Company Registration No. 07934492 (England and Wales)

Curtis Banks Group PLC

Unaudited interim condensed consolidated financial statements for the six month period ended 30 June 2019

Curtis Banks Group PLC

Contents

Overview

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 30 June 2019 the Group administered £27.5bn (2018: £25.1bn) of pension assets on behalf of over 77,100 (2018: 77,500) active customers. 610 staff are employed across its head office in Bristol and our regional offices in Ipswich and Dundee.

The Executive Directors have proven experience in the pensions market and operate a business that focuses on a service-driven proposition for the administration of flexible SIPPs. The Group's products are 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 increased value to both customers and shareholders in the years ahead.

Note: The Group includes an insurance company, Suffolk Life Annuities Limited, which provides SIPPs through non-participating individual insurance contracts. Due to Suffolk Life Annuities Limited's status as an insurance company, the consolidated results for the whole Group are required to include insurance policyholder assets and liabilities as well as the assets and liabilities and profits attributable to our shareholders. Notes 9 and 10 to the financial statements illustrate the split between policyholder and shareholder assets and liabilities and cash flows.

Operational, Financial Highlights and Key Performance Indicators

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Curtis Banks Group PLC, one of the UK's leading SIPP providers, is pleased to announce its interim results for the 6 months to 30 June 2019.

Highlights

- Profit before tax increased by 14.0% to £5.4m (2018: £4.8m)
- Operating Revenue increased by 6.7% to £24.5m (2018: £23.0m)
- Adjusted profit before tax[1] increased by 6.9% to £6.2m (2018: £5.8m)
- Adjusted operating margin[2] 26.3% (2018: 26.2%)
- Adjusted diluted EPS increased by 10.1% to 9.17p (2018: 8.33p)
- Assets under administration increased by 9.6% to £27.5bn (2018: £25.1bn)
- IT strategy to simplify solutions across the Group and drive material cost savings
- Interim dividend of 2.5p per share (2018: 2.0p)

Highlights and key performance indicators for the period include:

	Unaudited six month period ended 30 June 2019	**Unaudited six month period ended 30 June 2018**	**Audited year ended 31 December 2018**
Financial			
Operating Revenue	£24.5m	£23.0m	£46.1m
Adjusted Profit before tax[1]	£6.2m	£5.8m	£12.1m
Profit before Tax	£5.4m	£4.8m	£10.1m
Adjusted Operating Margin[2]	26.3%	26.2%	27.1%
Diluted EPS	7.90p	7.05p	14.45p
Diluted EPS on Adjusted profit (applying an effective tax rate)	9.17p	8.33p	17.32p
Operational Highlights			
Number of SIPPs Administered	77,175	77,552	77,739
Assets under Administration	£27.5bn	£25.1bn	£24.8bn
Total organic new own SIPPs in period	2,220	3,512	5,838
Number of properties administered	6,336	6,110	6,231

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[1] Profit before tax, amortisation and non-recurring costs
2 The ratio of operating profit before amortisation and non-recurring costs to operating revenues

Chairman's Statement

The interim results for Curtis Banks Group for the six month period ended 30 June 2019 have showed continued profitable growth during a period in which we have been extremely active in the launch of our new SIPP proposition against a back drop of testing market sentiment.

As has been previously announced Paul Tarran will be retiring from the board as CFO. I would like to take this opportunity of thanking Paul, who has had a hugely significant role in the business for a number of years, helping the business grow from a start-up to one of the UK's largest independent SIPP operators. We wish Paul the very best for the future.

Our new CFO is Dan Cowland who brings considerable experience, having previously worked at WH Ireland Group Plc and Shore Capital Stockbrokers. I would like to warmly welcome him to Curtis Banks and wish him every success in his new role at this exciting time in the Group's evolution.

The period under review has shown an increase in our key financial metrics. Operating revenue has increased by 6.7% to £24.5m compared to the same period last year, adjusted profit before tax increased by 6.9% to £6.2m and adjusted diluted earnings per share increased by 10% to 9.17p.

We have also started to see the benefits of the investment in our enhanced sales structure, with over 100 new adviser relationships delivering new business in the period. We believe our new product, combined with the new national sales team, will enable the business to continue to grow organically.

Operationally, the launch of 'Your Future SIPP' in February was a big step for the Group. This new product combines the best options of the Curtis Banks and Suffolk Life SIPPs into one industry leading proposition. The target capability of our new SIPP product was achieved at the end of the period and is now accessible to all new business customers and over 50% of our existing business clients. We continue to make developments to the product, including the successful launch of the client portal, enabling clients to access their relevant data at all times, and introducing access to the in-demand Prudential Trustee Investment Plan.

During the period we have also finalised our IT and operational strategy, which will deliver a simplified single operating platform from which to build a target operating model for pension administration. This will meet the needs of our customers in the years ahead and provide a platform for enhanced service as well as realise efficiencies.

Despite our profitable growth, we have been operating in a market where the muted activity in the pension transfer market that we highlighted in our last full year results has continued. In addition client and adviser sentiment has remained weak with concerns over Brexit and the general political uncertainties. Consequently, the total number of SIPPs administered by the Group is 77,175, reflecting a slight decrease from the same period last year. We remain confident that the Group is well placed to take advantage of its position when the wider market recovers.

Dividends

Your Board has agreed an interim dividend of 2.5p per share (2018: 2p) to be paid on 14 November 2019 to shareholders on the register at the close of business on 11 October 2019. This represents an increase of 25% over the prior year period and reflects our strong performance and continued belief in the improved performance of the Group. The shares will be marked ex-dividend on 10 October 2019.

Summary and Outlook

Against a relatively muted market backdrop for organic growth in the short term, we have a strong position in the market as one of the UK's largest independent SIPP and SSAS providers and we have entered the second half of 2019 with good momentum. Our investment in both our digital offering and sales functions, as well as significant progress of our legacy review, puts us in a clear position of strength.

Alongside our new SIPP proposition, we continue to actively seek acquisition opportunities and build on the diversification of our revenue streams via our Legal and Property Services offerings.

