CURTIS BANKS

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2019

Your future, our focus.

curtisbanks.co.uk

CURTIS BANKS

CURTIS BANKS GROUP PLC 2019

Company Registration
No. 07934492 (England and Wales)

Your future, our focus.

curtisbanks.co.uk

Operational, Financial Highlights and Key Performance Indicators

Curtis Banks Group PLC, one of the UK's leading SIPP providers, is pleased to announce its final results for the 12 months to 31 December 2019.

Highlights

- Operating Revenue increased by 6% to £48.9m (2018: £46.1m)
- Adjusted Profit before tax[1] increased by 11% to £13.4m (2018: £12.1m)
- Adjusted Operating Margin[2] increased to 28.1% (2018: 27.1%)
- Profit before tax increased by 8% to £10.9m (2018: £10.1m)
- Adjusted diluted EPS increased by 10% to 19.37p (2018: 17.63p)[3]
- Gross organic growth in own SIPP numbers of 7% (2018: 9%) with total including third party administered now 76,541 (2018: 77,730)
- Assets under Administration increased by 17.3% to £29.1bn (2018: £24.8bn)
- Proposed final dividend of 6.50p (2018: 6.00p) making a full year payment of 9.00p (2018: 8.00p), an increase of 12.5%

Highlights and key performance indicators for the year include:

	2019	2018
Financial		
Operating Revenue	£48.9m	£46.1m
Adjusted Profit before tax[1]	£13.4m	£12.1m
Profit before tax	£10.9m	£10.1m
Adjusted Operating Margin[2]	28.1%	27.1%
Diluted EPS[3]	15.85p	14.71p
Adjusted diluted EPS[3]	19.37p	17.63p
Operational Highlights		
Number of SIPPs Administered	76,541	77,739
Assets under Administration	£29.1bn	£24.8bn
Total organic new own SIPPs in year	4,567	5,838
Number of properties administered	6,352	6,231

[1] Profit before tax, amortisation and non-recurring costs.

[2] The ratio of operating profit before net finance costs, amortisation and non-recurring costs to operating revenues.

[3] Adjusted to exclude anti-dilutive options, see note 11 to the financial statements for further detail.

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 2019 the Group administered circa £29.1bn (2018: £24.8bn) of pension assets on behalf of over 76,000 (2018: 77,000) active clients.

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

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

Curtis Banks Limited and Suffolk Life Pensions Limited, the Group's principal trading subsidiaries, are authorised by the Financial Conduct Authority to provide trust based SIPP products. Suffolk Life Annuities Limited is regulated by the Prudential Regulatory Authority and the Financial Conduct Authority to provide insurance based SIPP Products. The latter company provides SIPPs through non-participating individual insurance contracts. As such, it is regarded as an insurance company for the purposes of regulatory and statutory reporting. Due to Suffolk Life Annuities Limited's status as an insurance company, the consolidated results for the whole Group also include insurance policyholder assets, liabilities and returns.

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

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

Chairman's statement

Chris Macdonald
Chairman

Progressing towards ambitious goals

I am pleased to report the Curtis Banks Group results for the year ended 31 December 2019. These results disclose growth across all our financial metrics during a year in which we made important changes to the executive team and demonstrate the positive results of operational changes made in recent years. I am delighted by the way our new management team, with Will Self as CEO, Dan Cowland as CFO and Jane Ridgley as COO, work together to run the business.

The highlights of our financial results show disciplined growth and further improvement in the operating margin. Operating revenue has increased by 6% from £46.1m to £48.9m compared to the previous financial year, with adjusted profit before tax increasing by 11% from £12.1m to £13.4m. Our adjusted operating margin increased to 28.1% (2018: 27.1%) and profit before tax increased by 8% to £10.9m. Fully diluted earnings per share on these adjusted operating results (after tax) amounted to 19.37p per share (2018: 17.63p).

During the year, we have continued to invest in the operations of our business. The launch of Your Future SIPP has been a success with enormously positive feedback received from the adviser community. As stated in our interim results, we continue to see the benefits of the investment in our new sales structure, with 226 new adviser relationships delivering new business in the year. We have also invested significantly in our digital capabilities with a successful launch of a new customer portal which is accessible to 66% of clients onboarding. We are now beginning to see these investments benefiting the Group.

Our results need to be assessed in the context of the wider political and economic uncertainty in the pension market where Brexit and political uncertainties impacted client and adviser sentiment. This, in conjunction with proactive management of plans under administration, has led to a small decrease in the total number of SIPPs administrated by the Group from 77,739 to 76,541.

Dividends

We paid an interim dividend of 2.5p per share (2018: 2p per share) on 14 November 2019 and the Board proposes a final dividend of 6.5p per share (2018: 6p per share) which, if approved, will be paid to shareholders on the register at the close of business on 1 May 2020. The shares will be marked ex-dividend on 30 April 2020 and the proposed dividend paid on 8 June 2020. This will mean the total dividend paid in respect of the year ended 31 December 2019 will increase by 12.5% to 9p per share (2018: 8p).

Summary and outlook

Curtis Banks has entered 2020 with good momentum and at the start of the new year we saw an improvement in conditions in the wider market. Whilst our revenue model is not linked to equity market movements the outlook for the coming year is likely to be affected by the current COVID-19 outbreak and there remains significant uncertainty over how this will unfold. Nevertheless, we believe our investments in the operations of the business will continue to benefit the Group and that the majority of the return on these investments is yet to come. We continue to actively seek appropriate acquisition opportunities to complement our organic growth.

I look forward to the future with confidence as Curtis Banks remains well placed to deliver long term value for all stakeholders.

Chris Macdonald
Chairman

17 March 2020

Chief Executive Officer's review

Will Self
Chief Executive Officer

Summary

My first year as Chief Executive Officer of the Group has seen growth delivered across all our financial metrics. We have reported an improved operating margin, whilst still investing in the business, to build a platform that will deliver excellent client service and operational efficiency to support further organic growth.

The last month has been dominated by the COVID-19 outbreak and has created a huge amount of uncertainty in the market. It is clear that there will be a level of impact over the coming months including operational disruption and the potential impact on new sales volumes however we have contingency plans in place for the business and remain confident in our underlying robust and resilient business model.

The financial performance of the business was strong with 6% growth in operational revenue and 11% in adjusted profit before tax. Importantly, we delivered a consequent improvement in adjusted operating margin to 28.1% (2018: 27.1%), continuing progression towards our target of 30%. This has been achieved through operational efficiencies such as the closer alignment of key operational teams and improved management of legacy issues. During the year we commenced a project to centralise commercial property administration within one office location.

We have continued to make significant operational progress throughout the business during the year. We successfully completed the launch of Your Future SIPP, a single proposition for the Group that combines the best offerings of both the Curtis Banks and Suffolk Life SIPPs. Already, 31% of own SIPP new business is written into Your Future SIPP, expected to increase to 70% of own SIPP new business by the end of 2020.

We have continued to diversify the business by focusing on areas of complementary strategic interest. We expanded our commercial property expertise through the launch of Rivergate Legal Limited and this activity was profitable over its first full year of trading in 2019. Rivergate is a complementary service for Curtis Banks and as such a significant portion of Rivergate's revenue is derived from clients selecting its services from the 'Curtis Banks Panel' of Solicitors. Rivergate has established a strong brand recognition in line with that of the Group, and as such longstanding client relations are driving notable success in increasing the number of repeat clients using its services, diversifying its offering. Rivergate's client base has expanded across the year which consists not only of pension scheme trustees and operators but also high net worth individuals. Rivergate has remained focused on the supply of commercial property and real estate services in line with the Groups strategy. Total properties administered by the Group has increased to over 6,350 (2018: 6,231) and we expect this to continue.

In June we announced the appointment of Dan Cowland to the Board as Chief Financial Officer. Dan is extremely experienced in financial services and previously worked for WH Ireland and Shore Capital. We are delighted at the way Dan has fitted into the business and adapted quickly to his new role. Dan and his team have continued to elevate the standards in financial reporting across the Group and will further support commercial analysis over the year ahead.

SIPP Sales

At the year end the number of SIPPs administered fell slightly to 76,541 (2018: 77,739), largely as a result of the inevitable, and largely expected, attrition from our older books combined with a slowdown in the pension transfer market. We added 4,567 gross new own SIPPs added organically (2018: 5,838), representing a gross organic growth rate of 6.55% (2018: 8.66%). In our two core areas of strategic focus, the Full SIPP saw a higher level of gross organic growth than last year at 3.35% (2018: 3.14%) but our mid SIPP gross organic growth rate reduced slightly to 10.78% (2018: 12.43%). This was due to a slowdown in the pension transfer market, with the wider retail savings sector remaining subdued. Our total own SIPP attrition rate was 7.04% during the year (2018: 6.07%). The table below sets out more detail on SIPPs numbers and rates of attrition.

Chief Executive Officer's review

continued

	Full SIPPs	Mid SIPPs	eSIPPs	Total own SIPPs	Third Party Administered	Total
2019 number	19,869	27,799	21,726	69,394	7,147	76,541
2018 number	20,450	26,354	22,935	69,739	8,000	77,739
Gross organic growth rate*	3.35%	10.78%	4.53%	6.55%	0.35%	5.91%
SIPPs added organically	686	2,841	1,040	4,567	28	4,595
Conversions and reclassifications	(59)	59	—	—	—	—
SIPPs lost through attrition	(1,208)	(1,455)	(2,249)	(4,912)	(881)	(5,793)
Attrition rate*	5.91%	5.52%	9.81%	7.04%	11.01%	7.45%

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

Your Future SIPP

The launch of Your Future SIPP in February was a milestone for the Group and has allowed us to deploy our expertise and focus on customer service to offer advisers an extremely well-rounded product. The new SIPP has been well received by the market with 226 new adviser relationships delivering new business in the year, and 2,964 advisers and 2,259 clients registered to use the new adaptive portal.

The new SIPP and introduction of the new client portal greatly improves the user experience. This has been designed and continually developed in consultation with advisers; it will deliver efficiencies for our clients and reduce the time spent on administration for advisers, clients and our business. The enhanced digital functionality is completely responsive to all modern devices including smart phones, tablets and desktops. The new proposition also includes market access to a wide range of investment solutions, easy management of cash and automated adviser charging.

We believe that our new proposition is truly market leading by virtue of the suite of features it contains and the flexibility it provides to both advisers and their clients. Through the introduction of Your Future SIPP we are well placed to increase our organic growth of Full and Mid SIPPs over the coming years.

Legacy review

The first phase of our legacy review has been completed, identifying elements of our product portfolio to cleanse and informing our Target Operating Model. The commercial property data cleanse initiative has been completed with no further provision required (2018: £0.5m) although we have revised our assessment of contingent liabilities for £2.3m (2018: £1.5m).

Acquisition activity

Acquisitions are a core component of our growth strategy. We remain disciplined in our approach by considering each opportunity from both an earnings per share and return on investment perspective. We remain committed to exploring opportunities to add scale to our existing SIPP book and expand our offering through complementary acquisitions.

Industry context and regulation

Regulatory focus on the pension market continued during 2019. The Curtis Banks business model is clear and the fact that we only work with regulated financial advisers and do not give any advice or provide the investments held within our SIPPs protects our business from some of the challenges experienced by other SIPP Providers. Our fee structures also remain fair, transparent and competitive for our target market.

Non-standard investments have received an increasing amount of media coverage of late. While these are a significant issue for the wider industry, we do not consider them to be a material risk to our business. The Group continues to carry out robust due diligence on non-standard investments both at outset and throughout the life of the investment and all new Curtis Banks products have a clear Schedule of Allowable Investments.

We have undertaken a detailed review of the business to ensure a prudent approach to our legacy book, which is composed of our own SIPPs as well as a large number of historic acquisitions.

Our People and Culture

We have continued our focus on corporate social responsibility activities. I am delighted by the way our employees have fundraised for the charities we support and Curtis Banks continues to be an integral member of the communities in which we operate.

Being a diverse and inclusive business is integral to Curtis Banks. We continue to evaluate ways in which we can take steps forward to improve our commitment to our employees. As a business, we continue to strive to improve our diversity and our initiatives in this space will continue into 2020.

I would like to pay thanks to all our employees for their efforts over the course of the past year. They have made an enormous contribution to the Group and I look forward to working with them as Curtis Banks continues to grow.

Will Self
Chief Executive Officer

17 March 2020

Chief Financial Officer's review

Dan Cowland
Chief Financial Officer

Results

A consistent financial performance for the year ended 31 December 2019 resulted in operational revenue increasing by 6% to £48.9m (2018: £46.1m) and adjusted profit before tax of £13.4m (2018: £12.1m), an increase of 11% over the previous year. Adjusted diluted EPS similarly increased by 10% to 19.37p (2018: 17.63p). Statutory profit before tax, which is stated after amortisation and non-recurring costs, was £10.9m (2018: £10.1m), up 8% on the previous year despite the non-recurring costs incurred during the year on previously announced restructuring activities. Diluted EPS on a statutory basis increased by 8% to 15.85p (2018: 14.71p).

The improvement in underlying performance was achieved despite the domestic economic and political headwinds which persisted throughout the reporting year. As with many other firms, we were not immune from the undeniable impact these have had on the financial services sector as a whole and the lack of client investment into SIPPs more generally has affected our organic growth.

These results show further improvement in adjusted operating margin to 28.1% (2018: 27.1%). A contributor to this was the increasing success of our Your Future SIPP product launched in early 2019, supported by a newly restructured nationwide sales distribution network which provides the Group with a much a broader geographic footprint than ever before.

The investment in our IT infrastructure is gaining positive momentum amongst advisers and clients. In addition to this the Group continues to leverage alignment opportunities across its three offices and identify areas which will improve both efficiencies and the levels of client servicing.

Consistent financial performance for the year resulted in adjusted profit before tax increasing to £13.4m. The results show further improvement in the adjusted operating margin to 28.1%.

Revenue

Operational revenues of £48.9m in 2019 (2018: £46.1m) increased by 6% year on year, driven in particular by the resilient organic growth in own mid-SIPP numbers excluding attrition and an improvement in interest income.

Fee revenue from SIPP products remains the predominant source of fee income for the Group with 84% (2018: 87%) of these fees being recurring fixed annual fees. These fees are subject to contractual annual inflationary rises linked to average weekly earnings. Additional fixed fees are charged depending on the transactional services provided for each of the products.

All SIPP fees levied are fixed sterling charges and are not a percentage based charge on the value of the underlying assets held within the SIPP. As a result, the revenues of the Group are not vulnerable to movements in financial markets or commercial property values and are therefore subject to less volatility than many of our peers. This is a key differential that sets us apart from most of our competitors and provides an attractively priced product in terms of fees applied on higher value SIPPs.

Interest income margin on client deposits remains a significant part of the Group's revenue. In the year ended 31 December 2019, £12.7m of the Group operating revenues were from interest margin (2018: £10.8m). The Group operates a highly efficient treasury operation with diverse partners that helps keep SIPP fees lower for clients. The further strengthening of our relationships with these deposit providers has also been supported by an increase in the level of deposits held during the year.

Interest rates paid to clients are set on a discretionary basis by the Group, in accordance with our terms and conditions, allowing flexibility to change as and when market movements necessitate and allow the Group to maintain more predictable and commercial levels of interest income. This is monitored via the Group Assets and Liabilities Committee which ensures fairness to clients as well as commercial outcome for the Group. Any discretion exercised is balanced carefully with the need to demonstrate fairness to clients as well as other stakeholders.

