Company Registration No. 07934492 (England and Wales)

Curtis Banks Group PLC

Unaudited interim condensed consolidated financial statements for the six month period ended 30 June 2021

Curtis Banks Group PLC

Contents

Overview

Curtis Banks Group PLC ("Curtis Banks" or "the Group") has a clear vision for long-term growth. The Group commenced trading in 2009 and has successfully developed, through a combination of organic growth and acquisitions, into one of the UK's leading providers of self-invested pension products. At 30 June 2021 the Group administered circa £36.0bn (2020: £28.6bn) of pension assets on behalf of over 80,000 (2020: 76,300) 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 the purchase of Suffolk Life Group Limited, a long established provider of SIPPs operating through Suffolk Life Pensions Limited and Suffolk Life Annuities Limited. During the year ended 31 December 2020, the Group completed the purchase of Dunstan Thomas, a FinTech provider, and Talbot and Muir, a SIPP provider. The Group currently trades under the names Curtis Banks, Suffolk Life, Dunstan Thomas and Talbot and Muir. More than 800 staff are employed across its head office in Bristol and regional offices in Ipswich, Dundee, Portsmouth, Nottingham and Leeds.

Our stated strategic objective of increased diversification saw the acquisition of Dunstan Thomas in August 2020. The acquisition is a further step forward in the Group's evolution from a solely focused SIPP and SSAS administrator to a provider of technology and complementary services for the advised retirement market, including FinTech, legal and property services.

Trading subsidiaries of the Group authorised by the Financial Conduct Authority to provide trust based SIPP products include Curtis Banks Limited, Suffolk Life Pensions Limited, Suffolk Life Annuities Limited and Talbot and Muir Limited. Suffolk Life Annuities Limited is also regulated by the Prudential Regulatory Authority as it 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 Suffolk Life Annuities Limited's insurance policyholder assets, liabilities and returns.

The Executive Directors have proven experience in the retail savings, pensions and wealth markets and have established a business that focuses on a service-driven proposition for the administration of flexible SIPPs. The Group's core pension 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.

Operational, Financial Highlights and Key Performance Indicators

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Curtis Banks Group PLC, one of the UK's leading SIPP providers, is pleased to announce its interim results for the 6 months ended 30 June 2021.

- Revenue increased by 29.4% to £31.7m (2020: £24.5m), through acquisitive and organic growth
- Adjusted profit before tax[1 6] remained at £6.3m (2020: £6.3m)
- Adjusted operating margin[2 6] of 21.3% (2020: 26.4%), largely reflecting reduced reliance on interest income
- Statutory profit before tax increased by 13% to £4.5m (2020: £4.0m)
- Adjusted diluted EPS[6] 7.6p (2020: 9.2p[5])
- Statutory diluted EPS 5.5p (2020: 5.3p)
- Annualised gross organic growth[6] in own Mid and Full SIPP numbers of 8.6% (2020: 7.7%)
- Attrition rate on own Mid and Full SIPPs 6.3% (2020: 5.2%)
- Total SIPPs, including third party administered, now 80,997 (June 2020: 76,306)
- Assets under Administration ("AuA") increased by 26% to £36.0bn (June 2020: £28.6bn)
- Interim dividend of 2.5p per share (2020: 2.5p)

Highlights and key performance indicators for the period include:

	Unaudited six month period ended 30 June 2021	**Unaudited six month period ended 30 June 2020**	**Audited year ended 31 December 2020**
Financial			
Revenue	£31.7m	£24.5m	£53.9m
Adjusted profit before tax[1 6]	£6.3m	£6.3m	£13.4m
Profit before tax	£4.5m	£4.0m	£7.6m[4]
Adjusted operating margin[2 6]	21.3%	26.4%	26.0%
Diluted EPS	5.5p	5.3p	9.7p[4]
Adjusted diluted EPS[6]	7.6p	9.2p[5]	17.9p
Operational Highlights			
Number of SIPPs Administered	80,997	76,306	82,224
Assets under Administration	£36.0bn	£28.6bn	£32.4bn
Total organic new own SIPPs in period	2,485	2,107	4,113

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[1] Profit before tax, amortisation and non-recurring costs
[2] The ratio of operating profit before amortisation and non-recurring costs to revenue
[3] Annualised rates of attrition
[4] As further detailed in note 2.4, results for the year ended 31 December 2020 have been restated to account for measurement period adjustments arising under IFRS 3 Business Combinations. The adjustments have not been subject to audit.
[5] As further detailed in note 2.4, adjusted diluted EPS for the six month period ended 30 June 2020 has been restated due to identification of an error.
[6] In addition to statutory IFRS performance measures, the Group has presented a number of non-statutory alternative performance measures ("APMs"). The Board believes that the APMs used give a more representative view of the underlying performance of the Group and enhance comparability of information between reporting periods. APMs are identified in the definitions at the end of this announcement.

Attrition rates (Mid & Full SIPP)	6.3%[3]	5.2%[3]	4.6%
Number of properties administered	9,131	6,480	8,905

Chief Executive Officer's Review

Summary

Curtis Banks has made a promising start to the year. Strategic initiatives undertaken to develop the business into a more diversified and holistic retirement group combined with our fixed, recurring fee model is providing a platform for continued growth. This has contributed greatly to our success during the last twelve months despite a challenging economic backdrop over the past 18 months during which we have made progress on integrating our most recent acquisitions.

Our financial performance remains robust with revenue up 29% year-on-year to £31.7m and a proactive change to our SIPP fee model earlier this year has seen fee revenues increase by 9% against the 2020 comparative. Once the contribution from Talbot and Muir is included, fee revenue across the Group saw a 24% year on year increase and is an improvement in the quality of the Group’s earnings as it diversifies and shifts away from its reliance on interest income. Interest income as a proportion of total revenue fell from 27% in H1 2020 to 13% in H1 2021.

Adjusted profit before tax remained at £6.3m for the half year and our adjusted operating margin reduced to 21.3%, primarily due to planned reduction in reliance on interest income. We continue to make good progress on our five year systems strategy as we pursue our target operating margin of 30%. We are also pleased to have been able to maintain our dividend at 2.5p per share which, despite the challenging environment of the past 18 months, remains well covered by earnings, as well as improving cash held on balance sheet.

We saw continued growth in our core product offering, Your Future SIPP, during the period and this market leading product continues to have a positive impact on the Group’s organic growth and with our relationships with advisers and introducers. Most importantly, this success means that we are well placed to further increase our organic growth in the number of new Full and Mid SIPPs over the coming years.

The total number of properties now administered by the Group has increased to 9,131 (H1 2020: 6,480) and we expect this upward trend to continue following a strong pipeline of enquiries within both the Curtis Banks and Talbot and Muir businesses.

Innovation and the integration of key acquisitions

The acquisitions we completed during 2020 are having a very positive impact on the business. Both Dunstan Thomas and Talbot and Muir form a critical part of our strategy to scale up, diversify and transition into a more holistic retirement group, providing multiple complementary solutions, including FinTech, legal and property services for the advised retirement market.

Critical to this enhanced offering is the greater diversity of products and services that both businesses bring to the Group, coupled with the innovation and operational efficiency to which they contribute. Talbot and Muir is proving to be a seamless bolt-on acquisition that provides greater volumes at a very attractive operating margin. Meanwhile, Dunstan Thomas has become particularly effective in broadening our client base by introducing Fintech solutions for wealth managers helping the Group to reach a wider target market and pursue natural cross-sell opportunities to our existing SIPP administration offering.

During its first twelve months in the Group, Dunstan Thomas has already shown the critical role it will play in the development of Curtis Banks Group’s technological future. During the first half year, the business launched Imago Administration for Small Self-Administered Schemes (“SSAS”) pensions and we are already looking at how the Imago system and administration platform can be combined with Curtis Banks Trustee Services.

