Company Registration No. 07934492 (England and Wales)

Curtis Banks Group PLC

Annual Report and Consolidated Financial Statements
For the year ended 31 December 2017

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 2017.

Highlights

- Operating Revenue increased by 47% to £43.6m (2016: £29.7m)
- Adjusted operating profit[1] increased by 51% to £10.7m (2016: £7.1m)
- Adjusted operating margin increased to 25% (2016: 24%)
- Profit before tax increased by 31% to £5.9m
- Adjusted diluted EPS increased by 48% to 15.38p
- Strong gross organic growth in own SIPP numbers of 14% with total administered now 76,474
- Assets under administration increased by 21% to £24.7bn
- Proposed final dividend of 4.75p (2016: 3p) making a full year payment of 6.25p (2016: 4p)

Highlights and key performance indicators for the year include:

	2017	**2016**
Financial		
Operating Revenue	£43.6m	£29.7m
Adjusted Operating Profit	£10.7m	£7.1m
Profit before Tax	£5.9m	£4.5m
Adjusted Operating Margin	25%	24%
Basic EPS	9.75p	7.23p
Diluted EPS	9.26p	7.02p
Basic EPS on Adjusted Operating profit less an effective tax rate	16.20p	10.67p
Diluted EPS on Adjusted Operating profit less an effective tax rate	15.38p	10.37p
Operational Highlights		
Number of SIPPs Administered	76,474	72,983
Assets under Administration	£24.7bn	£20.4bn
Total organic new own SIPPs in year	8,719	6,236

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

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 2017 the Group administered circa £24.7bn (2016: £20.4bn) of pension assets on behalf of over 76,000 (2016: 72,000) 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. Approximately 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

I am pleased to present my first statement as Chairman of Curtis Banks for the year ended 31 December 2017. I would like to start by thanking my predecessor Chris Banks as previous Chairman of the Group for his contribution to the growth of the Group. Chris was a founder of the business and has been a major contributor in the growth of the business and we are delighted that he remains a strategic advisor to the business.

The year has been one of consolidation as we made the Suffolk Life business an integral part of the Curtis Banks Group and these results are our first full year results that include the full period's contribution of Suffolk Life which the Group acquired in 2016. We have enhanced our level of governance and management control, to meet the needs of the enlarged Group, and are well positioned to deliver our strategy in 2018 and thereafter. As a result of this transaction and the progress we have made in growing the rest of our business, our revenue and profitability have grown strongly compared to the prior year.

The period under review has shown revenue increasing by 47% from £29.7m to £43.6m compared to the same period last year, with adjusted operating profit increasing by 51% from £7.1m to £10.7m. Fully diluted earnings per share on these results (after tax) amounted to 15.38p per share (2016 - 10.37p) and on the statutory profits after tax diluted earnings per share are 9.26p (2016 - 7.02p). This is a good set of results particularly with the high levels of regulatory focus on SIPP providers and industry changes.

Our adjusted operating margin has continued to improve over the second half of the year and now stands at 25% for the full year. We expect to achieve further improvement in this margin in the medium term as we grow our top line and achieve operational efficiencies.

The year has seen us make substantial progress against our strategic objectives in order to ensure we realise the benefits of our acquisitions, market ourselves more efficiently and continuously look for ways to grow our revenues. We have launched a new group wide brand and have rationalised our office locations down to three sites in Bristol, Dundee and Ipswich. As part of our focus on growing revenues we are also enhancing our property administration services across the Group. We will continue to explore ways in which we can capture the opportunities within the SIPP administration industry and one of our major objectives for 2018 is the standardisation of our service offerings.

We announced in December that we completed our review of our operating systems and have decided to implement a material upgrade of the existing Curtis Banks operating system and to continue to use the Suffolk Life back office system. We are confident that this is the optimal solution in terms of cost, efficiency and risk.

The total number of SIPPs currently administered by the Group now exceeds 76,000 and this is as a result of continued new organic growth of all SIPPs and our attrition rates remaining stable with previous years.

Dividends

We paid an interim dividend of 1.5p per share (2016: 1.0p per share) on 15 November 2017 and the Board proposes a final dividend of 4.75p per share (2016: 3p per share) which, if approved, will be paid to shareholders on the register at the close of business on 27 April 2018. The shares will be marked ex-dividend on 26 April 2018 and the proposed dividend paid on 18 May 2018. This will mean the total dividend paid in respect of the year ended 31 December 2017 will amount to 6.25p per share reflecting a 56% increase in the operating profit from the enlarged group.

Chairman's Statement *(continued)*

Summary and outlook

During the course of this year, the Group has made considerable progress against its strategic objectives. We have also enhanced our revenue generation capabilities and are excited about the prospects for offering enhanced property administration services across the organisation. With a strong market position, the continued growth of the SIPP industry, excellent staff, strong relationships with high quality professional introducers and a real focus on delivering value to clients and shareholders alike the board look forward to the future with confidence.

Chris MacDonald
Chairman
14 March 2018

Chief Executive's Review

Operational Review

2017 has been a successful year for us and I would like to start by thanking all our staff for their hard work and dedication over the last year which has made these results possible.

The year has been one of consolidation as we made the Suffolk Life business an integral part of the Curtis Banks Group. A Group Management Committee was created in April. This team comprises talented managers from both the original Curtis Banks and Suffolk Life teams and has removed any 'silo' effect of different business entities. The team now oversees the Group and manages the changes needed to improve service for our customers and increase our operating margins. Having a team acting with a common Group purpose has already yielded results, such as standardised operating procedures and aligned risk management.

We have rationalised our office network down to three sites in Bristol, Dundee and Ipswich. In January 2017 we closed our Chilmark office which was part of the acquisition of a book of 5,000 SIPPs in 2016. Post period end, in January 2018, we closed our Market Harborough office.

These significant changes are the most notable part of our work towards our five strategic objectives, which everyone in the business is focused on meeting. They are:

- Meet changing customer needs - adapting to the changing needs of the UK population and regulatory environment to be the SIPP provider of choice.
- Capitalise on the right opportunities for growth - Focus on profitable areas of organic market growth and selective acquisitions of well-aligned books or businesses, with a clear business identity.
- Enhance revenue generation - extend proven revenue generation activities across the wider group and continually review fee income relative to the services provided.
- Drive efficiency through technology - continue technology advances appropriate to the business to deliver improved margins through efficiency and improved service to customers.
- Maintain a robust and sustainable business model - market leading governance, capitalisation and robust systems to ensure a sustainable long term business and confidence for our business partners, customers and shareholders.

We are now taking action to build on our foundations and deliver on our strategic objectives.

We have launched a new Group brand and a single objective of growing profitably by delivering the best SIPP in the market. There is now a common identity and culture across our Group, across all businesses and products, reflecting that all our customers can expect the same quality service-led approach that underpins our values.

Chief Executive's Review *(continued)*

SIPP Numbers and Revenues

	Full SIPPs	Mid SIPPs	eSIPPs	Total own SIPPs	Third Party Administered	Total
2017 number	20,539	24,682	22,193	67,414	9,060	76,474
2016 number	20,955	22,097	19,428	62,480	10,503	72,983
Gross organic growth rate*	3.39%	18.45%	20.22%	13.95%	0.75%	12.05%
SIPPs added organically	711	4,079	3,929	8,719	79	8,798
EPML data cleanse	-	-250	-	-250	-	-250
SIPPs lost through attrition	-1,127	-1,244	-1,164	-3,535	-1,522	-5,057
Attrition rate *	5.38%	5.63%	5.99%	5.66%	14.49%	6.93%

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

At the year end the number of SIPPs administered increased to 76,474, adding a net 3,491 schemes. 8,798 new SIPPs were added and attrition rates on own SIPPs remained stable from previous years at 5.7%. We are grateful to our professional introducers for their continued support.

Our market and products

Customers with SIPPs invested in our 6,000 strong commercial property portfolio currently contract with third parties, who often do not have the related pension expertise, principally offering legal, management, inspection and valuation services. Extending our expertise to these services will enhance our customer proposition and diversify revenue generation.

We have formed a legal services company, Rivergate Legal Ltd, and an application has been submitted to the Solicitors Regulatory Authority for this company. In addition, we have formed a property management company, Templemead Property Solutions Ltd, and have submitted an application for RICS approval.

The Group has also recruited a Group Sales Director, Dave Stratton, previously Head of IFA Distribution at AXA Elevate. He has commenced work on restructuring and aligning the sales teams across the Group to build on our strong organic sales figures.

We are also developing a new SIPP proposition for the Group, to deliver a single suite of products across the Group and providing enhanced functionality. This will be our organic new business proposition and will also enhance the functionality of existing products.

Chief Executive's Review *(continued)*

Regulation

Regulatory scrutiny of the SIPP market continues, but our simple business model and our scale position us well within the complex regulatory environment facing the wider industry. A recent area of focus is that of the nature of the assets within SIPPs. The Group undertakes robust due diligence on non-standard investments, and the nature of the investments we are prepared to accept into SIPPs puts the Group in a strong position.

HMRC action on in specie contributions is an issue affecting our industry 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.

IT strategy

During the year we continued to review our operating systems, to ensure that they are appropriate for the enlarged Group, providing the necessary functionality to enable the Group to provide an efficient and cost effective service to both IFAs and their customers.

This review was completed in December 2017 when we concluded that the most cost effective, appropriate and lowest risk solution is to implement a material upgrade of the existing back office operating system at Curtis Banks and to continue to use the Suffolk Life back office system as well. A material consideration in reaching this decision was the additional functionality provided by a new version of the Curtis Banks operating system, which only recently became available. We believe this is an effective solution for the foreseeable future based on our current strategy.

The upgrade of the systems at Curtis Banks is expected to commence in H2 2018. Costs associated with this upgrade will be capitalised and amortised in accordance with our normal accounting policy. Amortisation will commence once the upgrade is completed and fully operational.

People and culture

Operational efficiencies have allowed us to grow the business while maintaining staff numbers, delivering a positive contribution to our operating margin.

We value our people and the positive contribution they make to our culture and the performance of our business. We continue to place emphasis on staff engagement and wellbeing and have established a structured reward and recognition scheme and an employee forum that drives engagement and communication. We have also grown our corporate social responsibility activities, promoting our presence in our local communities and increasing our support for our people's own fundraising activities.

Rupert Curtis
Chief Executive Officer
14 March 2018

Financial Review

Operational revenues of £43.6m in 2017 have increased by 47% over the comparable period. This is through a combination of strong organic growth and the full year effect of the acquisition of the Suffolk Life Group of Companies in May 2016.

The operational revenue contribution from the Suffolk Life group of companies accounted for £22.5m of such revenue for the year ended 31 December 2017 compared to £10.4m in the seven months ended 31 December 2016. Operational revenues for the Group in the year ended 31 December 2017 excluding Suffolk Life grew by 8.6%.

Fee revenue remains the predominant source of income for the Group with a strong emphasis on recurring annual fee income. In the year ended 31 December 2017 annual recurring fees represented 84% of the total fee income. 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. Fees are not dependent on movements in the value of underlying assets within SIPPs and as a result the income of the Group is not dependent on movements in financial markets.

