Committee ("IFRIC") interpretations.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings up to 31 December 2016.

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 2016 were Curtis Banks Limited, Suffolk Life Pensions Limited, Suffolk Life Annuities Limited and Curtis Banks Investment Management Limited.

Suffolk Life Annuities Limited 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 include insurance policyholder assets, liabilities and returns, and hence the results for the year ended 31 December 2016 include certain changes in presentation compared to those for previous periods.

The trading subsidiaries of Curtis Banks Group PLC as at 31 December 2015 were Curtis Banks Limited and Curtis Banks Investment Management Limited.

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 nominee 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.

Notes to the Financial Statements *continued*

2. Significant accounting policies *continued*

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.

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 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.

Notes to the Financial Statements *continued*

2. Significant accounting policies *continued*

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 recognises revenue when the amount of the revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for the Group's activity as described below.

- Set up, and initial transaction fees, as well as ad hoc transaction fees charged in relation to pension schemes are recognised as incurred, net of VAT.
- Annual renewal fees are spread, 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.
- Recurring fees which are received in arrears, including property annual fees and property acquisition fees, are accrued over the period in which services are provided.
- 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.

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.

Notes to the Financial Statements *continued*

2. Significant accounting policies *continued*

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 four years.

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
Plant and equipment	25% straight line
Motor vehicles	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.

Notes to the Financial Statements *continued*

2. Significant accounting policies *continued*

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 categorised 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 IAS 39 *Financial Instruments: Recognition and Measurement*, are recorded initially at fair value and are 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.

A provision for impairment of trade receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of future cash flows discounted at the effective interest rate. The movement in the provision is recognised in the consolidated statement of comprehensive income.

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 statements 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.

Notes to the Financial Statements *continued*

2. Significant accounting policies *continued*

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 acquire 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.

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 Curtis Banks Limited and Suffolk Life Pensions Limited, subsidiary companies, 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.

Notes to the Financial Statements *continued*

2. Significant accounting policies *continued*

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
IAS 7 *Statement of Cash Flows* – Amendments as a result of the Disclosure Initiative	1 January 2017
IAS 12 *Income Taxes* – Amendments regarding the recognition of deferred tax assets for unrealised losses	1 January 2017
IFRS 9 *Financial instruments: Classification and Measurement*	1 January 2018
IFRS 15 *Revenue from contracts with Customers*	1 January 2018
IFRS 16 *Leases*	1 January 2019
IFRS 4 *Insurance Contracts* and IFRS 9 *Financial Instruments* – Amendments regarding the interaction of these standards	1 January 2018
IFRS 2 *Share based payments* – Amendments to clarify the classification and measurement of share-based payment transactions	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018
IFRS 17 *Insurance Contracts*	1 January 2021

Except for IFRS 15 *Revenue from Contracts with Customers,* 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 potential impact of IFRS 15 is currently being evaluated.

Notes to the Financial Statements *continued*

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. Key areas of judgement and estimation uncertainty are disclosed below:

Client portfolios

Client portfolios acquired are amortised over their estimated useful economic life (UEL) of 20 years. This UEL is based upon Management's historical experience of similar portfolios.

Additionally, the Group reviews and judges whether acquired client portfolios are impaired at least on an annual basis. This 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 carrying value of client portfolios at 31 December 2016 was £15,897,000 (31 December 2015: £13,164,000) as disclosed in note 12 to the financial statements.

Computer software

In capitalising the costs of computer software as intangible assets management judge these costs to have an economic value that will extend into the future and meet the recognition criteria under IAS 38. Computer software costs are then amortised over an estimated UEL on a project by project basis.

Additionally, the Group determines whether computer software is impaired at least on an annual basis. This requires an estimation of the value in use. In assessing value in use the estimated future cash flows expected to arise from the software 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 that asset.

The carrying value of computer software capitalised as intangible fixed assets at 31 December 2016 was £2,490,000 (31 December 2015: £911,000) as disclosed in note 12 to the financial statements.

Computer software capitalised as intangible fixed assets at 31 December 2016 includes £1,991,553 (2015: £847,218) relating to the development of a software package for SIPP administration. We conducted an appropriate assessment on this balance of whether or not there was any indication that the asset, an item for which IAS36 does not mandate an annual impairment test, may be impaired. Our assessment did not reveal any impairment indicators. The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Group, where relevant to the accounting estimates and disclosures.

4. Revenue

Revenue is wholly derived from activities undertaken within the United Kingdom.

Notes to the Financial Statements *continued*

5. Profit for the year

Profit for the year is arrived at after:

	Year ended 31 December	
	2016 £'000	**2015 £'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

6. Non-recurring costs

Non-recurring costs include the following significant items:

	Year ended 31 December	
	2016 £'000	**2015 £'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	–
	1,690	1,194

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.

Notes to the Financial Statements *continued*

6. Non-recurring costs *continued*

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. Note 17 to the financial statements contains further information about the Suffolk Life acquisition.

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. Note 17 to the financial statements contains further information about the European Pension Management acquisition.