Chief Financial Officer's review

continued

Expenses

The year ended 31 December 2019 saw administrative expenses increase by 4.8% to £35.2m from £33.6m.

Staff costs for the year increased by 4.6% to £22.9m (2018: £21.7m) and were primarily driven by salary inflation, referenced to average weekly earnings, and the first full year impact of the expanded distribution and sales team referred to earlier.

Staff costs continue to reflect the cost of share based payment awards under the Group's Long Term Incentive Plan and Save As You Earn ("SAYE") schemes, as well as the commitment to the auto enrolment of staff pension contributions. These measures continue to reflect the importance of staff satisfaction to the Group and contribute not only to improved levels of key staff engagement and retention but also drive the provision of desired service levels to clients which are demanded by our introducers of business.

Staff numbers have increased to 572 as at 31 December 2019 (2018: 558). This represents the support provided for the organic growth in own Full and Mid SIPPs achieved and to manage the migration of commercial property administration to a centralised function.

The other material operating expense that the Group incurs is in respect of IT and in 2019 this amounted to £3.4m (2018: £3.3m). This reflects not only the cost of supporting the core IT infrastructure across the Group's three offices but also the amount of investment in technological improvements to the SIPP administration platform and the programme of these improvements is expected to continue into 2023.

The cost of undertaking regulatory activity continues to increase and for the year ended 31 December 2019 the Group spent £1.1m (2018: £1.0m) on a combination of regulatory fees, levies and insurance.

Finance costs relating to interest payable on bank loans reduced by £0.1m year on year as the Group continues to repay borrowings taken out to facilitate the Suffolk Life acquisition in 2016. The debt continues to be repaid in line with scheduled terms and the covenants required by the bank in respect of this gearing are well covered.

Interest on the debt accrues at a rate of 1.75% over LIBOR.

The Group continues to take steps to improve its adjusted operating margin through a combination of revenue enhancements and operational efficiencies, balanced with the continued investment back into the business and the provision of a high quality service to our clients.

Non-Recurring costs

Non-recurring costs for the year can be broadly categorised into two core elements.

The senior management restructuring activities which have been signposted in our previous statements have now been completed with changes to both the Group's Executive Committee and the main Board. These changes leave the Group well placed to drive forward its strategic plans through both organic growth and targeted acquisition.

During the year ended 31 December 2019, the Group progressed its strategy to deliver its Target Operating Model by deciding to centralise commercial property administration within one office location. Redundancy costs associated with this decision as well as costs associated with duplicated staff efforts while work is transferred between offices have been included within non-recurring costs, totalling £696,000 in the year ended 31 December 2019. The Group expects further costs will be incurred associated with this transition, but not yet committed, of approximately £825,000 in the year ended 31 December 2020 recognisable as non-recurring costs.

Delivery of the Target Operating Model is ultimately seen as the main driver of operational efficiencies which are expected to be attainable once the broader investment in our IT infrastructure has been completed.

Suffolk Life Annuities

Part of the Suffolk Life Group of Companies, Suffolk Life Annuities Limited, is an insurance company that writes SIPP Products as insurance contracts. These are all non-participating investment contracts and so the Group does not bear any insurance risk. As the policyholder assets and liabilities are shown on the balance sheet of Suffolk Life Annuities Limited, these also show on the Group balance sheet on consolidation. Assets in the SIPPs administered by the rest of the Group are held in trust and not under insurance contracts and therefore do not need to be included on the balance sheet. As the policies are non-participating contracts, the client related assets and liabilities in Suffolk Life Annuities Limited match. In addition the revenues, expenses and investment returns of the non-participating investment contracts are shown in the consolidated statement of comprehensive income. Again, these income, expense items and investment returns due to the policyholders are completely matched. An illustrative balance sheet as at 31 December 2019 showing the financial position of the Group excluding the policyholder assets and liabilities is included as supplementary unaudited information after the notes to the financial statements. An illustrative cash flow on the same basis has also been provided.

Employee Benefit Trust ("EBT")

The EBT continues to be used to acquire shares in the Group in the open market to satisfy future vesting of options and long term incentive awards. The EBT is funded by loans from the Group. As at 31 December 2019, the EBT held 206,286 shares in Curtis Banks Group PLC (2018: 263,790). A number of options awarded under the Company's SAYE schemes vested during the year and awards were made from the shares held by the EBT.

The financial statements of the EBT are consolidated within the overall Group financial statements and

Chief Financial Officer's review

continued

these shares are shown on the balance sheet of the Group as Treasury Shares and are included within total equity.

Capital requirements

The Group's regulated subsidiary companies submit regular returns to the FCA and the PRA relating to their capital resources. At 31 December 2019 the total regulatory capital requirement across the Group was £12.5m (2018: £11.7m) and the Group had an aggregate surplus of £11.7m (2018: £9.0m) across all regulated entities. In addition to this it is Group internal policy for regulated companies within the Group to hold at least 130% of their required regulatory capital and this has been maintained throughout the year.

Two of the principal trading subsidiaries of the Group are regulated by the FCA and the relevant capital adequacy rules do not allow current year profits to contribute towards solvency requirements until such profits are audited or externally verified. Once profits for the year ended 31 December 2019 are taken into account the regulatory capital surplus at 31 December 2019 increases to £21.7m.

Financial Position

The Group increased net assets by 12% to £55.5m as at 31 December 2019 (2018: £49.7m), and increased shareholder cash reserves from £28.0m to £31.2m over the same period.

As at 31 December 2019, the Group had net shareholder cash (after debt) of £19.9m (2018: £13.6m).

The Group adopted the provisions of IFRS 16, accounting for leases, for the accounting period commencing 1 January 2019. The effect of this on our financial performance is not material although the impact on the Group's balance sheet has been to increase Non-current assets and Current/Non-current liabilities. It should be noted that our principal lenders exclude the impact of IFRS 16 when calculating our banking covenants. We have also received confirmation previously from the FCA that the provisions of IFRS 16 do not need to be taken into account in our regulatory capital calculations.

Outlook

The Group's profitability is not linked to market performance and therefore provides more visibility and less volatility of earnings. In 2020 we expect the combination of SIPP revenue growth and interest income to continue to add top line growth and we will maintain careful cost discipline whilst supporting our stated growth strategy.

Dan Cowland
Chief Financial Officer

17 March 2020

Principal risks and uncertainties

The risks faced by the Group have been fully assessed and a comprehensive risk register maintained and regularly reviewed and updated. Appropriate controls and mitigating actions have been agreed and are regularly monitored for the risks identified, with further actions identified and tracked through to completion where the level of residual risk remains above the target threshold set.

The principal risk categories that would adversely affect the activities of the Group are set out below.

1. Strategic risks

Strategic risks are those that are affected or created by the Group's business strategy and strategic objectives, including risks in relation to current and future acquisitions.

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

- Unanticipated litigation or claims against the Group, leading to increased costs to deal with and defend the claims along with the impact upon management time and focus.
- 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.
- The acquired businesses does not achieve the levels of profitability or earnings required to justify the investment made by the Group.

Mitigation

The Group Risk, Audit & Compliance Committee acts under a delegated authority from the Group Board to manage the Group's risks and ensure an appropriate framework is in place for the identification, assessment and management of material risks. Relevant Group governance committees will monitor and track progress made and potential impacts in relation to strategic objectives. The Group carries out thorough due diligence on all potential acquisitions using internal expertise and external resources where considered necessary. Appropriate warranties and indemnities are obtained from the vendors and where possible consideration is partly deferred to cover any potential issues arising from the acquisition. Where possible insurance cover is arranged to cover past events in businesses being acquired.

2. Regulatory risks

The Group operates in a highly regulated and specialist industry and therefore is susceptible to any significant regulatory or legislative policy changes from a variety of regulatory bodies, or a change in the way existing legislation or regulation is interpreted by a regulatory body. Any changes will influence the overall framework for the design, marketing and distribution of products, the acceptance and administration of business, and the regulatory capital that is required to be held.

The key risk here is interpretation by the Group of regulatory change and what the new rules entail. Judgements and decisions must be made to ensure change is implemented, however, apart from internal assessment and analysis and further external support obtained as required from legal professionals, trade bodies and others in the market, there will always be a small residual risk of misinterpretation of the intended or of existing rules. In addition, if unexpected regulatory changes are made at short notice, this could impact the capital and regulatory position of the group in the short term.

Mitigation

An internal buffer of at least 130% of required capital is maintained to ensure regulatory capital requirements can be maintained in the event of unexpected regulatory changes. A Group Regulatory Change Committee is in place, which is responsible for the initial identification and review of new regulatory publications applicable to the Group. The Group is also able to seek external advice as required to support the analysis and interpretation of regulatory change. This includes external accountancy and legal firms and the wider financial community via membership of trade bodies. Ongoing compliance monitoring and internal audit activity is undertaken to review processes, procedures and documentation to ensure this is in line with regulatory and legislative requirements and expectations.

3. Interest on client funds

The Group retains a margin on client cash by generating interest income in excess of a pre-determined percentage paid to clients. There is a risk that a change in prevailing interest rates or rates paid to clients may materially reduce the margins earned in respect of client monies held.

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

Mitigation

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

4. COVID-19

As of the date these financial statements were signed there remains significant uncertainty over how the current COVID-19 outbreak will unfold,

Principal risks and uncertainties

continued

and what government measures will be introduced. The main risks to the Group are considered to be staff welfare and maintaining continuity of service for our clients. All SIPP fees levied are fixed sterling charges and are not a percentage based charge on the value of the underlying assets held within the SIPP, so the Group is not directly affected by recent increased volatility in the financial markets arising from COVID-19.

Mitigation

The Group continually reviews guidance from the UK government and NHS and ensures staff are kept regularly updated and fully informed in order to reduce the risk of spreading the virus. The Group has a comprehensive Business Continuity Plan ("BCP") that is reviewed regularly and tested every calendar year. The last test was successfully conducted in October 2019, with involvement of senior staff including the CEO and COO. The BCP caters for a number of scenarios, including those where high numbers of staff or all staff are unable to access individual or multiple offices. Current actions already initiated under the BCP in relation to COVID-19 include:

- BCP team formed and meeting regularly to oversee progress of preparations
- Restrictions on non-essential business travel implemented
- Clear, regular guidance to staff in respect of their responsibilities and roles
- Additional hygiene and sanitiser stations installed in all offices
- Identifying and validating key process owners
- Preparatory steps towards widening remote access from core to all staff
- 'Warming' our disaster recovery site in preparation for deployment should the need arise

The Group is a financially sound business with capital and liquidity well in excess of minimum regulatory requirements.

5. Dependence on key executives and personnel

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

Mitigation

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

6. Reliance on Information Technology systems

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

Mitigation

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

7. Operational Risk and Internal control systems

Operational risk relates to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. 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

The Group has a clear and robust governance framework in place to manage and mitigate the risk faced by the business. Within this structure, the Group Operational Risk & Compliance Committee has responsibility for managing the operational risks faced by the business. This delegation of authority, along with escalation of key risks, provides clear oversight to the Group Risk, Audit & Compliance Committee and Senior Management of the key risks across the business. The low tolerance towards operational risk is embedded in the culture of the group, alongside

Principal risks and uncertainties

continued

the desire to ensure fair customer outcomes are achieved. A comprehensive risk register is maintained by the Group, which identifies a number of operational risks faced by the business and identifies the controls currently in place to mitigate these risks, along with any further actions required to reduce the level of risk to the agreed target level. Risk events are recorded and appropriate root cause analysis undertaken to identify and address potential systemic issues and a range of relevant management information is produced and regularly analysed to support the measurement and tracking of operational risk.

8. Infrastructure security

Infrastructure is considered in relation to both the environment for staff and the assets that store data. The business model is heavily reliant on the security and physical robustness of IT systems and the reliability of the chosen software providers. 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

The Group has an extremely low appetite toward any compromise to either the staff that utilise the infrastructure of the group and the actual infrastructure itself, as such these risks are closely monitored. 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. Key dependencies are regularly monitored and assessed to ensure mitigation procedures are in place should a major risk crystallise. There are also controls in place to mitigate the people risk to group infrastructure, including measures such as defining clear roles and responsibilities, succession planning for middle-level staff and ensuring competency for roles through ad-hoc relevant training.

9. Non Standard Investments ("NSIs")

Pension Schemes administered by the Group are permitted under HMRC rules to hold certain NSIs within them. Such investments are considered to represent a higher level of risk than standard investments, such as quoted equities. As high risk investments, NSIs are potentially far more volatile than standard investments and clients may look to the Group, as pension provider, for compensation in the event that a NSIs fails or suffers a significant decrease in value.

Mitigation

The proportion of the plans under administration of the Group that hold NSIs is small and full due diligence procedures are carried out on all NSI's before they are accepted into a pension scheme, this will also incorporate consideration of the circumstances of the individual looking to hold the NSI within their pension scheme. The Group has a clearly defined statement of allowable assets, setting out the categories of NSI which may be accepted, subject to completion of appropriate due diligence and those that will not be considered at all. New business is typically only accepted from regulated financial advisers, who have a duty to ensure that any NSIs that are recommended are suitable for the relevant pension scheme. Once held, NSIs are monitored annually by the Group's technical investments team to consider whether the NSI remains acceptable. In addition, the Group carries high levels of professional indemnity insurance to protect against any claims.

10. Commercial Property

The Group acts as landlord for a large volume of commercial properties held within Group pensions schemes. As the size of the commercial property portfolio has increased over time, the Group has been required to develop its systems and controls to meet the needs of the book as they arise, including understanding the key risks posed by becoming legal owner of the commercial property assets on behalf of its customers.

Mitigation

The Group regularly considers and assesses the key risks posed by the commercial property book, and these are monitored as part of Group Property Oversight Committee, acting under delegated authority. This, along with escalation of key risks, provides clear oversight to Senior Management of the key risks across the commercial property book. The Group has also sought external legal expertise to ensure the documentation, and underlying responsibilities in relation to a commercial property, are set out and clearly defined between the Group and other involved parties (tenant, customer, property manager etc.) to prevent future legal dispute. The nature of physical commercial property is that all risks that are known are considered, but the Group are aware that each commercial property is unique and there will exist some residual risks (such as legal, unexpected cost or market risk) that cannot be fully mitigated, and some will sit outside of the control or remit of the Group responsibilities. These have been accepted as an inherent risk to continuing to offer commercial property investment to customers, and is mitigated as far as possible through a robust due diligence process prior to

Principal risks and uncertainties

continued

accepting any property investment. Monitoring of the commercial property book is conducted on an ongoing basis to ensure there is minimal deterioration in the book, and to safeguard the interests of customer's investments.

11. Brexit

The UK has now left the EU but there remains a level of uncertainty as the transition period continues through to the end of 2020, while the UK and EU negotiate additional arrangements. The Group had 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 the Group is considered to be largely isolated from many of the issues which other financial institutions face, such as tariffs, passporting and currency risks.