Interest income remains part of Group income. In the year ended 31 December 2017 £9.5m of the Group operating revenues were from interest margin (2016 - £4.5m). The significant increase in this income from the previous year arose from the alignment in November 2016 of Suffolk Life banking systems with the virtual banking system operated at Curtis Banks. This allowed for funds to be placed on deposit with more attractive interest rates than previously. Future interest rate increases will not meaningfully impact Group operational revenue as clients will share in any uplift in bank base rate.

Administrative expenses of £32m for the Group increased by 44% compared to the previous year. This was largely a result of a full year of costs from the Suffolk Life Group of Companies. Suffolk Life administration costs for the year ended 31 December 2017 were £16.8m compared to £8.4m for the seven month period to 31 December 2016.

Staff costs for the year totalled £21.0m compared to £15.2m for the year ended 31 December 2016. Of this increase £4.8m related to the full year effect of the acquisition of Suffolk Life. In addition staff costs have increased due to annual pay reviews related to average wage earnings and, as set out in the report of the Remuneration Committee, the introduction during the year of an Executive Bonus Scheme and Long Term incentive Plan for key members of staff, as well as a further offering of the Save as You Earn option schemes for all staff members. Whilst such measures have a financial impact their introduction results in the retention and reward of key members of staff that is necessary to grow and develop the business.

Financial Review *(continued)*

Staff numbers have remained relatively static at 597 as at 31 December 2017 compared to 591 as at 31 December 2016, the slight increase arising from additional staff being recruited in the final quarter of the year to cover the imminent closure of Market Harborough office in January 2018.

Integration of the Suffolk Life operations was completed during the year and a full review of costs across the Group is taking place to identify areas where further cost efficiencies can be made as well as more efficient operational processing of the day to day SIPP administration activities. The objective of this review is to accelerate our progress in rebuilding the adjusted operating margin to 30%. This will be achieved by a combination of revenue enhancements, in year cost savings and operating improvements. These will not only benefit the Group but will also enhance the level and quality of services that are being provided to clients and introducers of business. A number of these enhancements have already been actioned.

The balance sheet as at 31 December 2017 shows a strong position with shareholder net assets increasing from £41.5m to £44.6m. Shareholder cash balances at year end were £25.7m compared to £21.5m at the end of the previous year and after regulatory capital requirements are taken into account at year end there were free shareholder cash balances of circa £9m available.

In 2016 the Group borrowed £23m for the acquisition of Suffolk Life. This comprised a £15m term loan repayable over 5 years and a revolving credit facility of £8m. Interest on this debt accrues at the rate of 2.25% plus LIBOR. 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. As at year end the Group had net shareholder cash (after debt) of £8.1m (2016: £0.5m).

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 insurance policy contracts and so the Group does not bear any insurance risk. As the policyholder assets and liabilities are shown on the balance sheet of Suffolk Life Annuities Limited, these also show on the Group balance sheet on consolidation. As the policies are non-participating contracts, the Client related assets and liabilities in Suffolk Life Annuities match. In addition the revenues, expenses and investment returns of the non-participating insurance policy contracts are shown in the consolidated statement of comprehensive income. Again, these income, expense items and investment returns due to the policy holders are completely matched. The acquisition was accounted for in accordance with IFRS 3 *Business Combinations*. An illustrative balance sheet as at 31 December 2017 showing the financial position of the Group excluding the policy holder 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.

Financial Review *(continued)*

Non recurring costs

Non recurring costs for the year ended 31 December 2017 of £3.8m principally comprise:

- An exceptional impairment charge of £2.1m following completion of an operating systems review, as was noted in last year's financial statements and subsequently reported.
- Closure cost provisions of £0.9m relating to the rationalisation of offices during the year.
- Restructuring costs of £0.6m following acquisitions of businesses in prior years.

During the year ended 31 December 2017 the Group completed the review of its operating systems following the acquisition of the Suffolk Life business in May 2016. As a result the Group concluded that the most cost effective, appropriate and lowest risk solution was, subject to contract, to implement a material upgrade of the existing back office operating system at Curtis Banks whilst retaining the current systems at Suffolk Life.

As a result of this decision costs of £2.1m incurred and capitalised on the initial development, installation, and evaluation and testing of an alternative system over recent years have now been written off as an exceptional impairment charge in the financial statements for the year ended 31 December 2017. Other than £0.1m, all of these costs were originally incurred in accounting periods up to and including the year to 31 December 2016.

During the year ended 31 December 2017 a review of all the office locations used by the Group was carried out. As a result of that review, and after full consultation with all relevant staff, the decision was taken to close the Group's office in Market Harborough. The closure was effective from the end of January 2018. Full provision has been made in the financial statements for the year ended 31 December 2017 for all the financial costs arising from the decision to close that office including redundancy payments, amounts due under onerous leases and cost of relocating the activities of that office to other Group locations. The benefits of the decision to close the Market Harborough will be reflected in the current year.

Restructuring costs arose from previous year's acquisitions, principally the acquisition of the business of European Pensions Management Limited in July 2016.

Systems Development

As noted above, and in the Chief Executive's Report, after a full review the decision has been taken to upgrade the existing systems at Curtis Banks whilst retaining existing systems at Suffolk Life.

The upgrade of the systems at Curtis Banks is expected to commence in H2 2018. Costs associated with this upgrade will be capitalised and amortised in accordance with our normal accounting policy. Amortisation will commence once the upgrade is completed and fully operational.

Financial Review *(continued)*

Employee Benefit Trust

During the year under review the Group set up an offshore Employee Benefit Trust ("EBT") to acquire shares in the Company in the market to satisfy future option and long term incentive awards. The EBT is funded by loans from the Group. As at 31 December 2017 the EBT had acquired 99,155 shares in Curtis Banks Group plc funded by a £250,000 loan from the Group. 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.

Earnings per Share

Fully diluted Earnings per Share ("EPS") based on adjusted operating profits have increased by 48% in the year ended 31 December 2017 from 10.37p to 15.38p. On the profit after tax the fully diluted EPS shows a 32% increase in the same period from 7.02p to 9.26p. With the granting of new options in the year ended 31 December 2017 under the various option schemes adopted by the Group diluted EPS is considered to be a more meaningful measure of performance for investors than basic EPS.

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 2017 the total regulatory capital requirement across the Group was £11.4m and the Group had an aggregate surplus of £13.1m 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 resulting in the aggregate surplus reducing to £9m. All the regulated firms within the Group maintained surplus regulated capital throughout the year.

Paul Tarran
Chief Financial Officer
14 March 2018

Principal Risks and Uncertainties

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

1. Dependence on key executives and personnel

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

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

2. Risks related to acquisitions

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

- Unanticipated litigation or claims against the Group.
- Unexpected integration costs and unanticipated diversion of management time and focus and other resources leading to an inability to integrate on a cost-effective and timely basis.

No assurance can be given that any businesses acquired will achieve levels of profitability or earnings that will justify the investment made by the Group.

Mitigation
To minimise this risk the Group carries out thorough due diligence on all potential acquisitions using internal expertise and external resources where considered necessary. In the case of all acquisitions appropriate warranties and indemnities are required from the vendors and where possible consideration is partly deferred to cover any potential issues arising from the acquisition. Where possible insurance cover is arranged to cover past events in businesses being acquired.

3. Regulatory risks

The Group's operations are subject to authorisation from the FCA and the PRA, and supervision from bodies such as HMRC and The Pensions Regulator. In particular, certain subsidiaries are subject to the FCA's and PRA's regulatory capital requirements. It is possible that the FCA or the PRA may increase the regulatory capital requirements applicable to SIPP providers and change other regulatory requirements from time to time that may increase the Group's compliance costs. HMRC changes to Pension Scheme legislation could also adversely impact the Group's business.

Mitigation
To minimise this risk Group compliance personnel closely monitor all current and proposed regulations to ensure full compliance and assess the effect of any future changes on the Group. The Group is well funded and holds regulatory capital in excess of current needs. Any changes in Pension Scheme legislation are fully analysed and the Group's product offerings adapted to the new legislative requirements.

Principal Risks and Uncertainties *(continued)*

4. Interest on client funds

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

From time to time, the Group may lock into fixed rates of interest on client 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 increases and the interest turn received by the Group reduces.

Mitigation
To minimise this risk the Group has a dedicated Treasury function that continually monitors all client deposits and the terms of those deposits to ensure any risks from changing interest rates are minimised. This is partly achieved by varying the maturity dates of term deposits.

5. Reliance on Information Technology systems

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

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

6. Operational Risk and Internal control systems

The Board believe that the Group has in place appropriate regulatory, financial, management and internal controls which are adequate to ensure that the Group meets its regulatory obligations and its contractual commitments to clients and other third parties, as well as appropriate protections against detrimental activities such as fraud, theft, misuse of funds, money laundering or other unauthorised or criminal activities. Nevertheless, such systems may prove inadequate. In the event that such controls fail this may lead to a material adverse effect and lead to claims against the Group.

Mitigation
All staff are fully trained and all processes fully documented to ensure operational risk is at a minimum. The processes are regularly tested by compliance personnel. There is full segregation of duties wherever needed to mitigate as much as possible any detrimental activities.

Principal Risks and Uncertainties *(continued)*

7. Online security

The Group's software and systems are at risk from computer viruses, and other breaches of cyber security. While the Group takes the security of its computer systems very seriously computer viruses or breaches of cyber security may cause the Group's systems to suffer delays or other service interruptions and result in claims against the Group.

Mitigation
To minimise this risk the Group carries out extensive testing of all computer systems on a regular basis to ensure security is maintained and also makes use of the latest technology and software to ensure there is appropriate cyber security in place.

Corporate and social responsibility

Sponsorships and partnerships with charities and community organisations.

The Group actively encourages support of charities and community organisations and activities. With three regional offices there is adequate scope to carry this out this support. In Bristol Curtis Banks are corporate sponsors of Bristol Museum. All offices regularly hold fund raising events for local charities or those charities where staff that have connections or have had need of those charities. As well as organising and funding the events, Curtis Banks also gives further support through a contribution to the relevant charity.

Staff initiatives and interaction

Management engage closely with staff to determine their needs, and initiatives are implemented where these benefit the majority of employees. Procedures are in place to ascertain the views of staff on day to day operational aspects of the business. These procedures are designed to ensure the workforce are motivated and happy in their work environment. Internal surveys are carried out on a regular basis to assess staff satisfaction levels, and these are now aligned across the Group. Newsletters containing information about both group developments and social events are provided to employees monthly. The Group provides for formal employee forums at all locations at which matters or concern to staff can be discussed and communicated to senior management. Abridged minutes from senior management meetings are also circulated. The Group provides a save as you earn share option scheme for the benefit of all employees to encourage active participation in the future of the Group.

It is the aim of the group to employ a workforce which reflects the diverse community within which it operates. In addition, employees are expected to conduct business so as to enhance the Group's reputation and to safeguard against unfair business practices. The Group strives to provide a clean and safe working environment to all. Employees are given regular opportunities to sit down with senior management to discuss any concerns they have together with regular team meetings, employee feedback surveys and social events and this is key to delivering heightened employee engagement.

