

## IFG GROUP PLC PRELIMINARY STATEMENT OF RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2018

This preliminary announcement was approved by the Board of Directors on 29 August 2018

### FORWARD LOOKING STATEMENTS

Certain statements in this report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no guarantee that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. The Group undertakes no commitment to update any forward-looking statements whether as a result of new information, future events or otherwise.

# ROBUST H1 PERFORMANCE IN UNDERLYING BUSINESSES

### OPERATIONAL HIGHLIGHTS

- Assets under administration and advice up 8% in the last 12 months to £31.3 billion (30 June 2017: £29.1 billion), primarily driven by growth in James Hay's MiPlan.
- James Hay added 2,469 new Self-Invested Personal Pension 'SIPP' clients during H1 2018, down 20% on H1 2017, driven largely by the slow-down in the defined benefit ("DB") transfer market.
- Saunderson House won 134 new clients in the same period slightly down compared to 144 in H1 2017.

	Six months ended 30 June 2018	Six months ended 30 June 2017	Movement %
Assets under administration and advice - Group	£31.3bn	£29.1bn	+8%
Total SIPPs - James Hay	55,068	53,765	+2%
New SIPPs - James Hay	2,469	3,075	(20%)
SIPP retention rate - James Hay (annualised)	93%	93%	-
Total clients - Saunderson House	2,263	2,056	+10%
New clients - Saunderson House	134	144	(7%)
Retention - Saunderson House (annualised)	99%	98%	+1%

### FINANCIAL HIGHLIGHTS

- Revenue is up 12% on H1 2017 at £43.0 million (H1 2017: £38.5 million), reflecting an increase in James Hay due to the interest rate rise in November 2017 and repricing implemented during 2017.
- Adjusted Operating Profit is up 54% at £5.7m (H1 2017: £3.7m) driven by the increase in revenues.
- Exceptional costs of £3.2 million (H1 2017: £2.7 million) include Saunderson House retention payments, the departure of the former Group CEO, legacy issues in James Hay and legal costs relating to the sale of the International business.
- Operating profit of £1.4 million up significantly on H1 2017, (H1 2017: Operating loss £0.1 million).
- We continue to retain capital and liquidity to address potential legacy matters. As a result, no interim dividend will be declared. However, the Board remains committed to returning to a progressive dividend policy as soon as practicable.

	Six months ended 30 June 2018	Six months ended 30 June 2017	Movement %
Revenue	£43.0m	£38.5m	+12%
Operating profit/(loss)	£1.4m	(£0.1m)	n/a
Adjusted operating profit	£5.7m	£3.7m	+54%
Basic EPS	0.79p	0.01p	
Adjusted EPS	4.24p	2.98p	+42%
Interim dividend	-	1.60p	

	Period ended 30 June 2018	Period ended 30 June 2017	Movement %
Free cash flow - Twelve months	£11.7m	£7.5m	+56%
Free cash flow - Six months	£2.1m	(£3.4m)	n/a

## STRATEGIC REVIEW

- Management changes resulted in the appointment of a new Chairman, CEO and CFO in mid-April. An initial review has identified three near-term priorities
  - Implementing a devolved governance structure which will deliver two self-reliant businesses with direct control over their people and growth plans. Each of the businesses is currently reviewing its strategy and plans to optimise growth and operating efficiency. We expect to update the market on the outcome of this review in H2 2018.
  - The role of Group is now more clearly defined and will be efficiently resourced with an expected reduction in annual Group costs of £1.0 million.
  - Resolution of legacy issues will allow our businesses to focus on delivering on their potential and enable us to release costs associated with the review. Whilst we continue to engage with HMRC, there has been no material progress on the Elysian Fuels matter and the ongoing James Hay legacy review is in its final stage, which may identify further issues. We expect to provide an estimate of any further exposure in the year end results.

### **Kathryn Purves, Chief Executive of IFG Group plc, commented;**

'The first four months of 2018 was a challenging period for IFG Group, with assessments from HMRC in relation to Elysian Fuels and the cancelled Saunderson House sales process. Since April we have made good progress on identifying and implementing our near-term priorities; building two self-reliant businesses within an efficient Group structure and resolving our legacy issues. I am pleased to report that James Hay and Saunderson House have delivered robust results in the first half. James Hay's interest margin on cash balances will increase as a result of the recent base rate rise, although the effect of this will be partially offset by lower cash balances. The Group continues to trade in line with our expectations.'

### **Enquiries:**

Kathryn Purves  
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Group Chief Executive  
Group Chief Financial Officer

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# FOUNDATIONS FOR DELIVERING VALUE

Having taken on the role of Chief Executive in April this year, I am pleased to present the Group's interim results for the first half of 2018. I would like to start by thanking all the staff working across the Group, whether in James Hay, Saunderson House or in central functions, for their welcome since I started my new role and for their continuing hard work to serve our clients and grow our businesses.

Both James Hay and Saunderson House operate in growing markets supported by positive long-term demographic trends. Our focus is on providing both businesses with the autonomy and capability to deliver exceptional service to their clients and thereby capitalise on these trends and deliver value to shareholders.

Against these positive trends and the robust performance of both businesses during H1 2018, we have material legacy issues that we are working to resolve so that the businesses can concentrate on future growth and improving operating margins.