The review assessed the impact of a disorderly exit from EU, which remains a possibility at the end of the transition period. This included consideration of the following:

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

Mitigation

Action has been taken to mitigate, to the fullest extent possible, the risks arising from a disorderly exit at the end of the transition period and the Group has concluded, based on the current understanding of the relevant legislation, provisions and intentions, that the risks have been mitigated as far as is reasonably possible. This is an area which continues to be closely monitored and the analysis refreshed to reflect ongoing developments.

Corporate and social responsibility

The Group is dedicated to ensuring an environment where collaboration and growth of all staff is seen as being part of the fabric of day to day office culture. The Group encourages celebration of success on both a corporate and personal level, and is actively addressing key areas of focus including its environmental/climate impact, employee engagement, staff training and equal opportunities. The Group has a CSR committee comprised of members from all locations and a variety of pay grades and some of the key activities for 2019 that both the committee and the wider Group have contributed to are highlighted below, with further initiatives planned for 2020 and beyond.

Environmental Focus

As a pension provider, we understand the need to think about the long-term, and are well aware that climate change impacts all of us. As such, any action that can be taken to reduce our impact should be considered. As a self-invested pension provider, we do not choose what investments our customers hold, but we can make changes to our own operations to reduce our corporate impact. Our target is to run our business in a sustainable way, and a number of initiatives led by both senior management, staff and the in-house Corporate Social Responsibility Team have been undertaken during 2019 which increased our recycling rate from 2018. These initiatives include:

- Providing recycle bins at multiple convenient locations throughout our offices
- Having bags available in all offices so staff can avoid single-use plastic bags at lunchtime
- Being part of the Walkers Crisp Recycle Scheme
- Recycling all electrical and lighting equipment
- Providing sweet wrapper bins in the kitchens
- Ensuring all of our Confidential Paper waste is recycled by our third party provider
- Being part of the Carbon Capture programme, where our paper usage is converted to plant trees
- Encouraging staff to take a paid day out of the office to work with a number of local charities on team building days that provide a positive impact on the environment

Sponsorships and partnerships with charities and community organisations

The Group actively encourages support of charities, community organisations and activities, with each office location supporting a local charity. In 2019 the Group supported three hospices; St Peters Hospice in Bristol, St Elizabeth Hospice in Ipswich and Archie's Foundation in Dundee. From 2020 to 2021 we will be supporting three new charities; The Teenage Cancer Trust, Lighthouse Ipswich and Wellbeing Works in Dundee. In 2019, the staff within the Group collectively raised a fantastic total of £14,200 to help these charities carry on their great work. As part of the 2019 efforts, Curtis Banks sponsored an element of the Twilight 5k run in Ipswich as well as the Elmer Parade, which included the sponsorship of one of the 150+ Elmer the Elephant statues located around the town.

To further the charity fundraising efforts, all offices regularly hold events for the chosen local charities, and staff are encouraged to fundraise for other charities that may have provided them, their friends or family with support. As well as organising and

In 2020 Curtis Banks is delighted to be sponsoring Victoria Evans of Sea Change Sport in her bid to break the world record for a female solo row crossing of the Atlantic

Corporate and social responsibility

continued

funding the events, Curtis Banks also gives further support through a matching contribution to the relevant charity.

In 2020 Curtis Banks is delighted to be sponsoring Victoria Evans of Sea Change Sport in her bid to break the world record for a female solo row crossing of the Atlantic. Victoria is taking on this phenomenal challenge to raise funds and awareness for Women in Sport. This charity resonates with Victoria's experiences in early life and the transformational impact that involvement in sport gave her.

Women in Sport was founded in 1984, with the goal of giving every woman and girl in the UK the opportunity to experience the transformational rewards of sport. They believe that women and girls are missing out on the lifelong benefits of sport, and their vision is a society where women and men have equal opportunities. They are the only organisation in the UK that researches sport purely from the perspective of women and girls.

Further details are available at seachangesport.com and womeninsport.org.

Staff initiatives and interaction

Management engage closely with staff to determine their needs, and initiatives are implemented where these benefit the majority of employees. The Group Management Team, which supports the Executive Committee and Group Board, have implemented a number of initiatives for all levels of staff, and continue to interact with and listen to feedback from staff to ensure Curtis Banks is seen as a forward-thinking and flexible employer. Newsletters containing information about both Group developments and social events are provided to employees on a regular basis, and personal achievements from staff are actively shared, such as exam successes, promotions or completion of personal challenges such as marathons or other competitive events. The Group has an established Employee Forum which supports staff in matters of concern and can assist in communications and matters with senior management. The business provides a Save As You Earn share option scheme for the benefit of all employees to encourage active participation and vested interest in the continued success of the Group.

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, and are given study leave to help and motivate them to progress their career within the organisation.

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 business.

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. Curtis Banks 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 we provide a fully inclusive culture with company policies and practice that exceed statutory requirements wherever possible.

On behalf of the board

Dan Cowland
Chief Financial Officer

17 March 2020

Board of Directors

Will Self

Chief Executive Officer

Will joined the Board in August 2016 and has over 18 years of experience in the SIPP and SSAS industry. Will was CEO of the Suffolk Life Group prior to acquisition by Curtis Banks Group PLC. Prior to that Will was Chief Commercial Officer of the Digital Savings Division (including Cofunds) of L&G and holds an MBA from Cranfield School of Management.

Dan Cowland

Chief Financial Officer

Dan is a Fellow of the ICAEW, having qualified as a Chartered Accountant with Ernst & Young in 1997. Having worked in EY's Banking and Capital Markets group, Dan moved to the WestLB owned Panmure Gordon business where he spent seven years in various finance roles, latterly as the Head of Finance. Dan performed senior finance roles at Lehman Brothers, Macquarie Bank and Shore Capital Stockbrokers before being appointed to the Board of WH Ireland plc in March 2014 as Finance Director. Dan joined Curtis Banks in July 2019 as the Group's Chief Financial Officer.

Jane Ridgley

Chief Operating Officer

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

Chris Macdonald,

Non-Executive Chairman and Non-Executive Director

Chris was one of the founders of Brooks Macdonald Group plc where he was CEO until 2017. He is a qualified investment manager and has worked in investment management and financial services since the start of his career in 1982 and has won several investment management awards. Chris is Chairman of Catley Lakeman Ltd, a Director of Millfield and is an adviser to a number of financial services companies and is an associate of the Institute of Continuing Professional Development. Chris brings experience of involvement with an AIM listed company for many years and knowledge of the challenges and responsibilities towards all stakeholders attached to being a listed company as well as bringing financial services industry experience to the Group.

Board of Directors

continued

Bill Rattray

Non-Executive Director, Chairman of the Audit Committee and Chairman of the Risk & Compliance Committee

Until 2019, Bill was Chief Financial Officer of Standard Life Aberdeen plc, one of the world's largest investment companies, having previously served as Finance Director of Aberdeen Asset Management PLC since 1991. Bill is a Chartered Accountant and brings strong financial skills and extensive experience of the asset management industry, having spent significant time as an executive director of a FTSE 100 company Bill brings a depth of experience in dealing with shareholders and looking after their interests.

Jules Hydleman

Non-Executive Director and Chairman of the Remuneration Committee

Jules has over 16 years' experience as a Non-Executive Director and Chairman. Currently he holds Chairmanships of Equip Holdings Limited, Gro-group International Limited and Cornwall Farmers Co-operative. Previously Jules was Chairman of Innocent Drinks for 10 years from start up until eventual exit. Jules brings to the Board a 'non-industry' outlook to the activities of the Group and with a background in sales and marketing this provides valuable input. Jules also provides experience that focuses on remuneration policies based on performance and targets.

Directors' Report

The directors present their annual report and audited consolidated financial statements for the year ended 31 December 2019.

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).

An indication of likely future developments in the business, corporate and social responsibility, and risk management of the Group is included in the Strategic Report. Information on financial risk management is disclosed within note 31 to the financial statements.

Results and dividends

The consolidated statement of comprehensive income for the year is set out on page 35.

A final dividend in respect of 2018 results of 6.00p per share totalling £3,212,000 was proposed and paid on 23 May 2019. An interim dividend in respect of 2019 results of 2.50p per share totalling £1,350,000 was paid on 14 November 2019. A final dividend of 6.50p per share is proposed and, if approved, will be paid to shareholders on the register at the close of business on 1 May 2020. The shares will be marked ex-dividend on 30 April 2020 and the dividend paid on 8 June 2020.

Substantial Shareholders

At 1st March 2020 the Company had been notified of the following interests (excluding directors still serving at year end) representing 3% or more of its issued share capital:

	No. of Ordinary shares	Percentage Holding
Chris Banks	14,651,142	27.06%
Liontrust Asset Management	6,566,212	12.13%
BlackRock Investment Management	4,787,653	8.84%
Paul Tarran	3,328,228	6.15%
Canaccord Genuity Wealth Management	3,190,703	5.89%
Rupert Curtis	2,874,084	5.31%
Sally Curtis	2,336,000	4.31%
Chelverton Asset Management	1,750,000	3.23%

Directors

The following directors have held office since 1 January 2019 and up to the date on which the financial statements were signed:

Will Self	
Jane Ridgley	(Appointed 18 January 2019)
Dan Cowland	(Appointed 5 September 2019)
Paul Tarran	(*Resigned 30 September 2019*)
Chris Macdonald	
Bill Rattray	
Jules Hydleman	

Directors will seek re-election annually at the Company's annual general meeting.

Directors' indemnity

The directors had qualifying indemnity cover totalling £10,000,000 during the year ended 31 December 2019 and up to the date these financial statements have been approved.

Related party transactions

Details of related party transactions are given in note 33.

Annual General Meeting

The annual general meeting of the Company will be held on 4 June 2020. The Notice of the Meeting is included with this document and contains further information on the business to be proposed at the meeting.

Independent Auditors

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

Going concern

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

Directors' Report

continued

Section 172 of the Companies Act 2006

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of a company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

Risk Management

The Group provides important products to its clients in a regulated environment. As the Group grows, its business and risk environment will become more complex. It is vital therefore that the directors identify, evaluate, manage and mitigate the risks the Group faces, and that directors continue to evolve their approach to risk management. For details of the Group's principal risks and uncertainties and how the directors mitigate them please see pages 9-12.

Our People

The Group is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, clients, community and society as a whole. People are at the heart of our Group and, for our business to succeed, we need to develop them and manage their performance, while operating as efficiently as possible. We must ensure that we share common values that inform and guide our behaviour so we achieve our goals in the right way. For further details please see details on our people on page 5 and page 14.

Business Relationships

The Group's strategy includes organic growth, acquisition and diversification. To achieve this the Group develops and maintains strong client and supplier relationships. Culture, values and standards underpin how the Group creates and sustains value over the longer term and are key elements of how it maintains a reputation for high standards of business conduct. Please see the Group's corporate governance principles on page 20.

Community and Environment

The Group is dedicated to ensuring an environment where collaboration and growth of all staff is seen as being part of the fabric of day to day office culture. Also, the Group encourages that any action that can be taken to reduce its impact on the environment should be considered. Please see more details of this on page 13.

Shareholders

The Board is committed to openly engaging with the Group's shareholders, as it recognises the importance of a continuing effective dialogue, whether with major institutional investors or with individual shareholders, brokers or analysts. It is important to us that shareholders understand the Group's strategy and objectives, so these must be explained clearly, feedback heard and any issues or questions raised properly considered. For further details on how we engage with our shareholders please see page 22.

Statement of directors' responsibilities

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

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

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

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

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

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

Directors' confirmations

The directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Directors' Report

continued

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

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

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

On behalf of the board

Dan Cowland
Director

17 March 2020

Chairman's corporate governance report

Introduction

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

Corporate governance principles

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

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

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

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

As Chairman of Curtis Banks Group PLC, it is my responsibility to lead the Board in ensuring that the Group has in place good standards of corporate governance. The Board believes that the QCA Code is the most appropriate corporate governance code for the Group, given the size of our business, and will ensure the Group maintains good corporate governance practices while allowing the business to continue its entrepreneurial culture. The Board works together to ensure that these corporate governance standards are adhered to and the below sets out how they are practically implemented.

The Board

The Board comprises three Executive directors and three Non-Executive Directors. Details of the directors and their strengths and experience are set out on pages 15 and 16 of this Report.

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

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

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

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

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

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

Both Chris Macdonald and Bill Rattray have been Executive Directors of UK publicly listed companies

Chairman's corporate governance report

continued

and maintain their skill sets through those connections. In addition, Non-Executive Directors receive external training where appropriate.

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

The Board regularly consult and meet with both internal and external auditors to the Company at quarterly Audit Committee meetings.

Executive Directors maintain their skill set though day to day interaction with the industry and periodic training, both internal and external.

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

The internal advisory responsibilities of the Company Secretary are currently performed by the Chief Financial Officer for the Group.

The Chief Executive Officer currently conducts annual performance appraisals of the other Executive Directors that report to him. This is also supported by regular 1:1 meetings between the Executives.

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

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

Audit Committee

The primary focus of the Audit Committee is on corporate reporting, from an external perspective, and on monitoring the Group's internal control and risk management systems from an internal perspective. The Audit Committee is chaired by Bill Rattray with Chris Macdonald and Jules Hydleman as the other members. Further details on the committee's responsibilities and activities are on page 23 of the annual report.

Remuneration Committee:

The primary function of the Remuneration Committee is to determine, on behalf of the Board, the remuneration packages of the Executive Directors and the bonus and share option schemes to be offered to employees. The Remuneration Committee is chaired by Jules Hydleman with Bill Rattray and Chris Macdonald as the other members. Further details on the committee are on pages 24 to 25 of the annual report.

Risk & Compliance Committee:

The primary function of the Risk & Compliance Committee is to consider the Group's appetite for risk, to review and monitor the risk process undertaken by the Group and adherence to the risk profile and monitor procedures for identifying and controlling risk. The Risk and Compliance Committee has been chaired by Bill Rattray since 9 September 2019; Chris Macdonald (who chaired the committee until 27 August 2019) with Jules Hydleman as the other member. Further details on the committee's responsibilities and activities are on pages 23 to 24 of the annual report.

The terms of reference for the Audit, Remuneration and Risk & Compliance Committees can be found in the "Investors" section of the Group website at www.curtisbanks.co.uk.

Attendance at the four scheduled Board and committee meetings in the year ended 31 December 2019 is set out in the table below:

Executive directors	Board Meeting	Audit	Remuneration	Risk & Compliance
Will Self	4	4	4	4
Jane Ridgley	4	4	4	4
Paul Tarran	3	3	3	3
Dan Cowland	2	2	2	2
Non-Executive directors				
Chris Macdonald	4	4	4	4
Bill Rattray	4	4	4	4
Jules Hydleman	4	4	4	4

Board Evaluation

Board effectiveness as a whole is evaluated annually by means of formal questionnaire completed by each Director followed by collective discussions on the results and evaluation of the effectiveness of the Board. The latest evaluation was undertaken in the second half of 2019 and the results of the review confirmed consistent responses among the participants and no formal recommendations were put forward as a consequence.

The Chief Executive Officer conducts annual performance appraisals of the other Executive Directors that report to him. This is also supported by regular 1:1 meetings between the Executives.

Chairman's corporate governance report

continued

Relationships with shareholders

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

Following the formal interim and annual results presentations, the Board receive copies of feedback reports keeping them in touch with shareholder views.

Camarco LLP provide investor public relations to the Group with Peel Hunt LLP and N+1 Singer LLP acting as joint brokers.