The investments we have made over the period continue to put the Group in a strong position to ensure we deliver for our customers, advisers, staff and shareholders.

Chris Macdonald
Chairman
4 September 2019

CEO Review

Summary

I am pleased to report a solid set of results for the first six months of 2019. Once again the Group has continued to grow profitably and maintains a high proportion of quality recurring earnings which demonstrates the resilience of our business against some current headwinds in the SIPP industry and wider marketplace.

This resilient financial performance has arisen as a result of a 3% increase in fee income from our SIPP book to £18.3m and further increased interest income. Total revenue has increased 6.7% and adjusted profit before tax has increased 6.9% on the comparable period last year.

Our adjusted operating margin has also increased slightly to 26.3% (2018: 26.2%) for the first six months of the year, and there are more operational measures designed to improved efficiency still to come. Actions taken so far this year include a close alignment of key operational teams which has delivered greater visibility and effective management of legacy issues. Further improvements will be put in place later this year and will ultimately culminate in a single operating system across the Group as our system strategy is further implemented.

Operationally, we have passed a number of key milestones in the period. In February we launched our new product, Your Future SIPP and introduced consistent fees and services across the entire product portfolio meaning that rather than multiple different fee layers across the Group, we now just have one. We are now in the final phases of enhancing the digital experience with our new website and portal. The reception has been encouraging, with almost 60% of new Your Future SIPP applications now made online and attracting positive feedback from customers and advisers both existing and new.

Our legacy review has been completed, identifying elements of our product portfolio to cleanse and informing our Target Operating Model. Ongoing proactive management of our product portfolio will also continue to rationalise unproductive plans going forwards and our Target Operating Model will deliver an improved customer experience and ensure risk mitigation. This will have minimal impact on our revenue and will enhance our average revenue per SIPP. The commercial property data cleanse initiative is on track for completion by end of 2019 with no further provision anticipated (£0.5m 2018).

Despite this we are not immune to industry challenges and, through a combination of a slowdown in the pension transfer market, with the wider retail savings sector remaining subdued, and the evolution of our new product and sales function, our total number of new SIPPs has decreased slightly. As a result, the total number of SIPPs administered for the first six months of 2019 is down by 0.5% to 77,175 (H1 2018: 77,552) however the total own SIPPs in the period is up to 69,642 (H1 2018: 69,035). We remain confident that the Group is well placed to take advantage of its position when the wider market recovers and the investment in both our digital offering and sales functions put us in a strong position moving forward. I am pleased to report the numbers of properties administered is up to 6,336 (H1 2018: 6,110) and on all fronts we continue to perform well against our peers in the sector.

In June, we announced the proposed appointment of Dan Cowland to the Board as the Group Chief Financial Officer and we are pleased to say that he is formally appointed to the Board, effective 5 September. Dan brings to the role a wealth of experience having held senior finance roles at WH Ireland, Shore Capital, Macquarie Bank and Lehman Brothers as well as having successfully grown listed businesses in our sector, making him a great addition to our management team. The Board transition is now complete, and we have a strong core team from which to continue to grow the business. I would like to extend my thanks to Paul Tarran for his leadership over many years.

Strategy for growth

Our growth strategy remains simple and is focused on three key pillars; acquisitions, organic growth and diversification.

Acquisitions remain firmly part of our strategy and as one of the UK's leading SIPP providers we are well positioned to continue to consolidate the SIPP market. The acquisition of the Hargreave Hale book of SIPPs is now integrated into the Group. This has contributed to circa 600 new SIPPs for the Group. We continue to explore acquisition opportunities and have developed a flexible approach to transactions ensuring that we can target customer outcomes whilst also working alongside firms with their strategic reviews. We will only acquire assets that are a genuine value proposition and are value and earnings accretive.

We also have a new proposition and refreshed sales resource in place to grow organically. Your Future SIPP combines the best of the Curtis Banks and Suffolk Life SIPPs into one industry leading proposition. It is more efficient and has increased functionality for both advisers and their clients. Your Future SIPP accesses the high-quality administration platforms and teams of Curtis Banks and is competitively priced. As one of the UK's leading SIPP providers, creating a new product was a necessary step for the future of the Group and was constructed based on detailed feedback from advisers on what would appeal. This proposition is now supported by a nationwide adviser support network which has already introduced 102 new productive adviser relationships.

A platform to deliver complementary revenue growth from existing business is also in place. Building on our core capabilities of complex administration and commercial property and expanding our service into Legal and Property Services offerings, we have initiated the process of diversifying our revenue streams. Demand has been proven for the expert legal and complementary property services, especially where the customer journey is greatly improved. As start-up enterprises, our growth ambitions have been constrained by a number of short term factors. We are committed to these service businesses and will consider the various options available to accelerate their growth.

Digital innovation - a simplified solution

A new online portal was launched in early 2019 and further services and functionality were released during H1, all online capability is designed to enhance Your Future SIPP and reduce the time that advisers spend on administration, enabling them to spend more time with their clients. It was created in consultation with advisers and gives both them and their client's access to relevant data, anytime, anywhere and on any device. Each user's portal experience is automatically customised to suit their plan arrangements and allows access to up to date information about their SIPP. This is now accessible to all new business customers and to over 50% of existing customers, with over 60% of new business applications completed online.

I am pleased to report that we have also confirmed our wider IT strategy, committing to simplify our Group wide infrastructure, maximise value creation from historic investment and enhance our administration capabilities. In H1 2019 we transitioned to a new MS Dynamics development partner, providing a foundation to enable us to move to the latest version of MS Dynamics (Navision). Over the course of the next 4 years, we will implement this upgrade and migrate all books of business onto this technology estate.

Our IT strategy remains to consolidate and leverage our infrastructure to achieve maximum return on these assets, whilst investing in front-end automation to drive down the cost of administration across the book. In formulating this strategy we have appraised all suitable technology and concluded a Group wide feasibility assessment. This activity will incur, over the 5 year duration, a £4m cost to upgrade Navision, achieve a migration from the other incumbent system and complete the infrastructure consolidation. Once complete, this will deliver up to £1.2m of recurring annual overhead reductions. We anticipate capitalising the relevant aspects of this investment in accordance with our existing policy.