Staff Training

Staff are actively encouraged to train and develop through both structured and 'on the job' training above the core requirements. Staff are supported in these, both financially and through a dedicated training department. The Group has an approved list of professional qualifications that staff are sponsored to study towards, to help and motivate them to progress up though the organisation. All vacancies are filled internally whenever possible.

Corporate and social responsibility *(continued)*

Employment of staff with disabilities

The Group's approach to recruitment, promotion, training or any other benefit will be on the basis of aptitude and ability with all employees helped and encouraged to develop their full potential in order to maximise the efficiency of the group.

The development of all our employees is integral to our corporate goals and we look to maximise individual contribution at all levels by providing appropriate opportunities for personal and professional development. The Group aims to establish and maintain a culture that values lifelong learning and development amongst our employees. Training functions are equipped to meet any special needs of individuals with disabilities and consideration is given to the modification and adaptation of facilities and provision of special aids or equipment.

The Group actively monitors recruitment, development and promotion to ensure that the Group provides career development opportunities to employees with disabilities and the company remains satisfied that policy and practice meets and in some cases exceeds statutory requirements.

For those employees who develop a disability during the course of their employment, every effort is made to ensure they remain with the Group by finding them suitable alternative employment, whether through making appropriate adjustments, retaining or redeployment, or, where this is not possible, financial provision is made for such employees through the operation of long-term sickness cover.

On the behalf of the board

Paul Tarran
Chief Financial Officer
14 March 2018

Board of Directors

Rupert Curtis, Chief Executive Officer

Rupert has over 40 years' experience in the SIPP and SSAS industry, making him one of the most experienced executives in the sector. After working at a senior level in other businesses for many years, Rupert founded Curtis Banks with Chris Banks in 2009 and has overseen its development into one of the major SIPP and SSAS operators in the UK.

Paul Tarran, Chief Financial Officer

Paul has over 35 years' experience in the financial services industry and was one of the founders of Curtis Banks in 2009. Paul is responsible for the finance function for the Group and in addition brings a wealth of experience in corporate matters to benefit the strategic development of the Group. Paul is a Fellow of the Institute of Chartered Accountants in England & Wales.

Will Self, Deputy Chief Executive Officer

Will joined the board in August 2016 and has over 17 years of experience in the SIPP and SSAS industry, he is also CEO of the Suffolk Life Group. Will was previously Chief Commercial Officer of the Digital Savings Division (including Cofunds) of L&G and holds an MBA from Cranfield School of Management.

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

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, is an advisor to a number of Financial Services companies and is an associate of the Institute of Continuing Professional Development.

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

Bill is Chief Financial Officer of Standard Life Aberdeen plc, one of the world's largest investment companies. Bill is a Chartered Accountant and brings strong financial skills and extensive experience of the asset management industry, having previously served as Finance Director of Aberdeen Asset Management PLC since 1991.

Jules Hydleman Non-executive Director and Chairman of the Remuneration Committee

Jules has over 15 years' experience as a Non-executive Director and Chairman. Currently he holds Chairmanships of Equip Holdings Limited, Gro-group International Limited and Cornwall Farmers Co-operative. Previously Jules was Chairman of Innocent Drinks for 10 years from start up until eventual exit.

Directors' report

The directors present their annual report and consolidated financial statements for the year ended 31 December 2017.

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.

Results and dividends

The consolidated statement of comprehensive income for the year is set out on page 32.

A second interim dividend in respect of 2016 results of 3p per share totalling £1,608,000 was proposed and paid on 12 May 2017. An interim dividend in respect of 2017 results of 1.5p per share totalling £804,000 was proposed and paid on 15 November 2017. A final dividend of 4.75p per share is proposed and if approved will be paid to shareholders on the register at the close of business on 27 April 2018. The shares will be marked ex-dividend on 26 April 2018 and the dividend paid on 18 May 2018.

Substantial Shareholders

At 1st March 2018 the Company had been notified of the following interests (excluding directors) representing 3% or more of its issued share capital:

	No. of Ordinary shares	Percentage Holding
Liontrust Investment Partners LLP	6,461,674	12.01%
Canaccord Genuity Group Inc	2,233,445	4.15%
Pie Funds Management Ltd	1,991,338	3.70%

Directors

The following directors have held office since 1 January 2017 and up to the date on which the financial statements were signed:

Christopher Banks (Resigned 4 September 2017)
Rupert Curtis
Paul Tarran
Will Self
Chris Macdonald
Bill Rattray
Jules Hydleman

Directors' report (continued)

Directors' indemnity

The directors had qualifying indemnity cover totalling £10,000,000 during the year ended 31 December 2017.

Related party transactions

Details of related party transactions are given in note 32.

Annual General Meeting

The Annual General Meeting of the Company will be held on 16 May 2018. The Notice of the Meeting is included with this document and contains further information on the business to be proposed at the meeting.

Auditors

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

Going concern

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

Directors’ report (continued)

Statement of directors' responsibilities

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

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

In preparing the financial statements the directors are required to:

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

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

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

On the behalf of the board

……………………………………
Rupert Curtis
Director
14 March 2018

Corporate governance

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

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

Audit Committee

The audit committee is chaired by Bill Rattray with Chris MacDonald and Jules Hydleman as the other members.

The key duties of the Committee are:

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

b) to keep under review the adequacy and effectiveness of the Group’s internal financial controls and internal control and risk management systems.

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

d) meet regularly with the external 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.

The Audit Committee has met four times during the year under review with the external auditors being in attendance at two of those meetings. During the year the audit plan for the year ended 31 December 2017 was reviewed and approved by the Audit Committee and confirmed focus over the valuation of intangible assets and investment in subsidiaries as key audit matters. In addition the Committee approved the appointment of KPMG to provide internal audit services, initially to Suffolk Life Annuities Limited but with a view to these activities being extended to the wider Group.

Corporate governance (continued)

Risk and Compliance Committee

The Risk and Compliance committee is chaired by Chris MacDonald with Bill Rattray and Jules Hydleman as the other members.

The key duties of the Committee are:

a) to consider the Group's appetite for risk, in particular review and monitor the process undertaken by the Group to set and adhere to the Group's current risk profile.

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

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

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

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

Corporate governance (continued)

Remuneration Committee

The Remuneration Committee is chaired by Jules Hydleman with Bill Rattray and Chris MacDonald as the other members. The key duties of the Committee are:

a) To determine and agree with the Board the framework or broad policy for the remuneration of the Group's Chairman and the executive directors including pension rights and compensation payments.

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

c) To review the on-going appropriateness and relevance of the overall remuneration policies in the Group.

d) To approve the design of, and determine targets for, any performance related pay schemes operated by the Group and approve the total annual payments made under such schemes.

e) To review the design of all share incentive plans for approval by the board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors, company secretary and other senior executives and the performance targets to be used.

f) Within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive as appropriate, to determine the total individual remuneration package of the Chairman, each executive director, the company secretary and other senior executives including bonuses, incentive payments and share options or other share awards.

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

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

The Remuneration Committee has met four times during the year under review. At those meetings the Committee has considered various types of share option and bonus schemes to be introduced by the Group to incentivise employees. The Committee recommended to the Board the introduction of an Executive Bonus Scheme and Long Term Incentive Plan for all senior staff. The details of these schemes, as far as they impact Directors, are set out in the Directors remuneration report below. In addition share options to retain certain key staff were recommended to the Board as well as a further offering in 2017 to all staff of a Save As You Earn Share option Scheme.

All these recommendations were approved by the Board. The committee continuing to evaluate other incentive based share option schemes for all employees and directors and additional grants under the existing schemes.

Directors' remuneration report

Remuneration Policy

It is the policy of the remuneration committee to reward executive directors with packages that will retain, incentivise and motivate. The packages are designed to be market competitive and are reviewed annually.

Current remuneration packages for Executive directors comprise:

a) Basic Annual salary
b) Pension contributions equivalent to 3% of basic salary
c) Benefits in kind comprising principally life assurance and car allowance
d) Performance based Annual bonus
e) Award of shares under a performance based Long Term Incentive Plan

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.

Awards based under the Long Term Incentive Plan are in shares in the Company at nil value limited to 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 of 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.

Notice periods for Executive directors.

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

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

Non-Executive directors

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

Directors' remuneration report (continued)

Directors' remuneration

Director	Basic salary and fees	Bonus	Pension contributions	Benefits	Total emoluments 2017 £	2016 £
Christopher Banks*	86,667	-	-	5,333	92,000	138,000
Rupert Curtis	279,000	182,757	8,400	6,000	476,157	265,580
Paul Tarran	210,000	133,260	6,300	7,500	357,060	204,920
Will Self	193,375	133,260	6,531	7,244	340,410	74,515
Chris Macdonald	66,500	-	-	-	66,500	50,000
Bill Rattray	50,000	-	-	-	50,000	37,500
Jules Hydleman	50,000	-	-	-	50,000	37,500
Total	935,542	449,277	21,231	26,077	1,432,127	808,015

*resigned 4 September 2017.

Directors' shareholdings

As at 31 December 2017, 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:

	2017		2016	
Director	**No.**	**%**	**No.**	**%**
Christopher Banks	20,516,743	38.13	20,516,743	38.28
Rupert Curtis	7,347,684	13.66	7,347,684	13.71
Paul Tarran	3,803,758	7.07	3,803,758	7.10
Chris Macdonald	7,894	0.01	7,894	0.01
Bill Rattray	7,894	0.01	7,894	0.01
Jules Hydleman	51,973	0.10	51,973	0.10

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 2016	Granted during the year	Number of shares under option at 31 December 2017	Exercise price	Exercise date
Rupert Curtis	26 October 2017	-	100,174	100,174	0p	26 October 2020
Paul Tarran	26 October 2017	-	73,043	73,043	0p	26 October 2020
Will Self	26 October 2017	-	73,043	73,043	0p	26 October 2020
		-	246,260	246,260		

Directors' remuneration report (continued)

Directors' shareholdings (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 2016	Granted during the year	Number of shares under option at 31 December 2017	Exercise price	Exercise date
Will Self	14 September 2016	11,235	-	11,235	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
		547,231	535,996	1,083,227		

Further information about the CSOP and LTIP share option schemes are contained within note 25.