It is also worth highlighting Dunstan Thomas's contribution to CB Labs, our innovation hub and collaboration centre, which is also helping to drive integration. Great strides are being made at CB Labs to bring our bank of ideas and technical concepts to life, with many now moving to prototyping. This includes machine learning to lessen Curtis Banks advisers' and customers' dependence on telephony and we are also developing a solution that will enable our SIPP application and quote process to be easily added directly into IFA platforms. This has the potential to grow market share and expand our target market. CB Labs is also developing adviser tools to further support advisers and their customers.

Despite the obvious operational challenges presented by Covid-19 over the past 18 months, our five-year systems strategy is also progressing according to plan. A key component of this activity is to have a fully aligned operating model, which many of the innovations supported by Dunstan Thomas and CB Labs are successfully driving as part of their integration. The centralisation of our commercial property administration is now complete, a new telephony system has been installed to support our customers and their advisers and the rationalisation of our product portfolio is progressing well.

The addition of Talbot and Muir to the Group has further strengthened our levels of recurring revenues and continued to dilute the contribution of interest income across the organisation. Talbot and Muir have also added a number of valuable adviser relationships further reinforcing the Group's position as the SIPP provider of choice across the industry. Whilst new business within Talbot and Muir has been positive, one key new distribution partner has been materially delayed leading to a modest variance in associated revenues. We are therefore delighted with progress made on innovation and the integration of Dunstan Thomas and Talbot and Muir. Both transactions are critical to the execution of our strategy to add greater scale, additional and diversified revenue streams and enhanced profitability to the Curtis Banks Group.

SIPP Numbers

As at 30 June 2021, the total number of SIPPs administered increased by 6% to 80,997 (H1 2020: 76,306), thanks to a combination of organic growth as well as the contribution of Talbot and Muir which has contributed 6,082 SIPPs to this total.

The gross number of new own SIPPs, which are administered directly by the Group increased by 2,485 organically (H1 2020: 2,107), representing a gross annualised organic growth rate of 6.6% (H1 2020: 6.1%). In our two core areas of strategic focus, the Full SIPP saw a slightly higher level of gross annualised organic growth than last year at 3.6% (H1 2020: 2.9%) and our Mid SIPP gross organic growth rate increased to 12.1% (H1 2020: 11.2%). Our total own SIPP annualised attrition rate increased to 8.9% during the year (H1 2020: 5.8%) although this rate was much lower (6.3%) for our core Full and Mid SIPP products.

Target Operating Model

During the first half of 2021, we achieved adjusted profit before tax of £6.3m, which is comparable to the previous interim reporting period (2020: £6.3m), generating an adjusted operating margin of 21.3% (H1 2020: 26.4%). This lower expected adjusted operating margin is due to the significant reduction in interest revenue generated for the first half of the year, representing £4.2m of revenue versus £6.5m in H1 2020 and a reduction of 5.3% in operating margin, although this was not unexpected as the Group looks to increase the quality of its earnings through recurring annual fees.

During the period we successfully completed the centralisation of the Group's commercial property administration. In addition to this, the strategy to transition the Group to a single administration system remains on target and within budget. As at 30 June 2021, we are progressing our systems strategy and development work continues and is on track for completion in accordance with the original project plan.

Industry context and outlook

The pension market has been a continued focus of the regulator during the first half of the year. Our business model is clear and we only work with regulated financial advisers and do not give any advice or provide the investments held within our SIPPs. Our fee structures also remain fair, transparent and competitive for our target market and remains well positioned to withstand any industry pressure on fee levels.

Non-standard investments continue to receive a large amount of media coverage. 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.

Our organisation remains resilient from both a regulatory perspective but also in weathering the current expected medium-term economic impact of the COVID-19 pandemic. Though there remains significant uncertainty over what government measures will be maintained or introduced, the Group continually reviews guidance from the UK government and the NHS and ensures that all staff are kept regularly updated and fully informed in order to reduce the risk of spreading the virus and minimise the economic impact. We continue to explore ways to further diversify our revenue generation and reduce our sensitivity to market conditions, and we continue to retain capital and liquidity well in excess of the minimum regulatory requirements.

People, Culture and ESG update

As part of integrating ESG into our corporate strategy, we are undertaking a materiality assessment of our business to ensure we move forward with a strong purpose-led ESG policy that will help guide the business for the next three to five years. To that end, we will be talking to key stakeholders in the coming weeks to test and evolve this policy before publishing it and we will be allocating responsibility for the oversight of this policy to a member of the Board of Directors.

Curtis Banks has always demonstrated a strong commitment to its corporate and social responsibility activities, acknowledging the role we play in the communities around us.

We have therefore reached the half year point in very good shape. We have a robust operating model, the Group is on a growth trajectory, and the integration process of Talbot and Muir and Dunstan Thomas is going extremely well. I would like to give thanks once again to all our employees for their efforts during this testing time. Not only have we minimised the effect of COVID-19 on the Group, we are also making tremendous progress on our strategic priorities. The second half of the year is gearing up to be a busy period and I look forward to updating you all at the full year.

Summary and outlook

Despite the continued uncertainty and challenges that the pandemic has generated over the past six months, the Group has once again demonstrated its financial robustness and that is not sensitive to market movements, upon which our core SIPP administration business model is based. The strong operating performance reported within these statements is testament to this and we remain hopeful that the staged lifting of restrictions will provide a more conducive environment in which to do business, particularly sales related activities across all Group entities.

Strategically, the Board remains confident in the Group’s continued ability to make progress on, and achieve, its stated objectives through diversification of our service offering, organic growth across all parts of the Group, highly selective acquisitions and continued operational efficiencies.

Will Self
Chief Executive Officer
8 September 2021

Financial Review

Results

Group financial performance for the six month period to 30 June 2021 resulted in an adjusted profit before tax of £6.3m which was unchanged compared to the previous interim reporting period (2020: £6.3m), generating an adjusted operating margin of 21.3% (H1 2020: 26.4%).

Profit before tax, which includes amortisation and non-recurring costs, improved 13% to £4.5m (H1 2020: £4.0m). Adjusted diluted EPS reduced to 7.6p (H1 2020: 9.2p), while diluted EPS on a statutory basis increased by 4% to 5.5p (H1 2020: 5.3p).

The encouraging performance of the first six months of 2021 was achieved despite the challenging economic and social conditions, with interest income impacted materially as expected in an unprecedented low-rate environment. Organic sales have remained robust in the face of these challenges and our stated strategy to deliver a Target Operating Model remains on track, H1 2021 seeing the conclusion of the centralisation of commercial property administration within one office location. The centralisation of the commercial property administration brings with it non-recurring redundancy and restructuring costs associated with the transition of work between office locations and this is described in more detail below.

Revenues

Revenues of £31.7m in the six months ended 30 June 2021 were significantly higher than the comparable period (H1 2020: £24.5m), largely as a result of the inclusion of both Dunstan Thomas and Talbot and Muir for the first time in our interim statements.

Fee revenue from SIPPs and SSASs remains the predominant source of income for the Group with a strong emphasis on recurring annual fee income. In the six months ended 30 June 2021 fee income represented 70% of the total income and 87% of this fee income is recurring (H1 2020: 84%). The increase in the levels of recurring income has achieved a dilution of the contribution made through interest income and this improvement in the overall quality of earnings has been supported by a £2.6m contribution from Talbot and Muir.

SIPP fees are based on a recurring fixed monetary annual fee and a menu of additional fixed fees depending on the services provided to the SIPP. The annual fees for the Curtis Banks Mid and Full SIPP products were amended as at 1st February 2021 and at the same time we made a clear commitment to our clients as to how we will share interest revenue with them and therefore remove any discretion. All of the fees that are applied to our SIPP products are subject to contractual annual inflationary rises linked to the measurement of Average Weekly Earnings ("AWE").

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

As expected, interest income reduced to £4.2m for the period, compared to £6.5m for H1 2020, although this was anticipated given the unprecedented low interest rate environment prevailing since the reduction in the Bank of England Bank Rate to 0.1% in March 2020. As at 30 June 2021, the Group held £1.052bn of client deposits across a range of UK, PRA regulated banking counterparties and managed the cash in line with its Treasury Framework.