The SIPP market and regulatory change

The SIPP market is continuing to evolve; a number of SIPP providers face an uncertain future as they clean up legacy books which contain illiquid investments resulting in the reduction of product innovation. Our fair and transparent fee structure combined with our simple business model and our route to market through regulated financial advisers has a clear, proven, track record. We continue to carry out robust due diligence on non-standard investments and our new product has a clear Schedule of Allowable Investments. As a result we believe that our business is largely immune from many of these industry pressures and we do not consider them to be a material ongoing risk.

As highlighted at the Full Year results we have been operating within a slowing pension transfer market and this environment has continued into this reporting period. However, with 83% of our fee revenue being recurring and a clear plan in place to improve efficiencies through our Target Operating Model we feel largely protected. The Group remains confident it is well placed to take advantage of its position when the wider market recovers and that the investment in both our digital offering and sales functions puts us in a clear position of strength.

Brexit

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

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

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

Our People and Culture

Following Dan Cowland’s formal appointment the Board transition will be complete and we will have a strong platform from which to continue to grow the business. We are aiming for a ‘one team’ approach across the Group, which means all locations will act together servicing all clients. This should reduce staff turnover and attract high calibre employees as well as drive improved productivity and service levels.

To support this ‘one team’ notion we have started to bring recruitment in-house, reducing our reliance on agencies and realising recruitment savings. We continue to focus on corporate social responsibility activities, promoting our presence in our local communities and increasing our support for our people’s personal fundraising activities.

We value our people and the positive contribution they make to our culture and the performance of our business. I am extremely proud of the incredible contribution made by all our employees to the business and thank them for their loyalty to the Group.

Through initiatives to stimulate both organic and inorganic growth, as well as successfully diversifying revenues through broadening our capability to commercial property clients, we have navigated the first half of 2019 extremely well. I am confident and excited about our prospects for further growth.

Will Self

Chief Executive Officer
4 September 2019

Financial Review

Results

Group financial performance for the six month period to 30 June 2019 resulted in an adjusted profit before tax of £6.2m (2018: £5.8m), an increase of 6.9% over the previous interim period. Profit before tax, which is stated after amortisation and non-recurring costs increased by 14% to £5.4m. Adjusted diluted EPS increased by 10.1% to 9.17p, while diluted EPS on a statutory basis increased by 12.1% to 7.9p.

This performance was achieved despite challenging economic conditions overshadowing organic growth and incurring additional costs above the same period last year for the enhanced sales team recruited for future revenue generation through the new single Group wide product.

Revenues

Operational revenues of £24.5m in the six months ended 30 June 2019 have increased by 6.7% over the comparable period.

Fee revenue from SIPPs and SSASs remains the predominant source of income for the Group with a strong emphasis on recurring annual fee income. In the six months ended 30 June 2019 fee income represented 75% of the total income and 83% of this fee income is recurring.

SIPP fees are based on a recurring fixed monetary annual fee and a menu of additional fixed fees depending on the services provided to the SIPP. All these fees are subject to contractual annual inflationary rises.

Fees are not dependent on movements in the value of underlying assets within SIPPs and as a result the recurring fee income of the Group is not directly affected by movements in financial markets. This is a key differential that sets us apart from most of our competitors and provides an attractive product in terms of fees to higher value SIPPs. As the value of a SIPP increases our product becomes increasingly affordable.

Expenses

The period ended 30 June 2019 saw administrative expenses increase by 6.6% to £18.1m from £16.9m.

Staff costs for the period increased by 6.8% to £11.7m (2018: £10.9m). A significant proportion of this increase was as a result of the recruitment towards the latter part of the second half of last year of an expanded national sales team coinciding with the launch early in 2019 of our new Group product, Your Future SIPP, consistent with our strategy of investing for future organic growth.

Expenses (continued)

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

Overall full time equivalent staff numbers stood at 567 as at 30 June 2019 compared to 523 as at 30 June 2018 and 558 as at 31 December 2018.

The Group continues to take steps to improve its adjusted operating margin through a combination of revenue enhancements, cost saving measures and operational improvements. We remain confident that an improved operating margin is achievable given our planned activities.

Non-recurring costs

Non-recurring costs for the six months ended 30 June 2019 of £0.2m comprise principally of internal restructuring costs and further costs following acquisitions of businesses in prior years.

As noted in the last annual financial statements, management had initiated a review of data records relating to properties held within SIPPs administered by the Group. Based on a detailed review of a sample of properties and extrapolation of the initial findings across the full population of relevant properties, the directors recognised that additional direct costs may be incurred in completing this data cleansing exercise, including from any potential remediation. The data cleansing exercise is continuing and expected to be completed by the end of the current financial year with any remedial follow up actions completed by the end of 2020. The provision of £0.5m made for this matter in the year ended 31 December 2018 has started to be utilised and is still considered to be adequate to cover any such costs.

Accounting Standards

The Group adopted the provisions of IFRS 16, accounting for leases from 1 January 2019. The effect of this on our balance sheet has been to increase our Non-Current assets by £5.3m and increase our liabilities by a similar amount. The effect on financial performance on an annualised basis is not material and all costs associated with properties used by Group companies continue to be treated as operating costs.

We have had confirmation from our principal lenders that the provisions of IFRS 16 do not need to be taken into account when calculating our banking covenants. We have also received confirmation from the FCA that at this point in time the provisions of IFRS 16 do not need to be taken into account in calculating our regulatory capital levels.

Cash flows

Shareholder cash balances at period end were £25.7m compared to £22.0m at the end of the previous interim period to 30 June 2018.

Net cash flows from operating activities for the period increased to £4m (2018: £1.6m), the improvement resulting from the higher profit before tax and improved working capital management over the period.