……………………………………
Jules Hydleman
Chairman of the Remuneration Committee
14 March 2018

Report on the audit of the financial statements

Opinion

In our opinion, Curtis Banks Group PLC's Consolidated 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 2017 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 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 Statement of Financial Position as at 31 December 2017; the Consolidated Statement of Comprehensive Income; the Consolidated and Company Statement of Cash Flows and the Consolidated and Company Statement 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

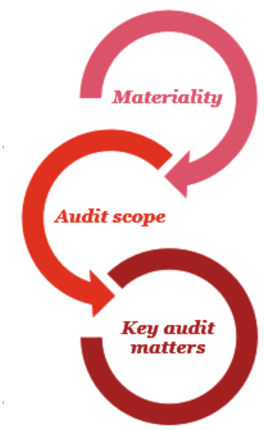
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with 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: £537,000, based on 5% of profit before tax, amortisation and non-recurring items.
- Overall Company materiality: £367,000, based on 0.9% 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 intangible assets (Group)
- Carrying value of investment in subsidiaries (Company)

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 intangible assets (Group) The Group financial statements include intangible assets arising from the acquisition of Suffolk Life Group Limited during 2016, the acquisitions of client portfolios and capitalised costs in relation computer software. The total intangible assets as of the year-end amount to £44,593k 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. We focused our audit procedures on the assumptions adopted by management as part of their impairment assessments. Refer to page 21 (Corporate governance), page 43 (Accounting policies) and page 57 (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 cash flows from the business that are used to support software assets and goodwill; • the revenue and margin forecasts for each of the customer books including their profit margins; and • the discount rate assumption used in these calculations. - 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.
Carrying value of investment in subsidiaries (Company) The Company financial statements include an investment in subsidiary undertakings. 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 contributions and discount rate used. In addition, the Company made a capital contribution in an Employee Benefit Trust ('EBT') which purchases and holds shares in Curtis Banks Group PLC for the employee share schemes. Refer to page 21 (Corporate governance), page 43 (Accounting policies) and page 62 (Note 15 to the financial statements)	The audit procedures we have performed to address this key audit matter are as follows: - We considered whether the future forecast net cash flows arising within Suffolk Life Group Limited were reasonable; - We considered the discount rate assumption used in these calculations; and - We reviewed management's forecast of the EBT's cash flows and future profitability. We did this by comparing the cost of the shares purchased by the EBT to the exercise price of existing employee share options. From our work carried out we found that the assumptions used were supported by the evidence we obtained.

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) are 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	£537,000	£367,000
How we determined it	5% of profit before tax, amortisation and non-recurring items.	0.9% 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 £36.6m 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 the Statement of Financial Position or the Statement of Comprehensive Income.

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 £99,000 and £510,000. 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 £27,000 (Group audit), £18,000 (Company audit) and £1.8m (in relation to the reclassifications described above) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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.

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.

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 2017 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 20, 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
14 March 2018

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2017			Year ended 31 December 2016		
		Before amortisation and non-recurring costs £'000	**Amortisation and non-recurring costs £'000**	**Total £'000**	**Before amortisation and non-recurring costs £'000**	**Amortisation and non-recurring costs £'000**	**Total £'000**
Operating revenue		43,573	-	43,573	29,731	-	29,731
Policyholder investment returns	**21**	343,009	-	343,009	261,639	-	261,639
Revenue	**4**	386,582	-	386,582	291,370	-	291,370
Administrative expenses		(32,336)	-	(32,336)	(22,403)		(22,403)
Non-participating investment contract expenses	**21**	(34,560)	-	(34,560)	(18,268)	-	(18,268)
Changes in provisions: Non-participating investment contract liabilities		(308,449)	-	(308,449)	(243,371)	-	(243,371)
Policyholder total expenses		(343,009)	-	(343,009)	(261,639)	-	(261,639)
Operating profit before amortisation and non-recurring costs		11,237	-	11,237	7,328	-	7,328
Non-recurring costs	**6**	-	(3,754)	(3,754)	-	(1,690)	(1,690)
Amortisation	**5**	-	(1,131)	(1,131)	-	(884)	(884)
Operating profit		11,237	(4,885)	6,352	7,328	(2,574)	4,754
Finance income	**9**	67	-	67	117	-	117
Finance costs	**8**	(562)	-	(562)	(381)	-	(381)
Profit before tax		10,742	(4,885)	5,857	7,064	(2,574)	4,490
Tax	**10**	(1,565)	940	(625)	(1,126)	470	(656)
Total comprehensive income for the year		9,177	(3,945)	5,232	5,938	(2,104)	3,834
Attributable to:							
Equity holders of the company				5,222			3,829
Non-controlling interests				10			5
				5,232			3,834
Earnings per ordinary share on net profit							
Basic (pence)	**11**			9.75			7.23
Diluted (pence)	**11**			9.26			7.02

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

Curtis Bank Group PLC

Consolidated statement of financial position

Group	Notes	Group 31-Dec-17 £'000	Group 31-Dec-16 £'000
ASSETS			
Non-current assets			
Intangible assets	**12**	44,593	47,442
Investment property	**13**	1,206,298	1,149,135
Property, plant and equipment	**14**	1,148	1,073
Investments	**15**	2,032,293	1,924,913
Deferred tax asset	**22**	124	-
		3,284,456	3,122,563
Current assets			
Trade and other receivables	**17**	16,687	17,523
Cash and cash equivalents	**18**	437,849	447,510
Current tax asset		310	-
		454,846	465,033
Total assets		3,739,302	3,587,596
LIABILITIES			
Current liabilities			
Trade and other payables	**19**	12,658	12,138
Deferred income		24,374	21,993
Borrowings	**20**	29,444	38,329
Provisions	**22**	641	-
Deferred consideration		341	641
Current tax liability		-	504
		67,458	73,605
Non-current liabilities			
Borrowings	**20**	64,584	77,194
Provisions	**22**	259	-
Deferred consideration		454	821
Non-participating investment contract liabilities	**21**	3,561,929	3,394,404
Deferred tax liability	**22**	-	42
		3,627,226	3,472,461
Total liabilities		3,694,684	3,546,066
Net assets		**44,618**	**41,530**
Equity attributable to owners of the parent			
Issued capital	**23**	269	268
Share premium	**24**	33,451	33,425
Equity share based payments	**24**	731	239
Treasury shares	**24**	(250)	-
Retained earnings	**24**	10,403	7,589
		44,604	41,521
Non-controlling interest	**26**	14	9
Total equity		**44,618**	**41,530**

Approved by the Board and authorised for issue on 14 March 2018.

Paul Tarran
Chief Financial Officer

Company Registration No. 07934492

Company statement of financial position

		Company	
Company	**Notes**	**31-Dec-17 £'000**	**31-Dec-16 £'000**
ASSETS			
Non-current assets			
Investments	**15**	57,266	56,524
		57,266	56,524
Current assets			
Trade and other receivables	**17**	15	41
Cash and cash equivalents	**18**	2,318	458
		2,333	499
Total assets		59,599	57,023
LIABILITIES			
Current liabilities			
Trade and other payables	**19**	108	41
Borrowings	**20**	3,158	3,108
		3,266	3,149
Non-current liabilities			
Borrowings	**20**	14,508	17,667
		14,508	17,667
Total liabilities		17,774	20,816
Net assets		**41,825**	**36,207**
Equity attributable to owners of the parent			
Issued capital	**23**	269	268
Share premium	**24**	33,451	33,425
Equity share based payments	**24**	731	239
Retained earnings	**24**	7,374	2,275
Total equity		**41,825**	**36,207**

Approved by the Board and authorised for issue on 14 March 2018.

Paul Tarran
Chief Financial Officer

Company Registration No. 07934492

Curtis Banks Group PLC

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 2016	225	7,146	97	-	6,163	13,631	9	13,640
Total comprehensive income for the year	-	-	-	-	3,829	3,829	5	3,834
Share based payments	-	-	142	-	-	142	-	142
Ordinary shares issued	43	26,279	-	-	-	26,322	-	26,322
Ordinary dividends declared and paid	-	-	-	-	(2,403)	(2,403)	(5)	(2,408)
At 31 December 2016	268	33,425	239	-	7,589	41,521	9	41,530
Total comprehensive income for the year	-	-	-	-	5,222	5,222	10	5,232
Share based payments	-	-	492	-	-	492	-	492
Ordinary shares bought by EBT	-	-	-	(250)	-	(250)	-	(250)
Ordinary shares issued	1	26	-	-	-	27	-	27
Ordinary dividends declared and paid	-	-	-	-	(2,408)	(2,408)	(5)	(2,413)
At 31 December 2017	269	33,451	731	(250)	10,403	44,604	14	44,618

Company

	Issued capital £'000	Share premium £'000	Equity share based payments £'000	Retained earnings £'000	Total £'000
At 1 January 2016	225	7,146	97	2,028	9,496
Total comprehensive income for the year	-	-	-	2,650	2,650
Share based payments	-	-	142	-	142
Ordinary shares issued	43	26,279	-	-	26,322
Ordinary dividends declared and paid	-	-	-	(2,403)	(2,403)
At 31 December 2016	268	33,425	239	2,275	36,207
Total comprehensive income for the year	-	-	-	7,507	7,507
Share based payments	-	-	492	-	492
Ordinary shares issued	1	26	-	-	27
Ordinary dividends declared and paid	-	-	-	(2,408)	(2,408)
At 31 December 2017	269	33,451	731	7,374	41,825

Consolidated statement of cash flows

	Group Year ended 31 December 2017 £'000	Group Year ended 31 December 2016 £'000
Cash flows from operating activities		
Profit before tax	5,857	4,490
Adjustments for:		
Depreciation	570	519
Amortisation and impairments	3,126	884
Interest expense	554	387
Share based payment expense	492	142
Fair value gains on financial investments	(156,046)	(199,681)
Additions of financial investments	(493,638)	(328,511)
Disposals of financial investments	542,304	390,603
Fair value gains on investment properties	(44,074)	25,038
Increase in liability for investment contracts	167,525	156,175
Changes in working capital:		
Decrease/(increase) in trade and other receivables	(433)	(6,447)
Increase in trade and other payables	4,193	11,024
Taxes paid	(999)	(667)
Net cash flows received from operating activities	29,431	53,956
Cash flows from investing activities		
Purchase of intangible assets	(277)	(1,533)
Purchase of property, plant and equipment	(161,923)	(101,473)
Investment in employee benefit trust	(250)	-
Receipts from sale of property, plant and equipment	148,191	85,758
Net cash flows from acquisitions	(669)	357,821
Net cash flows (used in)/received from investing activities	(14,928)	340,573
Cash flows from financing activities		
Equity dividends paid	(2,413)	(2,408)
Net proceeds from issue of ordinary shares	27	26,322
Net increase/(decrease) in borrowings	(21,274)	21,848
Interest paid	(504)	(411)
Net cash (used in)/received from financing activities	(24,164)	45,351
Net (decrease)/increase in cash and cash equivalents	(9,661)	439,880
Cash and cash equivalents at the beginning of the year	447,510	7,630
Cash and cash equivalents at the end of the year	437,849	447,510

The Group's Consolidated Statement of Cash Flows includes all cash and cash equivalent flows, including £412,175,567 (2016: £426,054,538) relating to policyholder non-participating investment contracts.