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

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

Copies of our annual report, the annual general meeting notice and the interim report are sent to all shareholders and copies can be downloaded from the Investors section of our website. They are also available on request by writing to the Company Secretary at 3 Temple Quay, Bristol, BS1 6DZ.

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

Compliance with legislation

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

Approved on behalf of the Board

Chris Macdonald
Chairman
17 March 2020

Corporate governance

Audit Committee Report

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

The key duties of the Committee are:

a) To monitor the integrity of the financial statements of the Group, including its annual and half yearly reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain;

b) To keep under review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems;

c) To review the adequacy and security of the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;

d) Meet regularly with the external auditors, including once at the planning stage before the audit and once after the audit at the reporting stage to discuss their remit and any issues arising from the audit. In addition, the Committee will review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team. The Committee will also agree the level of audit fee;

e) Evaluation of the external auditor's qualifications, performance, objectivity and independence, including consideration of the where other audit services are provided, and recommendation of appointment of the external auditor to the annual general meeting of shareholders.

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

a) Review of financial statements for the Group for the year ended 31 December 2018 and receiving the external auditors audit report thereon and considering the key accounting considerations and judgments attaching to those financial statements;

b) Consideration and approval of the plan for the interim review by the external auditor on the interim financial statements for the six month period to 30 June 2019;

c) Review of financial statements for the Group for the six month period ended 30 June 2019 and receiving the external auditors review report thereon and considering the key accounting considerations and judgments attaching to those financial statements;

d) Consideration and approval of the year the audit plan for the year ended 31 December 2019 and confirmation of key audit matters;

e) Consideration of the effect of the adoption and implementation of new accounting standards that would affect the Group in the year ended 31 December 2019;

f) Review of three internal audit reports produced by KPMG in their role as internal auditors to the Group and consideration of actions to be taken on matters arising from those reports;

g) Consideration of the Internal Audit plan prepared by KPMG for the year ending 31 December 2020 and agreement of matters to be covered in those reports.

Risk and Compliance Committee Report

The Risk and Compliance 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 consider the Group's appetite for risk, in particular review and monitor the process undertaken by the Group to set and adhere to the Group's current risk profile;

b) To ensure that Group has in place procedures and mechanisms for the identification and control of all fundamental risks including financial, legal, regulatory and operational risks;

c) In relation to proposed strategic transactions including acquisitions, disposals or joint ventures and significant new business streams, products or business partners, ensure that due diligence of the proposition has been carried out, in particular on the risk aspects and implications for the Group's risk appetite alongside the commercial and legal aspects;

d) To ensure that the Group has in place sufficient regulatory capital.

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

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

Specific matters discussed at those meetings included:

a) Review and consideration of Compliance Reviews and Compliance Strategy reports for the Group;

b) Consideration of Risk appetite throughout the Group;

Corporate governance

continued

c) Consideration of the corporate governance code to be adopted by the Group and conclusion as to the QCA Code being the most appropriate code for the Group;

d) Review of the Group Risk Register and individual risks within each area of the business. This register summarises the key risks for the business, their likely impact and relevant mitigation actions;

e) Consideration of an updated Share Dealing policy;

f) Review and acceptance of Own Risk and Solvency Assessments for Suffolk Life Annuities Limited.

Remuneration Committee Report

The Remuneration Committee is chaired by Jules 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;

b) In determining such policy, to take into account all factors which it deems necessary including relevant legal and regulatory requirements and the provisions and recommendations of the Corporate Governance Guidelines for Small and Mid-Size Quoted Companies published by the Quoted Companies Alliance (QCA Code) and other relevant guidance;

c) To review the on-going appropriateness and relevance of the overall remuneration policies in the Group. To approve the design of, and determine targets for, any performance related pay schemes operated by the Group and approve the total annual payments made under such schemes;

d) To review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors, Company Secretary and other senior executives and the performance targets to be used;

e) Within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive Officer as appropriate, to determine the total individual remuneration package of the Chairman, each Executive Director, the Company Secretary and other senior executives including bonuses, incentive payments and share options or other share awards;

f) To obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity;

g) It is the policy of the Committee that all appointments in the Group with a remuneration package of in excess of £100,000 be reviewed and approved by the Committee. Any changes to existing employees with such packages are also reviewed and approved by the Committee.

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

Specific matters discussed at those meetings included:

a) Annual salary reviews for all Executive Directors and senior management and approval of parameters for overall annual staff salary annual reviews;

b) Agreement of Bonus awards in respect of the year ended 31 December 2018;

c) Proposals and agreement to a further offering in 2019 to all staff of the "Save As You Earn" Share Scheme;

d) Consideration and agreement of remuneration packages for new key Executives joining the Group during the year;

e) Consideration of the funding of the Employee Benefit Trust and the use of the Trust for satisfying options exercised;

f) Consideration and agreement of the Executive bonus schemes with performance targets for 2019 for Executive directors and senior staff and approval of the parameters for the 2019 staff bonus scheme;

g) Consideration and agreement of bonus scheme for the sales and distribution team.

The Committee continues to evaluate other incentive based share option schemes for all employees and Directors and additional grants under the existing schemes.

Remuneration Policy

It is the policy of the Remuneration Committee to reward Executive Directors with packages that will retain, incentivise and motivate them. 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;

c) Benefits in kind comprising principally life assurance and travel allowance;

d) Performance based annual bonus;

e) Award of shares under Long Term Incentive Plans.

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

Corporate governance

continued

bonus entitlement over certain monetary limits is deferred for a period of two years and malus provisions apply.

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

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

Service Agreements and Notice periods for Executive directors

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

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

Non-Executive Directors

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

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

Director	Date of Service Agreements	Notice Period by Company	Notice Period by Director
Executive:			
Will Self	30 August 2016	12 months	12 months
Jane Ridgley	18 January 2019	12 months	12 months
Dan Cowland	8 July 2019	12 months	12 months
Non-Executive:			
Chris Macdonald	2 April 2015	3 months	3 months
Bill Rattray	2 April 2015	3 months	3 months
Jules Hydleman	2 April 2015	3 months	3 months

Directors' remuneration report

Directors' remuneration

Director	Basic salary and fees	Bonus	Pension contributions	Benefits	Total emoluments 2019 £	Total emoluments 2018 £
Will Self	268,738	160,000	8,907	7,336	444,981	381,858
Jane Ridgley*	180,000	117,000	13,050	7,069	317,119	–
Dan Cowland**	100,180	65,000	4,859	6,000	176,039	–
Rupert Curtis***	–	–	–	–	–	390,267
Paul Tarran****	219,986	65,000	15,949	8,569	309,504	298,382
Chris Macdonald	101,667	–	–	–	101,667	100,000
Bill Rattray	50,833	–	–	–	50,833	50,000
Jules Hydleman	51,000	–	–	–	51,000	50,000
Total	**972,404**	**407,000**	**42,765**	**28,974**	**1,451,143**	**1,270,507**

* appointed 18 January 2019.
** appointed 5 September 2019.
*** resigned 31 December 2018.
**** resigned 30 September 2019.

Directors' shareholdings

As at 31 December 2019, the interest of the Directors in the issued shares of the Company, as shown in its register maintained under section 809 (2) and (3) of the Companies Act 2006 were:

Director	2019 No.	2019 %	2018 No.	2018 %
Will Self	–	–	–	–
Jane Ridgley	–	–	–	–
Dan Cowland	–	–	–	–
Chris Macdonald	7,894	0.01	7,894	0.01
Bill Rattray	7,894	0.01	7,894	0.01
Jules Hydleman	37,890	0.07	46,548	0.09

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

Director	Date of grant	Number of shares under option at 31 December 2018	Granted during the year	Number of shares under option at 31 December 2019	Exercise price	Exercise date
Will Self	26 October 2017	73,043	–	73,043	0p	26 October 2020
Will Self	5 October 2018	55,559	–	55,559	0p	5 October 2021
Jane Ridgley	26 October 2017	17,391	–	17,391	0p	26 October 2020
Jane Ridgley	18 September 2018	21,951	–	21,951	0p	18 September 2021
		167,944	**–**	**167,944**		

Directors' remuneration report

continued

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

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

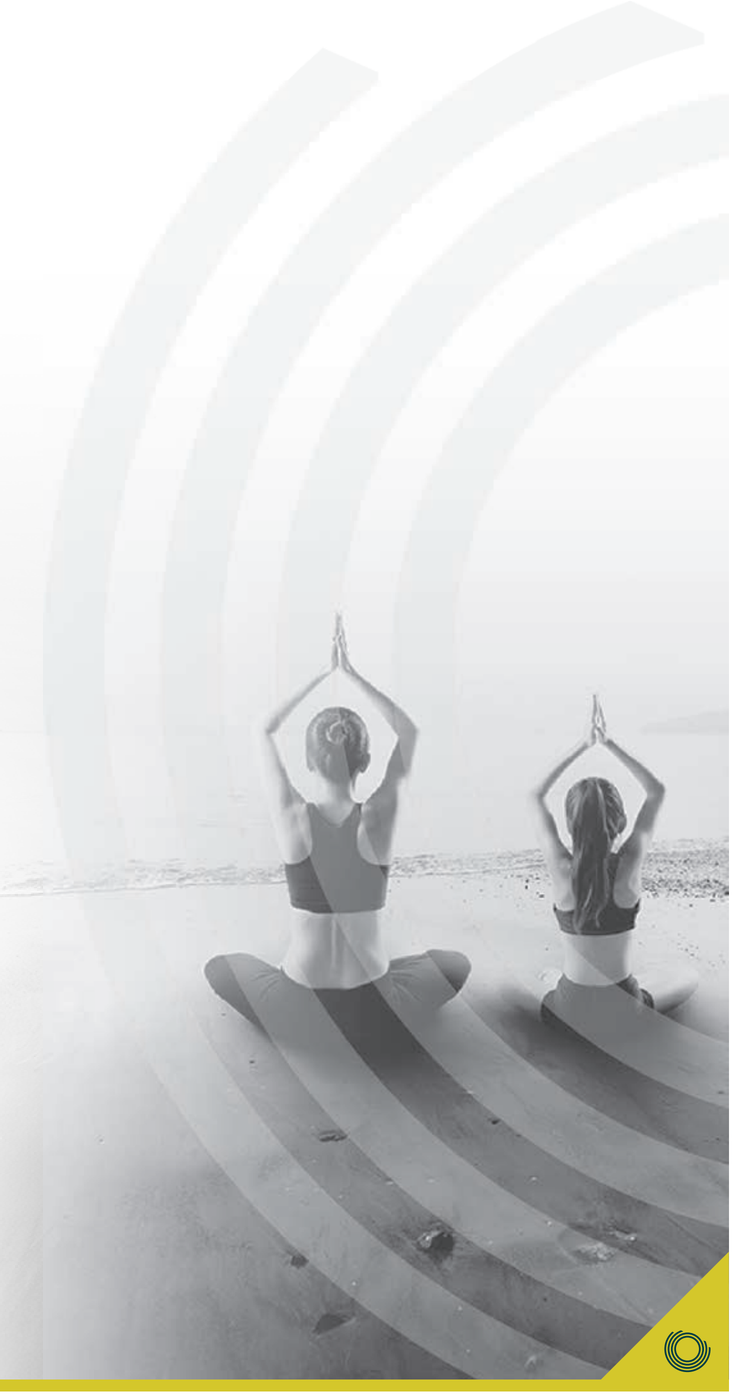
Further information about the CSOP and LTIP share option schemes are contained within note 26.

Group Remuneration

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

Jules Hydleman
Chairman of the Remuneration Committee
17 March 2020

CONSOLIDATED FINANCIAL STATEMENTS



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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2019; the consolidated statement of comprehensive income, the consolidated and company statements of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Our audit approach

Context

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

Overview

- Overall group materiality: £668,000 (2018: £607,000), based on 5% of adjusted profit before tax, amortisation and non-recurring costs.
- Overall company materiality: £493,000 (2018: £458,000), based on 1% of net assets.

- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment, the financial significance of components and other qualitative factors including history of misstatement through fraud or error.
- We concluded that the three principal trading entities (Curtis Banks Limited, Suffolk Life Pensions Limited and Suffolk Life Annuities Limited) and the group holding company (Curtis Banks Group PLC) to be significant components for the group audit and as such we performed audit procedures on each of these components.

- Carrying value of goodwill and client portfolios (Group).
- Carrying value of investment in the Suffolk Life Group (Company).
- Provisioning and contingent liability disclosure (Group).

The scope of our audit

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill and client portfolios (Group) The Group financial statements include intangible assets arising from the acquisition of Suffolk Life Group Limited during 2016 and the acquisitions of client portfolios. The total carrying value of intangible assets as of the year-end amount to £43.4m within the consolidated Group accounts. An impairment loss is recognised if the carrying value of an asset is less than its recoverable value. The recoverable amount is determined by estimating the present value of future cash flows that are expected to be derived from the assets. Management consider the fair value of the intangible assets to be its value in use. We consider the primary risk, in respect of determining an appropriate carrying value for intangibles, is in relation to the assumptions adopted by management as part of their impairment assessments. Refer to note 3, page 50 (Critical accounting judgements and key sources of estimation uncertainty); page 46 (Accounting policies); and page 55 (Note 12 to the financial statements).	The audit procedures we have performed to address this key audit matter are as follows: - We assessed the key assumptions which management have adopted in their impairment assessment. This included: • the relevant future expected cashflows from the business that are used to support the carrying value of client portfolios and goodwill; • the revenue and margin forecasts for each of the customer books; • the discount rate and attrition assumption used in these calculations; and • the period over which the client portfolio is amortised. - We performed a sensitivity analysis over the assumptions used; and - We assessed management's forecasting ability by comparing previous forecasts to actual past performance. From our work carried out we found that the assumptions used were supported by the evidence we obtained and accordingly that the carrying value of intangible assets was supported.

Key audit matter	How our audit addressed the key audit matter
Carrying value of investment in the Suffolk Life Group (Company) The Company financial statements include an investment in Suffolk Life Group Limited (SLG). This investment is held at cost and must be impaired if the recoverable amount falls below this value. The assumptions used in the impairment assessment can be subjective, in particular, the assessment is sensitive to changes in forecast net cash flows and the discount rate used. Refer to page 47 (Accounting policies) and page 58 (Note 15 to the financial statements).	The audit procedures we have performed to address this key audit matter are as follows: - We compared the carrying value of investment in SLG and noted that it was lower than the net assets of the subsidiary balance sheet; - We then considered whether the future forecast net cash flows arising within the trading entities held by SLG are sufficient to support the carrying value of the investment, when taken together with its net assets at the balance sheet date; and - We considered the discount rate assumption used in these calculations is appropriate. From our work carried out we found that the assumptions used were supported by the evidence we obtained and no impairment to the carrying value was warranted.
Provisioning and contingent liability disclosure (Group) In the prior year management identified deficiencies relating to the administration of a certain population of properties held within SIPPs administered by the Group. Subsequently, management have completed its review of the data records relating to these properties. Management have used the data obtained as part of this review to estimate the potential financial effect on the Group as at 31 December 2019. A provision of £0.5m was recognised as of 31 December 2018 of which £0.25m that has been utilised during the year. A contingent liability in respect of indirect costs that the Group may possibly be exposed to in the future has also been disclosed with a current best estimate of £2.3m. (2018: £1.5m). There is an inherent degree of uncertainty in relation to the best estimate quantification of the contingent liability with potential significant variations in the possible liabilities payable to rectify individual SIPP positions. Refer to page 48, (Accounting policies); and Note 34, page 75 (Contingent liabilities).	The audit procedure we have performed to address this key audit matter in relation to the provision held, is as follows: - We have considered whether the level of provision held was appropriate in relation to the probable risks identified. Based on the work we have performed, we consider the provision held to be reasonable. In relation to the contingent liability disclosed, we performed the following audit procedures: - We considered whether a contingent liability best reflected the current level of risk, being less than probable but more than remote, or if a provision should to be recorded. - We considered relevant historical experience within the Group and reviewed external advice in relation to this matter to inform our own assessment of contingent liabilities and concluded that the disclosure as a contingent liability was appropriate. To test the disclosure of the contingent liability within the notes, we performed the following audit procedures; - We understood and evaluated the process and controls management have in place to assess and quantify an appropriate contingent liability. - We tested management's process to support the quantification of the contingent liability, and to inform our understanding of the inherent uncertainties. To do this we performed substantive testing over the data inputs considered by management to estimate the contingent liability.