Suffolk Life Annuities Limited

Part of the Group, Suffolk Life Annuities Limited, 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 policies are non-participating contracts, the client related assets and liabilities in Suffolk Life Annuities Limited match. In addition the revenues, expenses and investment returns of the non-participating 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 are completely matched. An illustrative balance sheet as at 30 June 2019 showing the financial position of the Group excluding the policy holder assets and liabilities is included as supplementary information after the notes to the financial statements. An illustrative cash flow on the same basis has also been provided.

Systems Development

As noted in the Chief Executive's Report, after a full review of our IT Infrastructure, the decision has been taken both to upgrade the existing operating systems at Curtis Banks and move all the back office systems onto one of our incumbent systems.

Costs associated with these upgrades and operating system changes where appropriate will be capitalised and amortised in accordance with their useful economic life. Amortisation will commence once the upgrades are completed and fully operational.

Employee Benefit Trust

The Group operates an independent Employee Benefit Trust ("EBT") administered by Saffery Champness Registered Fiduciaries to acquire shares in the Company in the market to satisfy future option and long term incentive awards. The financial statements of the EBT are consolidated within the overall Group financial statements and these shares are shown on the balance sheet of the Group as Treasury Shares and are included within total equity.

Capital requirements

The Group's regulated subsidiary companies submit regular returns to the FCA and the PRA relating to their capital resources. At 30 June 2019 the total regulatory capital requirement across the Group was £12.6m and the Group had an aggregate surplus above this of £10.3m across all regulated entities. In addition to this it is Group internal policy for regulated companies within the Group to hold at least 130% of their required regulatory capital and this has been maintained throughout the period.

Two of the principal trading subsidiaries of the Group are regulated by the FCA and the capital adequacy rules of that organisation do not allow current year profits to contribute towards solvency requirements until such profits are audited or externally verified. If the interim profits were taken into account the regulatory capital surplus at 30 June 2019 increases to £14.8m.

Financial Position

The statement of Financial Position as at 30 June 2019 shows a strong position with shareholder net assets increasing from £46.2m at 30 June 2018 to £51.6m as at 30 June 2019.

As at the 30 June 2019 the Group had net shareholder cash (after debt) of £12.8m (2018: £5.9m).

New Chief Financial Officer

As announced in January of this year it was my intention to step down as Chief Financial Officer of the Group at such time as a suitable replacement had been identified and recruited. In June we announced the successful recruitment of my successor, Dan Cowland, and he joined us on 6 July 2019. An orderly handover of responsibilities is currently taking place and it is my intention to stand down formally from the Board on 30 September 2019.

I have hugely enjoyed my 10 years with Curtis Banks and I am immensely proud in having been part of the growth of the Company from formation into one of the UK's market leading pension administrators during that period. The time is now right for me to take a step back from the business as the Board continues to focus on the opportunities ahead and I have every confidence in the future of the Group.

Paul Tarran
Chief Financial Officer
4 September 2019

Independent review report to Curtis Banks Group PLC

Report on the Unaudited interim condensed consolidated financial statements

Our conclusion

We have reviewed Curtis Banks Group PLC's Unaudited interim condensed consolidated financial statements (the "interim financial statements") in the Unaudited interim condensed consolidated financial statements of Curtis Banks Group PLC for the 6 month period ended 30 June 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with the basis of preparation and accounting policies set out in note 2 to the interim financial statements.

Emphasis of matter

Without modifying our conclusion on the interim financial statements, we draw attention to note 2 to the financial statements which describes the basis of accounting adopted in preparing the interim financial statements, including that the interim financial statements do not include all the information required to be disclosed by International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union..

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 June 2019;
- the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Unaudited interim condensed consolidated financial statements have been prepared in accordance with the basis of preparation and accounting policies set out in note 2 to the interim financial statements.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Unaudited interim condensed consolidated financial statements, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Unaudited interim condensed consolidated financial statements in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

Our responsibility is to express a conclusion on the interim financial statements in the Unaudited interim condensed consolidated financial statements based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the AIM Rules for Companies and for no other purpose. We do not, in giving this conclusion, 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 a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Unaudited interim condensed consolidated financial statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Bristol
September 2019

Curtis Banks Group PLC

Condensed consolidated statement of comprehensive income

	Notes	Unaudited 6 month period ended 30 June 2019			Unaudited 6 month period ended 30 June 2018			Audited year ended 31 December 2018		
		Before amortisation and non-recurring costs £'000	Amortisation and non-recurring costs £'000	Total £'000	Before amortisation and non-recurring costs £'000	Amortisation and non-recurring costs £'000	Total £'000	Before amortisation and non-recurring costs £'000	Amortisation and non-recurring costs £'000	Total £'000
Operating revenue		24,491	-	24,491	22,960	-	22,960	46,125	-	46,125
Policyholder investment returns		232,517	-	232,517	115,017	-	115,017	41,677	-	41,677
Revenue		257,008	-	257,008	137,977	-	137,977	87,802	-	87,802
Administrative expenses		(18,059)	-	(18,059)	(16,940)	-	(16,940)	(33,637)	-	(33,637)
Non-participating investment contract expenses		(16,503)	-	(16,503)	(17,299)	-	(17,299)	(34,477)	-	(34,477)
Changes in provisions: Non-participating investment contract liabilities		(216,014)	-	(216,014)	(97,718)	-	(97,718)	(7,200)	-	(7,200)
Policyholder total expenses		(232,517)	-	(232,517)	(115,017)	-	(115,017)	(41,677)	-	(41,677)
Operating profit before amortisation and non-recurring costs		6,432	-	6,432	6,020	-	6,020	12,488	-	12,488
Non-recurring costs	**3**	-	(168)	(168)	-	(357)	(357)	-	(748)	(748)
Amortisation and impairment		-	(627)	(627)	-	(706)	(706)	-	(1,268)	(1,268)
Operating profit		6,432	(795)	5,637	6,020	(1,063)	4,957	12,488	(2,016)	10,472
Finance income		77	-	77	49	-	49	116	-	116
Finance costs		(266)	-	(266)	(228)	-	(228)	(467)	-	(467)
Profit before tax		6,243	(795)	5,448	5,841	(1,063)	4,778	12,137	(2,016)	10,121
Tax		(1,107)	151	(956)	(972)	202	(770)	(2,294)	383	(1,911)
Total comprehensive income for the period		5,136	(644)	4,492	4,869	(861)	4,008	9,843	(1,633)	8,210
Attributable to:										
Equity holders of the company				4,490			4,004			8,204
Non-controlling interests				2			4			6
				4,492			4,008			8,210
Earnings per ordinary share on net profit										
Basic (pence)	**4**			8.39			7.46			15.30
Diluted (pence)	**4**			7.90			7.05			14.45