Company statement of cash flows

	2017	2016
	Company	
	Year ended 31 December	
	2017	**2016**
	£'000	**£'000**
Cash flows from operating activities		
Profit before tax	7,507	2,650
Adjustments for:		
Interest expense	554	498
Changes in working capital:		
Decrease in trade and other receivables	38	475
Increase/(decrease) in trade and other payables	54	(12)
Net cash flows received from operating activities	8,153	3,611
Cash flows from investing activities		
Net cash flows from acquisitions	-	(45,000)
Investment in employee benefit trust	(250)	-
Additional investment in subsidiaries	-	(4,000)
Net cash flows used in investing activities	(250)	(49,000)
Cash flows from financing activities		
Equity dividends paid	(2,408)	(2,403)
Net proceeds from issue of ordinary shares	27	26,322
Net (decrease)/increase in borrowings	(3,158)	17,510
Interest paid	(504)	(414)
Net cash (used in)/received from financing activities	(6,043)	41,015
Net increase/(decrease) in cash and cash	1,860	(4,374)
Cash and cash equivalents at the beginning of the year	458	4,832
Cash and cash equivalents at the end of the year	2,318	458

1 Corporate information

Curtis Banks Group PLC ("the Company") is a public limited company incorporated and domiciled in England and Wales, whose shares are publicly traded on the AIM market of the London Stock Exchange PLC. The financial statements are presented in pounds sterling, with all values rounded to the nearest thousand pounds except when otherwise indicated. The financial statements were authorised for issue in accordance with a resolution of the Directors on 14 March 2018.

2 Significant accounting policies

Basis of preparation

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

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

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings up to 31 December 2017.

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 2017 and 31 December 2016 were Curtis Banks Limited, Suffolk Life Pensions Limited, Suffolk Life Annuities Limited and Curtis Banks Investment Management Limited.

Suffolk Life Annuities Limited provides SIPPs through non-participating individual insurance contracts. As such, it is regarded as an insurance company for the purposes of regulatory and statutory reporting. Due to Suffolk Life Annuities Limited's status as an insurance company, the consolidated results for the whole Group include insurance policyholder assets, liabilities and returns.

Certain trading subsidiaries of Curtis Banks Group PLC hold the entire issued share capital of a large number of non-trading trustee companies. The accounts of these companies have not been consolidated into the Group accounts as they would be immaterial to the Group's position. All of these companies are nominee companies for the pension products administered by the trading subsidiaries of Curtis Banks Group PLC and have been dormant throughout the period and are expected to remain dormant.

Going concern

The Group is required to assess whether it has sufficient resources to continue its operations and to meet its commitments for the foreseeable future. The directors have prepared the financial statements on a going concern basis, as in their opinion the Group is able to meet its obligations as they fall due. This opinion is based on detailed forecasting for the following 12 months based on current and expected market conditions together with current performance levels.

2 Significant accounting policies - continued

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 Pound Sterling which is the Group's functional and presentational currency. All foreign currency transactions and foreign currency balances relate to policyholder assets and liabilities.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the Statement of financial position date and the gains or losses on translation are included in the consolidated 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.

2 Significant accounting policies - continued

Research and development

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

Non-participating investment contracts

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

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

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

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.

2 Significant accounting policies - continued

Revenue recognition

Operating revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activity. Revenue is shown net of value added tax ("VAT"), returns, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of the revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for the Group's activity as described below.

- Set up, and initial transaction fees, as well as ad hoc transaction fees charged in relation to pension schemes are recognised as the work is completed, net of VAT.
- Annual renewal fees are invoiced in advance and spread, net of VAT, evenly over the year to which they relate, and held as deferred income at the year end where the annual fee period spans multiple accounting periods.
- Recurring fees which are received in arrears, including property annual fees and property acquisition fees, are accrued over the period in which services are provided.
- Any interest received in excess of that payable to clients is retained by the Group and is included within revenue. Interest income receivable by the Group is recognised as it accrues.

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

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

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 4 years.

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	25%	straight line
Fixtures & fittings	25%	straight line
Motor vehicles	25%	straight line

Impairment of non-financial assets

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

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

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

Investments

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

2 Significant accounting policies - continued

Financial assets

Financial assets held under non-participating investment contracts are categorized either as fair value through profit and loss, or as loans and receivables. All other financial assets are classified in the category of loans and receivables. The classification depends on the purposes for which these assets were acquired. Management takes decisions concerning the classification of its financial assets at initial recognition and reviews such classification for reliability at each reporting date. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Group's financial assets comprise "non-current asset investments", "investment property", "trade and other receivables" and "cash and cash equivalents" in the statement of financial position.

Trade receivables

Trade receivables, defined as loans and receivables in accordance with IAS 39 'Financial Instruments: Recognition and Measurement', are recorded initially at fair value and are subsequently measured at amortised cost.

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

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Financial liabilities – Trade and other payables

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

Financial liabilities - Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less attributable transaction costs. After initial recognition interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2 Significant accounting policies - continued

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.

Non-recurring costs

Non-recurring costs are classified as such when the nature of the expense is significant and expected to be a 'one off' business event or activity that does not form part of usual day to day operations. Examples of such costs include acquisitions, office relocations and restructuring. Where costs are classified as non-recurring due to their nature, these are described in full within a note to the financial statements.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition and the acquisition date fair value of any previous equity interest in the 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.

2 Significant accounting policies - continued

Leases

Leases of property, plant and equipment which transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases. Finance leases are classified as a financial liability and measured at amortised cost. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments and depreciated over the term of the lease. The resulting lease obligations are included in liabilities. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

All other leases are classified as operating leases. Rentals payable under operating leases, net of lease incentives, are charged to the consolidated statement of comprehensive income on a straight-line basis over the year of the lease. Where property lease contracts contain guaranteed minimum incremental rental payments, the total committed cost is determined and is amortised on a straight-line basis over the life of the lease.

Share based payments

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

These schemes are accounted for as equity-settled share-based payment transactions in accordance with IFRS 2.

The share options granted become exercisable at varying future dates. If certain conditions are met, following the vesting period, employees and third parties will be eligible to exercise their option at an exercise price determined on the date the share options are granted.

The fair value of Curtis Banks Group PLC's share options is determined at the date of grant. This fair value is calculated by applying the Black Scholes model. The model utilises inputs for the risk free rate, expected volatility in share price, dividend yield and the current share price at fair value, which are factors determined on the date the share options are granted.

The share based payment charge to the consolidated statement of comprehensive income is calculated based on the Group's estimate of the number of options that will eventually vest.

The resulting staff costs under the share schemes are recognised pro rata in the consolidated statement of comprehensive income to reflect the services rendered as consideration during the vesting period.

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 9 *Financial Instruments: Classification and Measurement*	1 January 2018
IFRS 17 *Insurance Contracts*	1 January 2021
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018
IFRS 16 *Leases*	1 January 2019
Amendments to IAS 40 *Transfers of Investment Property*	1 January 2018
Amendments to IFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to IAS 28 *Long-term Interests in Associates & Joint Ventures*	1 January 2019
Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*	1 January 2018
Amendments to IFRS 2 *Share based payments*	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018

Except for IFRS 16, the directors anticipate that the adoption of these standards and interpretations and amendments in future periods will have no material impact on the financial statements of the Group. The potential impact of IFRS 16 is currently being evaluated. The Group is required to adopt IFRS 15 and IFRS 9 from 1 January 2018 and the estimated impact of the adoption of these standards on the Group's equity as at 1 January 2018 is £nil. The following specific considerations have been made around the impact of IFRS 15 and IFRS 9:

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 - continued

IFRS 15

IFRS 15 introduces a new five stage model for the recognition of revenue from contracts with customers replacing the previous Standards IAS 11 Construction Contracts, IAS 18 Revenue and related IFRIC and SIC Interpretations. The reason for clarifying the principles for recognising revenue are to:

- Remove inconsistencies and weaknesses in previous revenue requirements
- Provide a more robust framework for addressing revenue issues
- Improve comparability of revenue recognition practices across entities
- Provide more useful information to users of financial statements through improved disclosure requirements
- Simplify the preparation of financial statements by reducing the number of requirements to which entities must refer

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Application of this model will depend on the facts and circumstances presented in a contract with a customer and will require the exercise of judgement.

The Standard also includes a comprehensive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

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 – continued

IFRS 15 - continued

The Group has assessed the impact of applying this model and determined the impact on equity as at 1 January 2018 is £nil as it believes that current accounting policies are in line with these principles. In determining this, the Group has made the following key judgements against the five step model:

- Step 1: 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.
- Step 2: Performance obligations are understood to be the individual components of SIPP & SSAS administration as detailed on the Group's product's terms and conditions and fee schedules. Annual renewal fees were deemed to comprise multiple individual obligations. However, each of these obligations represented a continuous service over the same annual period and could therefore be viewed collectively as one obligation for the purpose of revenue recognition. Obligations under set up fees and transaction fees were deemed to be short term in nature (three months or less).
- Step 3: The transaction price was determined to be as included on the Group's product's 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 were not determined as the combined set of obligations represented a continuous service over the same annual period.
- Step 4: The result of judgements made in Step 2 and Step 3 meant that transaction prices could be allocated in substance to fee items included on the Group's product's terms and conditions and fee schedules, as these also wholly reflected the individual performance obligations.
- Step 5: The Group's current revenue recognition policy already recognises revenue when (or as) performance obligations are satisfied and further to the judgements made above, no change in revenue recognition is required.

IFRS 9

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in profit or loss.

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 – continued

IFRS 9 - continued

Based on its assessment, the Group believes the new classification requirements will have a net impact on equity as at 1 January 2018 of £nil. In determining this, the Group has considered the following factors:

- The Group holds a wide variety of policyholder financial assets and liabilities. However, all gains or losses on policyholder assets and liabilities are ultimately borne by the policyholder and therefore net impact on equity is £nil.

- Shareholder financial assets and liabilities are all recognised under existing IAS 39 categories of loans and receivable and available for sale, but none are recognised under held to maturity. The Group expects all existing shareholder financial assets to be reclassified either to amortised cost or FVTPL under IFRS 9, with no impact on equity due to the simple nature of these assets.

- Shareholder liabilities that are classified as FVTPL such as the deferred consideration balance are exposed to minimal credit risk and any change required to be presented through OCI rather than profit or less is expected to be minimal and immaterial.

A further consideration with regards to the Group's impairment provision against trade receivables is that IFRS 9 replaces the current 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model applies to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. The Group therefore expects its trade receivables to be affected by the new model requirements.

The Group has assessed existing financial assets as at 31 December 2017 and determined the new ECL model will not have a material impact on equity as at 1 January 2018. In determining this, the Group has considered the following factors:

- The Group's shareholder financial assets and specifically the trade receivables balance do not contain any significant financing components therefore a simplified approach can be taken to look at lifetime ECLs.

- The time value of money is not expected to have a material impact on ECLs as the Group's shareholder current financial assets are all expected to be recoverable within one year, and the Group holds no shareholder non-current financial assets.

- The Group holds significant data about its customers' individual holdings within their respective SIPPs and SSASs. This data provides reasonable and supportable information about the past, current and future likelihood of recovering fees due. An analysis of this data is already prepared in order to assess the current impairment provision in place under IAS 39 against the Group's trade receivables. The same data used under the ECL model indicates a similar provision is required and therefore the expected net impact on equity as at 1 January 2018 is £nil.

IFRS 9 will require extensive new disclosures, in particular about credit risk and ECLs. The Group believes its current systems and controls are sufficient to capture the required data.