Included for the first time are £5.8m of revenues generated by Dunstan Thomas, separately classified within these statements as Fintech income. Following a challenging sales environment due to the on-going COVID-19 pandemic we haven't achieved the growth that we anticipated in Dunstan Thomas and revenue is broadly in line with 2020. This has resulted in a reduction of £0.6m to the total related contingent consideration expected to be payable over the earn out period and a corresponding credit to the consolidated statement of comprehensive income.

Expenses

The period ended 30 June 2021 saw administrative expenses increase to £25.0m (H1 2020: £18.1m).

Staff costs for the period increased by 55% to £17.7m (2020: £11.4m) and again these figures have been heavily influenced by the addition of staff from Dunstan Thomas and Talbot Muir to the Group which represented 47% of this increase. In addition to the impact from acquisitions, headcount increased within the standalone Curtis Banks business following recruitment inactivity in the first half of 2020 due to the impact of the pandemic. Staff costs in the period were impacted by further share based payment awards under the Group's Long Term Incentive Plan and Save As You Earn ("SAYE") option schemes, as well as the annual pay review. The share incentive schemes have been extended to both Dunstan Thomas and Talbot Muir and the commitment to all of these awards demonstrates the Group's continuing commitment to improving levels of key staff retention and morale, which in turn provide the required service levels to all of our clients and introducers of business.

Overall headcount stood at 823 as at 30 June 2021 compared to 639 as at 30 June 2020 and 821 as at 31 December 2020. Of the headcount at 30 June 2021, members of staff at Dunstan Thomas and Talbot and Muir accounted for 152.

Non-staff costs in aggregate grew to £7.3m from £6.7m in H1 2020 although, if the costs relating to Dunstan Thomas and Talbot and Muir of £0.7m are excluded, non-staff costs actually saw a reduction on a like for like comparison basis of £0.1m.

The Group continues to take steps to improve its adjusted operating margin through a combination of revenue enhancements, cost saving measures and operational improvements. The Board remains confident that an improved operating margin is achievable in the medium term through both our planned internal strategic activities, centred on our systems strategy, organic growth and the revenue opportunities being developed with Dunstan Thomas.

Non-recurring costs

Non-recurring costs for the six months ended 30 June 2021 are net income of £0.2m (2020: costs of £1.4m) and comprise principally of internal restructuring costs and some of the external costs associated with the acquisitions of Dunstan Thomas and Talbot and Muir but are offset by a credit of £0.6m in respect of a revision to the fair value of deferred contingent consideration payable on their acquisitions.

As referenced earlier, the centralisation of commercial property administration within one office was completed during the first six months, resulting in a non-recurring cost of £0.2m being recognised during the period.

Accounting Policies

There have been no changes in accounting policies during the period although the audited results for year ended 31 December 2020 have been restated to account for measurement period adjustments arising under IFRS 3 *Business Combinations* relating to the acquisitions of the Dunstan Thomas Group and the Talbot and Muir Group that took place in H2 2020. This follows a reassessment of the fair value of assets and liabilities acquired assisted by third party valuation experts to provide a more accurate estimate and a reassessment of the relevant discount factor that ought to be applied to future expectations of cash flows arising on intangible assets and contingent consideration payable on each of the acquisitions made in 2020. Further details can be found in note 2.4 to these statements.

Cash flows

Shareholder cash balances at period end were £32.2m compared to £24.9m at the end of June 2020.

Net cash inflows from shareholder operating activities for the period were £7.2m (H1 2020: £0.4m net cash inflow), the increase in cash generation attributable to the additional working capital introduced from Dunstan Thomas and Talbot and Muir, a reduction of tax paid in the period and an increase in profit before tax for the period.

Suffolk Life Annuities Limited

Part of the Group, Suffolk Life Annuities Limited, is an insurance company that writes SIPP products as insurance contracts. These are all non-participating insurance policy contracts and so the Group does not bear any insurance risk. As the policies are non-participating contracts, the client related assets and liabilities in Suffolk Life Annuities Limited match. In addition, the revenues, expenses and investment returns of the non-participating insurance policy contracts are shown in the consolidated statement of comprehensive income. Again, these income, expense items and investment returns due to the policyholders are completely matched. An illustrative balance sheet as at 30 June 2020 showing the financial position of the Group excluding the policyholder assets and liabilities is included as supplementary information after the notes to the financial statements. An illustrative cash flow on the same basis has also been provided.

Systems Development

As reported in our financial statements for the year ended 31 December 2019, the decision was taken to improve our IT infrastructure by both upgrading the existing operating systems within Curtis Banks and to move all the back office systems onto one of our incumbent systems (Navision).

Costs associated with these upgrades and operating system changes where appropriate will be capitalised and amortised in accordance with their useful economic life. Amortisation will commence once the upgrades are completed and fully operational. Upon completion in 2024, the Group expects to crystallise savings of £1.2m per annum.

Employee Benefit Trust

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

Financial Review

Capital requirements

The Group's regulated subsidiary companies submit regular returns to the FCA and the PRA relating to their capital resources. At 30 June 2021 the total regulatory capital requirement across the Group was £15.1m (30 June 2020: £14.7m) and the Group had an aggregate surplus above this of £15.7m (30 June 2020: £15.4m) across all regulated entities. In addition to this it is Group internal policy for regulated companies within the Group to hold at least 130% of their required regulatory capital and this has been maintained throughout the period.

Financial Position

The statement of Financial Position as at 30 June 2021 shows a strong position with shareholder net assets increasing from £54.4m at 30 June 2020 to £80.2m as at 30 June 2021.

As at 30 June 2021 the Group had net shareholder cash (after debt)* of £10.4m (30 June 2020: £15.1m).

Dan Cowland
Chief Financial Officer
8 September 2021

* In addition to statutory IFRS performance measures, the Group has presented a number of non-statutory alternative performance measures ("APMs"). The Board believes that the APMs used give a more representative view of the underlying performance of the Group and enhance comparability of information between reporting periods. APMs are identified in the definitions at the end of this announcement.

Independent review report to Curtis Banks Group PLC
Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Curtis Banks Group PLC's condensed consolidated interim financial statements (the "interim financial statements") in the unaudited interim condensed consolidated financial statements of Curtis Banks Group PLC for the 6 month period ended 30 June 2021 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the AIM Rules for Companies.

Emphasis of matter

Without modifying our conclusion on the interim financial statements, we draw attention to note [2] to the financial statements which describes the basis of accounting adopted in preparing the interim financial statements, including that the interim financial statements do not include all the information required to be disclosed by UK adopted international accounting standard 34, 'Interim Financial Reporting'..

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 June 2021;
- the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the unaudited interim condensed consolidated financial statements of Curtis Banks Group PLC have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the AIM Rules for Companies.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

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

Our responsibility is to express a conclusion on the interim financial statements in the unaudited interim condensed consolidated financial statements based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the AIM Rules for Companies and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
8 September 2021