Key audit matter	How our audit addressed the key audit matter
	- We performed substantive procedures over completeness and accuracy of the key reports used by management to assess the contingent liability. - We obtained and re-performed management's calculation of their best estimate of the contingent liability. - We assessed the appropriateness of the key assumptions used within the calculations. - We performed independent sensitivity analysis over the key assumptions. As described in the notes to the financial statements, there are inherent uncertainties within both these amounts. Based on the work we have performed, we consider the decision to reflect wider possible risks as a contingent liability appropriate and the level and nature of disclosures around this matter to be fair and balanced.

How we tailored the audit scope

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

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

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

Materiality

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

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

	Group financial statements	*Company financial statements*
Overall materiality	£668,000 (2018: £607,000).	£493,000 (2018: £458,000).
How we determined it	5% of adjusted profit before tax, amortisation and non-recurring costs.	1% of net assets.
Rationale for benchmark applied	We have selected this benchmark because it is considered to be a key performance indicator of the group by the Directors and to be a reflection of the underlying performance of the trading business.	We consider the net assets of the Company to be an appropriate benchmark as the entity is principally a holding company and does not itself trade. Profit measures are therefore less relevant to the financial reporting for this entity.

We have applied a higher materiality of £36m (2018: £35m), based on 1% of total policyholder assets solely for the purpose of identifying and evaluating the effect of misstatements that are likely only to lead to a reclassification between line items within assets and liabilities.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £108,000 and £635,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £33,000 (Group audit) (2018: £32,000) and £25,000 (Company audit) (2018: £23,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 18, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

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

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

We have no exceptions to report arising from this responsibility.

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

17 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

Group	Notes	Year ended 31 December 2019 Before amortisation and non-recurring costs £'000	Amortisation and non-recurring costs £'000	Total £'000	Year ended 31 December 2018 Before amortisation and non-recurring costs £'000	Amortisation and non-recurring costs £'000	Total £'000
Operating revenue		48,949	–	48,949	46,125	–	46,125
Policyholder investment returns	21	365,815	–	365,815	41,677	–	41,677
Revenue	**4**	**414,764**	**–**	**414,764**	**87,802**	**–**	**87,802**
Administrative expenses		(35,218)	–	(35,218)	(33,637)	–	(33,637)
Non-participating investment contract expenses	21	(33,943)	–	(33,943)	(34,477)	–	(34,477)
Changes in provisions: Non-participating investment contract liabilities		(331,872)	–	(331,872)	(7,200)	–	(7,200)
Policyholder total expenses		(365,815)	–	(365,815)	(41,677)	–	(41,677)
Operating profit before amortisation and non-recurring costs		**13,731**	**–**	**13,731**	**12,488**	**–**	**12,488**
Non-recurring costs	6	–	(1,091)	(1,091)	–	(748)	(748)
Amortisation	5	–	(1,379)	(1,379)	–	(1,268)	(1,268)
Operating profit		**13,731**	**(2,470)**	**11,261**	**12,488**	**(2,016)**	**10,472**
Finance income	9	145	–	145	116	–	116
Finance costs	8	(523)	–	(523)	(467)	–	(467)
Profit before tax		**13,353**	**(2,470)**	**10,883**	**12,137**	**(2,016)**	**10,121**
Taxation	10	(2,502)	469	(2,033)	(2,294)	383	(1,911)
Total comprehensive income for the year		**10,851**	**(2,001)**	**8,850**	**9,843**	**(1,633)**	**8,210**
Attributable to:							
Equity holders of the company				8,850			8,204
Non-controlling interests				–			6
				8,850			8,210
Earnings per ordinary share on net profit							
Basic (pence)	**11**			**16.49**			**15.30**
Diluted (pence)*	11			15.85			14.71

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

*Adjusted to exclude anti-dilutive options, see note 11 to the financial statements for further detail.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

Group	Notes	As at 31 Dec 19 £'000	As at 31 Dec 18 £'000
ASSETS			
Non-current assets			
Intangible assets	12	43,427	44,110
Investment property	13	1,265,784	1,274,452
Property, plant and equipment	14	6,195	1,216
Investments	15	1,994,197	1,813,057
Deferred tax asset	22	911	595
		3,310,514	3,133,430
Current assets			
Trade and other receivables	17	19,915	18,055
Cash and cash equivalents	18	421,547	431,576
Current tax asset		446	243
		441,908	449,874
Total assets		3,752,422	3,583,304
LIABILITIES			
Current liabilities			
Trade and other payables	19	15,608	15,204
Deferred income		26,192	24,601
Borrowings	20	28,215	30,005
Lease liabilities		719	—
Provisions	23	553	500
Deferred consideration		214	255
Current tax liability		738	991
		72,239	71,556
Non-current liabilities			
Borrowings	20	48,911	56,525
Lease liabilities		3,915	—
Deferred consideration		—	125
Non-participating investment contract liabilities	21	3,571,904	3,405,428
		3,624,730	3,462,078
Total liabilities		3,696,969	3,533,634
Net assets		**55,453**	**49,670**
Equity attributable to owners of the parent			
Issued capital	24	271	269
Share premium	25	33,659	33,451
Equity share based payments	25	2,313	1,357
Treasury shares	25	(534)	(716)
Retained earnings	25	19,730	15,295
		55,439	49,656
Non-controlling interest	27	14	14
Total equity		**55,453**	**49,670**

The financial statements on pages 35 to 78 were approved by the Board of Directors and authorised for issue on 17 March 2020.

Dan Cowland
Chief Financial Officer

Company Registration No. 07934492

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

Company	Notes	As at 31 Dec 19 £'000	As at 31 Dec 18 £'000
ASSETS			
Non-current assets			
Investments	15	59,396	58,440
		59,396	58,440
Current assets			
Trade and other receivables	17	78	52
Cash and cash equivalents	18	1,330	1,967
Current tax asset		243	81
		1,651	2,100
Total assets		61,047	60,540
LIABILITIES			
Current liabilities			
Trade and other payables	19	322	220
Borrowings	20	3,156	3,158
		3,478	3,378
Non-current liabilities			
Borrowings	20	8,274	11,396
		8,274	11,396
Total liabilities		11,752	14,774
Net assets		**49,295**	**45,766**
Equity attributable to owners of the parent			
Issued capital	24	271	269
Share premium	25	33,659	33,451
Equity share based payments	25	2,313	1,357
Retained earnings	25	13,052	10,689
Total equity		**49,295**	**45,766**

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The Company's profit after tax for the year was £6,922,000 (2018: £6,937,000).

The financial statements on pages 35 to 78 were approved by the Board of Directors and authorised for issue on 17 March 2020.

Dan Cowland
Chief Financial Officer

Company Registration No. 07934492

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Issued capital £'000	Share premium £'000	Equity share based payments £'000	Treasury shares £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2018	269	33,451	731	(250)	10,403	44,604	14	44,618
Total comprehensive income for the year	–	–	–	–	8,204	8,204	6	8,210
Share based payments	–	–	626	–	–	626	–	626
Ordinary shares bought and sold by EBT	–	–	–	(466)	–	(466)	–	(466)
Deferred tax on share based payments	–	–	–	–	310	310	–	310
Ordinary dividends declared and paid	–	–	–	–	(3,622)	(3,622)	(6)	(3,628)
At 31 December 2018	269	33,451	1,357	(716)	15,295	49,656	14	49,670
Total comprehensive income for the year	–	–	–	–	8,850	8,850	–	8,850
Share based payments	–	–	956	–	–	956	–	956
Ordinary shares bought and sold by EBT	–	–	–	182	–	182	–	182
Ordinary shares issued	2	208	–	–	–	210	–	210
Deferred tax on share based payments	–	–	–	–	147	147	–	147
Ordinary dividends declared and paid	–	–	–	–	(4,562)	(4,562)	–	(4,562)
At 31 December 2019	**271**	**33,659**	**2,313**	**(534)**	**19,730**	**55,439**	**14**	**55,453**

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 2018	269	33,451	731	7,374	41,825
Total comprehensive income for the year	—	—	—	6,937	6,937
Share based payments	—	—	626	—	626
Ordinary dividends declared and paid	—	—	—	(3,622)	(3,622)
At 31 December 2018	269	33,451	1,357	10,689	45,766
Total comprehensive income for the year	—	—	—	6,925	6,925
Share based payments	—	—	956	—	956
Ordinary shares issued	2	208	—	—	210
Ordinary dividends declared and paid	—	—	—	(4,562)	(4,562)
At 31 December 2019	271	33,659	2,313	13,052	49,295

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

Group	Year ended 31 December 2019 £'000	2018 As restated* £'000
Cash flows from operating activities		
Profit before tax	10,883	10,121
Adjustments for:		
Depreciation	1,321	596
Amortisation and impairments	1,379	1,268
Interest expense	523	467
Share based payment expense	956	626
Fair value (gains)/losses on financial investments	(232,848)	116,517
Additions of financial investments	(532,717)	(490,830)
Disposals of financial investments	584,425	593,549
Fair value losses/(gains) on investment properties	12,469	(47,275)
Increase/(decrease) in liability for investment contracts	166,476	(156,498)
Changes in working capital:		
(Increase)/decrease in trade and other receivables	(1,730)	247
Increase in trade and other payables	1,990	992
Taxes paid	(2,454)	(1,375)
Net cash flows received from operating activities	**10,673**	**28,405**
Cash flows from investing activities		
Purchase of intangible assets	(696)	(785)
Purchase of property, plant and equipment	(1,015)	(664)
Purchase of investment property	(125,848)	(201,425)
Purchase and sale of shares in the Group by the EBT	182	(466)
Receipts from sale of investment property	122,047	180,546
Net cash flows from acquisitions	(166)	(421)
Net cash flows used in investing activities	**(5,496)**	**(23,215)**
Cash flows from financing activities		
Equity dividends paid	(4,562)	(3,628)
Net proceeds from issue of ordinary shares	210	—
Net decrease in borrowings	(9,456)	(7,538)
Principal elements of lease payments	(933)	—
Interest paid	(465)	(297)
Net cash used in financing activities	**(15,206)**	**(11,463)**
Net decrease in cash and cash equivalents	**(10,029)**	**(6,273)**
Cash and cash equivalents at the beginning of the year	431,576	437,849
Cash and cash equivalents at the end of the year	**421,547**	**431,576**

* During the year ended 31 December 2019 the Group identified that cash flows relating to investment properties should be presented separately in the consolidated statement of cash flows. These cash flows were previously included within cash flows relating to property, plant and equipment. Consequently, a new line has been inserted to reflect these cash flows and the prior year has been restated on the same basis. There is no impact to either the income statement or balance sheet of the group or company, or the closing cash positions brought forward and carried forward.

COMPANY STATEMENT OF CASH FLOWS

Year ended 31 December 2019

Company	Year ended 31 December 2019 £'000	2018 £'000
Cash flows from operating activities		
Profit before tax	6,922	6,937
Adjustments for:		
Interest expense	376	467
Changes in working capital:		
Increase in trade and other receivables	(6)	–
Increase/(decrease) in trade and other payables	204	(50)
Taxes paid	(158)	(81)
Net cash flows received from operating activities	**7,338**	**7,273**
Cash flows from investing activities		
Investment in employee benefit trust	–	(548)
Net cash flows used in investing activities	**–**	**(548)**
Cash flows from financing activities		
Equity dividends paid	(4,562)	(3,622)
Net proceeds from issue of ordinary shares	210	–
Net decrease in borrowings	(3,158)	(3,157)
Interest paid	(465)	(297)
Net cash used in financing activities	**(7,975)**	**(7,076)**
Net decrease in cash and cash equivalents	**(637)**	**(351)**
Cash and cash equivalents at the beginning of the year	1,967	2,318
Cash and cash equivalents at the end of the year	**1,330**	**1,967**

NOTES TO THE FINANCIAL STATEMENTS

1 Corporate information

Curtis Banks Group PLC ("the Company") is a public limited company incorporated in the United Kingdom and domiciled and registered in England and Wales whose shares are publicly traded on the AIM market of the London Stock Exchange PLC. The financial statements were authorised for issue in accordance with a resolution of the Directors on 17 March 2020.

2 Significant accounting policies

Basis of preparation

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

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

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

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

New standards adopted by the Group

The Group has applied the following new accounting standards for the first time for the financial year commencing 1 January 2019:

- IFRS 16 *Leases*

IFRS 16

The Group has adopted IFRS16 *Leases*, which became effective 1 January 2019, in presenting its results for the year ended 31 December 2019. The Group has applied the modified retrospective method in doing so which requires recognition from 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, under IAS17, of leases by lessees as either operating (off balance sheet) or finance leases (on balance sheet). Instead, applying IFRS16, 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 year, property leases are the only such leases within the Group. The Group's leases for various offices differ in contract length and terms and were classified as operating leases prior to 1 January 2019. These are now classified as right-of-use-assets and the Group has relied on its historic assessment as to whether the leases were onerous prior to application of IFRS16.

The Group, in applying IFRS16, has followed the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The right-of-use asset represents the lessee's right to use the underlying asset for the duration of the lease term. When the Group has the option to invoke a break clause in a lease, management uses its judgement to determine whether or not the break option would be reasonably certain to be exercised. 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.

As a result of leases held, the following changes are reflected in the financial statements on adoption of IFRS16 at 1 January 2019 in respect of shareholder reserves:

- Right-of-use assets increase by £5,285k
- Liabilities increase by £5,285k

A reconciliation is provided below between the future aggregate minimum lease payments under non-cancellable operating leases attributable to shareholder reserves that were disclosed in the Group's financial statements for the year ended 31 December 2018, and the liabilities increase of £5,285k stated above.

2 Significant accounting policies - continued

New standards adopted by the Group – *continued*

***IFRS 16** – continued*

	Group £'000
Operating lease commitments disclosed as at 31 December 2018	1,809
Adjustments as a result of a different treatment of extension and termination options	4,257
Discounted using the lessee's incremental borrowing rate as of 1 January 2019	(781)
Lease liability recognised as at 1 January 2019	5,285

The impact of IFRS 16 on policyholder assets and liabilities is considered to be immaterial by the Group and consequently no right-of-use assets or lease liabilities are disclosed in respect of policyholder assets and liabilities. IFRS 16 would only apply to ground rents on policyholder leasehold investment property and therefore the impact is minimal.