## MARKET AND ENVIRONMENT

Our businesses continue to operate in a favourable long-term environment. Both the wealth management industry and the platform market have experienced strong asset and revenue growth in recent years and we expect this to continue. The past quarter has seen a number of significant political events that have the potential to materially change the macroeconomic outlook. As a result, we would expect market volatility to remain high due to the current risks travelling, including political uncertainty in the UK and the increased risk of a no-deal Brexit.

The cost of regulatory compliance remains a significant factor across the financial services industry and we continue to face considerable change in the regulatory landscape. The Markets in Financial Instruments Directive (MiFID) II and General Data Protection Regulation (GDPR) have recently been implemented with the new Senior Managers and Certification Regime (SMCR) due to come into force in late 2019. The ongoing FCA Investment Platform Market Study and the FCA Retirement Outcomes Review will also have implications for the market.

Increased regulatory and political focus on Defined Benefit transfers has resulted in corresponding caution from financial advisers in ensuring that such transfers continue to deliver good outcomes for consumers. There is also ongoing scrutiny of the SIPP and platform industries by both the media and regulators. We believe that this regulatory environment presents some risk to the wider financial services industry and, in particular, to providers within the SIPP and platform market, but that the Group is well placed to manage the impacts of these changes within the ongoing development plans for our businesses.

## PERFORMANCE

We now have total Assets under Administration and Advice of £31.3bn (up 8% on 30 June 2017) and we serve approximately 61,000 clients across the two businesses (up 2% from 30 June 2017).

Our profitability is materially ahead of the same period in 2017 with Adjusted Operating Profit up 54% to £5.7 million (H1 2017: £3.7 million) while Operating Profit after Exceptional Items was £1.4 million (H1 2017: £0.1 million loss).

Profit attributable to the equity Shareholders of the parent company increased from £0.0 million to £0.8 million.

The Group delivered earnings per share (EPS) of 0.79 pence in H1 2018 compared to 0.01 pence in H1 2017. Adjusted EPS increased by 42% to 4.24 pence in H1 2018.

Central costs increased in H1 2018 due to permanent senior roles, including the Chief Financial Officer and General Counsel roles, being filled by interim contractors during the first quarter. This level of cost is not expected to continue in the second half of the year.

### James Hay

Repricing undertaken in H2 2017 has increased fee income by 7% to £20.3 million (H1 2017: £19.1 million) resulting in a more stable and predictable annual revenue flow. Interest income earned on cash balances increased to £5.5 million (H1 2017: £3.2 million) as a result of the increase in the Bank of England Base Rate announced in November 2017, offset by a steady reduction in cash balances held on the platform over the first half. These factors have delivered significantly improved revenues and profits in the first half compared to the same period in 2017. The interest margin on cash balances is expected to increase further as a result of the base rate rise announced in August 2018, although the effect of this is likely to be partially offset by lower cash balances.

### Saunderson House

Following the Board's decision in April not to proceed with a sale process in relation to Saunderson House, the focus has been on stabilising the business and ensuring it is well positioned to continue to grow. The sale process does not appear to have had a material impact on the business to date, although new client wins in the first half are slightly down on the same period last year.

The individual performance of the two businesses are discussed in more detail on pages 6 to 11 and the detailed financial performance of the Group is outlined in the Financial Review on pages 12 to 15.

## LEGACY ISSUES

### Elysian Fuels

Discussions are ongoing with HMRC in relation to Elysian Fuels to gain further information on our position. However, to date HMRC has been unable to provide a detailed response or further clarity. We continue to seek legal advice in order to reach an acceptable resolution with HMRC. At this stage the outcome remains highly unpredictable and we are not able to make a provision for any exposure beyond the £1.3 million of legal costs already provided for in our 2017 accounts. The Board

remains of the opinion that the total exposure to sanction charges is materially lower than the maximum potential sanction of approximately £20m included in HMRC's protective assessments. The timeline to resolution remains uncertain.

#### **Other James Hay Legacy Matters**

As disclosed in our year end results, we instigated an extensive review of legacy matters within James Hay to identify and close off any potential financial exposure or customer detriment and we have made significant progress in reviewing the key risk areas identified at year end. On the basis of the ongoing review, we have provided a further £0.5 million in relation to potential sanction charges and customer detriment during H1 2018.

The review is now entering its final stage, focusing on the complex, dual trustee book. We estimate this stage will cost in the region of £1.0 million in each of 2018 and 2019. The review may uncover further issues requiring provision and we expect to provide an estimate of any potential exposure in the year end results. On completion of this stage, we believe all material legacy risk areas in James Hay will have been reviewed for financial exposure and customer detriment.

#### **Pension Transfers Review**

The historical pension transfer review in Saunderson House, provided for at the end of 2017, is now substantially complete with the remediation process due to start in H2 2018. The cost of the review and remediation is expected to be within the amounts provided at the end of 2017.

#### **Sale of the International Business**

As disclosed in our 2017 accounts, the Group received notice of a claim under the indemnities provided in relation to the sale of the international segment (completed in 2012). The underlying claim was settled by the acquirer in 2017 and the amount of the possible claim is £1.3 million plus accrued interest and legal costs, which could be substantial. Based on our legal advice, we do not believe that the claim is valid and have recently succeeded in defending an application for a summary judgement. We are, however, now providing a further £0.4 million in relation to management's best estimate of legal costs to pursue this case through litigation or costs of settling these matters (bringing the total provision to £0.9m).

