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# INTERIM RESULTS

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SIX MONTHS ENDED 30 JUNE 2017

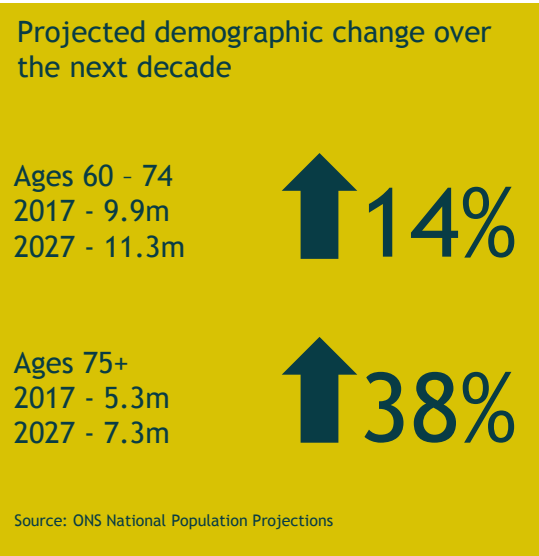
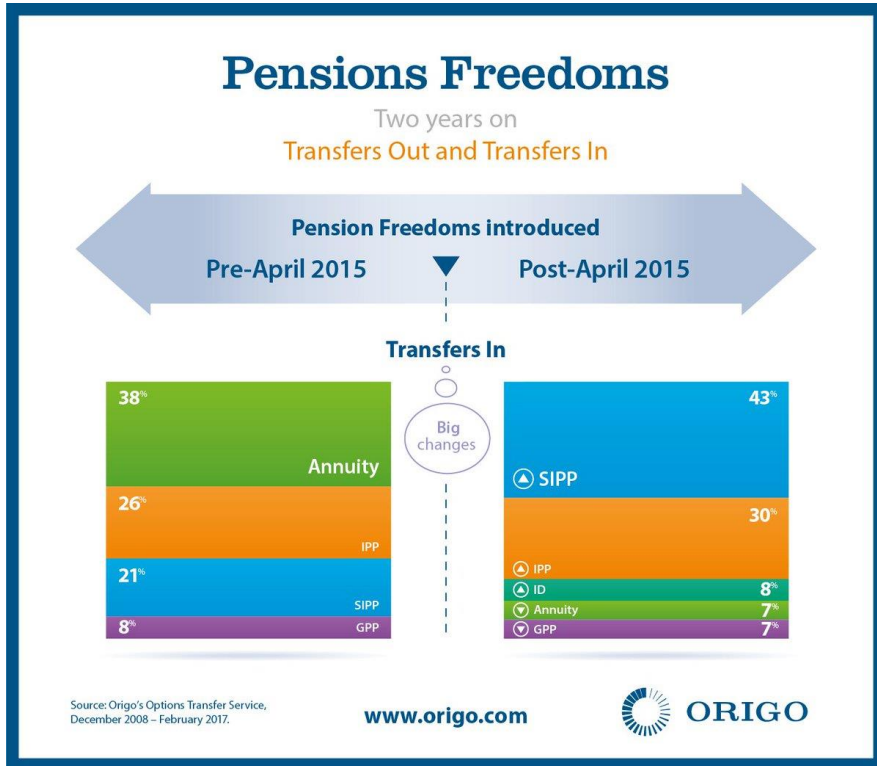


## Delivering our strategy with strong results

- 14.4% annualised gross organic growth in SIPP numbers - over 4,500 new SIPPs
- Group Management Committee established to unify operations
- Considerable progress in delivering efficiencies, leading to reduced staffing levels
- Initiating consultation with staff of Market Harborough office
- Introducing a new group wide brand, to roll out internally then externally
- Initiated a proposition to offer legal and enhanced property management services
- Operating system - taking longer than anticipated but considerable progress in identifying solutions