The Group has updated its accounting policies for the introduction of IFRS16 as follows:

Property, plant and equipment

The 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 IFRS16, 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

This accounting policy has been expanded to further describe the 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 using an incremental borrowing rate similar to what the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms, security and conditions. A single discount rate is applied to portfolios of leases with reasonably similar characteristics.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings up to 31 December 2019.

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 2019 were Curtis Banks Limited, Suffolk Life Pensions Limited, Suffolk Life Annuities Limited, Rivergate Legal Limited and Templemead Property Solutions Limited. The trading subsidiaries of Curtis Banks Group PLC as at 31 December 2018 were Curtis Banks Limited, Suffolk Life Pensions Limited, Suffolk Life Annuities Limited, Curtis Banks Investment Management Limited, Rivergate Legal Limited and Templemead Property Solutions Limited.

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 Group are required to disclose insurance policyholder assets, liabilities and returns.

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

2 Significant accounting policies - continued

Going concern

The Group and Company are required to assess whether they have sufficient resources to continue their operations and to meet their commitments for the foreseeable future. The directors have prepared the financial statements on a going concern basis, as in their opinion the Group and Company are both able to meet their 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. The Company is supported by dividend income from its subsidiaries.

In respect of shareholder reserves, excluding policyholder assets and liabilities, the Group has net current assets of £16,976k (2018: £15,123k).

Subsidiaries

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

Business Combinations

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

Segment Reporting

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

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

Foreign Currencies

The consolidated financial statements are presented in Pounds 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 consolidated statement of comprehensive income in the year they are payable.

Research and development

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

2 Significant accounting policies - continued

Non-participating investment contracts

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

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

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

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

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

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

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

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

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

Revenue recognition

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

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

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

- Step 2: Identify the performance obligations in the contract

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

- Step 3: Determine the transaction price

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

2 Significant accounting policies - continued

Revenue recognition – *continued*

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

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

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

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

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

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

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

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

All brought forward deferred income is recognised in the current year as there are no performance obligations spanning a period of more than twelve months.

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

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

Intangible assets – Client Portfolios

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

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

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

Intangible assets – Computer Software

Computer software is included in the statement of financial position at cost to the Group less accumulated amortisation and provisions for impairment. The carrying value of computer software is reviewed for impairment if events or circumstances change and indicate that the carrying values may not be recoverable. In this event the values are written down to the recoverable amount. The carrying value of computer software is also reviewed for impairment annually at each reporting date. Computer software is amortised on a straight line basis over its estimated useful life of between 4 and 5 years.

Administrative expenses

Administrative expenses represent those arising as a result of the Group's operations and include depreciation. All amounts are recognised on an accruals basis.

2 Significant accounting policies - continued

Property, plant and equipment

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

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

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

Leasehold improvements	25%	straight line
Computer equipment	25%	straight line
Office equipment, fixtures & fittings	25%	straight line
Right of use assets	Expected underlying lease length of between 1 and 12 years	

On initial recognition, right of use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Any restoration costs expected

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments

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

Financial assets

Financial assets held under non-participating investment contracts are categorized either as fair value through profit and loss, or recorded and subsequently measured at amortised cost. 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.

The Group classifies its financial assets at amortised cost where the asset is held within a business model whose objective is to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. Other financial assets are classified as fair value through profit or loss. The Group has no financial assets at fair value through other comprehensive income.

Amounts recorded and measured at amortised cost include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These 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.

2 Significant accounting policies - continued

Trade receivables

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, deposits with credit institutions, cash equivalents and bank overdrafts.

Cash at bank and in hand, and deposits with credit institutions, are classified and measured at amortised cost. Cash equivalents are classified as fair value through profit loss.

Financial liabilities – Trade and other payables

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

Financial liabilities – Borrowings

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

Current and deferred income tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of comprehensive income, because it excludes items of income or expense that are taxable or tax deductible in other years and it further excludes items that are never taxable or tax deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

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

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

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

Provisions

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

2 Significant accounting policies – continued

Goodwill

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

Leases

Leases of property, plant and equipment are assessed as to whether a right-of-use relationship exists and are classified as property, plant and equipment when this criteria is satisfied. 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. Interest and finance costs associated with lease liabilities on right-of-use assets are expensed to the consolidated statement of comprehensive income within total finance costs.

Assets and liabilities arising from a lease where a right-of-use relation exists are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, less any lease incentive payments receivable, and include amounts following lease extension options where there is reasonable certainty of extension. There are no other types of payments or variable amounts included. Lease payments are allocated between principal and finance cost. The finance cost is charge to the consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

Lease payments are discounted using the interest rate implicit in the lease where possible. However, this cannot currently be readily determined for any of the leases that the Group holds in respect of right-of-use assets. The Group therefore uses an incremental borrowing rate similar to what it would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms, security and conditions.

The Group has no short-term leases or low value assets that may be considered as short term leases. All of the Group's leases where a right-of-use relationship exists relate to commercial property assets. The Group has no other classes of right-of-use assets such as equipment or vehicles.

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.

A right-of-use asset exists and a corresponding lease liability exists in respect of non-participating investment contract assets which relate entirely to ground rent on policyholder leasehold investment property. Consequently the Group has opted not to recognise right-of-use assets and lease liabilities in relation to these leases as the impact from recognition in the consolidated financial statements is minimal.

Non-recurring costs

Non-recurring costs are classified as such when the nature and quantum of the expense is significant and arises from 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.

Share based payments

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

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 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.

2 Significant accounting policies – continued

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

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

Standard	Effective date, annual period beginning on or after
IFRS 17 *Insurance Contracts*	1 January 2022
Amendments to IAS 1 – Clarification of liabilities as Current or Non-Current	1 January 2020
Amendments to IFRS9, IAS39 & IFRS7 – Interest rate benchmark reform	1 January 2020
Amendments to References to the Conceptual Framework	1 January 2020
Amendments to IAS 1 and IAS 8 – *Definition of material*	1 January 2020
Amendments to IFRS 3 *Business combinations - definition of a business*	1 January 2020

The directors anticipate that the adoption of these standards and interpretations and amendments in future years will have no material impact on the financial statements of the Group.

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

The key sources of estimation uncertainty are disclosed below:

Client portfolios

Client portfolios acquired are amortised over their useful economic life (UEL) which management has estimated 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 estimate 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 £74,000 decrease in the carrying value of client portfolios. A 40% increase to the attrition rate assumption would result in a cumulative £120,000 decrease in the carrying value of client portfolios.

IFRS 9 *impairment*

Trade and other receivables are impaired based on the IFRS 9 simplified approach to measure expected credit losses using a lifetime expected loss allowance for all trade receivables. The loss allowances for trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history of shared credit risk characteristics, days past due, existing market conditions as well as forward looking estimates at the end of each reporting period. The loss rates are considered the key source of estimation uncertainty because the impact of a change in these could result in a material change in the expected credit loss. Details of the key assumptions and estimates are disclosed in note 31 to the financial statements.

4 Revenue

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

	Year ended 31 December	
	2019 £'000	2018 £'000
Fees	36,268	35,352
Interest income	12,681	10,773
Policyholder investment returns	365,815	41,677
	414,764	87,802

5 Profit for the year

Profit for the year is arrived at after:

	Year ended 31 December	
	2019 £'000	2018 £'000
Charging:		
Amortisation of intangible assets	1,379	1,268
Depreciation of property, plant and equipment	1,321	596
Auditors remuneration:		
- audit of the financial statements of the Group	278	201
- audit of the financial statements of the Company	50	56
- audit related assurance services	35	41

6 Non-recurring costs

Non-recurring costs include the following significant items:

	Year ended 31 December	
	2019 £'000	2018 £'000
Hargreave Hale acquisition costs	32	45
Redundancy & restructuring costs	696	156
European Pension Management Ltd acquisition costs	29	47
Data cleansing provision	—	500
Costs relating to directorate and senior management changes	334	—
	1,091	748

Redundancy & restructuring costs

During the year ended 31 December 2019, the Group progressed its strategy to deliver its Target Operating Model and centralise commercial property administration within one office location. Redundancy costs associated with this decision as well as costs associated with duplicated staff efforts while work is transferred between offices have been included within non-recurring cost.

During the year ended 31 December 2018, the two existing sales teams within the Group were restructured into one to coincide with the launch of a new Group wide product in H1 2019.

Costs relating to directorate and senior management changes

During the year ended 31 December 2019, the incumbent Chief Financial Officer of the Group announced he was stepping down from the role and a successor was recruited. An orderly handover of responsibilities took place between the previous Chief Financial Officer and the new Chief Financial Officer. Costs associated with this transitional period, including recruitment costs and costs of associated senior staff changes, have been treated as non-recurring costs.

6 Non-recurring costs – continued

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 commercial properties held within SIPPs administered by the Group. No further costs associated with this process arose during 2019.

Hargreave Hale & European Pension Management Ltd acquisition costs

During the year ended 31 December 2019 some further costs were incurred in relation to these historic acquisitions in connection with data migration and data cleanse work.

7 Directors and employees

	Year ended 31 December	
	2019 £'000	2018 £'000
Wages and salaries	18,524	18,034
Social security costs	1,765	1,627
Other pension costs	1,704	1,413
Share-based incentive awards	956	626
	22,949	21,700

	2019 Number	2018 Number
The monthly average number of employees during the year was:		
Directors	6	6
Administration	566	552
	572	558

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

	Year ended 31 December	
	2019 £'000	2018 £'000
Total emoluments paid to:		
Directors		
Wages and salaries	1,280	1,876
Social security costs	146	139
Post-employment costs	37	33
Share-based incentive awards	427	467
Key management personnel		
Wages and salaries	1,334	1,151
Compensation for loss of office	126	—
Social security costs	173	135
Post-employment costs	67	60
Share-based incentive awards	177	130
	3,767	3,991
Emoluments of highest paid director:		
Wages and salaries	436	377
Pension contribution	9	13
	445	390

Short term employee benefits include wages and salaries. Long term employee benefits include share-based incentive awards.

8 Finance costs

	Year ended 31 December	
	2019 £'000	2018 £'000
Interest payable on bank loans	382	467
Interest and finance costs on lease liabilities	141	–
	523	467

9 Finance income

	Year ended 31 December	
	2019 £'000	2018 £'000
Interest income	145	116

10 Taxation

	Year ended 31 December	
	2019 £'000	2018 £'000
Domestic current year tax		
UK Corporation tax	2,202	2,072
Deferred tax		
Origination and reversal of temporary differences	(169)	(161)
	2,033	1,911
Factors affecting the tax charge for the year		
Profit before tax	10,883	10,121
Profit before tax multiplied by standard rate of UK Corporation tax of 19.00% (2018: 19.00%)	2,068	1,923
Effects of:		
Adjustment to prior year	(33)	23
Non-deductible expenses	10	10
Other tax adjustments	(12)	(45)
	(35)	(12)
Total tax charge	2,033	1,911

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:

	2019 £'000	2018 £'000
Net profit available to equity holders of the Group	8,850	8,204
Net profit before tax, non-recurring costs (note 6) and amortisation (note 5) available to equity holders of the Group.	13,353	12,137

	Number	Number
Weighted average number of ordinary shares:		
Issued ordinary shares at start of the year	53,807,346	53,807,346
Effect of shares issued during the year	90,192	–
Effect of shares held by employee benefit trust	(244,741)	(201,622)
Basic weighted average number of shares	53,652,797	53,605,724
Effect of options exercisable at the reporting date**	1,173,236	965,011
Effect of options not yet exercisable at the reporting date**	1,000,925	1,204,885
Diluted weighted average number of shares	55,826,958	55,775,620

	Pence	Pence
Earnings per share:		
Basic	16.49	15.30
Diluted**	15.85	14.71
Earnings per share on net profit before non-recurring costs and amortisation, less an effective tax rate*:		
Basic	20.16	18.34
Diluted**	19.37	17.63

* In order to reduce the impact of accounting measures such as deferred tax, and the timing of tax reliefs, the effective tax rate matches the current tax rate applicable to the accounting year. The current tax rate applicable for the year ended 31 December 2019 was 19.00% (2018: 19.00%).

** During the year the diluted EPS calculation was adjusted to exclude anti-dilutive options. The 2018 diluted EPS has been restated on the same basis in these financial statements, resulting in an increase of 0.22p per share in 2019 (2018: 0.25p). There is no impact to either the income statement or balance sheet of the Group.

12 Intangible assets

Group

	Goodwill £'000	Client Portfolios £'000	Computer Software £'000	Total £'000
Cost				
At 1 January 2018	28,903	18,433	1,395	48,731
Additions	–	433	352	785
Disposals	–	–	(266)	(266)
At 31 December 2018	28,903	18,866	1,481	49,250
Additions	–	–	696	696
Disposals	–	–	–	–
At 31 December 2019	28,903	18,866	2,177	49,946
Amortisation				
At 1 January 2018	–	3,455	683	4,138
Charge for the year	–	924	344	1,268
Disposals	–	–	(266)	(266)
At 31 December 2018	–	4,379	761	5,140
Charge for the year	–	941	438	1,379
Disposals	–	–	–	–
At 31 December 2019	–	5,320	1,199	6,519
Net book value				
At 1 January 2018	28,903	14,978	712	44,593
At 31 December 2018	28,903	14,487	720	44,110
At 31 December 2019	28,903	13,546	978	43,427

Goodwill

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

Client Portfolios

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

The brought forward balance relates to the purchase by Curtis Banks Limited, a subsidiary company, of the trade and assets of 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, a book of full SIPPs from Friends Life PLC (now Aviva PLC) on 13 March 2015 and a book of SIPPs from Hargreave Hale Limited on 10 December 2018.

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

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 2019 of 14 years and 6 months.

12 Intangible assets – continued

Computer Software

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

13 Investment Property

Assets held at fair value

Group

	Year ended 31 December	
	2019 £'000	2018 £'000
Fair value		
At 1 January	1,274,452	1,206,298
Additions	125,848	201,425
Disposals	(122,047)	(180,546)
Fair value (losses)/gains	(12,469)	47,275
At 31 December	1,265,784	1,274,452

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

Rental income from investment property is disclosed in note 21(b) to the financial statements.