Curtis Banks Group PLC

Condensed consolidated statement of comprehensive income

	Notes	Unaudited 6 month period ended 30 June 2021			Unaudited 6 month period ended 30 June 2020			Audited year ended 31 December 2020 – *As restated**		
		Before amortisation and non-recurring costs £'000	Amortisation and non-recurring costs £'000	Total £'000	Before amortisation and non-recurring costs £'000	Amortisation and non-recurring costs £'000	Total £'000	Before amortisation and non-recurring costs £'000	Amortisation and non-recurring costs £'000	Total £'000
Revenue		31,718	-	31,718	24,529	-	24,529	53,871	-	53,871
Administrative expenses		(24,959)	(1,250)	(26,209)	(18,061)	(1,978)	(20,039)	(39,885)	(5,057)	(44,942)
Impairment on client portfolios		-	-	-	-	(344)	(344)	-	(344)	(344)
Policyholder investment returns		216,954		216,954	(113,907)	-	(113,907)	125,231	-	125,231
Non-participating investment contract expenses		(17,090)	-	(17,090)	(17,531)	-	(17,531)	(35,343)	-	(35,343)
Changes in provisions: Non-participating investment contract liabilities		(199,864)	-	(199,864)	131,438	-	131,438	(89,888)	-	(89,888)
Policyholder total		-	-	-	-	-	-	-	-	-
Operating profit		6,759	(1,250)	5,509	6,468	(2,322)	4,146	13,986	(5,401)	8,585
Finance income		9	-	9	53	-	53	83	-	83
Finance costs		(452)	(580)	(1,032)	(240)	-	(240)	(697)	(342)	(1,039)
Profit before tax		6,316	(1,830)	4,486	6,281	(2,322)	3,959	13,372	(5,743)	7,629
Tax		(1,171)	348	(823)	(1,496)	441	(1,055)	(2,823)	1,091	(1,732)
Total comprehensive income for the period		5,145	(1,482)	3,663	4,785	(1,881)	2,904	10,549	(4,652)	5,897
Attributable to:										
Equity holders of the company				3,669			2,904			5,897
Non-controlling interests				(6)			-			-
				3,663			2,904			5,897
Earnings per ordinary share on net profit										
Basic (pence)	**5**			5.5			5.4			9.9
Diluted (pence)	**5**			5.5			5.3			9.7

*The audited results for year ended 31 December 2020 have been restated to account for measurement period adjustments arising under IFRS 3 *Business Combinations* relating to the acquisitions of the Dunstan Thomas Group and the Talbot and Muir Group that took place in H2 2020. The changes impact amortisation, non-recurring costs and tax only. The adjustments made to restate the 31 December 2020 comparatives, as further detailed in note 2.4, have not been subject to audit.

Issued	Share	Equity share	Treasury	Retained	Total*	Non-	Total

Condensed consolidated statement of changes in equity

	capital £'000	premium £'000	based payments £'000	shares £'000	earnings* £'000	£'000	controlling interest £'000	Equity* £'000
As at 1 January 2020 – audited	271	33,659	2,313	(534)	19,730	55,439	14	55,453
Comprehensive income for the period	-	-	-	-	2,904	2,904	-	2,904
Share based payments	-	-	410	-	-	410	-	410
Ordinary shares bought and sold by EBT	-	-	-	(590)	-	(590)	-	(590)
Deferred tax on share based payments	-	-	-	-	(312)	(312)	-	(312)
Ordinary dividends paid	-	-	-	-	(3,507)	(3,507)	-	(3,507)
As at 30 June 2020 – unaudited	271	33,659	2,723	(1,124)	18,815	54,344	14	54,358
Comprehensive income for the period*	-	-	-	-	2,994	2,994	-	2,994
Share based payments	-	-	24	-	-	24	-	24
Deferred tax on share based payments	-	-	-	-	(33)	(33)	-	(33)
Ordinary shares issued	59	24,140	-	-	-	24,199	-	24,199
Ordinary shares bought and sold by EBT	-	-	-	383	-	383	-	383
Ordinary dividends paid	-	-	-	-	(1,642)	(1,642)	-	(1,642)
As at 31 December 2020 – audited – restated*	330	57,799	2,747	(741)	20,134	80,269	14	80,283
Comprehensive income for the period	-	-	-	-	3,669	3,669	(6)	3,663
Share based payments	-	-	92	-	-	92	-	92
Ordinary shares bought and sold by EBT	-	-	-	301	-	301	-	301
Ordinary shares issued	2	288	-	-	-	290	-	290
Deferred tax on share based payments	-	-	-	-	(99)	(99)	-	(99)
Ordinary dividends paid	-	-	-	-	(4,338)	(4,338)	-	(4,338)
As at 30 June 2021 - unaudited	332	58,087	2,839	(440)	19,366	80,184	8	80,192

*The audited results for year ended 31 December 2020 have been restated to account for measurement period adjustments arising under IFRS 3 *Business Combinations* relating to the acquisitions of the Dunstan Thomas Group and the Talbot and Muir Group that took place in H2 2020. The adjustments made to restate the 31 December 2020 comparatives, as further detailed in note 2.4, have not been subject to audit.

Condensed consolidated statement of financial position

	Notes	Unaudited 30-Jun-21 £'000	Unaudited 30-Jun-20 £'000	*As restated** Audited 31-Dec-20 £'000
ASSETS				
Non-current assets				
Intangible assets	**6**	90,475	42,750	91,078
Investment property		1,214,551	1,219,856	1,208,605
Property, plant and equipment		9,395	5,742	7,658
Investments		2,137,522	1,842,818	2,072,317
Deferred tax asset		-	435	-
		3,451,943	3,111,601	3,379,658
Current assets				
Trade and other receivables		28,863	30,976	26,649
Cash and cash equivalents		401,110	440,790	430,578
Current tax asset		658	604	581
		430,631	472,370	457,808
Total assets		**3,882,574**	**3,583,971**	**3,837,466**
LIABILITIES				
Current liabilities				
Trade and other payables		20,915	16,893	18,895
Deferred income		30,533	26,345	26,995
Borrowings		42,079	34,486	53,533
Lease liabilities		837	909	672
Provisions		453	408	501
Contingent consideration		2,467	-	2,375
		97,284	79,041	102,971
Non-current liabilities				
Borrowings		48,202	46,617	53,370
Lease liabilities		7,164	3,377	5,201
Provisions		7	-	7
Contingent consideration		6,454	-	6,537
Non-participating investment contract liabilities		3,639,582	3,400,578	3,585,307
Deferred tax liability		3,689	-	3,790
		3,705,098	3,450,572	3,654,212
Total liabilities		**3,802,382**	**3,529,613**	**3,757,183**
Net assets		**80,192**	**54,358**	**80,283**
Equity attributable to owners of the parent				
Issued capital		332	271	330
Share premium		58,087	33,659	57,799
Equity share based payments		2,839	2,723	2,747
Treasury shares		(440)	(1,124)	(741)
Retained earnings		19,366	18,815	20,134
		80,184	54,344	80,269
Non-controlling interest		8	14	14
Total equity		**80,192**	**54,358**	**80,283**

*The audited results for year ended 31 December 2020 have been restated to account for measurement period adjustments arising under IFRS 3 Business Combinations relating to the acquisitions of the Dunstan Thomas Group and the Talbot and Muir Group that took place in H2 2020. The adjustments made to restate the 31 December 2020 comparatives, as further detailed in note 2.4, have not been subject to audit.

Approved by the Board and authorised for issue on 8 September 2021. Dan Cowland - Chief Financial Officer

Condensed consolidated statement of cash flows

	Unaudited 6 month period ended 30-Jun-21 £'000	Unaudited 6 month period ended 30-Jun-20 £'000	*As restated** Audited year ended 31-Dec-20 £'000
Cash flows from operating activities			
Profit before tax	4,486	3,959	7,629
Adjustments for:			
Depreciation	915	694	1,499
Amortisation and impairments	1,445	941	2,088
Interest expense	452	240	697
Share based payment expense	92	410	434
Fair value losses/(gains) on financial investments	(143,455)	82,297	(119,957)
Additions of financial investments	(336,457)	(298,196)	(631,200)
Disposals of financial investments	414,708	367,278	673,037
Fair value (gains)/losses on investment properties	(11,278)	57,664	60,751
Increase/(decrease) in liability for investment contracts	54,278	(171,327)	13,403
Changes in working capital:			
Increase in trade and other receivables	(1,797)	(10,460)	(2,737)
Increase/(decrease) in trade and other payables	5,323	772	(1,105)
Taxes paid	(1,324)	(2,063)	(2,996)
Net cash flows from operating activities	**(12,612)**	**32,209**	**1,543**
Cash flows from investing activities			
Purchase of intangible assets	(842)	(264)	(986)
Purchase of property, plant & equipment	(169)	(241)	(591)
Purchase of investment property	(52,176)	(66,685)	(122,449)
Purchase and sale of shares in the Group by the EBT	301	(590)	(207)
Receipts from sale of investment property	57,506	54,948	118,877
Net cash flows from acquisitions	9	(152)	(34,484)
Net cash flows used in investing activities	**4,629**	**(12,984)**	**(39,840)**
Cash flows from financing activities			
Equity dividends paid	(4,338)	(3,507)	(5,149)
Net proceeds from issue of ordinary shares	290	-	24,199
Net increase/(decrease) in borrowings	(16,670)	3,981	29,595
Principal elements of lease payments	(490)	(422)	(934)
Interest paid	(277)	(34)	(383)
Net cash flows used in financing activities	**(21,485)**	**18**	**47,328**
Net increase/(decrease) in cash and cash equivalents	**(29,468)**	**19,243**	**9,031**
Cash and cash equivalents at the beginning of the period	430,578	421,547	421,547
Cash and cash equivalents at the end of the period	**401,110**	**440,790**	**430,578**

*The audited results for year ended 31 December 2020 have been restated to account for measurement period adjustments arising under IFRS 3 Business Combinations relating to the acquisitions of the Dunstan Thomas Group and the Talbot and Muir Group that took place in H2 2020. The adjustments made to restate the 31 December 2020 comparatives, as further detailed in note 2.4, have not been subject to audit.