7. Directors and employees

	Year ended 31 December	
	2016 £'000	**2015 £'000**
Wages and salaries	12,930	6,714
Social security costs	1,275	731
Other pension costs	900	230
	15,105	7,675

The charge to the consolidated statement of comprehensive income for wages and salaries for the year ended 31 December 2016 includes £142,053 (2015: £18,913) relating to share option schemes. See note 26 for further details.

The average number of employees during the year was:

	2016	**2015**
Directors	6	5
Administration	452	230
	458	235

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

	Year ended 31 December	
	2016 £'000	**2015 £'000**
Total emoluments paid to:		
Directors		
salaries and fees	787	562
pension costs	21	10
Key management personnel		
salaries and fees	1,021	906
pension costs	49	30
	1,878	1,508
Emoluments of highest paid director	**266**	202

Notes to the Financial Statements *continued*

7. Directors and employees *continued*

The charge to the consolidated statement of comprehensive income for wages and salaries for directors and key management personnel for the year ended 31 December 2016 includes £20,992 (2015: £3,752) relating to share option schemes. See note 26 for further details.

8. Finance costs

	Year ended 31 December	
	2016 £'000	**2015 £'000**
Interest payable on bank loans	381	154
Lease finance charges	–	4
	381	158

9. Finance income

	Year ended 31 December	
	2016 £'000	**2015 £'000**
Interest income	**117**	40

10. Taxation

	Year ended 31 December	
	2016 £'000	**2015 £'000**
Domestic current period tax		
UK Corporation tax	601	851
Deferred tax		
Origination and reversal of temporary differences	55	132
	656	983
Factors affecting the tax charge for the period		
Profit before tax	4,490	4,080
Profit before tax multiplied by standard rate of UK Corporation tax of 20.00% (2015: 20.25%)	898	826
Effects of:		
Adjustment to prior period	(234)	–
Non-deductible expenses	58	165
Other tax adjustments	(66)	(8)
	(242)	157
Current tax charge	**656**	983

Notes to the Financial Statements *continued*

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:

	2016 £'000	**2015 £'000**
Net profit and diluted net profit available to equity holders of the Group	3,829	3,072
Net profit and diluted net profit before non-recurring costs (note 6) and amortisation (note 5) available to equity holders of the Group.	7,064	6,007

	2016 Number	**2015 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	8,031,907	3,147,923
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	991,959	806,009
Diluted weighted average number of shares	**54,511,968**	44,149,536

	2016 Pence	**2015 Pence**
Earnings per share:		
Basic	7.23	7.12
Diluted	7.02	6.96
Earnings per share on net profit before non-recurring costs and amortisation, less an effective tax rate:		
Basic	11.38	11.24
Diluted	11.07	10.99

Notes to the Financial Statements *continued*

12. 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	**28,903**	**152**	**18,430**	**2,964**	**50,449**
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	**–**	**–**	**2,533**	**474**	**3,007**
Net book value					
At 31 December 2015	–	151	13,164	911	14,226
At 31 December 2016	**28,903**	**152**	**15,897**	**2,490**	**47,442**

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 as disclosed in note 17 to the financial statements. 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.

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.

Notes to the Financial Statements *continued*

12. Intangible assets *continued*

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 as disclosed in note 17. 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 four months.

13. 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.

Notes to the Financial Statements *continued*

14. 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	**54**	**3,606**	**1,093**	**4,753**
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	**28**	**2,697**	**955**	**3,680**
Carrying value				
At 31 December 2015	39	573	60	672
At 31 December 2016	**26**	**909**	**138**	**1,073**

As disclosed in note 12 to the financial statements, 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.

15. Investments

Assets held at fair value

Total fair value as at 31 December 2016	Group 2016 £'000	Group 2015 £'000
Fair value		
Equity securities	1,831,941	–
Debt securities	92,972	–
Total shares and securities	1,924,913	–
At market value	**1,911,817**	–
At cost	**1,557,549**	–

Notes to the Financial Statements *continued*

15. Investments *continued*

Movement in the year on equity securities, debt securities and cash equivalents

	Group	
	2016 £'000	**2015 £'000**
At beginning of the year	–	–
Arising on acquisition	1,787,323	–
Additions	328,511	–
Disposals	(390,603)	–
Surplus on revaluation	199,681	–
At end of the year	**1,924,913**	–

The above investments include £687 million of listed securities which are dealt on a recognised stock exchange.

The group values all investments in line with an internal pricing policy. This policy states the valuation method to be applied when valuing a security, based on the categorisation of the security in question.

Assets held at cost

	Company £'000
Cost	
At 1 January 2016	7,382
Additions	49,142
At 31 December 2016	**56,524**
Net book value	
At 31 December 2015	7,382
At 31 December 2016	**56,524**

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 2016. 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
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
Final Pursuit 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 P1039 Limited	(B)	Dormant	England and Wales	–	100.00
EPPL P1047 Limited	(B)	Dormant	England and Wales	–	100.00
EPPL P1051 Limited	(B)	Dormant	England and Wales	–	100.00
EPPL P1056 Limited	(B)	Dormant	England and Wales	–	100.00