14 Property, plant and equipment

Assets held at cost

Group

	Right of use assets £'000	Leasehold Improvements £'000	Computer equipment £'000	Office equipment, fixtures & fittings £'000	Total £'000
Cost					
At 1 January 2018	–	54	4,084	1,218	5,356
Additions	–	–	318	346	664
Disposals	–	(54)	(64)	(36)	(154)
At 31 December 2018	–	–	4,338	1,528	5,866
Arising on transition to IFRS 16	5,285	–	–	–	5,285
Additions	–	–	917	98	1,015
Disposals	–	–	(172)	–	(172)
At 31 December 2019	5,285	–	5,083	1,626	11,994
Depreciation					
At 1 January 2018	–	41	3,148	1,019	4,208
Charge for the year	–	13	471	112	596
Disposals	–	(54)	(64)	(36)	(154)
At 31 December 2018	–	–	3,555	1,095	4,650
Charge for the year	695	–	459	167	1,321
Disposals	–	–	(172)	–	(172)
At 31 December 2019	695	–	3,842	1,262	5,799
Carrying value					
At 1 January 2018	–	13	936	199	1,148
At 31 December 2018	–	–	783	433	1,216
At 31 December 2019	4,590	–	1,241	364	6,195

15 Investments

Assets held at fair value

Total fair value as at 31 December 2019

	Group	
	2019 £'000	2018 £'000
Fair value		
Equity and other variable-yield securities	1,920,595	1,734,341
Debt securities and other fixed-income securities	73,602	78,716
Total shares and securities	1,994,197	1,813,057
At cost	1,578,366	1,580,306

15 Investments – continued

Movement in the year on total shares and securities

	Group 2019 £'000	Group 2018 £'000
At beginning of the year	1,813,057	2,032,293
Additions	532,717	490,830
Disposals	(584,425)	(593,549)
Unrealised (losses)/gains	232,848	(116,517)
At end of the year	1,994,197	1,813,057

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

Assets held at cost

	Company £'000
Cost	
At 1 January 2018	57,266
Additions	1,174
At 31 December 2018	58,440
Additions	956
At 31 December 2019	59,396
Net book value	
At 1 January 2018	57,266
At 31 December 2018	58,440
At 31 December 2019	59,396

Additions in the year comprise equity share based payment costs of £956,000.

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 2019. 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
CB 2019 Limited	(A)	Provision of financial advice	England and Wales	–	90.00
Rivergate Legal Limited	(A)	Provision of legal services	England and Wales	–	100.00
Templemead Property Solutions Limited	(A)	Provision of property valuation services	England and Wales	–	100.00
Colston Trustees Limited	(A)	Dormant	England and Wales	–	100.00
Montpelier Pension Trustees Limited	(A)	Dormant	England and Wales	–	100.00
Tower Pension Trustees Limited	(A)	Dormant	England and Wales	–	100.00
SPS Trustees Limited	(A)	Dormant	England and Wales	–	100.00
Crescent Trustees Limited	(A)	Dormant	England and Wales	–	100.00
Tower Pension (S-B) Trustees Limited	(C)	Dormant	Scotland	–	100.00
Bridgewater Pension Trustees Limited	(A)	Non-trading	England and Wales	–	100.00
Temple Quay Pension Trustees Limited	(A)	Dormant	England and Wales	–	100.00
Suffolk Life Trustees Limited	(B)	Non-trading	England and Wales	–	100.00
Suffolk Life (Spartan Estate) Limited	(B)	Dormant	England and Wales	–	100.00
SLA Property Company Limited	(B)	Dormant	England and Wales	–	100.00
EPPL P1056 Limited	(B)	Dormant	England and Wales	–	100.00

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

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

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

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

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

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

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

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

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
As at 31 December 2019				
Equity and other variable-yield securities	1,920,595	1,881,632	28,477	10,486
Debt securities and other fixed-income securities	73,602	40,995	25,110	7,497
Cash equivalents	604	416	188	–
Investment property	1,265,784	–	–	1,265,784
Total financial investments and investment property	3,260,585	1,923,043	53,775	1,283,767

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
As at 31 December 2018				
Equity and other variable-yield securities	1,734,341	1,692,505	24,929	16,907
Debt securities and other fixed-income securities	78,716	46,533	27,994	4,189
Cash equivalents	1,342	1,328	14	–
Investment property	1,274,452	–	–	1,274,452
Total financial investments and investment property	3,088,851	1,740,366	52,937	1,295,548

There have been no significant transfers between level 1 and level 2 in 2019 (2018: £nil).

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

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

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

16 Fair value hierarchy – continued

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

With the exception of £42k (2018: £41k) of investment property, all level 3 investments relate to policyholder assets and movements in the value of such assets do not therefore impact on shareholder reserves.

Level 3 Investments	Equity and other variable-yield securities 2019 £'000	Debt securities and other fixed income securities 2019 £'000	Investment Property 2019 £'000
Fair value			
At 1 January 2019	16,907	4,189	1,274,452
Net (losses)/gains for the year recognised in profit and loss	(5,948)	4,759	(12,469)
Purchases/Additions	–	–	125,848
Disposals	–	–	(122,047)
Transfers into level 3	7,836	966	–
Transfers out of level 3	(8,309)	(2,417)	–
At 31 December 2019	10,486	7,497	1,265,784

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

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 where observable inputs are no longer available. This is principally due to assets becoming illiquid meaning that observable inputs are no longer available.

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

16 Fair value hierarchy – continued

As at 31 December 2019 Assets	Valuation Basis/Technique	Main inputs and assumptions	Current fair value 2019 £'000	Reasonably possible alternative assumptions Increase in fair value 2019 £'000	Decrease in fair value 2019 £'000
Suspended securities	Note 1	Estimated recoverable amount	9,992	500	(500)
Unquoted securities	Note 1	Price earning multiple	7,991	400	(400)
Investment property	Note 2	Third party property index	1,265,784	63,289	(63,289)
			1,283,767	64,189	(64,189)

As at 31 December 2018 Assets	Valuation Basis/Technique	Main inputs and assumptions	Current fair value 2018 £'000	Reasonably possible alternative assumptions Increase in fair value 2018 £'000	Decrease in fair value 2018 £'000
Suspended securities	Note 1	Estimated recoverable amount	4,326	216	(216)
Unquoted securities	Note 1	Price earning multiple	16,770	839	(839)
Investment property	Note 2	Third party property index	1,274,452	63,723	(63,723)
			1,295,548	64,778	(64,778)

1. Values are based on estimate of market price. Sources used in deriving these estimates include the last traded price between a buyer and a seller, brokers providing a matched bargain facility or a company's audited financial statements, if available.
2. Valued using professional specialist property third party indexation data and indexation from the last valuation.

The 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.

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

17 Trade and other receivables

	Group As at 31 December		Company As at 31 December	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade receivables	13,305	10,698	—	—
Prepayments and accrued income	5,689	5,811	8	2
Amounts owed by group undertakings	—	—	70	50
Other receivables	921	1,546	—	—
	19,915	18,055	78	52

All 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 from policyholders in relation to their investments. Fees are taken from the assets of the respective schemes of which the Group has control. If there are no assets in the scheme, payment of the fees is the responsibility of the member who set the scheme up. As such, all debts should be recoverable over time. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Details about the Group's impairment policies and the calculation of loss allowance are provided in note 31 to the financial statements.

18 Cash and cash equivalents

As at 31 December 2019 and 2018 cash and cash equivalents were as follows:

	Group As at 31 December		Company As at 31 December	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Cash at bank and in hand	31,228	28,018	1,330	1,967
Deposits with credit institutions	389,715	402,216	—	—
Cash equivalents	604	1,342	—	—
Cash and cash equivalents	421,547	431,576	1,330	1,967

The Group considers potential expected credit losses on cash and cash equivalents to be insignificant.

19 Trade and other payables

	Group As at 31 December		Company As at 31 December	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade payables	1,553	1,787	47	19
Taxes and social security costs	3,204	2,165	—	—
Amounts owed to group undertakings	—	—	168	27
Other payables	4,974	5,442	—	—
Accruals	5,877	5,810	107	174
	15,608	15,204	322	220

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

20 Borrowings

	Group As at 31 December		Company As at 31 December	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Current				
Bank loans	28,215	30,005	3,156	3,158
	28,215	30,005	3,156	3,158
Non-current				
Bank loans	48,911	56,525	8,274	11,396
	48,911	56,525	8,274	11,396
Total borrowings	77,126	86,530	11,430	14,554

Bank borrowings

The bank borrowings are repayable as follows:

	Group As at 31 December		Company As at 31 December	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Within 1 year	28,215	30,005	3,156	3,158
Between 1 year and 5 years	31,793	38,306	8,274	11,396
After more than 5 years	17,118	18,219	–	–
	77,126	86,530	11,430	14,554

Bank borrowings of the Company are repayable between January 2020 and January 2021 and bear average coupons of 1.75% plus LIBOR per annum.

Total borrowings of the Group include liabilities of £65,696,000 (2018: £72,085,000) secured by legal charge over certain properties held within non-participating investment contracts, and liabilities of £11,430,000 (2018: £14,554,000) secured on the shares of Curtis Banks Limited, Suffolk Life Pensions Limited and Suffolk Life Annuities Limited.

21 Non-participating investment contract liabilities

(a) Analysis of investment contract liabilities

Investment contract liability provisions for linked liabilities arising in connection with the above policies are detailed below. There is no reinsurance amount (2018: £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	2019 £'000	2018 £'000
As at 1 January	3,405,428	3,561,929
Reserves in respect of new business	112,052	182,532
Amounts paid on surrenders and maturities during the year	(277,448)	(346,233)
Investment income	365,815	41,677
Expenses	(33,943)	(34,477)
As at 31 December	3,571,904	3,405,428

These relate to:

	2019 £'000	2018 £'000
Self-Invested Personal Pensions	2,500,340	2,355,773
Group Managed Funds – Trustee Investment Plans	65,054	70,172
Group Managed Funds	74,736	76,230
Trustee Investment Plans	931,774	903,253
As at 31 December	3,571,904	3,405,428

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

(b) Investment contract liabilities – investment income

	2019 £'000	2018 £'000
Rents receivable	81,697	78,358
Interest receivable	3,326	3,222
Investment and other income	36,378	37,734
Realised gains/(losses) on investments	24,772	(9,689)
Unrealised gains/(losses) on investments	219,642	(67,948)
	365,815	41,677

(c) Investment contract liabilities – expenses

	2019 £'000	2018 £'000
Investment management fees	10,322	10,558
Adviser fees	379	315
Management charges – administration	8,807	6,988
Bank fees and charges	180	117
Professional fees and sundries	11,417	13,233
Bad debts	593	663
Interest payable on bank loans and overdrafts	2,245	2,603
	33,943	34,477

21 Non-participating investment contract liabilities – continued

(d) Reserves in respect of new business

	2019 £'000	2018 £'000
Gross premiums		
Periodic premiums relating to Self-Invested Personal Pensions	2,270	2,777
Single premiums relating to Self-Invested Personal Pensions	34,164	52,965
Single premiums relating to Group Managed Funds – TIPs	3,274	6,671
Single premiums relating to Group Managed Funds	2,280	8,243
Single premiums relating to Trustee Investment Plans	70,064	111,876
	112,052	182,532

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

	2019 £'000	2018 £'000
Gross claims paid		
Lump sums on death	9,868	28,366
Lump sums on pensions vesting	23,039	21,697
Income withdrawals	33,979	38,341
Annuities purchased	941	856
Transfers out	200,949	247,186
Surrenders of managed funds – Trustee Investment Plans	8,672	9,787
	277,448	346,233

22 Deferred tax asset

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

	Group As at 31 December	
	2019 £'000	2018 £'000
Brought forward asset	595	124
Net change in temporary differences on equity share based payments	383	454
Net change in temporary differences on plant and equipment	(67)	17
Carried forward asset	911	595

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

	Group As at 31 December	
	2019 £'000	2018 £'000
Temporary differences on equity share based payments	837	454
Temporary differences on plant and equipment	74	141
	911	595

The deferred tax asset assumes a future corporation tax rate of 17% will be applicable to the Group.

23 Provisions

Provisions	Other provision £'000	Restructuring provision £'000	Onerous lease provision £'000	Group Total £'000
	As at 31 December			
Balance as at 1 January 2018	–	534	366	900
Amounts introduced	500	–	–	500
Amounts utilised	–	(532)	(197)	(729)
Amounts written back unused	–	(2)	(169)	(171)
Balance as at 31 December 2018	500	–	–	500
Amounts introduced	–	307	–	307
Amounts utilised	(254)	–	–	(254)
Balance as at 31 December 2019	246	307	–	553

Other 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 commercial properties held within SIPPs administered by the Group. A provision of £500,000 was made for the estimated costs arising from this exercise. Additionally, a contingent liability was recognised as disclosed within note 34 to the financial statements.

As at 31 December 2019, the Group had completed its review enabling identification of the total number of cases potentially requiring remediation. However, the nature and financial impact of the remediation is still not certain and is therefore included at the Directors' best estimate of the direct costs the Group may have to bear.

As at 31 December 2019, £254,000 of the original provision had been utilised, and there were no material variances to the estimate of future remaining direct costs the Group may have to bear.

Restructuring provision

During the year ended 31 December 2018, brought forward amounts associated with the closure of the Group's office in Market Harborough were utilised.

During the year ended 31 December 2019, the Group progressed its strategy to deliver its Target Operating Model by deciding to centralise commercial property administration within one office location. Redundancy costs associated with this decision are included as amounts introduced to the restructuring provision for the current year.

Onerous lease provision

During the year ended 31 December 2018, brought forward amounts associated with the closure of the Group's office in Market Harborough were utilised. A proportion of the onerous lease provision was written back as unused following successful sublet of the office to a third party.

24 Issued capital

	Group and Company	
	2019 £'000	2018 £'000
Allotted, called up and fully paid		
Ordinary shares of 0.5p each	271	269
	271	269

	Number	Number
Number of Ordinary shares		
Brought forward	53,807,346	53,807,346
Issued during the year	335,000	–
Carried forward	54,142,346	53,807,346

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.

25 Reserves

Share premium

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

Equity share based payments

This reserve arises from share options granted by the Group to certain employees of the Group. Further details are disclosed in note 26.

Retained earnings

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

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The Company's profit after tax for the year was £6,922,000 (2018: £6,937,000).

Treasury shares

The Group established an employee benefit trust ("EBT") during the year ended 31 December 2017 in order to acquire ordinary shares in the Company to satisfy awards under the Group's share based payment schemes. At 31 December 2019, the EBT held 206,286 ordinary shares in the Company, acquired for a total consideration of £614,084 with a market value of £728,190 (2018: 263,790 ordinary shares acquired for a total consideration of £793,027 with a market value of £701,681). They are classified as treasury shares in the Consolidated Statement of Financial Position, their cost being deducted from equity.

26 Equity share based payments

The weighted average exercise price for all options outstanding at 31 December 2019 was 162.17p (2018: 151.71p).

The weighted average exercise price for all options exercised during the year ended 31 December 2019 was 99.32p (2018: 249.49p).

The weighted average remaining contractual life of all unexercised share options as at 31 December 2019 was 5 years and 8 months (2018: 6 years and 7 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 2019 was £956,000 (year ended 31 December 2018: £626,000). The total increase in equity arising from equity-settled share-based payment transactions for the year ended 31 December 2019 was £956,000 (year ended 31 December 2018: £626,000).