## **DIVIDENDS**

Following the decision to suspend the final dividend in relation to 2017, the Board remains of the view that it is prudent to retain cash to cover the worst-case outcome in respect of Elysian Fuels and other legacy matters that are yet to be resolved. As a result, we will not be recommending an interim dividend in relation to H1 2018. We recognise the importance of dividend payments to many of our shareholders and the Board remains committed to reinstating progressive dividends as soon as practicable.

## STRATEGY

Since I became CEO in April, we have undertaken an initial review of the Group engaging with a wide range of our shareholders and staff at Group and in our businesses.

Our Group structure, holding two independent regulated businesses within a listed Group, delivers some synergies and some dis-synergies including a degree of duplication of board, executive and property costs. We have identified improvements that can be made to run the Group more efficiently and ensure that the businesses are able to flourish.

We are working to ensure that Group's role is clearly defined and efficiently delivered. In doing so, we have identified potential savings of around £1.0 million from fully implementing the move to devolved group governance. This is primarily made up of a reduction in the Board and Executive team costs as well as a reduction in our property footprint. These savings will be substantially delivered by June 2019, with the full run rate benefit visible in H2 2019. We estimate that this cost saving will result in restructuring costs of up to £1.0 million.

We also believe that some of the functions currently managed centrally would run more efficiently within the businesses that they serve. Consequently, we will further embed the second-line Risk & Compliance functions within the businesses by the end of 2018. As these costs are already recharged to the business, there will be no material cost reallocation associated with this move, but the transfer will help both businesses in developing their capability and will further clarify roles and responsibilities.

Once we have implemented these changes, we will have two autonomous, self-reliant businesses, with direct control and responsibility over their people and plans, implementing strategies agreed and supported by a more efficient Group layer, focused on delivering value to our shareholders.

Saunderson House and James Hay are in the midst of a review of their longer-term strategies and we will provide an update on their plans and targets for the coming years during H2 2018.

## BOARD CHANGES

During the period, John Gallagher, Chairman for the past five years, stepped down to be succeeded by Mark Dearsley. John Cotter also stepped down from the Board upon his resignation as Group Chief Executive. Additionally, both Colm Barrington and Robin Phipps have decided to step down from the Board with effect from the Interim Results announcement. Robin Phipps will be remaining with the Group as Chairman of the Saunderson House Board. I would like to thank all four for their significant contribution to IFG during their membership of the Board.

Having previously been on the Board as a Non-Executive Director, I will continue as a member of the Board in my role as Group Chief Executive. Gavin Howard, Group Chief Financial Officer, has also joined the Board with effect from 30 August 2018.

As a result of these changes the Group's Board will comprise four non-executive directors (including the Chairman and Senior Independent Director) and two executive directors, rather than seven non-executive directors and one executive director at year-end. There will be a number of consequential changes to the Board's sub-committees, including the amalgamation of the Risk and Audit Committee, as follows:

### **Risk and Audit Committee:**

David Paige (Chair)

Cara Ryan

Peter Priestley

Mark Dearsley

### **Remuneration Committee:**

Peter Priestley (Chair)

Cara Ryan

Mark Dearsley

### **Nomination Committee:**

Cara Ryan (Chair)

Peter Priestley

Mark Dearsley

### **Finance Committee:**

Mark Dearsley (Chair)

David Paige

Peter Priestley

Cara Ryan

# SIGNIFICANTLY IMPROVED OPERATING PERFORMANCE

Growth in assets under administration, repricing and an increase in interest rates in 2017 have increased revenue and operating profit in H1 2018. We continue to invest in developing our broader platform capability, building on our expertise as a SIPP provider, to support continued growth and deliver operating efficiency.

A number of material complex legacy issues continue to absorb management attention and we are working to resolve these as efficiently as possible to allow us to focus on growing the core business.

	Six months ended 30 June 2018	Six months ended 30 June 2017	Movement %
Revenue	<b>£25.9m</b>	£22.3m	+16%
Operating profit/(loss)	<b>£3.4m</b>	(£1.5m)	n/a
Adjusted operating profit	<b>£4.9m</b>	£1.8m	+175%
Assets under administration	<b>£26.2bn</b>	£24.2bn	+8%
Total SIPPs	<b>55,068</b>	53,765	+2%
New SIPPs	<b>2,469</b>	3,075	(20%)
SIPP retention rates (annualised)	<b>93%</b>	93%	-

## INDUSTRY OVERVIEW

Assets in the broader advised platform market contracted by just under £6.0 billion in Q1 2018<sup>1</sup>, with total assets on platforms at £490 billion (up 5% from 30 June 2017). This has been largely driven by market volatility and softer new business flows as defined benefit (“DB”) transfers fell from 2017 levels. However, the longer-term growth outlook for the UK savings market and, within it the platform market, remains positive with the expectation that the platform market will double in size over the next 5 years<sup>2</sup>.

The SIPP market makes up approximately 56%<sup>3</sup> of the total investment market residing on platforms (including Individual Savings Accounts ‘ISA’ & General Investment Accounts ‘GIA’). Whilst James Hay is an active and specialist provider in the SIPP market, we currently do not compete as actively in the wider ISA and GIA market. This is an area we intend to develop in our continued drive for growth.