# KEY DRIVERS OF ORGANIC GROWTH



Significant growth in our core market, combined with continued trend away from annuities, provides the opportunity for increased organic growth

# SIMPLICITY

Simple, scalable business model

- New business introduced by quality advisory firms with long-standing relationships
- No advice risk exposure
- Revenue enhancements and operating efficiencies will deliver higher margins

# STABILITY

Predictable annuity-style repeat revenue

- Long term client relationships, typically 25+ years
- Fixed fees and reliable cash generation
- No direct to consumer distribution or risk

# GROWTH

Strong organic growth

- Gross new organic growth rate of 14.4% annualised (HY17)
- One of the largest operators with an excellent reputation
- Scope for further acquisitions to increase scale

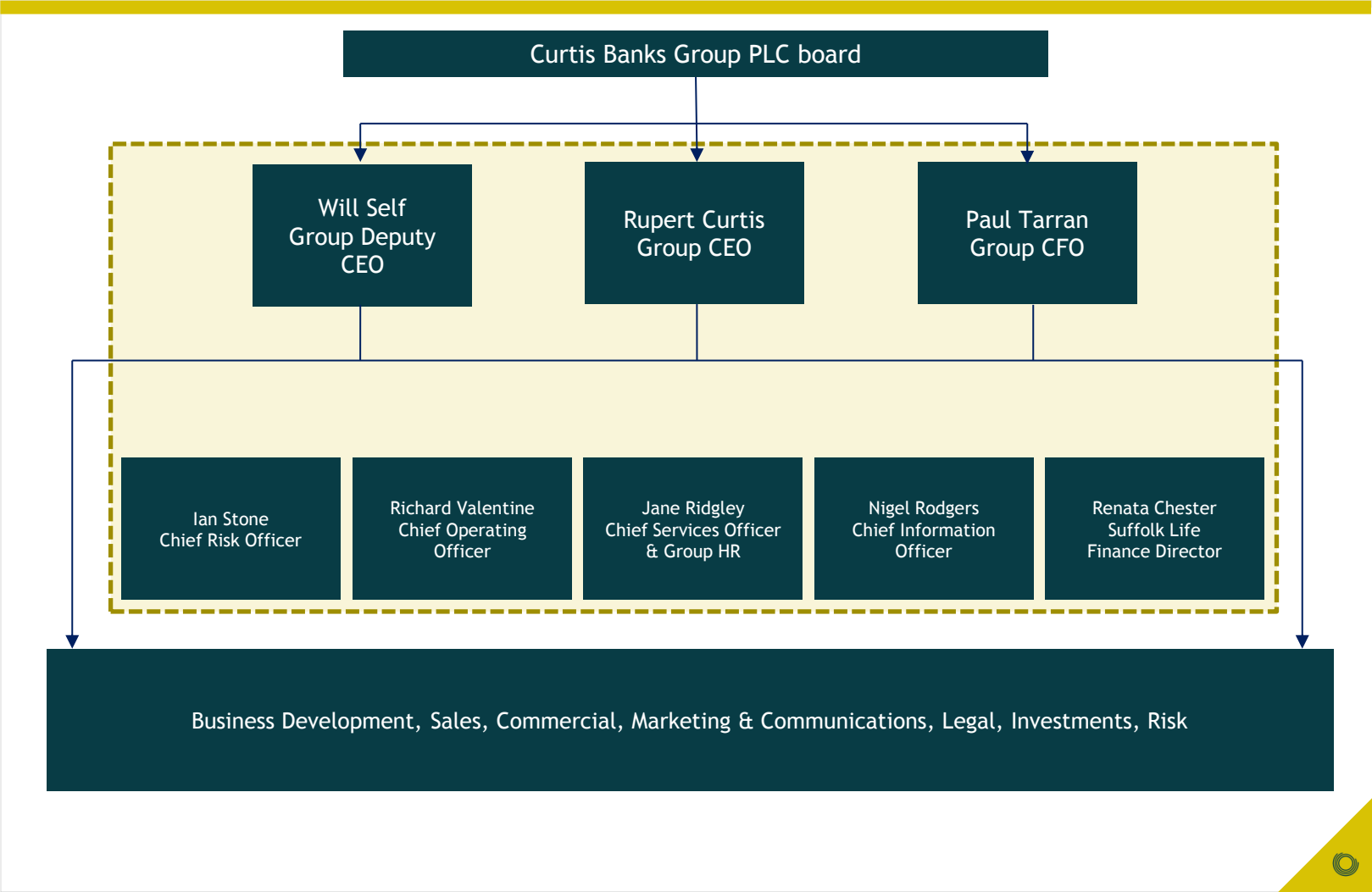