The following table sets out each of the Group's equity share based payments in operation during the year ended 31 December 2019:

Scheme	Date of grant	Number of shares under option at 1 January 2019	Granted	Exercised	Lapsed	Number of shares under option at 31 December 2019	Exercise price	Latest Exercise Date
EMI15	08/04/15	800,000	–	(335,000)	–	465,000	62.54p	08/04/25
SS16	28/06/16	80,674	–	(61,163)	(1,993)	17,518	288.88p	01/02/20
SS17	30/05/17	516,064	–	(6,366)	(38,205)	471,493	213.60p	01/02/21
SS18	21/05/18	107,306	–	–	(29,511)	77,795	268.80p	01/02/22
SS19	21/05/19	–	217,704	–	(37,119)	180,585	244.80p	01/02/23
CSOP16A	14/09/16	171,616	–	–	–	171,616	267.00p	14/09/26
CSOP16B	15/12/16	535,996	–	–	–	535,996	201.00p	15/12/26
CSOP17	26/06/17	535,996	–	–	–	535,996	260.00p	25/06/27
LTIP17	26/10/17	373,073	–	–	–	373,073	0p	26/10/27
LTIP18A	18/09/18	154,603	–	–	–	154,603	0p	18/09/28
LTIP18B	05/10/18	55,559	–	–	–	55,559	0p	05/10/28
		3,330,887	217,704	(402,529)	(106,828)	3,039,234		

Of the total 3,039,234 shares under option as at 31 December 2019, 1,190,130 were exercisable.

EMI15
The Group set up an EMI scheme during the year ended 31 December 2014 by which certain employees and key management personnel of Curtis Banks Limited were able to subscribe to ordinary shares in the Company. As at the year end 31 December 2019, one employee of Curtis Banks Limited held options under the EMI.

SS16, SS17, SS18 & SS19
The Group operates a Save As You Earn ("SAYE") share option scheme under which almost all employees of the Group are eligible to subscribe to ordinary shares in the Company following a 3 year contribution and vesting period. Grants under the SAYE are expected to be provided to eligible employees annually.

CSOP16A, CSOP16B & CSOP17
During the year ended 31 December 2016, the Group set up a Company Share Option Plan ("CSOP") share option scheme under which certain key management of the Group are able to subscribe to ordinary shares in the Company. As at the year end 31 December 2019, four key management personnel of the Group held options under the CSOP. The CSOP is a performance based option grant.

LTIP17, LTIP18A & LTIP18B
The Group operates a performance based Long Term Incentive Plan ("LTIP") share option scheme under which certain key management and senior management of the Group are able to subscribe to ordinary shares in the Company. As at the year end 31 December 2019, seven key management personnel of the Group held options under the LTIP.

26 Equity share based payments (continued)

Share based payment expenses – all schemes

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

Scheme	Date of grant	Option vesting period	Fair value per option granted	Share price on grant date	Risk free rate of interest	Expected volatility	Dividend yield
EMI15	08/04/15	3 years	5.64p	62.54p	0.50%	24.00%	0.00%
SS16	28/06/16	3 years	58.76p	302.50p	0.50%	29.00%	1.00%
SS17	30/05/17	3 years	99.77p	282.50p	0.25%	44.29%	1.50%
SS18	21/05/18	3 years	84.09p	316.00p	0.50%	37.39%	1.98%
SS19	21/05/19	3 years	79.37p	308.00p	0.75&	33.05%	2.60%
CSOP16A	14/09/16	1.5 years	45.58p	267.00p	0.25%	39.01%	1.00%
CSOP16B	15/12/16	3 years	52.42p	201.00p	0.25%	42.95%	1.00%
CSOP17	26/06/17	3 years	63.54p	260.00p	0.25%	43.41%	1.50%
LTIP17	26/10/17	3 years	289.25p	310.00p	0.25%	46.66%	1.50%
LTIP18A	18/09/18	3 years	262.35p	287.00p	0.75%	36.05%	2.18%
LTIP18B	05/10/18	3 years	265.09p	290.00p	0.75%	35.98%	2.18%

27 Non-controlling interests

The non-controlling interests reflect the relevant amounts of the trading results and net assets attributable to the non-controlling shareholders in CB 2019 Limited (see note 15).

	As at 31 December	
	2019 £'000	2018 £'000
Share of net assets brought forward	14	14
Movement in the year - share of profits	–	6
Ordinary dividends declared	–	(6)
Share of net assets	14	14

28 Financial commitments

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

	As at 31 December	
Attributable to shareholder reserves	2019 £'000	2018 £'000
Land and buildings		
Within 1 year	–	901
Within 2 – 5 years	–	908
	–	1,809

From 1 January 2019 the Group has recognised right-of-use assets for the leases disclosed above, which relate to the Group's three office locations in the UK. Please see note 14 for further details.

28 Financial commitments (continued)

The following other financial commitments are not subject to IFRS 16.

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

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

	As at 31 December	
Attributable to non-participating investment contracts	2019 £'000	2018 £'000
Authorised and contracted commitments not provided for in respect of investment property acquisition and development, payable after 31 December:	1,490	1,832

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

	As at 31 December	
Attributable to non-participating investment contracts	2019 £'000	2018 £'000
Future aggregate minimum lease receivables under non-cancellable operating leases:		
Within 1 year	71,363	70,126
Within 2 – 5 years	139,164	162,679
After more than 5 years	78,786	290,557
	289,313	523,362

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	As at 31 December	
Attributable to shareholder reserves	2019 £'000	2018 £'000
Intangible assets	878	–

29 Pension costs – defined contribution

	As at 31 December	
	2019 £'000	2018 £'000
Contributions payable by the Group for the year	1,704	1,413

30 Dividends

	As at 31 December	
	2019 £'000	2018 £'000
Ordinary interim declared and paid	4,562	3,622
	4,562	3,622

An interim share dividend in respect of the year ended 31 December 2019 of 2.50p per share was declared and paid on 14 November 2019.

A final share dividend in respect of the year ended 31 December 2019 of 6.50p per share is proposed and, if approved, will be paid on 8 June 2020.

31 Financial risk management

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. There is deemed to be minimal concentration risk present due to revenue generation being spread over a high volume of individual customers. All risk management included in this note is in relation to shareholder assets and liabilities, as there is no credit risk, interest risk or liquidity risk on the policyholder assets and liabilities attributable to shareholder reserves.

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. 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.

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 £31,228k (2018: £28,018k) comprising cash and short-term deposits. This exposure is monitored to ensure that the Group is maximising its interest earning potential within accepted liquidity and credit constraints. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are also made for varying periods of between one day and 30 days depending on the immediate cash requirements of the Group and earn interest at the respective term deposit rates.

The Group had external borrowings attributable to shareholders at the year end of £11,339k (2018: £14,448k). 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
2019		
£ Sterling	+100	(146)
£ Sterling	–100	146
2018		
£ Sterling	+100	(176)
£ Sterling	–100	176

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

Credit risk

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

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

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss rate is determined by reference to the underlying level of liquidity in each of the Group's clients' 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.

31 Financial risk management (continued)

Credit risk (continued)

The Group's credit quality ratings as at 31 December 2019 in respect of shareholder trade receivables are set out below:

	IFRS 9 loss rate %	Trade receivables gross carrying amount £'000	Loss allowance £'000	Net trade receivables £'000
Good quality	0.00 - 10.00	4,370	(187)	4,183
Satisfactory quality	10.01 - 30.00	52	(16)	36
Low quality	30.01 - 99.99	1,043	(793)	250
No expected recovery	100.00	30	(30)	–
		5,495	(1,026)	4,469

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

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

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

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

Trade receivables of £13,305,000 at 31 December 2019 (2018: £10,698,000) includes £8,836,000 (2018: £7,196,000) of policyholder receivables under non-participating investment contracts. Since there is a direct link between the investments and obligations for non-participating investment contracts, these policyholder receivables have not been included in the credit quality rating analysis since the Group is not directly exposed to the risks from these contracts.

The Group 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.

The Group regularly categorises its trade receivables to help determine underlying changes in the level of liquidity of the SIPP which then drives changes in the estimated loss allowance associated with the trade receivables balance.

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.

31 Financial risk management (continued)

Credit risk (continued)

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 2019	Increase/(decrease) in loss rates	Effect on profit before tax £'000
Loss rate	10%	(445)
Loss rate	(10%)	240

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

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

Liquidity risk

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

Details on the maturity of the Group's borrowings are disclosed in note 20 and details on the maturity of the Group's lease liabilities are as reflected in the consolidated statement of financial position. The undiscounted value of lease liabilities due <1 year is £890k. The undiscounted value of lease liabilities due >1 year is £4,609k. Maturity analysis relating to other financial liabilities including trade and other payables and deferred consideration is as disclosed in the consolidated statement of financial position as these liabilities are all due <1 year.

32 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 2019 was £55,453k (2018: £49,670k). 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.

33 Related parties

At the year end, Curtis Banks Group PLC owed £167,593 to Curtis Banks Limited (2018: £26,586). This relates to expenses paid by Curtis Banks Limited on behalf of Curtis Banks Group PLC. The total amount of expenses recharged by Curtis Banks Limited in the year amounted to £141,007 (2018: £220,374).

During the year ended 31 December 2019, Suffolk Life Group Limited paid dividends totalling £4,000,000 to Curtis Banks Group PLC (2018: £4,000,000). During the year ended 31 December 2019, Curtis Banks Limited paid dividends totalling £4,000,000 to Curtis Banks Group PLC (2018: £4,000,000).

During the year ended 31 December 2019, the Group provided an unsecured loan of £20,000 to Rivergate Legal Limited, a subsidiary of the Group to assist with set up costs. The loan is repayable on demand and remains outstanding at the year end.

During the year ended 31 December 2019, the Group paid £50,000 (2018: £138,000) gross emoluments to Chris Banks, a strategic adviser and significant shareholder of Curtis Banks Group PLC.

During the year ended 31 December 2018 Curtis Banks Group PLC provided an unsecured loan of £50,000 to Templemead Property Solutions Limited, a subsidiary of the Group, to assist with set up costs. The loan is repayable on demand and remains outstanding at the year end.

34 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 by SIPP providers and is seeking to reclaim tax reliefs granted and interest thereon. This is an industry wide issue affecting other SIPP operators and is being challenged by the industry as a whole. It is not possible to determine when this matter will be resolved and the outcome and impact are not known at this stage. We do not believe that the net exposure arising from this will be material to the Group.

Data cleansing

During the year ended 31 December 2018, management initiated a review of data records related to commercial properties held within SIPPs administered by the Group.

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

Provision was made in 2018 for the estimated direct costs that the Group might incur in respect of this exercise, as disclosed in note 23. The Directors consider that it is possible that the Group may also be exposed to indirect costs in the future, depending on the ultimate outcome of the case by case reviews.

Following completion of the case by case assessment, the Directors' best estimate of this contingent liability is £2.3m (2018: £1.5m). The increase in the estimate has been informed by the more complete data available following completion of the assessment.

There remain inherent uncertainties in the estimate due to the potential for variations in the assumed action required to rectify individual positions. This estimate will be reviewed regularly, and any changes or refinements will be reported as appropriate. The Directors' current expectation is that any potential material follow up actions will be completed during 2020.

35 Control

There is no one ultimate controlling party.

COMPANY INFORMATION

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

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Chris Banks
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SUPPLEMENTARY UNAUDITED INFORMATION

Unaudited IFRS Consolidated Statement of Financial Position as at 31 December 2019 split between insurance policy holders and the Group's shareholders

ASSETS	2019 £'000 Group Total	2019 £'000 Policyholder	2019 £'000 Shareholder	2018 £'000 Shareholder
Non-current assets				
Intangible assets	43,427	–	43,427	44,110
Investment property	1,265,784	1,265,742	42	41
Property, plant and equipment	6,195	–	6,195	1,216
Investments	1,994,197	1,994,197	–	–
Deferred tax asset	911	–	911	595
	3,310,514	3,259,939	50,575	45,962
Current assets				
Trade and other receivables	19,915	10,406	9,509	9,711
Cash and cash equivalents	421,547	390,319	31,228	28,018
Current tax asset	446	446	–	–
	441,908	401,171	40,737	37,729
Total assets	3,752,422	3,661,110	91,312	83,691
LIABILITIES				
Current liabilities				
Trade and other payables	15,608	9,642	5,966	6,295
Deferred income	26,192	13,777	12,415	11,407
Borrowings	28,215	25,059	3,156	3,158
Lease liabilities	719	–	719	–
Provisions	553	–	553	500
Deferred consideration	214	–	214	255
Current tax liability	738	–	738	991
	72,239	48,478	23,761	22,606
Non-current liabilities				
Borrowings	48,911	40,728	8,183	11,290
Lease liabilities	3,915	–	3,915	–
Deferred consideration	–	–	–	125
Non-participating investment contract liabilities	3,571,904	3,571,904	–	–
	3,624,730	3,612,632	12,098	11,415
Total liabilities	3,696,969	3,661,110	35,859	34,021
Net assets	**55,453**	**–**	**55,453**	**49,670**
Equity attributable to owners of the parent				
Issued capital	271	–	271	269
Share premium	33,659	–	33,659	33,451
Equity share based payments	2,313	–	2,313	1,357
Treasury shares	(534)	–	(534)	(716)
Retained earnings	19,730	–	19,730	15,295
	55,439	–	55,439	49,656
Non-controlling interest	14	–	14	14
Total equity	**55,453**	**–**	**55,453**	**49,670**

SUPPLEMENTARY UNAUDITED INFORMATION

continued

Unaudited IFRS Consolidated Statement of Cash Flows as at 31 December 2019 split between insurance policy holders and the Group's shareholders

	2019 £'000 Group Total	2019 £'000 Policyholder	2019 £'000 Shareholder	2018 £'000 Shareholder
Cash flows from operating activities				
Profit before tax	10,883	–	10,883	10,121
Adjustments for:				
Depreciation	1,321	–	1,321	596
Amortisation and impairments	1,379	–	1,379	1,268
Interest expense	523	–	523	467
Share based payment expense	956	–	956	626
Fair value gains on financial investments	(232,848)	(232,848)	–	–
Additions of financial investments	(532,717)	(532,717)	–	–
Disposals of financial investments	584,425	584,425	–	–
Fair value losses on investment properties	12,469	12,469	–	–
Increase in liability for investment contracts	166,476	166,476	–	–
Changes in working capital:				
(Increase)/decrease in trade and other receivables	(1,730)	(1,843)	113	(772)
Increase in trade and other payables	1,990	898	1,092	833
Taxes paid	(2,454)	–	(2,454)	(1,375)
Net cash flows from operating activities	**10,673**	**(3,140)**	**13,813**	**11,764**
Cash flows from investing activities				
Purchase of intangible assets	(696)	–	(696)	(785)
Purchase of property, plant & equipment	(1,015)	–	(1,015)	(664)
Purchase of investment property	(125,848)	(125,848)	–	–
Purchase and sale of shares in the Group by the EBT	182	–	182	(466)
Receipts from sale of investment property	122,047	122,047	–	–
Net cash flows from acquisitions	(166)	–	(166)	(421)
Net cash flows from investing activities	**(5,496)**	**(3,801)**	**(1,695)**	**(2,336)**
Cash flows from financing activities				
Equity dividends paid	(4,562)	–	(4,562)	(3,628)
Net proceeds from issue of ordinary shares	210	–	210	–
Net decrease in borrowings	(9,456)	(6,298)	(3,158)	(3,158)
Principal element of lease payments	(933)	–	(933)	–
Interest paid	(465)	–	(465)	(297)
Net cash flows from financing activities	**(15,206)**	**(6,298)**	**(8,908)**	**(7,083)**
Net (decrease)/increase in cash and cash equivalents	**(10,029)**	**(13,239)**	**3,210**	**2,345**
Cash and cash equivalents at the beginning of the year	431,576	403,558	28,018	25,673
Cash and cash equivalents at the end of the year	**421,547**	**390,319**	**31,228**	**28,018**

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