3 Critical accounting judgements and key sources of estimation uncertainty

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

In preparing the financial statements the Group has selected and applied various accounting policies which are described in the notes to the financial statements. In order to apply these accounting policies the Group has made estimates and judgements concerning the future. Key areas of judgement and estimation uncertainty are disclosed below:

Client portfolios

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

Additionally, the Group reviews and judges whether acquired client portfolios are impaired at least on an annual basis. This comprises an estimation of future cash flows expected to arise from each client portfolio, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset, together with an estimated rate of attrition for each portfolio. The estimation of future cash flows is derived by taking the current earnings before tax, interest, depreciation and amortisation ("EBITDA") margin of the relevant operating subsidiary and applying this against forecast revenue from the relevant client portfolio.

Computer software

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

Additionally, the Group determines whether computer software is impaired at least on an annual basis. This requires an estimation of the value in use. In assessing value in use the estimated future cash flows expected to arise from the software are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset.

4 Revenue

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

	Year ended 31 December 2017 £'000	2016 £'000
Fees	34,073	25,214
Interest income	9,500	4,517
Policyholder investment returns	343,009	261,639
	386,582	291,370

5 Profit for the year

Profit for the year is arrived at after:

	Year ended 31 December 2017 £'000	2016 £'000
Charging:		
Amortisation of intangible assets	1,131	884
Depreciation of property, plant and equipment	570	519
Auditors remuneration:		
- audit of the financial statements of the Group	177	162
- audit of the financial statements of the Company	29	24
- audit related assurance services	97	110

6 Non-recurring costs

Non-recurring costs include the following significant items:

	Year ended 31 December 2017 £'000	2016 £'000
Set up costs associated with the take on of SIPPs	20	50
Exceptional legal fees	67	537
Redundancy & restructuring costs following acquisitions	1,143	310
Suffolk Life acquisition costs	72	735
European Pension Management acquisition costs	328	58
Exceptional impairment charge	2,124	-
	3,754	1,690

6 Non-recurring costs (continued)

Redundancy & restructuring costs following acquisitions

During the year ended 31 December 2017 a full strategic review of all the office locations used by the Group was carried out. As a result of that review, and after full consultation with all relevant staff, the decision was taken to close the Group's office in Market Harborough. The closure was effective from the end of January 2018. Full provision has been made in the financial statements for the year ended 31 December 2017 for all the financial costs arising from the decision to close that office including redundancy payments, amounts due under onerous leases and cost of relocating the activities of that office to other Company locations.

Exceptional impairment charge

During the year ended 31 December 2017 the Group continued and completed the review if its operating systems following the acquisition of the Suffolk Life business in May 2016. As a result of this review the Group concluded that the most cost effective, appropriate and lowest risk solution was, subject to contract, to implement a material upgrade of the existing back office operating system at the Group.

As a result of this decision, costs of approximately £2.1 million incurred and capitalised on the initial development, installation, evaluation and testing of an alternative system over recent years have now been written off as an exceptional impairment charge in the financial statements for the year ended 31 December 2017. Other than £0.1m, all of these costs were originally incurred in accounting periods up to and including the year to 31 December 2016.

Exceptional legal fees

During the year ended 31 December 2016 the Group entered into an agreement to settle a potential legal claim by another business. The terms of settlement are confidential however no further costs are expected and the total cost included above includes all associated legal fees incurred.

Suffolk Life acquisition costs

The Group incurred a significant level of legal and professional fees in connection with the acquisition of Suffolk Life Group Limited and its subsidiaries during the year ended 31 December 2016. In accordance with IFRS 3 *Business Combinations*, these have been expensed and treated as non-recurring costs.

European Pension Management acquisition costs

The Group incurred considerable legal and professional fees in connection with the acquisition of the trade and assets of European Pension Management Limited during the year ended 31 December 2016. In accordance with IFRS 3 *Business Combinations,* these have been expensed and treated as non-recurring costs.

7 Directors and employees

	Year ended 31 December 2017 £'000	2016 £'000
Wages and salaries	17,585	12,930
Social security costs	1,630	1,275
Other pension costs	1,337	900
Share-based incentive awards	492	142
	21,044	15,247

The average number of employees during the year was:	**2017**	**2016**
Directors	7	6
Administration	571	452
	578	458

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

	Year ended 31 December 2017 £'000	2016 £'000
Total emoluments paid to:		
Directors		
Wages and salaries	1,411	787
Social security costs	123	95
Post-employment costs	21	21
Key management personnel		
Wages and salaries	806	1,021
Social security costs	93	126
Post-employment costs	47	49
	2,501	2,099
Emoluments of highest paid director:		
Wages and salaries	468	258
Pension contribution	8	8
	476	266

8 Finance costs

	Year ended 31 December	
	2017	**2016**
	£'000	**£'000**
Interest payable on bank loans	562	381
	562	381

9 Finance income

	Year ended 31 December	
	2017	**2016**
	£'000	**£'000**
Interest income	67	117

10 Taxation

	Year ended 31 December	
	2017	**2016**
	£'000	**£'000**
Domestic current period tax		
UK Corporation tax	791	601
Deferred tax		
Origination and reversal of temporary differences	(166)	55
	625	656
Factors affecting the tax charge for the period		
Profit before tax	5,857	4,490
Profit before tax multiplied by standard rate of UK Corporation tax of 19.25% (2016: 20.00%)	1,127	898
Effects of:		
Adjustment to prior period	(305)	(234)
Non-deductible expenses	13	58
Other tax adjustments	(210)	(66)
	(502)	(242)
Current tax charge	625	656

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:

	2017	**2016**
	£'000	**£'000**
Net profit and diluted net profit available to equity holders of the Group	5,222	3,829
Net profit and diluted net profit before non-recurring costs (note 6) and amortisation (note 5) available to equity holders of the Group.	10,742	7,064
Weighted average number of ordinary shares:	**Number**	**Number**
Issued ordinary shares at start of the year	53,599,669	44,954,769
Effect of shares issued in the current year	25,127	8,031,907
Basic weighted average number of shares	53,624,796	52,986,676
Effect of options exercisable at the reporting date	800,000	533,333
Effect of options not yet exercisable at the reporting date	2,044,484	991,959
Diluted weighted average number of shares	56,469,280	54,511,968
	Pence	**Pence**
Earnings per share:		
Basic	9.75	7.23
Diluted	9.26	7.02
Earnings per share on net profit before non-recurring costs and amortisation, less an effective tax rate:		*As restated**
Basic	16.20	10.67
Diluted	15.38	10.37

*The effective tax rate used in previous years was calculated using the formula "current tax charge / profit before tax". In order to reduce the impact of accounting measures such as deferred tax, and the timing of tax reliefs, the effective tax rate has been changed to match the current tax rate applicable to the accounting year. The current tax rate applicable for the year ended 31 December 2017 was 19.25% (2016: 20.00%).

12 Intangible assets

Group

	Goodwill £'000	Client Portfolios £'000	Computer Software £'000	Total £'000
Cost				
At 1 January 2017	28,903	18,430	3,116	50,449
Additions	-	5	272	277
Disposals	-	(2)	(1,993)	(1,995)
At 31 December 2017	28,903	18,433	1,395	48,731
Amortisation				
At 1 January 2017	-	2,533	474	3,007
Charge for the year	-	922	209	1,131
Disposals	-	-	-	-
At 31 December 2017	-	3,455	683	4,138
Net book value				
At 31 December 2016	28,903	15,897	2,642	47,442
At 31 December 2017	28,903	14,978	712	44,593

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.

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.

Following completion of a review of a potential new operating system, and the resultant decision to retain and upgrade the existing system, intangible costs of approximately £2 million incurred and capitalised on the initial development, installation, evaluation and testing of an alternative operating system over recent years have been written off during the year ended 31 December 2017.

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, and a book of full SIPPs from Friends Life plc (now Aviva plc) on 13 March 2015.

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 2017 of 16 years and 4 months.

13 Investment Property

Assets held at fair value

Group

	Investment Properties £'000	Total £'000
Fair value		
At 1 January 2017	1,149,135	1,149,135
Arising on acquisitions	-	-
Additions	161,280	161,280
Disposals	(148,191)	(148,191)
Fair value gains	44,074	44,074
At 31 December 2017	1,206,298	1,206,298

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.

14 Property, plant and equipment

Assets held at cost

Group

	Leasehold Improvements £'000	Computer equipment £'000	Office equipment, fixtures & fittings £'000	Total £'000
Cost				
At 1 January 2017	54	3,606	1,093	4,753
Additions	-	520	125	645
Disposals	-	(42)	-	(42)
At 31 December 2017	54	4,084	1,218	5,356
Depreciation				
At 1 January 2017	28	2,697	955	3,680
Charge for the year	13	493	64	570
Disposals	-	(42)	-	(42)
At 31 December 2017	41	3,148	1,019	4,208
Carrying value				
At 31 December 2016	26	909	138	1,073
At 31 December 2017	13	936	199	1,148

15 Investments

Assets held at fair value

Total fair value as at 31 December 2017	**Group**	
	2017	**2016**
	£'000	**£'000**
Fair value		
Equity and other variable-yield securities	1,955,264	1,831,941
Debt securities and other fixed-income securities	77,029	92,972
Total shares and securities	2,032,293	1,924,913
At cost	1,588,937	1,557,549

Movement in the year on total shares and securities	**Group**	
	2017	**2016**
	£'000	**£'000**
At beginning of the year	1,924,913	-
Arising on acquisition	-	1,787,324
Additions	493,638	328,511
Disposals	(542,304)	(390,603)
Unrealised gains	156,046	199,681
At end of the year	2,032,293	1,924,913

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

15 Investments (continued)

Assets held at cost

	Company £'000
Cost	
At 1 January 2017	56,524
Additions	742
At 31 December 2017	57,266
Net book value	
At 31 December 2016	56,524
At 31 December 2017	57,266

Additions in the year comprise investment the Group's employee benefit trust of £250,000, and equity share based payment cost additions of £492,000.