# STRENGTH

Strong governance and management

- Highly experienced leadership
- Well capitalised
- Strong senior management



# GROUP MANAGEMENT COMMITTEE



# OUR STRATEGY

# 5

**KEY  
STRATEGIC  
OBJECTIVES**

## **MEET CHANGING CUSTOMER NEEDS**

Adapting to the changing needs of the UK population and regulatory environment to be the SIPP provider of choice both pre and post retirement.

## **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.

## **ENHANCE REVENUE GENERATION**

Deliver a wider range of services to enhance value and meet customer needs with a consequent benefit to revenue generation.

## **DRIVE EFFICIENCY THROUGH TECHNOLOGY**

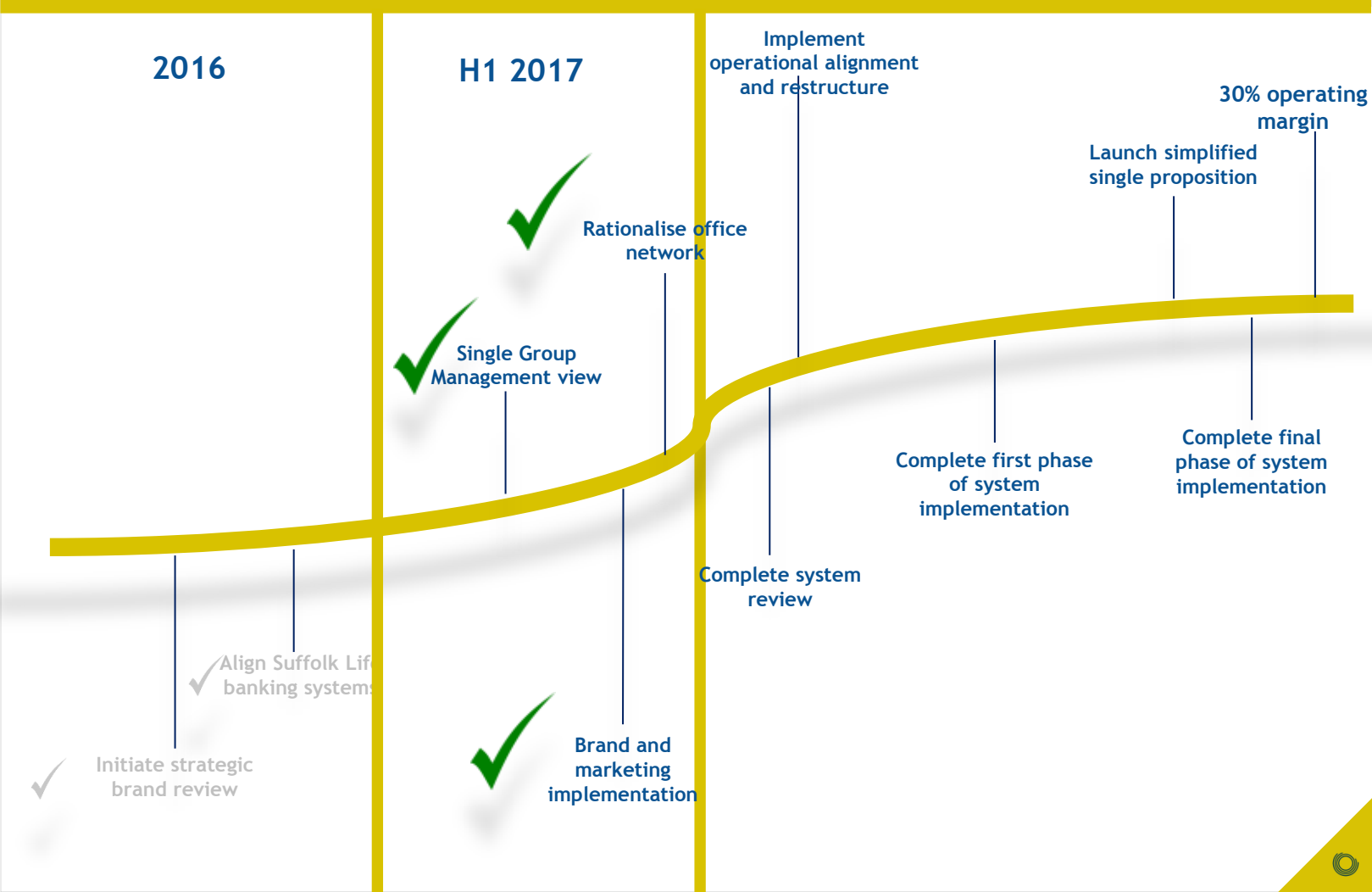
Continue technology advances appropriate to the business to deliver improved margins through efficiency and improved service to customers.