Notes to the Financial Statements *continued*

15. Investments *continued*

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
EPPL P1060 Limited	(B)	Dormant	England and Wales	–	100.00
EPPL P1062 Limited	(B)	Dormant	England and Wales	–	100.00
EPPL P1064 Limited	(B)	Dormant	England and Wales	–	100.00
EPPL P1066 Limited	(B)	Dormant	England and Wales	–	100.00
EPPL P1088 Limited	(B)	Dormant	England and Wales	–	100.00
European Pensions Properties Limited	(B)	Dormant	England and Wales	–	100.00
Waymade Healthcare Pension Plan Nominee Co (No.2) Limited	(A)	Dormant	England and Wales	–	100.00
Waymade Healthcare Scheme Nominees Limited	(A)	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) Floor 10 City House, Overgate Centre, Dundee, DD1 1UQ

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

Name of entity	Principal activity	Capital and reserves 2016 £	Profit for the year 2016 £
Curtis Banks Limited	Provision of pension administration services	18,374,677	3,866,195
Suffolk Life Group Limited	Holding company	6,507,078	2,851,712
Suffolk Life Pensions Limited	Provision of pension administration services	7,817,169	112,749
Suffolk Life Annuities Limited	Provision of pension administration services	6,503,948	1,165,731
Curtis Banks Investment Management Limited	Provision of financial advice	92,286	52,389
Colston Trustees Limited	Dormant	100	–
Montpelier Pension Trustees Limited	Dormant	1	–
Tower Pension Trustees Limited	Dormant	400	–
SPS Trustees Limited	Dormant	2	–
Crescent Trustees Limited	Dormant	1	–

Notes to the Financial Statements *continued*

15. Investments *continued*

Name of entity	Principal activity	Capital and reserves 2016 £	Profit for the year 2016 £
Final Pursuit Limited	Dormant	1	–
Tower Pension (S-B) Trustees Limited	Dormant	1	–
Bridgewater Pension Trustees Limited	Non-trading	108,628	–
Temple Quay Pension Trustees Limited	Dormant	1	–
Suffolk Life Trustees Limited	Non-trading	80	–
Suffolk Life (Spartan Estate) Limited	Dormant	2	–
SLA Property Company Limited	Dormant	100	–
EPPL P1039 Limited	Dormant	1	–
EPPL P1047 Limited	Dormant	1	–
EPPL P1051 Limited	Dormant	1	–
EPPL P1056 Limited	Dormant	1	–
EPPL P1060 Limited	Dormant	1	–
EPPL P1062 Limited	Dormant	1	–
EPPL P1064 Limited	Dormant	1	–
EPPL P1066 Limited	Dormant	1	–
EPPL P1088 Limited	Dormant	1	–
European Pensions Properties Limited	Dormant	1	–
Waymade Healthcare Pension Plan Nominee Co (No.2) Limited	Dormant	2	–
Waymade Healthcare Scheme Nominees Limited	Dormant	2	–

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 s479 of the Companies Act 2006.

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.

Notes to the Financial Statements *continued*

16. Fair value hierarchy *continued*

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 assets by IFRS 13 hierarchy levels:

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
As at 31 December 2016				
Financial investments - Equity securities	1,831,941	1,791,182	27,587	13,172
Financial investments - Cash equivalents	1,634	927	707	–
Financial investments - Debt securities	92,972	51,681	41,111	180
Investment property	1,149,135	–	–	1,149,135
Total financial investments and investment property	**3,075,682**	**1,843,790**	**69,405**	**1,162,487**

There have been no significant transfers between level 1 and level 2 in 2016.

All non-participating investment contract liabilities included within note 22 are classified as level 2.

Level 3 assets where internal models are used comprise property and unquoted, 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.

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.

Notes to the Financial Statements *continued*

16. Fair value hierarchy *continued*

Level 3 Investments	Equity Securities £'000	Debt Securities £'000	Investment Property £'000
Fair value			
At 1 January 2016	–	–	–
Arising on acquisitions	18,330	848	1,158,964
Net losses for the year recognised in profit and loss	(3,847)	(8)	(110,796)
Purchases/Additions	–	–	100,967
Transfers into level 3	(1,264)	(657)	–
Transfers out of level 3	(47)	(3)	–
At 31 December 2016	**13,172**	**180**	**1,149,135**

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 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.

As at 31 December 2016				Reasonably possible alternative assumptions	
Assets	Valuation Basis/ Technique	Main assumptions	Current fair value 2016 £'000	Increase in fair value 2016 £'000	Decrease in fair value 2016 £'000
Unquoted investments in property vehicles	Note 1	Third party property index	278	14	(14)
Suspended securities	Note 2	Estimated recoverable amount	3,591	180	(180)
Unquoted securities	Note 2	Price earning multiple	9,483	474	(474)
Investment property	Note 3	Third party property index	1,149,135	57,457	(57,457)
			1,162,487	**58,125**	**(58,125)**

1. Valued using net asset value per unit.
2. Values are based on estimate of market price.
3. Valued using professional specialist property third party indexation data.

Notes to the Financial Statements *continued*

17. Business combinations

Acquisition of Suffolk Life Group Limited

On 25 May 2016, following regulatory approval from the Financial Conduct Authority ("FCA") and Prudential Regulation Authority ("PRA"), Curtis Banks Group PLC completed the acquisition of the entire share capital of Suffolk Life Group Limited and its subsidiaries from Legal & General Retail Investments (Holdings) Limited. Suffolk Life Group Limited holds two trading subsidiaries, Suffolk Life Pensions Limited and Suffolk Life Annuities Limited, and three non-trading trustee companies, all of which now form part of the enlarged Group.