Curtis Banks Group PLC

Condensed consolidated statement of changes in equity

	Issued capital £'000	Share premium £'000	Equity share based payments £'000	Treasury shares £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
As at 1 January 2018 – audited	269	33,451	731	(250)	10,403	44,604	14	44,618
Comprehensive income for the period	-	-	-	-	4,004	4,004	4	4,008
Share based payments	-	-	215	-	-	215	-	215
Deferred tax on share based payments	-	-	-	-	395	395	-	395
Ordinary shares bought and sold by EBT	-	-	-	(498)	-	(498)	-	(498)
Ordinary dividends paid	-	-	-	-	(2,551)	(2,551)	(6)	(2,557)
As at 30 June 2018 – unaudited	269	33,451	946	(748)	12,251	46,169	12	46,181
Comprehensive income for the period	-	-	-	-	4,200	4,200	2	4,202
Share based payments	-	-	411	-	-	411	-	411
Deferred tax on share based payments	-	-	-	-	(85)	(85)	-	(85)
Ordinary shares bought and sold by EBT	-	-	-	32	-	32	-	32
Ordinary dividends paid	-	-	-	-	(1,071)	(1,071)	-	(1,071)
As at 31 December 2018 – audited	269	33,451	1,357	(716)	15,295	49,656	14	49,670
Comprehensive income for the period	-	-	-	-	4,490	4,490	2	4,492
Share based payments	-	-	463	-	-	463	-	463
Deferred tax on share based payments	-	-	-	-	140	140	-	140
Ordinary dividends paid	-	-	-	-	(3,212)	(3,212)	-	(3,212)
As at 30 June 2019 - unaudited	269	33,451	1,820	(716)	16,713	51,537	16	51,553

Curtis Bank Group PLC

Condensed consolidated statement of financial position

	Notes	Unaudited 30-Jun-19 £'000	Unaudited 30-Jun-18 £'000	Audited 31-Dec-18 £'000
ASSETS				
Non-current assets				
Intangible assets	**5**	43,937	43,910	44,110
Investment property		1,271,004	1,259,400	1,274,452
Property, plant and equipment		6,629	1,130	1,216
Investments		1,961,654	2,002,611	1,813,057
Deferred tax asset		855	648	595
		3,284,079	3,307,699	3,133,430
Current assets				
Trade and other receivables		21,827	19,879	18,055
Cash and cash equivalents		412,710	427,256	431,576
Current tax asset		274	17	243
		434,811	447,152	449,874
Total assets		**3,718,890**	**3,754,851**	**3,583,304**
LIABILITIES				
Current liabilities				
Trade and other payables		16,309	13,103	15,204
Deferred income		24,532	18,600	24,601
Borrowings		32,303	30,597	30,005
Provisions		450	150	500
Deferred consideration		380	341	255
Current tax liability		1,005	-	991
		74,979	62,791	71,556
Non-current liabilities				
Borrowings		47,258	58,800	56,525
Other payables		4,109	-	-
Provisions		-	102	-
Deferred consideration		-	261	125
Non-participating investment contract liabilities		3,540,991	3,586,716	3,405,428
		3,592,358	3,645,879	3,462,078
Total liabilities		**3,667,337**	**3,708,670**	**3,533,634**
Net assets		**51,553**	**46,181**	**49,670**
Equity attributable to owners of the parent				
Issued capital		269	269	269
Share premium		33,451	33,451	33,451
Equity share based payments		1,820	946	1,357
Treasury shares		(716)	(748)	(716)
Retained earnings		16,713	12,251	15,295
		51,537	46,169	49,656
Non-controlling interest		16	12	14
Total equity		**51,553**	**46,181**	**49,670**

Approved by the Board and authorised for issue on 4 September 2019

Paul Tarran - Chief Financial Officer

Condensed consolidated statement of cash flows

	Unaudited 6 month period ended 30-Jun-19 £'000	Unaudited 6 month period ended 30-Jun-18 £'000	Audited year ended 31-Dec-18 £'000
Cash flows from operating activities			
Profit before tax	5,448	4,778	10,121
Adjustments for:			
Depreciation	636	300	596
Amortisation and impairments	627	706	1,268
Interest expense	261	226	467
Share based payment expense	462	215	626
Fair value (gains)/losses on financial investments	(175,076)	(24,728)	116,517
Additions of financial investments	(255,361)	(246,430)	(490,830)
Disposals of financial investments	281,842	300,841	593,549
Fair value losses/(gains) on investment properties	7,981	(34,015)	(47,275)
Increase/(decrease) in liability for investment contracts	135,561	24,792	(156,498)
Changes in working capital:			
(Increase)/decrease in trade and other receivables	(3,358)	(3,367)	247
(Decrease)/increase in trade and other payables	(560)	(5,794)	992
Taxes paid	(1,073)	(625)	(1,375)
Net cash flows from operating activities	**(2,610)**	**16,899**	**28,405**
Cash flows from investing activities			
Purchase of intangible assets	(454)	(23)	(785)
Purchase of property, plant & equipment	(52,169)	(77,768)	(202,089)
Receipts from sale of property, plant & equipment	46,865	58,401	180,546
Purchase and sale of shares in the Group by the EBT	-	(498)	(466)
Net cash flows from acquisitions	-	(193)	(421)
Net cash flows used in investing activities	**(5,758)**	**(20,081)**	**(23,215)**
Cash flows from financing activities			
Equity dividends paid	(3,212)	(2,557)	(3,628)
Net decrease in borrowings	(6,988)	(4,651)	(7,538)
Interest paid	(298)	(203)	(297)
Net cash flows used in financing activities	**(10,498)**	**(7,411)**	**(11,463)**
Net decrease in cash and cash equivalents	**(18,866)**	**(10,593)**	**(6,273)**
Cash and cash equivalents at the beginning of the period	431,576	437,849	437,849
Cash and cash equivalents at the end of the period	**412,710**	**427,256**	**431,576**

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 interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 5 September 2019.