1 Corporate information

Curtis Banks Group PLC ("the Company") is a public limited company incorporated and domiciled in England and Wales, whose shares are publicly traded on the AIM market of the London Stock Exchange PLC. The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 8 September 2021.

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

2 Basis of preparation and accounting policies

2.1 Basis of preparation

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

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting except for certain requirements in relation to financial instrument disclosure. The board has considered the requirements of IAS 34 in relation to policyholder assets and liabilities and, given the unit-linked nature of these assets and liabilities, has concluded that revaluing certain policyholder financial instruments for the purposes of these interim financial statements would incur expense which is disproportionate to any potential benefits of doing so. Further, the board considers that the omission of updated valuations for these certain policyholder financial instruments will not influence the economic decisions of users of these financial statements, as all revenue and expenditure associated with these policyholder assets and liabilities is due back to the policyholders under non-participating investment contracts and therefore has nil impact on shareholder equity.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's financial statements for the year ended 31 December 2020, which were prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB (together "IFRS") as adopted by the European Union, and in accordance with the requirements of The Companies Act 2006 applicable to companies reporting under IFRS.

The information relating to the six months ended 30 June 2021 and the six months ended 30 June 2020 is unaudited and does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2020 have been reported on by its auditor and delivered to the Registrar of Companies. The report of the auditor was unmodified and did not contain a statement under section 498(2) or (3) of The Companies Act 2006.

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

2 Basis of preparation and accounting policies - continued

2.2 Basis of consolidation

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

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

The trading subsidiaries of Curtis Banks Group PLC as at 30 June 2021 were Curtis Banks Limited, Suffolk Life Pensions Limited, Suffolk Life Annuities Limited, Rivergate Legal Limited, Templemead Property Solutions Limited, Dunstan Thomas Group Limited, Digital Keystone Limited, Dunstan Thomas Holdings Limited, Dunstan Thomas Consulting Limited, Platform Action Limited, and Talbot and Muir Limited.

The trading subsidiaries of Curtis Banks Group PLC as at 30 June 2020 were Curtis Banks Limited, Suffolk Life Pensions Limited, Suffolk Life Annuities Limited, Rivergate Legal Limited and Templemead Property Solutions Limited.

Certain trading subsidiaries of Curtis Banks Group PLC hold the entire issued share capital of a number of non-trading trustee companies. All of these companies are nominee companies for the pension products administered by the trading subsidiaries of Curtis Banks Group PLC and have been dormant or non-trading throughout the period and are expected to remain dormant or non-trading.

2.3 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

An IFRS 3 measurement period adjustment to finalise the fair values attributed to assets and liabilities acquired from the Dunstan Thomas acquisition that took place on 3 August 2020 has been made during the current period. The adjustments made to restate the 31 December 2020 comparatives, as further detailed in note 2.4, have not been subject to audit. As a result of this adjustment, changes in the accounting estimate for the useful remaining economic life of certain intangible assets has been made, and an estimate for the new intangible asset category of Brand has been made. The following table sets out revised useful remaining economic lives assigned to each category of intangible asset:

Intangible asset category	Useful Economic Life
Goodwill	Indefinite – reviewed at least annually for impairment
Brand	10 years
Client Portfolios	Between 5.4 years to 20 years
Computer Software	Between 4 and 5 years
Internally Generated Software	10 years

New standards issued but not yet effective

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

2.3 Significant accounting policies - continued

Financial statements for the year ending 31 December 2021

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements will be consistent with those to be followed in the preparation of the Group's annual financial statements for the year ending 31 December 2021.

2.4 Prior year restatements

IFRS 3 measurement period adjustment

The audited results for year ended 31 December 2020 have been restated to account for measurement period adjustments arising under IFRS 3 *Business Combinations* relating to the acquisitions of the Dunstan Thomas Group and the Talbot and Muir Group that took place in H2 2020.

In order to finalise the fair values attributed to assets and liabilities acquired from the Dunstan Thomas acquisition an independent expert valuation was undertaken, the results of which were pending when the 2020 annual report was approved. The valuation helped to better identify and reflect the different components of intangible asset acquired, as principally reflected in the change of cost allocated to each intangible asset category within note 6 to these financial statements as a measurement period adjustment, compared to that reported in the original financial statements for the year ended 31 December 2020.

The results of the independent valuation also helped to inform a more accurate estimate of the relevant discount factor that ought to be applied to future expectations of cash flows arising on intangible assets and contingent consideration payable. Consequently, the fair value attributed to assets and liabilities acquired from the Talbot and Muir acquisition has also been restated as a measurement period adjustment.

The impact of these adjustments on previously reported figures is summarised in the two tables below:

Consolidated statement of financial position	**Originally reported as at 31 December 2020 £'000**	**As restated as at 31 December 2020 £'000**	**Movement £'000**
Intangible assets	91,166	91,078	(88)
Trade and other receivables	26,913	26,649	(264)
Contingent consideration due <1 year	(2,516)	(2,375)	141
Contingent consideration due >1 year	(5,657)	(6,537)	(880)
Deferred tax liability	(5,013)	(3,790)	1,223
Retained earnings	(20,002)	(20,134)	(132)
			-

2.4 Prior year restatements - continued

Consolidated statement of comprehensive income	**Originally reported for the year ended 31 December 2020 £'000**	**As restated for the year ended 31 December 2020 £'000**	**Movement £'000**
Amortisation	(2,098)	(1,744)	354
Non-recurring finance costs	(188)	(342)	(154)
Tax	(1,664)	(1,732)	(68)
Total comprehensive income for the year			132

Adjusted Basic EPS and Adjusted Diluted EPS errors

The unaudited results for the six month period ended 30 June 2020 contained a clerical error in the reported level of adjusted basic earnings per share and the adjusted diluted earnings per share. The values previously reported were 9.7p per share and 9.5p per share respectively, and this has now been restated to correctly reflect 9.4p per share and 9.2p per share.

2.5 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 include books of SIPPs acquired that are amortised over their useful economic life ("UEL") which management estimate to be 20 years. This estimated UEL is based upon management's historical experience of similar portfolios and expectation of the future persistency of the portfolio. The reasonableness of this 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.

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

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.

One key source of estimation uncertainty is the level of future interest income expected, and in particular the longevity of the current low interest rate environment. Another key source of estimation uncertainty arises from the attrition rates used. The recoverable amount is most sensitive to both of these assumptions.

A 20% increase to the attrition rate assumption would result in a cumulative £44,000 decrease in the carrying value of client portfolios. A 40% increase to the attrition rate assumption would result in a cumulative £385,000 decrease in the carrying value of client portfolios.

A 2% decrease in the EBITDA margin assumption would result in a cumulative £538,000 decrease in the carrying value of client portfolios. A 4% decrease in the EBITDA margin assumption would result in a cumulative £1,436,000 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. The Group determines its loss rates by reference to the underlying level of liquidity in each of the Group's clients' SIPPs because clients' fees are normally settled directly from their SIPP cash holdings. A lower level of liquidity in the SIPP, or indeed illiquidity, indicates reduced credit quality in the related trade receivable balance.