Suffolk Life Group Limited is a holding company. Suffolk Life Pensions Limited is an FCA regulated wholly owned subsidiary of Suffolk Life Group Limited and provides and administers SIPPs and similar self-invested pension products. Suffolk Life Annuities Limited is a PRA and FCA authorised wholly owned subsidiary of Suffolk Life Group Limited and issues and maintains SIPPs and similar self-invested pension products. SIPPs issued by Suffolk Life Annuities Limited are written as insurance policies and accordingly this company is a long term insurance company.

Consideration was agreed in cash of £45 million, and was settled in full on the completion date of 25 May 2016. The acquisition has been accounted for using the acquisition method.

	£m
Fair value of consideration payable	45
Less: Provisional fair value of net assets acquired	(16)
Goodwill arising on acquisition (note 12)	**29**

Notes to the Financial Statements *continued*

17. Business combinations *continued*

The fair value of the identifiable assets and liabilities acquired are set out below.

	Carrying value		Fair value adjustments		
	Shareholder Assets £'000	Policyholder Business £'000	Shareholder Assets £'000	Policyholder Business £'000	Total £'000
Non-current assets					
Intangible assets	1,585	–	88	–	1,673
Property, plant and equipment	537	1,158,930	(88)	–	1,159,379
Investments	–	1,787,323	–	–	1,787,323
Deferred tax asset	225	–	–	–	225
Current assets					
Trade and other receivables	2,382	4,139	(98)	–	6,423
Bank and cash	18,636	386,755	–	–	405,391
Current liabilities					
Trade and other payables	(2,513)	(8,681)	195	–	(10,999)
Deferred income	(4,618)	–	(86)	–	(4,704)
Borrowings	(12)	(90,237)	–	–	(90,249)
Deferred consideration	(86)	–	86	–	–
Current tax liability	(170)	–	34	–	(136)
Non-current liabilities					
Non-participating investment contract liabilities	–	(3,238,229)	–	–	(3,238,229)
Net assets acquired	**15,966**	**–**	**51**	**–**	**16,097**

The 'Policyholder Business' acquired as disclosed above consists of Suffolk Life Annuities Limited insurance policyholder assets and liabilities. The liability of Suffolk Life Annuities Limited towards its policyholders is exactly equal to the value of policyholder assets held at all times. The net assets acquired by the Group in respect of the Policyholder Business therefore equates to £nil and will continue to be £nil for so long as the terms of the underlying investment contracts remain unchanged.

As a result of the acquisition, the Group now reflects significantly enlarged gross assets and gross liabilities as is reflected on the Consolidated Statement of Financial Position as at 31 December 2016 and shows the movement of those assets and liabilities through the Consolidated Statement of Comprehensive Income.

Acquisition costs totalled £735,000 and comprised legal and professional fees, and due diligence work. In accordance with IFRS 3 *Business Combinations*, this cost has been expensed as reflected in note 6 to the financial statements as a non-recurring cost.

The post-acquisition operating results of Suffolk Life Group Limited and its subsidiaries for the period from acquisition to the end of 31 December 2016 resulted in net profits generated of £1,200,000.

Operating revenues of £10,433,000 and revenue from policyholder investment returns of £261,639,000 have been recognised in relation to the acquisition of Suffolk Life Group Limited and its subsidiaries for the period from acquisition to 31 December 2016. The operating revenue as though the acquired business had been held for the full year ended 31 December 2016 is estimated to be £17,480,000.

Notes to the Financial Statements *continued*

17. Business combinations *continued*

The net cash outflow arising from this acquisition was as follows:

	£'000
Consideration paid to Legal & General Retail Investments (Holdings) Limited	45,000
Cash acquired on acquisition, excluding policyholder cash	(18,636)
Net cash outflow in the year ended 31 December 2016	**26,364**

On acquisition of Suffolk Life Group Limited and its subsidiaries, policyholder cash totalling £386,754,670 was taken on by the Group. The policyholder cash forms part of total policyholder assets which is wholly due to the policyholders.

Acquisition of European Pensions Management Limited

On 14 July 2016 Suffolk Life Pensions Limited ("SLP"), a wholly owned subsidiary company, entered into an agreement to acquire part of the trade and assets of European Pensions Management Limited ("EPM") from the Special Administrators to that company for consideration of £1.6 million. At the time of acquisition, EPM administered circa 5,000 SIPPs with assets under administration of circa £630 million. The acquisition has been funded through existing cash held by the Group and was paid in full on 14 July 2016.

The part of EPM acquired by the Group operated and administered two SIPP schemes. Based on the sale and purchase agreement and a Deed of Novation entered into for each scheme, SLP has taken over the administration of the SIPPs under the Trust Deed and has acquired these books of SIPPs and also the ten related trustee companies. As a result of the acquisition, the Group has increased its presence in the UK SIPP marketplace.

The acquisition has been accounted for using the acquisition method. The fair value of the identifiable assets and liabilities acquired are set out below.