The principal activity of the Group is that of the provision of pension administration services principally for Self Invested Personal Pension schemes ("SIPPs") and Small Self-Administered Pension schemes ("SSASs"). The Group is staffed by experienced professionals who all have proven track records in this sector.

2 Basis of preparation and accounting policies

2.1 Basis of preparation

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

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting except for certain requirements in relation to financial instrument disclosure. The board has considered the requirements of IAS 34 in relation to policyholder assets and liabilities and, given the unit-linked nature of these assets and liabilities, has concluded that revaluing certain policyholder financial instruments for the purposes of these interim financial statements would incur expense which is disproportionate to any potential benefits of doing so. Further, the board considers that the omission of updated valuations for these certain policyholder financial instruments will not influence the economic decisions of users of these financial statements.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's financial statements for the year ended 31 December 2018, which were prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB (together "IFRS") as adopted by the European Union, and in accordance with the requirements of The Companies Act 2006 applicable to companies reporting under IFRS.

The information relating to the six months ended 30 June 2019 and the six months ended 30 June 2018 is unaudited and does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2018 have been reported on by its auditor and delivered to the Registrar of Companies. The report of the auditor was unmodified and did not contain a statement under section 498(2) or (3) of The Companies Act 2006.

The interim condensed consolidated financial statements have been reviewed by the auditor and their report to the Board of Curtis Banks Group PLC is included within this interim report.

2 Basis of preparation and accounting policies - continued

2.2 Basis of consolidation

The interim condensed consolidated financial statements consolidate the financial statements of the Company and its subsidiaries up to 30 June each year.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All inter-Group balances, income and expenses and unrealised gains and losses resulting from intra-Group transactions are eliminated in full.

The trading subsidiaries of Curtis Banks Group PLC as at 30 June 2019 and 30 June 2018 were Curtis Banks Limited, Curtis Banks Investment Management Limited, Suffolk Life Annuities Limited, Suffolk Life Pensions Limited, Rivergate Legal Limited and Templemead Property Solutions Limited.

Certain trading subsidiaries of Curtis Banks Group PLC hold the entire issued share capital of a number of non-trading trustee companies. 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 or non-trading throughout the period and are expected to remain dormant or non-trading.

2.3 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018 other than the adoption of the provisions of IFRS 16 *Leases*.

IFRS 16 Leases

The Group has adopted IFRS 16 Leases, which became effective 1 January 2019, in presenting its results for the six month period ended 30 June 2019. The Group has applied the modified retrospective method in doing so which requires recognition from the date of 1 January 2019 without the need to restate comparative amounts prior to this date. Right-of-use assets for property leases have been measured on transition as if the new rules have always been applied.

The new standard eliminates the classification of leases by lessees as either operating or finance leases. Instead, applying IFRS 16, each company within the Group is required to recognise both an asset and a liability on the balance sheet where a right-of-use asset exists. For the current reporting period, property leases are the only leases within the Group that fall under the definition of IFRS 16 as right-of-use assets.

The right-of-use asset represents the lessee's right to use the underlying lease for the duration of the lease term. The liability reflects the lessee's contractual obligation to make payments to the lessor throughout the lease term, using a discounted cash flow model. The Group recognises a depreciation charge and a lease interest charge in the profit and loss account throughout the lease term.

2 Basis of preparation and accounting policies - continued

IFRS 16 Leases **- continued**

As a result of leases held for the Group's offices, the following changes are reflected in the Group financial statements on adoption of IFRS 16 at 1 January 2019:

- Group right-of-use assets: increase by £5.3m
- Group liabilities: increase by £5.3m

The Group has updated its accounting policies for the introduction of IFRS 16 as follows:

Property, plant and equipment

This accounting policy now includes a statement clarifying how right of use assets are treated in the Group's financial statements. Right of use assets are treated in a consistent manner to other asset types within property, plant and equipment, and depreciated on a straight line basis over their useful economic lives which are linked at an individual asset level to the expected underlying lease length.

Leases

This accounting policy has been updated to clarify that following introduction of IFRS 16, leases of property, plant and equipment are no longer classified as finance leases. Instead, the Group assesses whether a right-of-use relationship exists and classifies a lease as property, plant and equipment when this criteria is satisfied.

Financial liabilities – Trade and other payables

Additional wording has been added to this accounting policy to further describe treatment of other payables arising from lease liabilities on right of use assets. These are held at amortised cost, discounted by an effective interest rate over the expected term of the lease. The effective interest rate is calculated at an individual right of use asset level on creation of the right of use asset by reference to market rate borrowings available for similar assets.

New standards issued but not yet effective

The IASB and IFRIC have issued standards and interpretations with an effective date for periods starting on or after the date on which these financial statements start. There are no newly issued standards expected to potentially have a material impact on the condensed consolidated interim financial statements and the consolidated financial statements to the Group.

Financial statements for the year ending 31 December 2019

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements will be consistent with those to be followed in the preparation of the Group's annual financial statements for the year ending 31 December 2019.

2 Basis of preparation and accounting policies - continued

2.4 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

The key sources of estimation uncertainty are disclosed below:

IFRS 9 impairment

Trade and other receivables are impaired based on the IFRS 9 simplified approach to measure expected credit losses using a lifetime expected loss allowance for all trade receivables. The loss allowances for trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history of shared credit risk characteristics, days past due, existing market conditions as well as forward looking estimates at the end of each reporting period.