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

Period ended 30 June 2021	**Increase / (decrease) in percentage rates**	**Effect on profit before tax £'000**
Loss rate	10%	(807)
Loss rate	(10)%	430

The Group charges fixed fees for its services reducing its exposure to changes in macroeconomic factors such as COVID-19 which may otherwise impact a percentage basis point fee charging model.

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

The Group continually assesses historical recovery data to help determine how the underlying level of liquidity in the SIPPs fits into each of the credit quality ratings. Future historical data available may lead to changes in the estimated categorisation of trade receivables gross carrying amounts and associated loss allowance.

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

Contingent consideration payable on acquisitions

The Group has entered into certain acquisition agreements that provide for a contingent consideration to be paid. A financial instrument is recognised for all amounts management anticipates will be paid under the relevant acquisition agreement. This requires management to make an estimate of the expected future cash flows from the acquired business using forecasts that cover the contingent consideration period, and determine a suitable discount rate for the calculation of the present value of any contingent consideration payments.

A material change to the carrying value might occur if the acquired businesses achieve significantly more or less than their target earnings. The key assumption used in determining the value of these provisions is the forecast financial performance as applied in the terms of the contingent consideration arrangement. A 10% increase or reduction in achievement of forecast contingent consideration targets would increase or reduce the value of contingent consideration payable required by £0.9m.

Fair value of intangible assets acquired on acquisitions in 2020

An IFRS 3 measurement period adjustment to finalise the fair values attributed to assets and liabilities acquired from the Dunstan Thomas and Talbot and Muir acquisitions that took place in 2020 has been made during the current period. The adjustments made to restate the 31 December 2020 comparatives, as further detailed in note 2.4, have not been subject to audit. As part of this adjustment, revised estimates have been made for the useful remaining economic life of each intangible asset acquired as follows:

Estimates as reported in the audited financial statements for the year ended 31 December 2020:

Intangible asset category	**Useful Economic Life**
Goodwill	Indefinite – reviewed at least annually for impairment
Brand	N/A – not identified as an independent asset
Client Portfolios	20 years
Internally Generated Software	Between 5 to 7.5 years

Revised estimates now reported in the unaudited financial statements for the period ended 30 June 2021:

Intangible asset category	**Useful Economic Life**
Goodwill	Indefinite – reviewed at least annually for impairment
Brand	10 years
Client Portfolios	Between 5.4 years to 20 years
Internally Generated Software	10 years

In deriving these revised estimates, initial internal assessments were generated based upon historical data and experience. These assessments were then benchmarked against market data to ensure reasonableness.

2.5 Critical accounting judgements and key sources of estimation uncertainty – continued

Fair values derived are based on financial forecasts and balance sheet data available at the time of acquisition, and use generally accepted valuation methodologies in arriving at fair value estimates.

Brand has been valued using a relief from royalty approach with a royalty rate of 2%. Client portfolios have been valued using variations of discounted cash flow analysis. Internally generated software has been valued using a relief from royalty approach with a royalty rate of 15%.

In assessing an appropriate base for the discount rate to be used against estimated future cash flows, both the internal rate of return and the weighted average cost of capital were considered. A discount factor of 13% has been applied to all estimated future cash flows based upon this analysis.

3 Operating segment reporting

The Group acquired FinTech provider Dunstan Thomas on 3 August 2020. Prior to this acquisition, all results were viewed as one operating segment for the purposes of management decisions as all operations were conducted within the UK and all material operations were of the same nature and shared the same economic characteristics including a similar customer base and nature of product and services (i.e. pensions administration).

Following the acquisition of Dunstan Thomas during the year ended 31 December 2020, the Group is now considered to have two operating segments. Dunstan Thomas provides IT software development, licences and consultancy services and, collectively, these services are described in the Group's financial statements as FinTech.

The following tables present revenue and profit information regarding the Group's operating segments for the six month periods ended 30 June 2021 and 30 June 2020, and the year ended 31 December 2020.

Unaudited Period ended 30 June 2021	**Pension Administration £'000**	**FinTech £'000**	**Consolidation adjustments £'000**	**Consolidated £'000**
Revenue				
External customers	26,504	5,214	-	31,718
Internal customers	-	573	(573)	-
	26,504	5,787	(573)	31,718
Administrative expenses				
External customers	20,700	4,259	-	24,959
Internal customers	367	206	(573)	-
	21,067	4,465	(573)	24,959
Adjusted operating profit	5,437	1,322	-	6,759
Adjusted operating profit margin	20.5%	22.8%		21.3%

3 Operating segment reporting (continued)

Unaudited Period ended 30 June 2020	Pension Administration £'000	Consolidated £'000
Revenue		
External customers	24,529	24,529
	24,529	24,529
Administrative expenses		
External customers	18,061	18,061
	18,061	18,061
Adjusted operating profit	6,468	6,468
Adjusted operating profit margin	26.4%	26.4%

Audited Year ended 31 December 2020	Pension Administration £'000	FinTech £'000	Consolidation adjustments £'000	Consolidated £'000
Revenue				
External customers	49,078	4,793	-	53,871
Internal customers	-	485	(485)	-
	49,078	5,278	(485)	53,871
Administrative expenses				
External customers	36,830	3,055	-	39,885
Internal customers	-	485	(485)	-
	36,830	3,540	(485)	39,885
Adjusted operating profit	12,248	1,738	-	13,986
Adjusted operating profit margin	25.0%	32.9%		26.0%

3 Operating segment reporting (continued)

Corporate costs

The Group's operating segments are managed together as one business. Accordingly, certain corporate costs such as finance income and expenses, non-recurring costs, gains and losses on the disposal of assets, taxes, intangible assets and certain other assets and liabilities are not allocated to individual segments as they are managed on a group basis. Segment adjusted operating profit or loss reflects the measure of segment performance reviewed by the Board of Directors (the Chief Operating Decision Maker).

The following table reconciles the total segments adjusted operating profit to statutory profit before tax:

	Unaudited Period ended 30 June 2021 £'000	**Unaudited Period ended 30 June 2020 £'000**	***As restated**** **Audited Year ended 31 December 2020 £'000**
Total segments adjusted operating profit	6,759	6,468	13,986
Amortisation and impairments	(1,418)	(941)	(2,088)
Non-recurring administrative expenses	168	(1,381)	(3,313)
Finance income	9	53	83
Finance costs	(1,032)	(240)	(1,039)
Profit before tax	4,486	3,959	7,629

*The audited results for year ended 31 December 2020 have been restated to account for measurement period adjustments arising under IFRS 3 Business Combinations relating to the acquisitions of the Dunstan Thomas Group and the Talbot and Muir Group that took place in H2 2020. The adjustments made to restate the 31 December 2020 comparatives, as further detailed in note 2.4, have not been subject to audit.

3 Operating segment reporting (continued)

The following tables present a split of assets and liabilities of the Group's operating segments as at 30 June 2021 and 31 December 2020. As at 30 June 2020 the Group had only one operating segment, being Pension Administration, and consequently comparative information is as disclosed in the Consolidated Statement of Financial Position.

Unaudited As at 30 June 2021	**Pension Administration £'000**	**FinTech £'000**	**Corporate £'000**	**Policyholder £'000**	**Consolidated £'000**
Total assets	69,670	9,429	69,008	3,734,467	3,882,574
Total liabilities	32,711	3,537	31,667	3,734,467	3,802,382

As restated* **Audited As at 31 December 2020**	**Pension Administration £'000**	**FinTech £'000**	**Corporate £'000**	**Policyholder £'000**	**Consolidated £'000**
Total assets	64,420	8,079	73,511	3,691,456	3,837,466
Total liabilities	27,799	3,798	34,130	3,691,456	3,757,183

*The audited results for year ended 31 December 2020 have been restated to account for measurement period adjustments arising under IFRS 3 Business Combinations relating to the acquisitions of the Dunstan Thomas Group and the Talbot and Muir Group that took place in H2 2020. The adjustments made to restate the 31 December 2020 comparatives, as further detailed in note 2.4, have not been subject to audit.