	Carrying value £'000	Fair value adjustments £'000	Total £'000
Non-current assets			
Intangible assets	1,991	–	1,991
Current liabilities			
Deferred income	(421)	–	(421)
Net assets acquired	**1,570**	**–**	**1,570**

Acquisition costs totalled £58,000 and comprised legal and professional fees, and due diligence work. In accordance with IFRS 3 *Business Combinations*, this cost has been expensed as reflected in note 6 to the financial statements as a non-recurring cost.

The directors have not determined the post-acquisition operating results of the acquisition for the period ended 31 December 2016, as many of the support and general overhead costs for the book of SIPPs are carried out by existing staff of the Group.

The net cash outflow arising from this acquisition was as follows:

	£'000
Consideration paid to EPM	1,570
Net cash outflow in the year ended 31 December 2016	**1,570**

Notes to the Financial Statements *continued*

18. Trade and other receivables

	Group As at 31 December 2016 £'000	Group As at 31 December 2015 £'000	Company As at 31 December 2016 £'000	Company As at 31 December 2015 £'000
Trade receivables	12,140	2,350	–	–
Prepayments and accrued income	3,645	737	2	49
Amounts owed by group undertakings	–	–	39	511
Other receivables	1,738	962	–	–
	17,523	4,049	**41**	560

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 SSASs 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. Certain trade and other receivables are past due but have not been impaired. These relate to customers where there is no concern over their financial situation.

The nominal value of provisions relating to trade receivables was as follows:

	As at 31 December 2016 £'000	As at 31 December 2015 £'000
Brought forward	75	35
Charged in year	–	40
Released in year	(12)	–
Carried forward	**63**	75

In addition to the above, policyholder trade receivables now included through the acquisition of Suffolk Life are presented net of provisions totalling £2,429,000 (2015: £nil). Changes in this provision affect policyholder assets and liabilities only and do not have any effect on the net profit or loss of the Group.

The ageing profile of the trade receivables that were not impaired were as follows:

	Total £'000	< 30 days £'000	30 – 60 days £'000	60 – 90 days £'000	> 90 days £'000
As at 31 December 2015	2,350	1,063	246	147	894
As at 31 December 2016	**12,140**	**7,383**	**1,113**	**470**	**3,174**

19. Cash and cash equivalents

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

	Group As at 31 December 2016 £'000	Group As at 31 December 2015 £'000	Company As at 31 December 2016 £'000	Company As at 31 December 2015 £'000
Cash at bank and in hand	**447,510**	7,630	**458**	4,832

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.

Notes to the Financial Statements *continued*

20. Trade and other payables

	Group As at 31 December		Company As at 31 December	
	2016 £'000	**2015 £'000**	**2016 £'000**	**2015 £'000**
Trade payables	4,536	347	5	–
Taxes and social security costs	2,404	659	–	–
Other payables	647	429	–	–
Accruals	4,551	516	36	47
	12,138	1,951	**41**	47

The fair value of trade and other payables approximates to book value at 31 December 2016.

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

21. Borrowings

	Group As at 31 December		Company As at 31 December	
	2016 £'000	**2015 £'000**	**2016 £'000**	**2015 £'000**
Current				
Bank loans	38,329	1,195	3,108	1,195
	38,329	1,195	3,108	1,195
Non-current				
Bank loans	77,194	2,036	17,667	2,036
	77,194	2,036	17,667	2,036
Total borrowings	**115,523**	3,231	**20,775**	3,231

Bank borrowings

The bank borrowings are repayable as follows:

	Group As at 31 December		Company As at 31 December	
	2016 £'000	**2015 £'000**	**2016 £'000**	**2015 £'000**
Within 1 year	38,329	1,195	3,108	1,195
Between 1 year and 5 years	51,922	1,195	17,667	1,195
After more than 5 years	25,272	841	–	841
	115,523	3,231	**20,775**	3,231

Bank borrowings of the Company mature between December 2017 and December 2021 and bear average coupons of 2.25% plus LIBOR per annum.

Total borrowings include liabilities of £94,580,000 (2015: £nil) secured by legal charge over certain properties held within non-participating investment contracts, and liabilities of £20,775,000 (2015: £3,231,000) secured on the shares of Curtis Banks Limited, Suffolk Life Pensions Limited and Suffolk Life Annuities Limited.

Notes to the Financial Statements *continued*

22. 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 (2015: £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	**Group £'000**
As at 1 January 2016	–
Arising on acquisition of Suffolk Life	3,238,229
Reserves in respect of new business	92,920
Amounts paid on surrenders and maturities during the year	(180,116)
Investment income	261,639
Expenses	(18,268)
As at 31 December 2016	**3,394,404**

These relate to:

	Group £'000
Self Invested Personal Pensions	2,513,989
Group Managed Funds – Trustee Investment Plans	71,693
Group Managed Funds	85,474
Trustee Investment Plans	723,248
As at 31 December 2016	**3,394,404**

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

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

	2016 £'000
Rents receivable	36,791
Interest receivable	3,037
Investment and other income	23,651
Realised gains on investments	21,837
Unrealised gains on investments	176,323
	261,639