The regulatory landscape continues to be subject to significant change with both MiFID II and GDPR implemented during 2018 and the Senior Managers and Certification Regime due to come into force in late 2019. Additionally, SIPP providers are currently the subject of increased focus from both the regulator and the media, with a number of cases currently progressing through a court process. The outcomes of these cases could potentially impact the broader SIPP industry should judgements result in a change to the scope of SIPP providers’ responsibility. Whilst none of these cases are directly comparable to James Hay’s business model or approach, we are awaiting the outcome with interest in order to deal with any impact to James Hay’s business.

Recently the FCA has released both its interim report on the Investment Platform Market and its final conclusions in relation to its Retirement Outcomes Review. Both reports focus heavily on outcomes for non-advised investors, however, they will ultimately impact all platforms and providers of retirement products in some way. Key themes include improved disclosure, support for investors (particularly non-advised), ease of switching between providers and competition in the market. Whilst these recent reviews are not expected to significantly impact James Hay, the business will ensure that any relevant recommendations are addressed within its broader development programme. The outcomes of the reviews are broadly in line with our expectations and are consistent with our objective of putting investors first.

<sup>1</sup> Source: Platform, May 2018

<sup>2</sup> Source: Langcat

<sup>3</sup> Source: Langcat

## BUSINESS REVIEW

We now administer 58,633 cases across our business. 55,068 of these are in SIPPs and the remaining 3,565 are in Small-Self Administered Schemes 'SSAS' & Wrap products. James Hay is now the 7<sup>th</sup> largest platform<sup>4</sup> in the UK.

New SIPP case wins of 2,469 (20% lower than H1 2017) reflected the softer market conditions and DB flow reducing significantly. We are expecting the trend in DB transfers to remain softer in the medium-term and are therefore continuing to focus on our strategic partnerships with the top 250 advisers and believe this, plus our planned expansion into the ISA and GIA space, will provide continued opportunities to drive revenue growth.

Retention across James Hay as a whole is unchanged at 93%. Retention within the James Hay SIPP business is slightly higher at around 94%, with the average attrition across the whole book increased by higher turnover in the IPS dual-trustee SIPP and SSAS books, which are closed to new business.

Assets under Administration ("AuA") continued to increase, up 8% on H1 2017 at £26.2 billion, supported by new business flows, existing client contributions and market value increases. Assets held in the investment centre, trading through James Hay, reached £6.4 billion (24% of AuA) and MiPlan, our flagship product and engine for growth, now accounts for 53% of AuA (46% in H1 2017). New business has contributed £0.75 billion of AuA. The average total case size has increased 6% to £447,000 (H1 2017: £420,000).

The reprice implemented during the second half of 2017, together with improved interest related revenue driven by the increase in Bank of England base rate in late 2017, increased revenue to £25.9 million, an increase of 16% over H1 2017 despite a continued downward trend in cash balances over the period.

This increase in revenue has driven an increased adjusted operating profit before exceptional costs of £4.9 million, up 175% on H1 2017, and a correspondingly higher operating margin of 19% (H1 2017: 8.1%).

Operating profit after exceptional items significantly improved from a loss of £1.5 million in H1 2017 to a profit of £3.4m in H1 2018.

Exceptional items of £0.5 million relate to the ongoing legacy review previously announced at the year-end, (H1 2017: £2.3m).

James Hay continues to be rated "B" by AKG<sup>5</sup>, an independent organisation specialising in the provision of ratings to the financial services industry, which is a rating of 'strong'. The rating is an important indicator, for clients and advisers, of financial strength. James Hay also achieved a "Good" FinalytiQ<sup>6</sup> rating for SIPP financial stability, which rates platform profitability.

During the first half we have successfully implemented a number of changes in preparing for MiFID II and GDPR. We are further embedding the second-line risk and compliance functions within the business and will continue to work to ensure full compliance with SMCR by the 2019 deadline.

## LEGACY

Having received protective assessments from HMRC in relation to Elysian Fuels in H1 2018, we have now appealed the assessments and are seeking further information from HMRC to better understand their position and inform our application against the assessments. We do not have any material update on progress and currently expect that a process involving appeals to tribunal would be unlikely to complete before mid-late 2019. The 2017 year-end provision of £1.3 million to cover the costs of such an appeal process remains unchanged other than amounts utilised during the year.

The Group and James Hay Board remain confident that any settlement with HMRC would be materially lower than the c.£20 million included in HMRC's assessments and that any financial exposure, including interest at HMRC's standard rate, would be fundable from the Group's cash resources. There remains significant uncertainty as to the timing of a conclusion and the impact of any negotiated settlement, which could be material on the reported results for the year. Given the uncertainties regarding the fact of any liability and the size of any potential sanction charge, we remain unable to make a provision and continue to include this as a contingent liability.

As previously disclosed, we continue our review of other legacy business, to ensure that any other exposures are identified and remediated where necessary. We have made considerable progress and we are in ongoing discussions with HMRC in relation to a small number of cases which may result in sanction charges. We continue to review these areas for customer detriment where redress may be applicable, however, we expect the majority of this would be recoverable from insurance.

The final stage of the review is now underway and focused on the complex, dual-trustee book, which is now closed to new business. This part of the review is at an early stage and may identify further cases in need of remediation (which we would expect to be significantly recoverable from insurance) and/or subject to sanction charges. We expect to provide an estimate of potential exposure in the year end results.

We are retaining significant costs in the business in relation to this review, in the region of £1.0 million in each of 2018 and 2019, which is delaying the emergence of efficiencies. On completion of this stage, we believe all material legacy risk areas in James Hay will have been reviewed for financial exposure and customer detriment and the release of these costs is likely to lead to an improvement in operating margin.