## **CAPITALISE ON THE RIGHT GROWTH OPPORTUNITIES**

Focus on profitable areas of organic market growth and selective acquisitions of well-aligned books or businesses, with a clear business identity.



# STRATEGIC TIMELINE



- We are intent on ensuring that we make the right decision and consider all opportunities thoroughly
- Seeking optimum systems across the Group to deliver more operational efficiencies which will ultimately lead to an improved operating margin
- Made considerable progress in carrying out a detailed costs benefit analysis of the options available to us and we expect the results of this analysis to be concluded shortly
- The Group has capitalised new operating system IT costs of £2m as at 30 June 2017 (£2m as at 31 Dec 2016)

*“The options we are reviewing meet our requirements and can be delivered without excessive cost and within a reasonable timeline“*



# OUR SIPP PROPOSITION

Average revenue per SIPP  
excluding bank interest

21,015  
Full SIPPs

£937

Commercial property  
complex assets, DFM



24,392  
Mid SIPPs

£418

Integrated DFM  
3<sup>rd</sup> party platform



19,768  
eSIPPs

£132

Simple assets  
integrated platform



9,725  
Other SIPP administration

£254



## CONTINUED STRONG ORGANIC GROWTH OF SIPP NUMBERS

Year ended (31 December)	2014	2015	2016	H1 2017
SIPPs at beginning of year	11,743	22,379	39,236	72,983
New Full SIPPs	2,110	2,386	924	489
New Mid SIPPs	-	-	2,474	1,881
New eSIPPs	-	1,768	2,838	2,124
New other SIPPs	-	-	70	40
Acquisition Full SIPPs	4,436	2,655	15,341	-
Acquisition Mid SIPPs	-	-	6,588	(90)
Acquisitions (eSIPPs)	4,428	-	9,581	-
Acquisition other SIPPs	-	11,284	1,144	-
Attrition	(338)	(1,236)	(5,213)	(2,527)
	3.22%	4.90% <sup>1</sup>	5.47% <sup>1</sup>	5.47% <sup>1</sup>
SIPPs at end of year	22,379	39,236	72,983	74,900

<sup>1</sup> Attrition percentages exclude attrition from third party administration business