Notes to the Financial Statements *continued*

22. Non-participating investment contract liabilities *continued*

(c) *Investment contract liabilities – expenses*

	2016 £'000
Investment management fees	5,698
Adviser fees	224
Management charges – administration	3,807
Bank fees and charges	85
Professional fees and sundries	6,747
Bad debts	34
Interest payable on bank loans and overdrafts	1,673
	18,268

(d) *Reserves in respect of new business*

	2016 £'000
Gross premiums	
Periodic premiums relating to Self Invested Personal Pensions	1,989
Single premiums relating to Self Invested Personal Pensions	22,570
Single premiums relating to Group Managed Funds – Trustee Investment Plans	(690)
Single premiums relating to Group Managed Funds	11,449
Single premiums relating to Trustee Investment Plans	57,602
	92,920

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

	2016 £'000
Gross claims paid	
Lump sums on death	4,308
Lump sums on pensions vesting	12,981
Income withdrawals	29,450
Annuities purchased	98
Transfers out	135,317
Surrenders of managed funds – Trustee Investment Plans	(2,038)
	180,116

Notes to the Financial Statements *continued*

23. Provisions for liabilities

Deferred taxation

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

	Group As at 31 December	
	2016 £'000	**2015 £'000**
Brought forward	212	80
Arising on acquisition	(225)	–
Net increase in temporary differences on plant and equipment	55	132
Carried forward	**42**	212

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

	Group As at 31 December	
	2016 £'000	**2015 £'000**
Temporary differences on plant and equipment	42	212
	42	212

The deferred tax provision assumes a future corporation tax rate of 19% will be applicable to the Group.

24. Share capital

	Group & Company As at 31 December	
	2016 £'000	**2015 £'000**
Allotted, called up and fully paid		
Ordinary shares of 0.5p each	268	225
	268	225
	Number	**Number**
Number of Ordinary shares		
Brought forward	44,954,769	200,000
Subdivision of shares by a factor of 200	–	39,800,000
Issued during the year	8,644,900	4,954,769
Carried forward	**53,599,669**	44,954,769

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.

Notes to the Financial Statements *continued*

24. Share capital *continued*

On 28 April 2015, each ordinary share of £1.00 in the capital of the Company was sub-divided into 200 Ordinary shares, worth 0.5p each.

On 30 April 2015, 800,000 Ordinary shares were issued at par for cash upon exercise of options over such shares which were granted by the Company to third parties.

On admission to trading on the Alternative Investment Market ("AIM"), 3,947,369 Ordinary shares were issued at par and placed at £1.90 per share.

On 11 November 2015 and 2 November 2016, 207,400 Ordinary shares were issued at par for cash upon exercise of options over such shares which were granted by the Company to employees in connection with an EMI scheme.

On 20 January 2016, 8,437,500 Ordinary shares were issued at par and placed at £3.20 per share to assist in financing the Suffolk Life acquisition.

There were no ordinary shares reserved for issue under options at 31 December 2016 (2015: nil).

25. Reserves

Group	Share premium £'000	Equity share based payments £'000	Retained earnings £'000	Total £'000
At 1 January 2015	–	32	3,591	3,623
Profit for the year	–	–	3,072	3,072
Share based payments	–	65	–	65
Share premium created	7,146	–	–	7,146
Ordinary dividends declared and paid	–	–	(500)	(500)
At 1 January 2016	7,146	97	6,163	13,406
Profit for the year	–	–	3,829	3,829
Share based payments	–	142	–	142
Share premium created	26,279	–	–	26,279
Ordinary dividends declared and paid	–	–	(2,403)	(2,403)
At 31 December 2016	**33,425**	**239**	**7,589**	**41,253**

Notes to the Financial Statements *continued*

25. Reserves *continued*

Company	Share premium £'000	Equity share based payments £'000	Retained earnings £'000	Total £'000
At 1 January 2015	–	32	15	47
Profit for the year	–	–	2,513	2,513
Share based payments	–	65	–	65
Share premium created	7,146	–	–	7,146
Ordinary dividends declared and paid	–	–	(500)	(500)
At 1 January 2016	7,146	97	2,028	9,271
Profit for the year	–	–	2,650	2,650
Share based payments	–	142	–	142
Share premium created	26,279	–	–	26,279
Ordinary dividends declared and paid	–	–	(2,403)	(2,403)
At 31 December 2016	**33,425**	**239**	**2,275**	**35,939**

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements.

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. Additions to the reserve in the year arise from Ordinary share issues on 20 January 2016 and 11 November 2016 as described in note 24. 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 Curtis Banks Limited and Suffolk Life Pensions Limited, subsidiary companies. Further details are disclosed in note 26.

Retained earnings

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

26. Share based payments

The weighted average exercise price for all options outstanding at 31 December 2016 was 181.00p (2015: 44.64p).

The weighted average remaining contractual life of all unexercised share options as at 31 December 2016 was nine years and two months (2015: nine years and three 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 2016 was £142,053 (31 December 2015: £18,913). The total increase in equity arising from equity-settled share-based payment transactions for the year ended 31 December 2016 was £142,053 (31 December 2015: £65,065).

Notes to the Financial Statements *continued*

26. Share based payments *continued*

SAYE share option scheme

During the year ended 31 December 2016, the Group set up a new SAYE ("Save As You Earn") share option scheme under which all eligible employees of the Group as of 2 June 2016 are able to subscribe to ordinary shares in the Company following a three year contribution and vesting period.