The loss rates are considered the key source of estimation uncertainty because the impact of a change in these could result in a material change in the expected credit loss. The Group determines its loss rates by reference to the underlying level of liquidity in each of the Group's clients' SIPPs because clients' fees are normally settled directly from their SIPP cash holdings. A lower level of liquidity in the SIPP, or indeed illiquidity, indicates reduced credit quality in the related trade receivable balance.

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

Year ended 31 December 2018	**Increase / (decrease) in percentage rates**	**Effect on profit before tax £'000**
Loss rate	10%	256
Loss rate	(10)%	(383)

The Group charges fixed fees for its services reducing its exposure to changes in macroeconomic factors which may otherwise impact a percentage basis point fee charging model.
The Group continually assesses historical recovery data to help determine how the underlying level of liquidity in the SIPPs fits into each of the credit quality ratings. Future historical data available may lead to changes in the estimated categorisation of trade receivables gross carrying amounts and associated loss allowance.

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

2 Basis of preparation and accounting policies - continued

2.4 Critical accounting judgements and key sources of estimation uncertainty - continued

Client portfolios

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

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

Assessing recoverable amount through value in use comprises an estimation of future cash flows expected to arise from each client portfolio, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset, together with an estimated rate of attrition for each portfolio. The estimation of future cash flows is derived by taking the current earnings before tax, interest, depreciation and amortisation ("EBITDA") margin of the Group and applying this against forecast revenue from the relevant client portfolio. The key source of estimation uncertainty arises from the attrition rates used because the recoverable amount is most sensitive to this assumption. A 20% increase to the attrition rate assumption would result in a cumulative £15,000 decrease in the carrying value of the book. A 40% increase to the attrition rate assumption would result in a cumulative £47,000 decrease in the carrying value of client portfolios.

Provisions

As part of the consolidation and integration exercise undertaken in 2018 management initiated a review of data records relating to properties held within SIPPs administered by the Group.

Based on a detailed review of a sample of properties and extrapolation of the initial findings across the full population of relevant properties, the directors recognise that additional direct costs will be incurred in completing this data cleansing exercise. These costs include incremental costs of completing the review, as well as some potential costs of remediation. A provision of £500,000 was recognised for this matter, being the directors' best estimate of the direct costs the Group may have to bear. As at 30 June 2019, £50,000 of this provision had been utilised and there were no material variances to the estimate of future direct costs the Group may have to bear.

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

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

If the number of properties requiring remediation were to increase by 10% the potential cost of the exercise would increase by £32,000.

3 Non-recurring costs

Non-recurring costs comprise the following items:

	Unaudited 6 month period ended 30-Jun-19 £'000	Unaudited 6 month period ended 30-Jun-18 £'000	Audited year ended 31-Dec-18 £'000
Hargreave Hale acquisition costs	40	-	45
Data cleansing provision	-	-	500
Redundancy & restructuring costs following acquisitions	128	308	156
European Pensions Management acquisition costs	-	49	47
	168	357	748

Data cleansing provision

As part of the consolidation and integration exercise undertaken during the year ended 31 December 2018 management initiated a review of data records relating to properties held within SIPPs administered by the Group.

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

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

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

4 Earnings per ordinary share

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

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 period 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:

	Unaudited 6 month period ended 30-Jun-19 £'000	**Unaudited 6 month period ended 30-Jun-18 £'000**	**Audited year ended 31-Dec-18 £'000**
Net profit available to equity holders of the Group	4,490	4,004	8,204
Net profit before tax, non-recurring costs (note 3) and amortisation (note 5) available to equity holders of the Group	6,432	5,841	12,137
	Number	**Number**	**Number**
Weighted average number of ordinary shares:			
Issued ordinary shares at start of period	53,807,346	53,807,346	53,809,146
Effect of shares held by Employee Benefit Trust	(266,482)	(130,869)	(201,622)
Basic weighted average number of shares	53,540,864	53,676,477	53,607,524
Effect of options exercisable at the reporting date	971,616	971,616	985,661
Effect of options not yet exercisable at the reporting date	2,301,533	2,133,896	2,165,288
Diluted weighted average number of shares	56,814,013	56,781,989	56,758,473
	Pence	**Pence**	**Pence**
Earnings per share:			
Basic	8.39	7.46	15.30
Diluted	7.90	7.05	14.45
Earnings per share on profit before non-recurring costs and amortisation, less an effective tax rate*:			
Basic	9.73	8.81	18.34
Diluted	9.17	8.33	17.32

*The effective tax rate used is the current tax rate applicable to the accounting year. The current tax rate applicable for the year ending 31 December 2019 is 19.00% (2018: 19.00%).

5 Intangible assets

	Goodwill £'000	Client portfolios £'000	Computer software £'000	Total £'000
Cost				
At 1 January 2018	28,903	18,433	1,395	48,731
Additions	-	-	23	23
At 30 June 2018	28,903	18,433	1,418	48,754
Additions	-	433	329	762
Disposals	-	-	(266)	(266)
At 31 December 2018	28,903	18,866	1,481	49,250
Additions	-	-	454	454
At 30 June 2019	28,903	18,866	1,935	49,704
Amortisation and impairments				
At 1 January 2018	-	3,455	683	4,138
Charge for the period	-	462	244	706
At 30 June 2018	-	3,917	927	4,844
Charge for the period	-	462	100	562
Charge on disposals	-	-	(266)	(266)
At 31 December 2018	-	4,379	761	5,140
Charge for the period	-	472	155	627
At 30 June 2019	-	4,851	916	5,767
Net book value				
At 31 December 2017	28,903	14,978	712	44,593
At 30 June 2018	28,903	14,516	491	43,910
At 31 December 2018	28,903	14,487	720	44,110
At 30 June 2019	28,903	14,015	1,019	43,937

6 Dividends paid

	Unaudited 6 month period ended 30-Jun-19 £'000	Unaudited 6 month period ended 30-Jun-18 £'000	Audited year ended 31-Dec-18 £'000
Ordinary dividends paid	3,212	2,551	3,622
	3,212	2,551	3,622

A final dividend of 4.75p per ordinary share in respect of the year ended 31 December 2017 was paid on 18 May 2018.