# FINANCIAL HIGHLIGHTS

Final results (£'000)	6 months ended 30 June 2016	6 months ended 30 June 2017	% change	6 months ended 31 December 2016
Revenue	10,820	21,362	98%	18,911
Adjusted Operating Profit <sup>1</sup>	2,705	5,006	85%	4,359
Profit before tax	1,235	4,081	230%	3,255
Adjusted Profit Margin <sup>1</sup>	25%	23%	(2%)	23%
Dividend per share	1.0p	1.5p	50%	3.0p
Adjusted Diluted EPS <sup>1</sup>	4.36	7.18	65%	5.05

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

- Increase in operating revenue of 98%
- Increase in net profit before tax, amortisation and non-recurring costs of 85%
- Increase in Adjusted Diluted EPS of 65%

<sup>1</sup> after interest cost but before amortisation and non-recurring costs



# PROFIT & LOSS ACCOUNT

Profit and Loss (£'000)	H1 '16	H1 '17	% Change	H2 '16
Revenue:				
<i>Fee income</i>	8,756	16,873	93%	16,458
<i>Interest income</i>	2,064	4,489	117%	2,453
<b>Total revenue</b>	<b>10,820</b>	<b>21,362</b>	<b>98%</b>	<b>18,911</b>
Administrative expenses:				
<i>Staff costs</i>	5,487	10,352	(89%)	9,933
<i>Property costs</i>	403	865	(115%)	869
<i>Operational costs</i>	2,122	4,873	(130%)	3,589
<b>Total administrative expenses</b>	<b>(8,012)</b>	<b>(16,090)</b>	<b>(101%)</b>	<b>(14,391)</b>
Finance Costs (net)	(103)	(266)	(158%)	(161)
<b>Adjusted operating profits</b>	<b>2,705</b>	<b>5,006</b>	<b>85%</b>	<b>4,359</b>
<i>Margin</i>	25%	23%	(2%)	23%
Non Recurring Costs	(1,084)	(364)	66%	(606)
Amortisation	(386)	(561)	(45%)	(498)
<b>Profit before tax</b>	<b>1,235</b>	<b>4,081</b>	<b>230%</b>	<b>3,255</b>
Tax	(205)	(807)	(294%)	(451)
<b>Total comprehensive income</b>	<b>1,030</b>	<b>3,274</b>	<b>218%</b>	<b>2,804</b>

Staff numbers reduced from 591 to 568



# BALANCE SHEET

Balance Sheet (£'000)	H1 16	H1 17
Intangible Assets	45,253	46,937
Property Plant and Equipment	1,062	1,079
Deferred Consideration	(1,787)	(1,010)
Deferred Income	(9,591)	(10,810)
Borrowings	(22,524)	(19,120)
Net Current Assets	1,931	3,227
Cash	24,778	22,768
<b>Net Assets</b>	<b>39,122</b>	<b>43,071</b>

Net cash £3.6m  
after repayment  
of borrowings

Share Capital	33,673	33,693
Retained Earnings + Option Reserve	5,449	9,378
<b>Shareholder's Equity</b>	<b>39,122</b>	<b>43,071</b>



# CASH FLOWS

Cash flows (£'000)	H1 16	31 Dec 16	H1 17
Profit before tax	1,235	4,490	4,081
Adjustments for non cash flow expenses	622	1,543	976
Adjustments for interest expenses	186	387	293
Changes in working capital and tax paid	(175)	(2,210)	432
<b>Net cash flows from operating activities</b>	<b>1,868</b>	<b>4,210</b>	<b>5,782</b>
Purchase of intangible assets	(14)	(3,524)	(56)
Purchase of property, plant and equipment	(1,009)	(506)	(255)
Purchase of treasury shares	-	-	(250)
Consideration paid on business acquisitions	(27,124)	(27,363)	(452)
<b>Net cash flows from investing activities</b>	<b>(28,147)</b>	<b>(31,393)</b>	<b>(1,013)</b>
Equity dividends paid	(1,874)	(2,408)	(1,610)
Net proceeds from issue of ordinary shares	23,301	26,322	-
Net movement in borrowings	19,090	17,505	(1,579)
Net interest paid	(130)	(411)	(267)
<b>Net cash flows from financing activities</b>	<b>43,387</b>	<b>41,008</b>	<b>(3,456)</b>
<b>Net increase in cash</b>	<b>17,108</b>	<b>13,825</b>	<b>1,313</b>