Date of grant	Number of shares under option at 31 December 2015	Net Granted/ (Lapsed) during the year	Number of shares under option at 31 December 2016	Exercise price	Expiry date
28 June 2016	–	601,408	601,408	288.88p	28 June 2026
	–	601,408	601,408		

The 601,408 additional options in the year disclosed above comprises 696,435 options granted, less 95,027 options lapsed. All of the 601,408 options will vest on 1 August 2019 at an exercise price of 288.88p.

Share based payment expenses – SAYE share option scheme

The fair values of the options at the date of grant were determined by using the Black Scholes model. The model inputs were a risk free rate of 0.5%, expected volatility of 29%, 1% dividend yield, and a fixed share price for the purposes of the grant of 360p per share as at 2 June 2016. Expected volatility was based upon historical information about the Group's share price, and comparisons against similar entities. The model includes separate vesting periods for each proportion of options based on their exercise dates.

Date of grant	Exercise price	Latest exercise date	Number of shares under option at 31 December 2015	Estimated fair value per option
Employee options				
28 June 2016	288.88p	28 June 2026	601,408	61p
			601,408	

CSOP share option scheme

During the year ended 31 December 2016, the Group set up a new CSOP ("Company Share Option Plan") 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, seven key management personnel of Suffolk Life Pensions Limited and one key management personnel of Curtis Banks Limited held options as follows:

Date of grant	Number of shares under option at 31 December 2015	Granted during the year	Number of shares under option at 31 December 2016	Exercise price	Expiry date
14 September 2016	–	635,119	635,119	267p	14 September 2026
15 December 2016	–	535,996	535,996	201p	15 December 2026
	–	1,171,115	1,171,115		

Of the 1,171,115 options, 635,119 will vest on 14 March 2018 at an exercise price of 267p, and 535,996 will vest on 15 December 2019 at an exercise price of 201p.

Notes to the Financial Statements *continued*

26. Share based payments *continued*

Share based payment expenses – CSOP share option scheme – 14 September 2016 grant

The fair values of the options at the date of grant were determined by using the Black Scholes model. The model inputs were a risk free rate of 0.25%, expected volatility of 39%, 1% dividend yield, and a share price on the grant date of 267p per share as at 14 September 2016. Expected volatility was based upon historical information about the Group's share price, and comparisons against similar entities. The model includes separate vesting periods for each proportion of options based on their exercise dates.

Share based payment expenses – CSOP share option scheme – 15 December 2016 grant

The fair values of the options at the date of grant were determined by using the Black Scholes model. The model inputs were a risk free rate of 0.25%, expected volatility of 43%, 1% dividend yield, and a share price on the grant date of 201p per share as at 15 December 2016. Expected volatility was based upon historical information about the Group's share price, and comparisons against similar entities. The model includes separate vesting periods for each proportion of options based on their exercise dates.

EMI share option scheme

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 are able to subscribe to ordinary shares in the Company. As at the year-end, 26 employees (including key management personnel) of Curtis Banks Limited held options as follows:

Date of grant	Number of shares under option at 31 December 2015	Exercised during the year	Number of shares under option at 31 December 2016	Exercise price	Expiry date
24 October 2014	414,800	(207,400)	207,400	10.11p	24 October 2024
8 April 2015	800,000	–	800,000	62.54p	8 April 2025
	1,214,800	(207,400)	1,007,400		

Of the remaining 1,007,400 shares under option, 207,400 will vest on 24 October 2017 at an exercise price of 10.11p, two thirds of the 800,000 options already became exercisable by 31 December 2016, and the remaining one third will become exercisable on 1 July 2017 at an exercise price of 62.54p.

Share based payment expenses – EMI share option scheme

The fair values of the options at the date of grant were determined by using the Black Scholes model. The model inputs were a risk free rate of 0.5%, expected volatilities of 35% (24 October 2014 grant) and 24% (8 April 2015 grant), and a share price at 24 October 2014 and 31 October 2014 of 10.11p, and at 8 April 2015 of 62.54p. Expected volatility was based upon historical information from similar entities. The model includes separate vesting periods for each proportion of options based on their exercise dates.

Date of grant	Exercise price	Expiry date	Number of shares under option at 31 December 2016	Estimated fair value per option
24 October 2014	10.11p	24 October 2024	207,400	2.13p
8 April 2015	62.54p	8 April 2025	800,000	5.64p
			1,007,400	

Notes to the Financial Statements *continued*

27. 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	
	2016 £'000	**2015 £'000**
Share of net assets brought forward	9	1,405
Movement in the year – share of profits	5	25
Ordinary dividends declared	(5)	–
Preference shares redeemed	–	(1,400)
Preference dividends declared	–	(21)
Share of net assets	**9**	9

Non-controlling interests in the year ended 31 December 2014 included £1,400,000 of non-redeemable preference shares in Curtis Banks Limited held by certain individual shareholders of Curtis Banks Group PLC. The preference shares did not hold any voting rights in the Group and were fully redeemed during the year ended 31 December 2015.