On the basis of the ongoing review, we have provided a further £0.5 million in relation to potential sanction charges and customer detriment during H1 2018.

## STRATEGY

Our aim is to become the preferred Platform for our strategic partner firms, providing a fully functional platform for advisers and investors.

We have strong relationships with advisers, particularly in relation to SIPP business. Building upon this strong foundation by providing a broader investment platform with full ISA and GIA functionality will allow us to significantly increase our addressable market, driving revenue and operating margin. During 2018, we delivered the first phase of our expanded ISA/GIA offering and Capital Gains Tax 'CGT' support, piloted with a number of Independent Financial Advisers 'IFAs'. This is an important first step towards expanding beyond our historical SIPP expertise, towards a fully functional platform business.

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<sup>4</sup> Platform, Q1 2018

<sup>5</sup> AKG ratings: A Superior, B+ Very strong, B Strong, B- Satisfactory, C Weak, D very weak

<sup>6</sup> FinalytiQ ratings: Poor, Average, Good, Excellent

Alongside the development of our core business, driven by the MiPlan product, we remain focused on the management of our more complex, historical products to ensure that we balance risk and reward in this segment of our business.

We are currently in the process of reviewing our longer-term strategy to deliver these goals and will update the market with growth plans and targets in due course.

# OUTSTANDING CLIENT SERVICE AND RETENTION

Volatile financial markets and political uncertainty continue to underline the importance of financial planning and investment management for high net worth individuals looking to preserve and grow their wealth.

Our integrated financial planning and investment proposition is well-placed to protect our clients' assets in times of uncertainty, whilst also advising on portfolio structuring for tax efficiency. We maintain a leading presence within our focused market segments. Our valuable position as a truly independent adviser to our clients will help to strengthen deep relationships across generations of investors.

	Six months ended 30 June 2018	Six months ended 30 June 2017	Movement %
Revenue	£17.1m	£16.2m	+5%
Operating profit	£1.9m	£3.9m	(51%)
Adjusted operating profit	£3.4m	£3.9m	(13%)
Assets under advice	£5.1bn	£4.9bn	+4%
Total clients	2,263	2,056	+10%
New clients	134	144	(7%)
Retention (annualised)	99%	98%	+1%

## INDUSTRY OVERVIEW

H1 2018 has proved a relatively volatile period for financial markets with equity markets struggling to make headway in the face of rising US interest rates and higher bond yields. Sentiment around the outlook appears mixed, with the Organisation for Economic Cooperation and Development ('OECD') upgrading its economic growth forecasts but highlighting significant risks ahead including looming trade wars, a rising oil price and high levels of debt. From a political perspective, high net worth individuals are cautious about potential fallout from Brexit negotiations, as well as the prospect of a change in government and potential wealth taxes.

Growth has continued within the wealth management industry, both in terms of advised assets and revenue. As at 31st March 2018, wealth managers were responsible for managing £754 billion of investment assets.<sup>7</sup>

Competition within the broad high net worth advisory segment remains significant. Private banks are maintaining service development programmes to target individuals through digital channels, whilst high street banks are also seeking to appeal to segments of the high net worth market.

The beginning of 2018 marked the introduction of two large-scale pieces of industry regulation - MiFID II and GDPR. Industry efforts will now be focused on maintaining compliance with this legislation, as well as preparing for the Senior Managers and Certification Regime (which is due to be implemented in late 2019).

## BUSINESS REVIEW

The first quarter of 2018 saw an element of distraction relating to a potential sale of Saunderson House. While the process may have had some impact on conversion of new clients, the clarity provided by the cancellation of the sale process has removed uncertainty for staff and clients and, consequently, the business has continued to perform well.

Total revenues have increased by 5% to £17.1m.

Adjusted Operating Profit has fallen by 13% to £3.4m due to significant investments made in the business, including in our portfolio management system, the need to respond to competitive market pressures on remuneration for professional staff following an independent review of market compensation benchmarks and an increase in premises costs following the relocation in Q1 2018 announced at the year end. Operating Profit is further reduced due to the previously announced £1.5m of exceptional retention payments paid to staff in H1 2018. A further £1.5m is expected to be paid in early 2019, provided certain performance conditions are met.

Our ongoing client feedback programme has confirmed high satisfaction ratings amongst our client base, with an average Net Promoter Score ('NPS')<sup>8</sup> of 86 during H1 2018 (H1 2017: 81). Clients have consistently highlighted investment performance and the quality of our personal service, professionalism and responsiveness as areas that they value most. We are using client feedback to guide how we can further improve the user experience, particularly surrounding enhancements to the efficiency of our processes and reporting. Client retention has remained excellent at 99% (compared to 98% during H1 2017) with no evidence of any material impact on retention from the sale process.

<sup>7</sup> Compeer Industry Report Quarterly update: Quarter 1 2018

<sup>8</sup> Net Promoter Score: is an index ranging from -100 to 100 and measures client satisfaction, loyalty and willingness to recommend a company's products or services to others.

Saunderson House now serves 2,263 clients with assets under advice of £5.1 billion. We have maintained client growth, with 134 new clients won in H1 2018, although this figure is down slightly compared to H1 2017.