The directors are satisfied that no impairment has occurred in the carrying value of the non-current asset investments at 31 December 2017. Details of the investments are as follows:

Name of entity	Registered Office Address Indicator	Principal activity	Country of Incorporation	% of Ordinary Shares held by parent Company	% of Ordinary Shares held by Group
Curtis Banks Limited	(A)	Provision of pension administration services	England and Wales	100.00	100.00
Suffolk Life Group Limited	(B)	Holding company	England and Wales	100.00	100.00
Suffolk Life Pensions Limited	(B)	Provision of pension administration services	England and Wales	-	100.00
Suffolk Life Annuities Limited	(B)	Provision of pension administration services	England and Wales	-	100.00
Curtis Banks Investment Management Limited	(A)	Provision of financial advice	England and Wales	-	90.00
Rivergate Legal Limited	(A)	Provision of legal 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

15 Investments (continued)

Name of entity	Registered Office Address Indicator	Principal activity	Country of Incorporation	% of Ordinary Shares held by parent Company	% of Ordinary Shares held by Group
Final Pursuit Limited	(A)	Dormant	England and Wales	-	100.00
Tower Pension (S-B) Trustees Limited	(C)	Dormant	Scotland	-	100.00
Bridgewater Pension Trustees Limited	(A)	Non-trading	England and Wales	-	100.00
Temple Quay Pension Trustees Limited	(A)	Dormant	England and Wales	-	100.00
Suffolk Life Trustees Limited	(B)	Non-trading	England and Wales	-	100.00
Suffolk Life (Spartan Estate) Limited	(B)	Dormant	England and Wales	-	100.00
SLA Property Company Limited	(B)	Dormant	England and Wales	-	100.00
EPPL P1039 Limited	(B)	Dormant	England and Wales	-	100.00
EPPL P1047 Limited	(B)	Dormant	England and Wales	-	100.00
EPPL P1051 Limited	(B)	Dormant	England and Wales	-	100.00
EPPL P1056 Limited	(B)	Dormant	England and Wales	-	100.00
EPPL P1060 Limited	(B)	Dormant	England and Wales	-	100.00
EPPL P1062 Limited	(B)	Dormant	England and Wales	-	100.00
EPPL P1064 Limited	(B)	Dormant	England and Wales	-	100.00
EPPL P1066 Limited	(B)	Dormant	England and Wales	-	100.00
EPPL P1088 Limited	(B)	Dormant	England and Wales	-	100.00
European Pensions Properties Limited	(B)	Dormant	England and Wales	-	100.00

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	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000
As at 31 December 2017				
Equity and other variable-yield securities	1,955,264	1,905,318	30,513	19,433
Debt securities and other fixed-income securities	77,029	44,056	31,643	1,330
Investment property	1,206,298	-	-	1,206,298
Total financial investments and investment property	3,238,591	1,949,374	62,156	1,227,061

There have been no significant transfers between level 1 and level 2 in 2017 (2016: £nil).

All non-participating investment contract liabilities included within note 21 are classified as level 2.

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

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

16 Fair value hierarchy (continued)

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

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

Level 3 Investments	**Equity and other variable-yield securities £'000**	**Debt securities and other fixed income securities £'000**	**Investment Property £'000**
Fair value			
At 1 January 2017	13,172	180	1,149,135
Net gains/(losses) for the year recognised in profit and loss	(5,304)	(133)	44,074
Purchases/Additions	-	-	161,280
Disposals	-	-	(148,191)
Transfers into level 3	13,766	1,283	-
Transfers out of level 3	(2,201)	-	-
At 31 December 2017	19,433	1,330	1,206,298

Transfers out of level 3 relate to assets held for which observable inputs subsequently became available. Transfers into level 3 relate to assets formerly categorised as level 1 or level 2 assets. This is principally due to assets becoming illiquid meaning that observable inputs are no longer available.

16 Fair value hierarchy (continued)

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

As at 31 December 2017				Reasonably possible alternative assumptions	
Assets	Valuation Basis / Technique	Main assumptions	Current fair value 2017 £'000	Increase in fair value 2017 £'000	Decrease in fair value 2017 £'000
Suspended securities	*Note 1*	Estimated recoverable amount	7,592	380	(380)
Unquoted securities	*Note 1*	Price earning multiple	13,171	659	(659)
Investment property	*Note 2*	Third party property index	1,206,298	60,315	(60,315)
			1,227,061	61,354	(61,354)

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 Directors consider that the carrying value of financial instruments in the Group's and Company's financial statements is equivalent to fair value.

The fair value of cash equivalents, trade receivables and trade payables approximate to their carrying values due to their short-term nature.

The fair value of deferred consideration payable is split between creditors due within one year and creditors due in more than one year. The total deferred consideration payable relates to a book of SIPPs acquired and is linked to a share of the fees received over a five year period from the date of acquisition.

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		Company	
	As at 31 December		As at 31 December	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade receivables	11,668	12,140	-	-
Prepayments and accrued income	3,219	3,645	2	2
Amounts owed by group undertakings	-	-	-	39
Other receivables	1,800	1,738	13	-
	16,687	17,523	15	41

All of the trade receivables were non-interest bearing and receivable under normal commercial terms. The directors consider that the carrying value of trade and other receivables approximates to their fair value. All trade receivables are fees due from SIPPs and SSASs or due to policyholders in relation to their investments. Fees are taken from the assets of the respective schemes of which the Group has control. If there are no assets in the scheme, payment of the fees is the responsibility of the member who set the scheme up. As such, all debts should be recoverable over time. Certain trade and other receivables are past due but have not been impaired. These relate to customers where there is no concern over their financial situation.

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

	As at 31 December	
	2017	2016
Group	£'000	£'000
Brought forward	477	75
Arising on acquisition	-	414
Charged in year	254	-
Released in year	(28)	(12)
Carried forward	703	477

Trade receivables of £11,668,000 at 31 December 2017 (2016: £12,140,000) includes £7,853,000 (2016: £8,149,000) 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 ageing analysis since the Group is not directly exposed to the risks from these contracts.

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

	Total	<90 days	90-180 days	>180 days
Group	£'000	£'000	£'000	£'000
As at 31 December 2016	4,004	2,531	397	1,076
As at 31 December 2017	3,815	2,080	626	1,109

18 Cash and cash equivalents

As at 31 December 2017 and 2016 cash and cash equivalents were as follows:

	Group		Company	
	As at 31 December		As at 31 December	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Cash at bank and in hand	437,849	447,510	2,318	458

All cash at bank is held on overnight deposit. Cash at bank and in hand includes £48,000 (2016: £1,634,000) of cash equivalents held at fair value.

19 Trade and other payables

	Group		Company	
	As at 31 December		As at 31 December	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade payables	1,027	4,536	12	5
Taxes and social security costs	2,668	2,404	-	-
Amounts owed to group undertakings	-	-	31	-
Other payables	3,498	647	-	-
Accruals	5,465	4,551	65	36
	12,658	12,138	108	41

The fair value of trade and other payables approximates to book value at 31 December 2017.

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

20 Borrowings

	Group		Company	
	As at 31 December		As at 31 December	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Current				
Bank loans	29,444	38,329	3,158	3,108
	29,444	38,329	3,158	3,108
Non-current				
Bank loans	64,584	77,194	14,508	17,667
	64,584	77,194	14,508	17,667
Total borrowings	94,028	115,523	17,666	20,775

Bank borrowings

The bank borrowings are repayable as follows:

	Group		Company	
	As at 31 December		As at 31 December	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Within 1 year	29,444	38,329	3,158	3,108
Between 1 year and 5 years	44,158	51,922	14,508	17,667
After more than 5 years	20,426	25,272	-	-
	94,028	115,523	17,666	20,775

Bank borrowings of the Company mature between December 2018 and December 2021 and bear average coupons of 2.25% plus LIBOR per annum.

Total borrowings include liabilities of £76,464,000 (2016: £94,580,000) secured by legal charge over certain properties held within non-participating investment contracts, and liabilities of £17,666,000 (2016: £20,775,000) 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 (2016: £nil).

For each linked SIPP the Group provides, there is a separate internal fund. Where the Group provides a Trustee Investment Plan or Group Managed Fund, there are a number of separate internal funds.

Movement in non-participating investment contract liabilities	**Group £'000**
As at 1 January 2017	3,394,404
Reserves in respect of new business	162,788
Amounts paid on surrenders and maturities during the year	(303,712)
Investment income	343,009
Expenses	(34,560)
As at 31 December 2017	3,561,929

These relate to:

	Group £'000
Self-Invested Personal Pensions	2,593,639
Group Managed Funds – Trustee Investment Plans	72,727
Group Managed Funds	82,930
Trustee Investment Plans	812,633
As at 31 December 2017	3,561,929

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

21 Non-participating investment contract liabilities (continued)

(b) Investment contract liabilities – investment income

	2017 £'000	2016 £'000
Rents receivable	78,249	36,791
Interest receivable	3,329	3,037
Investment and other income	38,370	23,651
Realised gains on investments	24,528	21,837
Unrealised gains on investments	198,533	176,323
	343,009	261,639

(c) Investment contract liabilities – expenses

	2017 £'000	2016 £'000
Investment management fees	10,297	5,698
Adviser fees	341	224
Management charges – administration	6,803	3,807
Bank fees and charges	145	85
Professional fees and sundries	14,031	6,747
Bad debts	583	34
Interest payable on bank loans and overdrafts	2,360	1,673
	34,560	18,268

(d) Reserves in respect of new business

	2017 £'000	2016 £'000
Gross premiums		
Periodic premiums relating to Self-Invested Personal Pensions	2,926	1,989
Single premiums relating to Self-Invested Personal Pensions	54,474	22,570
Single premiums relating to Group Managed Funds – TIPs	6,460	(690)
Single premiums relating to Group Managed Funds	8,571	11,449
Single premiums relating to Trustee Investment Plans	90,357	57,602
	162,788	92,920

21 Non-participating investment contract liabilities (continued)

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

	2017 £'000	2016 £'000
Gross claims paid		
Lump sums on death	20,218	4,308
Lump sums on pensions vesting	22,297	12,981
Income withdrawals	36,741	29,450
Annuities purchased	89	98
Transfers out	218,287	135,317
Surrenders of managed funds – Trustee Investment Plans	6,080	(2,038)
	303,712	180,116

22 Provisions for liabilities

Deferred taxation

As a result of the taxation position set out in note 10, a deferred tax asset (2016: liability) has arisen as follows:

	Group As at 31 December	
	2017 £'000	2016 £'000
Brought forward provision	42	212
Arising on acquisition	-	(225)
Net change in temporary differences on plant and equipment	(166)	55
Carried forward (asset)/provision	(124)	42

The deferred tax asset (2016: liability) with respect to temporary differences is analysed as follows:

	Group As at 31 December	
	2017 £'000	2016 £'000
Temporary differences on plant and equipment	(124)	42
	(124)	42

The deferred tax asset (2016: liability) assumes a future corporation tax rate of 19% will be applicable to the Group.

22 Provisions for liabilities (continued)

Restructuring provision

	Group As at 31 December 2017 £'000	Group As at 31 December 2016 £'000
Provision for redundancy and restructuring costs arising on office closure	534	-
	534	-

Onerous lease provision

	Group As at 31 December 2017 £'000	Group As at 31 December 2016 £'000
Full provision for costs of onerous property lease arising on office closure	366	-
	366	-

23 Share capital

	Group & Company As at 31 December 2017 £'000	Group & Company As at 31 December 2016 £'000
Allotted, called up and fully paid		
Ordinary shares of 0.5p each	269	268
	269	268
	Number	**Number**
Number of Ordinary shares		
Brought forward	53,599,669	44,954,769
Issued during the year	209,477	8,644,900
Carried forward	53,809,146	53,599,669

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.

There were no ordinary shares reserved for issue under options at 31 December 2017 (2016: nil).

24 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. Additions to the reserve in the year arise from Ordinary share issues on 15 November 2017 and 21 December 2017 as described in note 23. 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 25.

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.

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 2017, the EBT held 99,155 ordinary shares in the Company, acquired for a total consideration of £250,000 with a market value of £282,592. They are classified as treasury shares in the Consolidated Statement of Financial Position, their cost being deducted from equity.

25 Equity share based payments

The weighted average exercise price for all options outstanding at 31 December 2017 was 174.38p (2016: 181.00p).