Corporate assets and liabilities are not allocated to individual operating segments as they are managed on a group basis. Policyholder assets and liabilities are not allocated to individual operating segments as all investment returns associated with these are due back to policyholders under non-participating investment contracts, alongside non-participating investment contract expenses and changes in provisions for non-participating investment contract liabilities, such that the impact on shareholder assets and liabilities, and profit or loss, is nil.

4 Non-recurring costs

Non-recurring costs comprise the following items:

	Unaudited 6 month period ended 30-Jun-21 £'000	Unaudited 6 month period ended 30-Jun-20 £'000	Audited year ended 31-Dec-20 £'000
Dunstan Thomas acquisition costs	15	195	769
Talbot and Muir acquisition costs	62	220	561
Contingent consideration on acquisitions	(571)	-	-
Other acquisition related costs	(33)	152	151
Redundancy & restructuring costs	185	814	1,091
In-specie contributions	51	-	402
Centralisation of pension administration systems	123	-	-
Treasury solution implementation	-	-	286
Data cleansing provision	-	-	53
	(168)	1,381	3,313

Acquisition costs - Dunstan Thomas and Talbot and Muir

Two acquisitions were completed during the year ended 31 December 2020: FinTech provider Dunstan Thomas on 3 August 2020, and fellow SIPP provider Talbot and Muir on 30 October 2020. The Group has incurred legal and professional fees in connection with these transactions and, in accordance with IFRS 3 *Business Combinations*, these have been expensed and treated as non-recurring costs. The Group expects that further costs may be recognised for these acquisitions over the next three financial years in relation to fair value changes to the amount of contingent consideration payable.

Contingent consideration on acquisitions

As at 30 June 2021, the Group updated its estimate of the amount of contingent consideration payable on the acquisitions of Dunstan Thomas and Talbot and Muir and this resulted in a reduction in the liability held on the consolidated statement of financial position.

Other acquisition related costs

During the year, the Group recovered some cost in relation to the acquisition of European Pension Management Ltd.

Redundancy & restructuring costs

During the reported periods above, 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 costs.

4 Non-recurring costs - continued

In-specie contributions

As previously reported, the Group has been in correspondence with HMRC regarding processes and documentation in respect of in-specie contributions. HMRC has alleged that incorrect procedures were followed and is seeking to reclaim tax reliefs granted and interest thereon. This is an industry wide issue affecting other SIPP operators and has been challenged by the sector as a whole. Following a favourable ruling for HMRC in a case affecting another SIPP operator, and having taken further legal advice, the Directors now consider it more likely than not that some cost associated with this issue will be incurred by the Group and this has been provided for.

Centralisation of pension administration systems

During the period ended 30 June 2021, the Group progressed its IT strategy to consolidate and centralise pension administration systems used. The investment is intended to lead to licence cost savings and allow for further progression of the Group's Target Operating Model in future years. Costs associated with this investment that did not meet the criteria for capitalisation have been treated as non-recurring cost.

Treasury solution implementation

During the year ended 31 December 2020, the Group invested in a new strategic treasury solution with a global provider of back office operational cash management software. The investment is designed to innovate and improve the Group's treasury management function through provision of a system that provides a multibank facility. Costs associated with this investment that did not meet the criteria for capitalisation have been treated as non-recurring cost.

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. A small amount of further cost, over and above amounts previously provided, associated with this process arose during the year ended 31 December 2020.

5 Earnings per ordinary share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Changes in income or expense that would result from the conversion of the dilutive potential ordinary shares are deemed to be trivial, and therefore no separate diluted net profit is presented. The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Unaudited 6 month period ended 30-Jun-21 £'000	**Unaudited 6 month period ended 30-Jun-20 £'000**	***As restated***** **Audited year ended 31-Dec-20 £'000**
Net profit available to equity holders of the Group	3,669	2,904	5,897
Net profit before tax, non-recurring costs (note 3) and amortisation (note 5) available to equity holders of the Group	6,316	6,281	13,372
	Number	**Number**	**Number**
Weighted average number of ordinary shares:			
Issued ordinary shares at start of period	66,414,312	54,142,346	54,142,346
Effect of shares issued during the year	197,818	-	5,859,094
Effect of shares held by Employee Benefit Trust	(155,401)	(211,890)	(296,835)
Basic weighted average number of shares	66,456,729	53,930,456	59,704,605
Effect of dilutive options	720,135	1,187,876	886,707
Diluted weighted average number of shares	67,176,864	55,118,332	60,591,312
	Pence	**Pence**	**Pence**
Earnings per share:			
Basic	5.5	5.4	9.9
Diluted	5.5	5.3	9.7
Earnings per share on profit before non-recurring costs and amortisation, less an effective tax rate***:			
Basic	7.7	9.4*	18.1
Diluted	7.6	9.2*	17.9

*As detailed in note 2.4, adjusted earnings per share on profit before non-recurring costs and amortisation, less an effective tax rate, for the unaudited six month period ended 30 June 2020 have been restated due to identification of an error.

**The audited results for year ended 31 December 2020 have been restated to account for measurement period adjustments arising under IFRS 3 Business Combinations relating to the acquisitions of the Dunstan Thomas Group and the Talbot and Muir Group that took place in H2 2020. The adjustments made to restate the 31 December 2020 comparatives, as further detailed in note 2.4, have not been subject to audit.

***The effective tax rate used is the current tax rate applicable to the accounting year. The current tax rate applicable for the year ending 31 December 2021 is 19.00% (2020: 19.00%).

6 Intangible assets

	Goodwill £'000	Brand £'000	Client portfolios £'000	Computer software £'000	Internally Generated Software £'000	Total £'000
Cost						
At 1 January 2020	28,903	-	18,866	2,177	-	49,946
Additions	-	-	-	264	-	264
At 30 June 2020	28,903	-	18,866	2,441	-	50,210
Arising on acquisitions*	26,829	1,595	14,939	-	5,390	48,753
Additions	-	-	-	342	380	722
At 31 December 2020	55,732	1,595	33,805	2,783	5,770	99,685
Additions	-	-	-	309	533	842
At 30 June 2021	55,732	1,595	33,805	3,092	6,303	100,527
Amortisation and impairments						
At 1 January 2020	-	-	5,320	1,199	-	6,519
Charge for the period	-	-	473	124	-	597
Impairment	-	-	344	-	-	344
At 30 June 2020	-	-	6,137	1,323	-	7,460
Charge for the period*	-	66	717	124	240	1,147
At 31 December 2020	-	66	6,854	1,447	240	8,607
Charge for the period	-	80	938	130	297	1,445
At 30 June 2021	-	146	7,792	1,577	537	10,052
Net book value						
At 31 December 2019	28,903	-	13,546	978	-	43,427
At 30 June 2020	28,903	-	12,729	1,118	-	42,750
At 31 December 2020*	55,732	1,529	26,951	1,336	5,530	91,078
At 30 June 2021	55,732	1,449	26,013	1,515	5,766	90,475

*As restated to account for measurement period adjustments arising under IFRS 3 Business Combinations relating to the acquisitions of the Dunstan Thomas Group and the Talbot and Muir Group that took place in H2 2020. The adjustments made to restate the 31 December 2020 comparatives, as further detailed in note 2.4, have not been subject to audit.

7 Dividends paid

	Unaudited 6 month period ended 30-Jun-21 £'000	Unaudited 6 month period ended 30-Jun-20 £'000	Audited year ended 31-Dec-20 £'000
Ordinary dividends paid	4,338	3,507	5,149
	4,338	3,507	5,149

A final dividend of 6.5p per ordinary share in respect of the year ended 31 December 2019 was paid on 8 June 2020.

An interim dividend of 2.5p per ordinary share in respect of the year ended 31 December 2020 was paid on 13 November 2020.

A final dividend of 6.5p per ordinary share in respect of the year ended 31 December 2020 was paid on 4 June 2021.