We continue to see strong demand for our discretionary management service, which has accounted for around 60% of new client wins during H1 2018, and we are continuing to build our discretionary capabilities, with investment in systems and the expansion of our portfolio management team.

The implementation of our portfolio management system ('PMS') has now moved into its second phase with the goal of delivering scalability to our discretionary business, investment efficiencies to our advisory business and improving our control environment. This system is expected to deliver material efficiencies as we utilise its full capabilities to support the growth of the business. We currently expect the benefit of the system in supporting the DMS business to come through during 2019, allowing us to service more DMS clients without a corresponding increase in staff. The PMS will also be used to support the advisory business from H2 2019, supporting cost efficiencies in this area going forwards. The most recent milestone saw, amongst other things, the activation of an automated dealing interface between the PMS and one of our key investment platforms, which went into service in July 2018.

Building on work carried out during 2017, we continue to review our organisational design, roles and team structures to ensure we deliver excellent client outcomes and train and develop our people appropriately. As part of our commitment to becoming the Wealth Manager Employer of Choice we have a number of internal engagement initiatives in flight, including reaching out to staff through engagement surveys and working with Investors in People (IIP) to benchmark ourselves and enhance our people management practices. We have recently been reaccredited to the silver standard of IIP, which is attained by the top third of accredited organisations. We have also further developed our engagement, recognition and internal communications platform. Tony Clarke, Business Oversight Director, was appointed to the Saunderson House Board in H1 2018, to represent the front office.

We are developing a stand-alone second-line risk function in preparation for the Senior Managers and Certification Regime ("SMCR") and our risk and compliance team has recently been strengthened by the addition of an in-house monitoring function focused on file reviews and advice suitability (this function was previously outsourced). Through 2018, we will be further developing our risk management framework to provide management with greater visibility of control effectiveness and accountability to assist in the management and mitigation of key risks.

Markets in Financial Instruments Directive (MiFID) II legislation became effective from 3 January 2018, and the General Data Protection Regulations (GDPR) came into effect from 25 May 2018. To ensure successful implementation of process changes and compliance with both pieces of regulation, we sought external guidance for their interpretation and validation of the approach taken by the firm. We have also established an ongoing governance programme to ensure revised policies and working practices are embedded throughout the business.

We expect to shortly commence the remediation process for the small number of clients impacted by the legacy issue identified in 2017 in relation to historical pension transfers. The total cost of this exercise, including remediation, is in line with the amounts provided for in the 2017 accounts.

We are proud to have been shortlisted for both Best Wealth Management Adviser and Best Investment Adviser in the Money Marketing Awards 2018.

## INVESTMENT PROPOSITION

Disciplined adherence to our straightforward, value-based and transparent process has enabled us to generate returns in excess of our peers over one, three, five and ten years. Performance has also comfortably outpaced inflation; delivering an average real return (i.e. adjusted for inflation) of 5% per annum over ten years. Over the last decade, our Wealth Accumulation Balanced Model has delivered a total return of over 107%, outperforming the appropriate Asset Risk Consultants (ARC) comparator by over 28%. In monetary terms, based on a starting portfolio value of £1.0 million, this equates to more than £280,000 of additional value when compared with the ARC peer group.

## STRATEGY

Saunderson House's focus remains on delivering a high quality, highly tailored service to clients with complex financial needs. We utilise technology to support our relationship-led offering by improving client access to information, efficiently managing client assets and providing transparency over how their wealth is managed. In addition to our award-winning investment proposition, our expertise in specific market segments enables us to deliver value to clients through understanding and addressing their needs better than our competitors. We take a systematic approach to business development and continue to build our presence in complementary market segments.

We will continue to drive the growth of our discretionary management service ("DMS"). This service allows us to provide advice cost effectively to customers in the accumulation stage with lower investable asset levels, in addition to our traditional target market. DMS charging is calculated as a percentage of invested assets, rather than the "time and materials" basis used for our advisory business. Whilst this creates an inherent lag in generation of income for new clients relative to our advisory business, DMS growth is positive for longer-term business revenue and scalability. As we continue to build out our discretionary capabilities, we will continue to invest in systems and the expansion of our portfolio management team. Additionally, we have focused on building our corporate professional network to provide clients with a seamless, holistic advisory service, where we can introduce them to credible advisers within complementary service areas. Establishing this network has also enabled Saunderson House to benefit from professional introductions to new clients at a higher rate than we have seen in previous years. We are continuing to build relationships with our clients' dependants to capture intergenerational asset transfer.

We are currently working on further developing our long-term strategy and will update the market on growth plans and targets in due course.

## FINANCIAL REVIEW

### ASSETS UNDER ADMINISTRATION AND ADVICE

	Six months ended 30 June 2018 £'billion	Six months ended 31 December 2017 £'billion	Six months ended 30 June 2017 £'billion
Opening	30.6	29.1	26.7
Net inflows	0.6	0.9	1.5
Market movement	0.1	0.6	0.9
Closing	31.3	30.6	29.1
James Hay	26.2	25.5	24.2
Saunderson House	5.1	5.1	4.9
Total	31.3	30.6	29.1

The total value of assets under administration and advice increased by £2.2 billion (8%) since 30 June 2017. James Hay now administers more than £26 billion of client assets and Saunderson House has over £5.0 billion of assets under advice. The Group continued to achieve net new business inflows, although these were lower than H1 2017 due to lower new business, driven largely by the decline in DB transfers within James Hay.