An interim dividend of 2.00p per ordinary share in respect of the year ended 31 December 2018 was paid on 15 November 2018.

A final dividend of 6.00p per ordinary share in respect of the year ended 31 December 2018 was paid on 23 May 2019.

7 Income tax

Tax is charged at 19% for the six months ended 30 June 2019 (30 June 2018: 19%) representing the best estimate of the average annual effective tax rate expected to apply for the full year, applied to the pre-tax income of the six month period.

Current tax for current and prior periods is classified as a current liability to the extent that it is unpaid. Any amounts paid in excess of amounts owed are classified as a current asset.

8 Contingent liabilities

In-specie contributions

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

8 Contingent liabilities - continued

Data cleansing

As reported in note 3, during the year ended 31 December 2018 management initiated a review of data records related to properties held within SIPPs administered by the Group.

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

In addition to the remaining provision of £450,000 for the estimated direct costs that the Group may incur in respect of this exercise, the directors consider that it is possible that the Group may also be exposed to indirect costs in the future, depending on the outcome of the case by case reviews.

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

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

9 Illustrative condensed consolidated statement of financial position as at 30 June 2019 split between insurance policyholders and the Group's shareholders

	30-Jun-19	30-Jun-19	30-Jun-19	30-Jun-18
	£'000	£'000	£'000	£'000
ASSETS	**Group Total**	**Policyholder**	**Shareholder**	**Shareholder**
Non-current assets				
Intangible assets	43,937	-	43,937	43,910
Investment property	1,271,004	1,270,962	42	41
Property, plant and equipment	6,629	-	6,629	1,130
Investments	1,961,654	1,961,654	-	-
Deferred tax asset	855	-	855	648
	3,284,079	3,232,616	51,463	45,729
Current assets				
Trade and other receivables	21,827	9,978	11,849	11,508
Cash and cash equivalents	412,710	386,979	25,731	21,929
Current tax asset	274	274	-	-
	434,811	397,231	37,580	33,437
Total assets	3,718,890	3,629,847	89,043	79,166
LIABILITIES				
Current liabilities				
Trade and other payables	16,309	9,249	7,060	4,298
Deferred income	24,532	12,938	11,594	11,255
Borrowings	32,303	29,154	3,149	3,156
Provisions	450	-	450	150
Deferred consideration	380	-	380	341
Current tax liability	1,005	-	1,005	573
	74,979	51,341	23,638	19,773
Non-current liabilities				
Borrowings	47,258	37,515	9,743	12,849
Other payables	4,109	-	4,109	-
Provisions	-	-	-	102
Deferred consideration	-	-	-	261
Non-participating investment contract liabilities	3,540,991	3,540,991	-	-
	3,592,358	3,578,506	13,852	13,212
Total liabilities	3,667,337	3,629,847	37,490	32,985
Net assets	**51,553**	**-**	**51,553**	**46,181**
Equity attributable to owners of the parent				
Issued capital	269	-	269	269
Share premium	33,451	-	33,451	33,451
Equity share based payments	1,820	-	1,820	946
Treasury shares	(716)	-	(716)	(748)
Retained earnings	16,713	-	16,713	12,251
	51,537	-	51,537	46,169
Non-controlling interest	16	-	16	12
Total equity	**51,553**	**-**	**51,553**	**46,181**

10 Illustrative condensed consolidated statement of cash flows for the six month period ended 30 June 2019 split between insurance policyholders and the Group's shareholders

	30-Jun-19 £'000 Group Total	30-Jun-19 £'000 Policyholder	30-Jun-19 £'000 Shareholder	30-Jun-18 £'000 Shareholder
Cash flows from operating activities				
Profit before tax	5,448	-	5,448	4,778
Adjustments for:				
Depreciation	636	-	636	300
Amortisation and impairments	627	-	627	706
Interest expense	261	-	261	226
Share based payment expense	462	-	462	215
Fair value gains on financial investments	(175,076)	(175,076)	-	-
Additions of financial investments	(255,361)	(255,361)	-	-
Disposals of financial investments	281,842	281,842	-	-
Fair value losses on investment properties	7,981	7,981	-	-
Increase in liability for investment contracts	135,561	135,561	-	-
Changes in working capital:				
Increase in trade and other receivables	(3,358)	(1,133)	(2,225)	(2,868)
Decrease in trade and other payables	(560)	(441)	(119)	(1,141)
Taxes paid	(1,073)	-	(1,073)	(625)
Net cash flows from operating activities	**(2,610)**	**(6,627)**	**4,017**	**1,591**
Cash flows from investing activities				
Purchase of intangible assets	(454)	-	(454)	(23)
Purchase of property, plant & equipment	(52,169)	(51,399)	(770)	(282)
Purchase and sale of shares in the Group by the EBT	-	-	-	(498)
Receipts from sale of property, plant & equipment	46,865	46,865	-	-
Net cash flows from acquisitions	-	-	-	(193)
Net cash flows from investing activities	**(5,758)**	**(4,534)**	**(1,224)**	**(996)**
Cash flows from financing activities				
Equity dividends paid	(3,212)	-	(3,212)	(2,557)
Net decrease in borrowings	(6,988)	(5,416)	(1,572)	(1,579)
Interest paid	(298)	-	(298)	(203)
Net cash flows from financing activities	**(10,498)**	**(5,416)**	**(5,082)**	**(4,339)**
Net (decrease) in cash and cash equivalents	**(18,866)**	**(16,577)**	**(2,289)**	**(3,744)**
Cash and cash equivalents at the beginning of the period	431,576	403,556	28,020	25,673
Cash and cash equivalents at the end of the period	**412,710**	**386,979**	**25,731**	**21,929**

Company information

Directors
Will Self – Chief Executive Officer
Paul Tarran – Chief Financial Officer
Jane Ridgley – Chief Operating Officer
Chris Macdonald – Chairman, Non-Executive Director
Bill Rattray – Non-Executive Director
Jules Hydleman – Non-Executive Director

Company Secretary
Paul Tarran

Founders and Strategic Advisers
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