28. Financial commitments

The operating lease expenditure charged to the statement of comprehensive income during the year is disclosed in note 5. The amount of other operating lease payments is subject to renegotiation on an annual basis.

At the end of each of the lease terms, the lessee has the option to renew the lease agreements. To exercise the renewal option, the lessee is required to give notice to the lessor of such renewal not later than 30 days before the end of the lease term.

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

	As at 31 December	
	2016 £'000	**2015 £'000**
Land and buildings		
Within 1 year	891	123
Within 2 - 5 years	2,358	1,447
In more than 5 years	–	89
	3,249	1,659

29. Pension costs – defined contribution

	Year to 31 December	
	2016 £'000	**2015 £'000**
Contributions payable by the Group for the year	**900**	228

Notes to the Financial Statements *continued*

30. Dividends

	Year to 31 December	
	2016 £'000	**2015 £'000**
Ordinary interim declared and paid	2,403	500
	2,403	500

An ordinary interim share dividend was declared and paid on 26 February 2016 equating to 3.5p per ordinary share in respect of the year ended 31 December 2015.

An interim share dividend was declared and paid on 15 November 2016 equating to 1p per ordinary share in respect of the year ended 31 December 2016.

Notes to the Financial Statements *continued*

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

ASSETS	£'000 Group Total	£'000 Policyholder	£'000 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
	3,122,563	3,074,011	48,552
Current assets			
Trade and other receivables	17,523	8,763	8,760
Cash and cash equivalents	447,510	426,055	21,455
	465,033	434,818	30,215
Total assets	**3,587,596**	**3,508,829**	**78,767**
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
	73,605	55,013	18,592
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
	3,472,461	3,453,816	18,645
Total liabilities	3,546,066	3,508,829	37,237
Net assets	**41,530**	**–**	**41,530**
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
	41,521	–	41,521
Non-controlling interest	9	–	9
Total equity	**41,530**	**–**	**41,530**

Notes to the Financial Statements *continued*

32. 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 £21.46 million (2015: £7.63 million) 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 12 months 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 £20.78 million (2015: £3.23 million). 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
2016		
£ Sterling	+100	(143)
£ Sterling	–100	143
2015		
£ Sterling	+100	(38)
£ Sterling	–100	38

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.

Credit risk

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

Credit risk from other financial assets of the Group, which comprise cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Given the nature of the Group's operations, it does not have significant concentration of credit risk in respect of trade receivables, with exposure spread over a large number of customers. An allowance for impairment of trade receivables is made where there is an identified loss event, which based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Detailed of trade receivables and the associated provision for impairment are disclosed in note 18.

Notes to the Financial Statements *continued*

32. Financial risk management *continued*

The directors continue to monitor the strength of the banks used by the Group.

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

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.

33. 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 2016 was £41.60 million (2015: £13.63 million). 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.

34. Financial instrument fair values

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 SIPPs acquired and is linked to a share of the fees received over a five year period from the date of acquisition.

35. Related parties

At the year end, Curtis Banks Investment Management Limited owed £1,710 to Curtis Banks Limited (2015: due £29,547 from Curtis Banks Limited) arising as a result of expenses recharged. The total amount of expenses recharged by Curtis Banks Limited in the year amounted to £104,928 (2015: £91,053). During the year ended 31 December 2016 Curtis Banks Limited received an ordinary dividend of £45,000 from Curtis Banks Investment Management Limited (2015 £nil).

At the year end, Curtis Banks Group PLC was owed £38,888 (2015: £511,015) by Curtis Banks Limited. This relates to interest and loan repayments and other expenses paid by Curtis Banks on behalf of Curtis Banks Group PLC less ordinary dividends declared and paid from Curtis Banks Limited to Curtis Banks Group PLC. The total amount of expenses recharged by Curtis Banks Limited in the year amounted to £97,336 (2015: £1,517,255).

Notes to the Financial Statements *continued*

35. Related parties *continued*

At the year end, Suffolk Life Pensions Limited owed £48,324 (2015: £nil) to Curtis Banks Limited arising as a result of expenses recharged. The total amount of expenses recharged by Curtis Banks Limited in the year amounted to £96,876 (2015: £nil).

At the year end, Curtis Banks Limited owed Berkeley Charterhouse Limited, a company controlled by Christopher Banks, £1,045 (2015: £nil) arising as a result of expenses paid for by Curtis Banks Limited. During the year ended 31 December 2016, Curtis Banks Limited paid expenses on behalf of Berkeley Charterhouse Limited totalling £4,179 (2015: £nil). All of these expenses have been reimbursed to Curtis Banks Limited by Berkeley Charterhouse Limited.

Ordinary share dividends totalling £919,658 (2015: £321,250) were paid to Christopher Banks during the year ended 31 December 2016. Christopher Banks is a director of Curtis Banks Group PLC.

Ordinary share dividends totalling £329,447 (2015: £98,750) were paid to Rupert Curtis during the year ended 31 December 2016. Rupert Curtis is a director of Curtis Banks Group PLC.

Ordinary share dividends totalling £169,971 (2015: £50,833) were paid to Paul Tarran during the year ended 31 December 2016. Paul Tarran is a director of Curtis Banks Group PLC.

36. 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.

37. 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.

38. Control

There is no one ultimate controlling party.

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