Cash generative operation

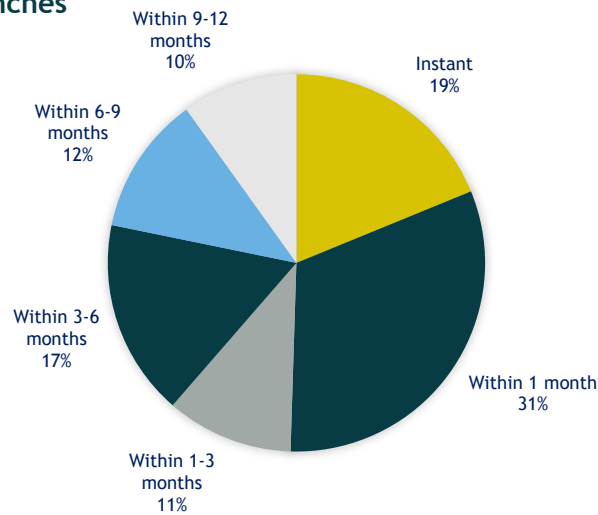
Establishment of EBT (employee benefit trust)

Well covered interest repayments

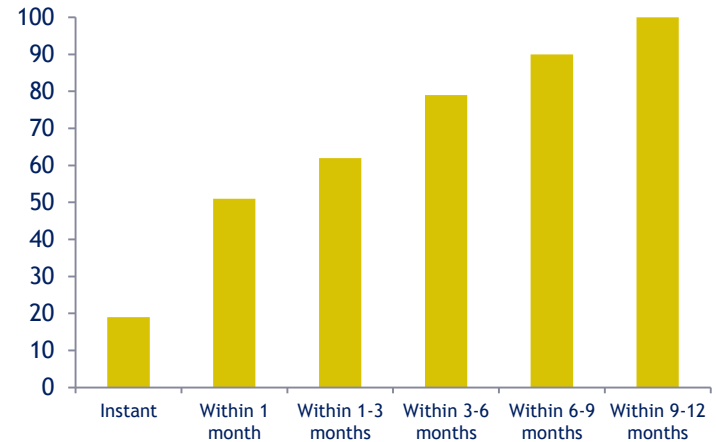


Our pooled banking system enables us to place money, under a tightly governed framework, in a diverse range of deposits.

Deposit tranches



Fully realisable within 12 months



## SUMMARY & OUTLOOK

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- Strong 2017 H1 results delivered
- Enhanced Group governance structures in place
- Progress made on delivery of strategic initiatives
- High quality service proposition continues to be enhanced
- Organic growth driven forward in a favourable environment
- Unrivalled management experience with a clear vision and strategy
- Focussed on driving up margins and delivering increased shareholder value





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# APPENDIX

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STATEMENT OF COMPREHENSIVE INCOME - SPLIT BETWEEN INSURANCE POLICYHOLDERS AND THE GROUP'S SHAREHOLDERS FOR THE PERIOD ENDED 30 JUNE 2017

Statement of Comprehensive income (£'000)	Group	Policyholder	Shareholder
Revenue	200,624	179,262	21,362
Administrative expenses	(195,352)	(179,262)	(16,090)
Finance costs (net)	(266)	-	(266)
<b>Adjusted Operating Profit</b>	<b>5,006</b>	<b>-</b>	<b>5,006</b>
Non-recurring costs	(364)	-	(364)
Amortisation	(561)	-	(561)
<b>Profit before tax</b>	<b>4,081</b>	<b>-</b>	<b>4,081</b>
Tax	(807)	-	(807)
<b>Total comprehensive income</b>	<b>3,274</b>	<b>-</b>	<b>3,274</b>