### REVENUE

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000
James Hay	25,871	22,259
Saunderson House	17,080	16,243
Total revenue	42,951	38,502

Total revenues for the six months to 30 June 2018 were £43.0 million; up £4.4 million (12%) on the same period in 2017. This was primarily driven by growth in client numbers, the increase in interest rates in late 2017 and the repricing in James Hay during 2017.

Revenue in James comprised of £20.3 million of fee income (H1 2017: £19.1 million), and interest income earned on cash balances of £5.5 million (H1 2017: £3.2 million).

In Saunderson House the discretionary management service continued to gain momentum, contributing 6% of overall revenue as at 30 June 2018 c.£1.0 million, an increase of 111% from c.£0.5 million in H1 2017.

## OPERATING PROFIT AND ADJUSTED OPERATING PROFIT

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000
James Hay	4,931	1,795
Saunderson House	3,402	3,908
Group/other	(2,676)	(2,035)
Total adjusted operating profit	5,657	3,668
Amortisation of acquired intangibles	(1,064)	(1,073)
Exceptional items	(3,238)	(2,729)
Operating profit/(loss)	1,355	(134)
Finance income	43	33
Profit/(loss) before income tax	1,398	(101)
Income tax (expense)/credit	(570)	116
Profit for the period	828	15

Adjusted operating profit, before amortisation of acquired intangibles and exceptional items, increased by 54% to £5.7 million from £3.7 million in H1 2017. The Group operating profit increased by £1.5 million from a loss of £0.1 million in H1 2017 to a profit of £1.4 million. The increase in operating margin was largely driven by the revenue increases in James Hay outlined above.

### Group/Other

Group costs are comprised of costs for our London based Group team, the Board of Directors and other costs associated with being a publicly listed company. Costs were significantly higher in H1 2018 than H1 2017 due to a number of full time senior roles being filled by temporary contractors for the first quarter of the year. These roles are now filled by permanent staff and the run rate of Group costs in the second half is expected to be lower.

### Exceptional items

Exceptional items of £3.2 million (H1 2017: £2.7 million) reflect the previously announced retention payments made to Saunderson House staff following the decision not to proceed with a sale of the business (£1.5 million), legal costs in relation to the cancelled sale process (£0.1 million), termination payments which related to the departure of the former Group CEO (£0.7 million), an increase in relation to legacy issues identified from the ongoing review in James Hay during the period (£0.5 million), and an increase to the legal costs provision relating to the notice of claim under the indemnities provided in association with the sale of the International business of (£0.4million).

### Taxation

The reported Group tax expense of £570,000 represents an effective tax rate of 41%, which is higher than the current UK corporate tax rate of 19%. This was mainly driven by adjustments relating to the non-deductibility of certain exceptional costs. The underlying effective tax rate is closer to the UK corporate tax rate.

## ADJUSTED EPS AND ADJUSTED EARNINGS

	Six months ended 30 June 2018		Six months ended 30 June 2017	
	Per share pence	Earnings £'000	Per share pence	Earnings £'000
Profit attributable to owners of the parent company	0.79	828	0.01	15
Amortisation of acquisition related intangible assets	0.82	862	0.86	911
Exceptional items	2.63	2,779	2.11	2,220
Adjusted earnings	4.24	4,469	2.98	3,146

The Group uses adjusted operating profit and adjusted earnings as measures of performance to eliminate the impact of items it does not consider indicative of ongoing underlying performance due to their unusual, exceptional or non-recurring nature or because they result from an event of a similar nature. The above amounts are net of tax if applicable. Definitions of these measures are included in note 2.

## SUMMARY OF CASH FLOWS

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000
Cash flows generated from/(used in) operating activities	4,318	(1,342)
Net capital expenditure	(2,245)	(2,085)
Free cash flow	2,073	(3,427)
Interest and tax	(176)	(1,161)
Deferred consideration received	-	4,037
Dividends paid	-	(3,123)
Head office restructuring & exceptional costs paid	(1,570)	(4,084)
Net increase/(decrease) in cash and cash equivalents	327	(7,758)

The Group's financial position remains strong. Net cash of £24.9 million increased by £4.3 million in the 12 months to 30 June 2018, after payment of the first £1.5 million retention payment to Saunderson House staff. While cash generation tends to be heavily weighted to the second half of the calendar year, suspension of the 2017 final dividend payment has meant that the Group generated cash in H1 2018 in contrast to prior years. Free cash flow is an important measure of the Group's ability to generate cash. Consistent with prior years, the Group tends to consume more cash in H1 due to payments of prior year bonuses. In order to provide a more accurate reflection of the cash cycle, free cash flow for the 12-month period ending 30 June 2018 was £11.7 million (H1 2017: £7.5 million).

## CAPITAL POSITION

The Group renewed its £5.0 million overdraft facility agreement with Barclays Bank Ireland plc in December 2017.

Pillar 1 regulatory capital resources for the Group as at 31 December 2017 were £49.5 million. Pillar 1 regulatory capital requirements as at 31 December 2017 were £6.6 million. The Group has also assessed its Pillar 2 capital resource requirements, which takes precedence and confirms that it has sufficient capital resources to meet these requirements for the foreseeable future. Resolution of legacy matters will impact the actual capital position of the Group, but will also reduce Pillar 2 requirements going forward, as the assessment of potential capital requirements will reduce when these legacy matters are resolved. Further disclosures are published in the Pillar 3 document on the Group's website at [www.ifggroup.com](http://www.ifggroup.com).