8 Income tax

Tax is charged at 19% for the six months ended 30 June 2021 (30 June 2020: 19%) representing the best estimate of the average annual effective tax rate expected to apply for the full year, applied to the pre-tax income of the six month period.

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

9 Contingent liabilities

Data cleansing

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

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

The Directors' best estimate of this contingent liability is £1.3m (30 June 2020: £1.8m). The decrease in estimate has arisen following satisfactory resolution of a number of cases and an overall reduction in the value of remaining cases and uncertainty remaining.

There remain inherent uncertainties in the estimate due to the potential for variations in the assumed action required to rectify individual positions. This estimate continues to be reviewed regularly, and any changes or refinements will be reported as appropriate. The Directors currently expect that, with COVID-19 related working limitations and also additional forbearance having been permitted in connection with the COVID-19 pandemic, any potential material follow up actions will be completed during 2022.

10 Illustrative condensed consolidated statement of financial position as at 30 June 2021 split between insurance policyholders and the Group's shareholders

	30-Jun-21 £'000 Group Total	30-Jun-21 £'000 Policyholder	30-Jun-21 £'000 Shareholder	30-Jun-20 £'000 Shareholder
ASSETS				
Non-current assets				
Intangible assets	90,475	-	90,475	42,750
Investment property	1,214,551	1,214,551	-	42
Property, plant and equipment	9,395	-	9,395	5,742
Investments	2,137,522	2,137,522	-	-
Deferred tax asset	-	-	-	435
	3,451,943	3,352,073	99,870	48,969
Current assets				
Trade and other receivables	28,863	13,324	15,539	13,786
Cash and cash equivalents	401,110	368,947	32,163	24,868
Current tax asset	658	123	535	432
	430,631	382,394	48,237	39,086
Total assets	3,882,574	3,734,467	148,107	88,055
LIABILITIES				
Current liabilities				
Trade and other payables	20,915	12,225	8,690	6,678
Deferred income	30,533	14,183	16,350	12,569
Borrowings	42,079	38,016	4,063	1,456
Lease Liabilities	837	-	837	909
Provisions	453	-	453	408
Contingent consideration	2,467	-	2,467	-
	97,284	64,424	32,860	22,020
Non-current liabilities				
Borrowings	48,202	30,461	17,741	8,300
Lease Liabilities	7,164	-	7,164	3,377
Provisions	7	-	7	-
Contingent consideration	6,454	-	6,454	-
Non-participating investment contract liabilities	3,639,582	3,639,582	-	-
Deferred tax liability	3,689	-	3,689	-
	3,705,098	3,670,043	35,055	11,677
Total liabilities	3,802,382	3,734,467	67,915	33,697
Net assets	80,192	-	80,192	54,358
Equity attributable to owners of the parent				
Issued capital	332	-	332	271
Share premium	58,087	-	58,087	33,659
Equity share based payments	2,839	-	2,839	2,723
Treasury shares	(440)	-	(440)	(1,124)
Retained earnings	19,366	-	19,366	18,815
	80,184	-	80,184	54,344
Non-controlling interest	8	-	8	14
Total equity	80,192	-	80,192	54,358

11 Illustrative condensed consolidated statement of cash flows for the six month period ended 30 June 2021 split between insurance policyholders and the Group's shareholders

	30-Jun-21 £'000 Group Total	30-Jun-21 £'000 Policyholder	30-Jun-21 £'000 Shareholder	30-Jun-20 £'000 Shareholder
Cash flows from operating activities				
Profit before tax	4,486	-	4,486	3,959
Adjustments for:				
Depreciation	915	-	915	694
Amortisation and impairments	1,445	-	1,445	941
Interest expense	452	-	452	240
Share based payment expense	92	-	92	410
Fair value gains on financial investments	(143,455)	(143,455)	-	-
Additions of financial investments	(336,457)	(336,457)	-	-
Disposals of financial investments	414,708	414,708	-	-
Fair value gains on investment properties	(11,278)	(11,278)	-	-
Increase in liability for investment contracts	54,278	54,278	-	-
Changes in working capital:				
Increase in trade and other receivables	(1,797)	(663)	(1,134)	(4,351)
Increase in trade and other payables	5,323	3,085	2,238	599
Taxes paid	(1,324)	-	(1,324)	(2,063)
Net cash flows from operating activities	(12,612)	(19,782)	7,170	429
Cash flows from investing activities				
Purchase of intangible assets	(842)	-	(842)	(264)
Purchase of property, plant & equipment	(169)	-	(169)	(241)
Purchase of investment property	(52,176)	(52,176)	-	-
Purchase and sale of shares in the Group by the EBT	301	-	301	(590)
Receipts from sale of investment property	57,506	57,506	-	-
Net cash flows from acquisitions	9	-	9	(152)
Net cash flows from investing activities	4,629	5,330	(701)	(1,247)
Cash flows from financing activities				
Equity dividends paid	(4,338)	-	(4,338)	(3,507)
Net proceeds from issue of ordinary shares	290	-	290	-
Net decrease in borrowings	(16,670)	(14,670)	(2,000)	(1,579)
Principal elements of lease payments	(490)	-	(490)	(422)
Interest paid	(277)	-	(277)	(34)
Net cash flows from financing activities	(21,485)	(14,670)	(6,815)	(5,542)
Net increase/(decrease) in cash and cash equivalents	(29,468)	(29,122)	(346)	(6,360)
Cash and cash equivalents at the beginning of the period	430,578	398,069	32,509	31,228
Cash and cash equivalents at the end of the period	401,110	368,947	32,163	24,868

12 Illustrative table of SIPP number movements over the six month period ended 30 June 2021

	Full SIPPs	Mid SIPPs	eSIPPs	Total own SIPPs	Third Party Administered	Total
As at 30 June 2021	21,629	33,991	19,220	74,840	6,157	80,997
As at 31 December 2020	23,013	31,985	20,742	75,740	6,484	82,224
Annualised gross organic growth rate*	3.6%	12.1%	1.3%	6.6%	0.5%	6.1%
SIPPs added organically	411	1,941	133	2,485	17	2,502
Conversions and reclassifications	(1,046)	1,046	-	-	-	-
SIPPs lost through attrition	(749)	(980)	(1,656)	(3,385)	(344)	(3,729)
Annualised attrition rate *	6.5%	6.1%	16.0%	8.9%	10.6%	9.1%

*Growth and attrition percentage rates are annualised and are based on the 6 months' worth of SIPPs added organically or lost through attrition to 30 June 2021

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
Jill Lucas – Non-Executive Director

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Adjusted diluted EPS
This is calculated by taking adjusted profit before tax for the financial period, deducting an effective tax rate of 19% (2020: 19%), and dividing the total by the diluted weighted average number of shares in issue.

Adjusted operating margin
This is calculated by taking operating profit for the financial period and adding back amortisation and non-recurring costs, then dividing this total by revenue for the financial period.

Adjusted profit before tax
This is calculated by taking profit before tax for the financial period and adding back amortisation and non-recurring costs.

Annualised gross organic growth rate
A pro rata calculation of gross organic growth rate. The calculation is derived by taking actual new SIPPs gained from organic growth for the financial period, dividing by the total number of months in the financial period, and multiplying this by 12 to obtain a hypothetical annualised quantity of new SIPPs gained. The annualised quantity is then divided by the brought forward quantity of SIPPs held to derive the annualised gross organic growth rate.

Annualised attrition rate
A pro rata calculation of attrition rate. The calculation is derived by taking actual SIPPs lost during the financial period, dividing by the total number of months in the financial period, and multiplying this by 12 to obtain a hypothetical annualised quantity of SIPPs lost. The annualised quantity is then divided by the brought forward quantity of SIPPs held to derive the annualised attrition rate.

AUA
Assets Under Administration

Brexit
The exit of the United Kingdom from the European Union

Net shareholder cash (after debt)
This is calculated by taking shareholder only amounts as split within the illustrative condensed consolidated statement of financial position in note 10 for cash and cash equivalents, and deducting borrowings.