BALANCE SHEET - SPLIT BETWEEN INSURANCE POLICYHOLDERS AND THE GROUP'S SHAREHOLDERS AS AT 30 JUNE 2017

Balance Sheet (£m)	Group	Policyholder	Shareholder
Intangible Assets	46.9	-	46.9
Property Plant and Equipment	1,182.5	1,181.4	1.1
Investments	1,987.1	1,987.1	0.0
Deferred Consideration	(1.0)	-	(1.0)
Deferred Income	(10.8)	-	(10.8)
Borrowings	(95.8)	(76.7)	(19.1)
Net Current Assets	2.9	(0.3)	3.2
Cash	428.6	405.8	22.8
Non-participating insurance contracts	(3,497.3)	(3,497.3)	-
<b>Net Assets</b>	<b>43.1</b>	<b>-</b>	<b>43.1</b>
Share Capital	33.7	-	33.7
Retained Earnings + Option Reserve	9.4	-	9.4
<b>Shareholder's Equity</b>	<b>43.1</b>	<b>-</b>	<b>43.1</b>

CONSOLIDATED STATEMENT OF CASH FLOWS - SPLIT BETWEEN INSURANCE POLICYHOLDERS AND THE GROUP'S SHAREHOLDERS FOR THE PERIOD ENDED 30 JUNE 2017

Cash flows from operating activities (£'000)	Group total	Policyholder	Shareholder
Cash flows from operating activities:			
<i>Profit before tax</i>	4,081	-	4,081
<i>Adjustment for non cash flow expenses</i>	847	-	847
<i>Adjustment for interest expense</i>	293	-	293
<i>Adjustment for share based payment expense</i>	129		129
<i>Policyholder adjustments</i>	19,818	19,818	-
<i>Changes in working capital and tax paid</i>	(10,370)	(10,802)	432
<b>Net cash flows from operating activities</b>	<b>14,798</b>	<b>9,016</b>	<b>5,782</b>
<i>Purchase of intangible assets</i>	(56)	-	(56)
<i>Purchase of property, plant and equipment</i>	(11,629)	(11,374)	(255)
<i>Purchase of treasury shares</i>	(250)	-	(250)
<i>Net cash flows from acquisitions</i>	(452)	-	(452)
<b>Net cash flows from investing activities</b>	<b>(12,387)</b>	<b>(11,374)</b>	<b>(1,013)</b>
<i>Equity dividends paid</i>	(1,610)	-	(1,610)
<i>Net decrease in borrowings</i>	(19,427)	(17,848)	(1,579)
<i>Interest paid</i>	(267)	-	(267)
<b>Net cash flows from financing activities</b>	<b>(21,304)</b>	<b>(17,848)</b>	<b>(3,456)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(18,893)</b>	<b>(20,206)</b>	<b>1,313</b>

## REGULATION

- No significant increase in withdrawals as a result of the new pension freedom abilities.
- No regulatory changes with potential negative impact currently foreseen
- Simplicity of our business model positions us well within the complex regulatory environment facing the wider industry
- Regulatory and legislative environment continues to drive organic growth and acquisition opportunities for the larger operators such as ourselves



## RISK HORIZON

- Inflationary cost pressures coupled with fee pressures and continued low interest rates
- Risks associated with implementation of new operating systems
- Political risk driving unpredictable further change to pensions
- High regulatory scrutiny of SIPP and retirement markets
- No perceived post-Brexit risk from staff movement or Forex

# YOUR BOARD

Rupert Curtis

Will Self

Paul Tarran

Chris Macdonald

Bill Rattray

Jules Hydleman

**Chris Banks**

Founder & strategic adviser to the Board