The weighted average exercise price for all options exercised during the year ended 31 December 2017 was 12.90p (2016: 10.11p).

The weighted average remaining contractual life of all unexercised share options as at 31 December 2017 was 6 years and 10 months (2016: 7 years and 9 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 2017 was £492,000 (31 December 2016: £142,000). The total increase in equity arising from equity-settled share-based payment transactions for the year ended 31 December 2017 was £492,000 (31 December 2016: £142,000).

25 Equity share based payments (continued)

The following table sets out each of the Group's equity share based payments in operation during the year ended 31 December 2017:

Scheme	Date of grant	Number of shares under option at 1 January 2017	Granted	Exercised	Lapsed	Number of shares under option at 31 December 2017	Exercise price	Latest Exercise Date
EMI14	24/10/14	207,400	-	(205,600)	(1,800)	-	10.11p	n/a
EMI15	08/04/15	800,000	-	-	-	800,000	62.54p	08/04/25
SS16	28/06/16	601,408	-	(2,077)	(473,034)	126,297	288.88p	01/02/20
SS17	30/05/17	-	675,195	-	(44,801)	630,394	213.60p	01/02/21
CSOP16A	14/09/16	635,119	-	-	-	635,119	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	-	393,943	-	-	393,943	0p	26/10/27
		2,779,923	1,605,134	(207,677)	(519,635)	3,657,745		

EMI14 & 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 2017, 1 employee of Curtis Banks Limited held options under the CSOP.

SS16 & SS17

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 2017, seven key management personnel of Suffolk Life Pensions Limited and one key management personnel of Curtis Banks Limited held options under the CSOP. The CSOP17 is a performance based option grant.

LTIP17

During the year ended 31 December 2017, the Group set up 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 2017, eight key management personnel of the Group and seven senior management personnel within the Group held options under the LTIP.

25 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 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	Fair value per option granted	Share price on grant date	Risk free rate of interest	Expected volatility	Dividend yield
EMI14	24/10/14	2.13p	10.11p	0.50%	35.00%	0.00%
EMI15	08/04/15	5.64p	62.54p	0.50%	24.00%	0.00%
SS16	28/06/16	58.76p	302.50p	0.50%	29.00%	1.00%
SS17	30/05/17	99.77p	282.50p	0.25%	44.29%	1.50%
CSOP16A	14/09/16	45.58p	267.00p	0.25%	39.01%	1.00%
CSOP16B	15/12/16	52.42p	201.00p	0.25%	42.95%	1.00%
CSOP17	26/06/17	63.54p	260.00p	0.25%	43.41%	1.50%
LTIP17	26/10/17	289.25p	310.00p	0.25%	46.66%	1.50%

26 Non-controlling interests

The non-controlling interests reflect the relevant amounts of the trading results and net assets or liabilities attributable to the non-controlling shareholders in Curtis Banks Investment Management Limited (see note 15).

	As at 31 December	
	2017	2016
	£'000	£'000
Share of net assets brought forward	9	9
Movement in the year – share of profits	10	5
Ordinary dividends declared	(5)	(5)
Share of net assets	14	9

27 Financial commitments

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

	As at 31 December	
	2017	**2016**
	£'000	**£'000**
Land and buildings		
Within 1 year	895	891
Within 2 - 5 years	1,809	2,358
In more than 5 years	-	-
	2,704	3,249

28 Pension costs – defined contribution

	Year to 31 December	
	2017	**2016**
	£'000	**£'000**
Contributions payable by the Group for the year	1,352	900

29 Dividends

	Year to 31 December	
	2017	**2016**
	£'000	**£'000**
Ordinary interim declared and paid	2,408	2,403
	2,408	2,403

A second interim share dividend in respect of 2016 was declared and paid on 12 May 2017 of 3p per ordinary share.

An interim share dividend was declared and paid on 15 November 2017 of 1.5p per ordinary share.

30 Financial risk management

Financial assets principally comprise trade and other receivables, cash and short-term deposits, which arise directly from its operations. Financial liabilities principally comprise trade and other payables, deferred consideration and borrowings.

The main risks arising from financial instruments are interest rate risk, credit risk, and liquidity risk. Each of these risks is discussed in detail below.

The Group monitors financial risks on a consolidated basis, with its financial risk management based upon sound economic objectives and good corporate practice. No hedging transactions have taken place during the years presented.

Interest rate risk

Interest rate risk is the risk that the Group will sustain losses from adverse movements in interest bearing assets. There is an exposure to interest rates on shareholder owned banking deposits held in the ordinary course of business. The value of financial instruments on the Group's consolidated statement of financial position exposed to interest rate risk was £25.68m (2016: £21.46m) comprising cash and short-term deposits. This exposure is monitored to ensure that the Group is maximising its interest earning potential within accepted liquidity and credit constraints. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are also made for varying periods of between one day and 12 months depending on the immediate cash requirements of the Group and earn interest at the respective term deposit rates.

The Group had external borrowings attributable to shareholders at the year end of £17.56m (2016: £20.78m). 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
2017		
£ Sterling	+100	(183)
£ Sterling	-100	183
2016		
£ Sterling	+100	(143)
£ Sterling	-100	143

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.

30 Financial risk management (continued)

Credit risk

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

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

Given the nature of the Group's operations, it does not have significant concentration of credit risk in respect of trade receivables, with exposure spread over a large number of customers. An allowance for impairment of trade receivables is made where there is an identified loss event, which based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Details of trade receivables and the associated provision for impairment are disclosed in note 17.

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

All of the banks currently used by the Group have long-term credit ratings of at least 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.

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.

31 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 2017 was £44.60 million (2016: £41.52 million). The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. The Group's regulated subsidiary companies submit regular returns to the FCA and the PRA relating to their capital resources. The regulated subsidiaries are limited in the distributions that can be paid up to the Group by each of their individual capital resource requirements. Group internal policy is for regulated companies within the Group to hold at least 130% of their required regulatory capital.

32 Related parties

At the year end, Curtis Banks Investment Management Limited owed £57,345 to Curtis Banks Limited (2016: £1,710) arising as a result of expenses recharged. The total amount of expenses recharged by Curtis Banks Limited in the year amounted to £108,841 (2016: £104,928). During the year ended 31 December 2017 Curtis Banks Limited received an ordinary dividend of £45,000 from Curtis Banks Investment Management Limited (2016: £45,000).

At the year end, Curtis Banks Group PLC owed £31,285 to Curtis Banks Limited (2016: £38,888 due from Curtis Banks Limited). 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 £127,858 (2016: £97,336).

At the year end, Suffolk Life Pensions Limited was due £573 from Curtis Banks Limited (2016: £48,324 owed to Curtis Banks Limited) arising as a result of expenses recharged between either entity. The total amount of expenses recharged by Curtis Banks Limited in the year amounted to £202,742 (2016: £96,876). The total amount of expenses recharged by Suffolk Life Pensions Limited in the year amounted to £40,739 (2016: £nil).

33 Contingent liabilities

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

34 Control

There is no one ultimate controlling party.

Company information

Directors
Rupert Curtis – Chief Executive Officer
Paul Tarran – Chief Financial Officer
Will Self – Deputy Chief Executive Officer
Chris Macdonald – Non Executive Director
Bill Rattray – Non Executive Director
Jules Hydleman – Non Executive Director

Founder & Strategic Advisor
Chris Banks

Company Secretary
Paul Tarran

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Illustrative IFRS Consolidated Statement of Financial Position as at 31 December 2017 split between insurance policy holders and the Group's shareholders

ASSETS	£'000 Group Total	£'000 Policyholder	£'000 Shareholder
Non-current assets			
Intangible assets	44,593	-	44,593
Investment property	1,206,298	1,206,258	40
Property, plant and equipment	1,148	-	1,148
Investments	2,032,293	2,032,293	-
Deferred tax asset	124	-	124
	3,284,456	3,238,551	45,905
Current assets			
Trade and other receivables	16,687	7,855	8,832
Cash and cash equivalents	437,849	412,176	25,673
Current tax asset	605	605	-
	455,141	420,636	34,505
Total assets	3,739,597	3,659,187	80,410
LIABILITIES			
Current liabilities			
Trade and other payables	12,658	7,348	5,310
Deferred income	24,374	13,446	10,928
Borrowings	29,444	26,286	3,158
Restructuring provision	534	-	534
Onerous lease provision	107	-	107
Deferred consideration	341	-	341
Current tax liability	295	-	295
	67,753	47,080	20,673
Non-current liabilities			
Borrowings	64,584	50,178	14,406
Onerous lease provision	259	-	259
Deferred consideration	454	-	454
Non-participating investment contract liabilities	3,561,929	3,561,929	-
	3,627,226	3,612,107	15,119
Total liabilities	3,694,979	3,659,187	35,792
Net assets	**44,618**	**-**	**44,618**
Equity attributable to owners of the parent			
Issued capital	269	-	269
Share premium	33,451	-	33,451
Equity share based payments	731	-	731
Treasury shares	(250)	-	(250)
Retained earnings	10,403	-	10,403
	44,604	-	44,604
Non-controlling interest	14	-	14
Total equity	**44,618**	**-**	**44,618**

Illustrative IFRS Consolidated Statement of Cash Flows as at 31 December 2017 split between insurance policy holders and the Group's shareholders

	£'000 Group Total	£'000 Policyholder	£'000 Shareholder
Cash flows from operating activities			
Profit before tax	5,857	-	5,857
Adjustments for:			
Depreciation	570	-	570
Amortisation and impairments	3,126	-	3,126
Interest expense	554	-	554
Share based payment expense	492	-	492
Fair value gains on financial investments	(156,046)	(156,046)	-
Additions of financial investments	(493,638)	(493,638)	-
Disposals of financial investments	542,304	542,304	-
Fair value gains on investment properties	(44,074)	(44,074)	-
Increase in liability for investment contracts	167,525	167,525	-
Changes in working capital:			
Decrease/(increase) in trade and other receivables	(433)	(314)	(122)
Increase in trade and other payables	4,193	1,567	2,629
Taxes paid	(999)	-	(999)
Net cash flows from operating activities	**29,431**	**17,324**	**12,107**
Cash flows from investing activities			
Purchase of intangible assets	(277)	-	(277)
Purchase of property, plant & equipment	(161,923)	(161,278)	(645)
Investment in employee benefit trust	(250)	-	(250)
Receipts from sale of property, plant & equipment	148,191	148,191	-
Net cash flows from acquisitions	(669)	-	(669)
Net cash flows from investing activities	**(14,928)**	**(13,087)**	**(1,841)**
Cash flows from financing activities			
Equity dividends paid	(2,413)	-	(2,413)
Net proceeds from issue of ordinary shares	27	-	27
Net decrease in borrowings	(21,274)	(18,116)	(3,158)
Interest paid	(504)	-	(504)
Net cash flows from financing activities	**(24,164)**	**(18,116)**	**(6,048)**
Net increase/(decrease) in cash and cash equivalents	**(9,661)**	**(13,879)**	**4,218**
Cash and cash equivalents at the beginning of the year	447,510	426,055	21,455
Cash and cash equivalents at the end of the year	**437,849**	**412,176**	**25,673**