## DIVIDEND

Following the decision to suspend the final dividend in relation to 2017, the Board remains of the view that it is prudent to retain cash in the company to cover the worst-case outcome in respect of Elysian Fuels, particularly in light of the other legacy matters still to be resolved. As a result, we will not be recommending an interim dividend in relation to H1 2018. We recognise the importance of dividend payments to many of our shareholders and the Board remains committed to reinstating progressive dividends as soon as practicable.

## SHARE PRICE AND MARKET CAPITALISATION

The Company's shares traded between a range of 190 pence and 124 pence during the period. The share price at 30 June 2018 was 135 pence (30 June 2017: 161 pence), reflecting a decrease of 16% in the 12-month period to 30 June 2018 and a decrease of 27% since 31 December 2017. The market capitalisation at 30 June 2018 was £142.3 million (30 June 2017: £169.7 million). There were 105,405,665 shares in issue as at 30 June 2018.

## RETURN ON CAPITAL EMPLOYED

Return on capital employed is calculated as earnings before interest and tax divided by capital employed. The return on capital employed was 1.8% versus (0.17%) in H1 2017, as a result of improved H1 2018 financial performance.

## RELATED PARTY TRANSACTIONS

There were no material changes in the related party transactions during the financial period. Transactions disclosed in note 12 are consistent in nature with the disclosure in note 30 of the 2017 Annual Report and Accounts.

## GOING CONCERN

The Directors report that they have satisfied themselves the Group is a going concern, having adequate financial and regulatory resources to continue in operational existence for a period exceeding 12 months from the date the condensed interim financial statements were approved.

In forming this view, the Directors have reviewed the Group's solvency and liquidity position by reviewing the latest forecasts and the medium-term plans as set out in the strategic plan approved by the Board in February 2018 and have taken into account the cashflow implications of the plan and subsequent updates to the plan, including a sensitivity analysis based on the key business risks identified and the potential crystallisation of contingent liabilities, which the Directors have concluded would be fundable from the Group's resources. They have also considered surplus cash available to the Group, including credit facilities and the assumption of them being renewed. The Group is regulated by the FCA and performs at least annual capital adequacy assessments, including modelling of certain extreme stress scenarios. The Group publishes its annual Pillar 3 disclosures on its website, where further details of its regulatory capital resources and requirements are contained.

Having assessed the Group's relevant business risks, the Directors believe that the Group is well placed to manage these risks appropriately.

Taking all the above into account, the Directors continue to adopt the going concern basis of accounting in preparing the condensed consolidated interim financial statements.

## PRINCIPAL RISKS & UNCERTAINTIES

The detailed review of the principal risks and uncertainties which could impact the Group are set out on pages 36 to 39 of the Group's 2017 Annual Report and Accounts, a copy of which is available on the Group's website [www.ifggroup.com](http://www.ifggroup.com). The key risks and uncertainties have not materially changed and are not expected to materially change in the second half of the 2018 financial year. The Board have continued to monitor and review the principal risks and uncertainties of the Group throughout the accounting period.

Whilst the potential longer-term impact of Brexit remains uncertain until the basis of the UK's exit from the EU is clarified, the short-term impact to the businesses has been mainly felt in reduced interest rates, offset by recent rate rises, and increased market volatility. Given the current political uncertainty in the UK and the increased risk of a no-deal Brexit, we would expect increased market volatility to persist for some time.

The table below sets out a summary of the principal key risks and uncertainties which could impact the Group over the remainder of the financial year.

RISK

COMMENT

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## STRATEGIC RISKS

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### 1. Changing market conditions and increased competition

The Group operates in a highly competitive environment in which economic, technological and other macro factors can negatively or positively impact on the demand for services. Continuing tax and regulatory changes, and/or increasing levels of market competition could result in a decline in market share and/or profitability, including where the Group fails to offer compliant products that meet the increasingly sophisticated needs and expectations of clients.

A key source of new business historically has related to defined benefit pension transfers and these are currently subject to increased levels of regulatory scrutiny which has negatively impacted the flow of such business.

The impact of the UK ceasing to be a member of the EU and continuing changes to regulation and tax legislation in the future, have the potential to fuel ongoing uncertainty within markets which may have an impact on demand for services, which could be positive or negative.

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### 2. Corporate Activity

In respect of any business disposals, the sale of a business at an undervalue, or failure to close out a transaction expediently may, amongst other things, impact the future of retained businesses within the Group, retention of clients and retention of employees.

In addition, the future crystallisation of business risks related to disposed entities could lead to material warranty and indemnity claims.

In 2017 the Board, following a strategic review, decided to explore the potential sale of Saunderson House if appropriate value for Shareholders could be realised. As announced in April 2018, the Board concluded that the Offers received were not wholly aligned with the strategy of Saunderson House and would present significant execution risks that would likely create lower shareholder value than from retaining the Business. As a result, the Board decided that it was not in the best interests of Shareholders of IFG Group to proceed with the sale process. As a result, the risk in relation to client and employee retention within Saunderson House is currently elevated, whilst we have not seen evidence of this risk materialising to a significant degree, to date.

During March 2016, the Group received a notice of a claim under the indemnities provided in the sale of the International Segment completed in 2012. The Group have recently succeeded in defending an application for summary judgement. Our legal advice continues to be that the claim is not valid, however, there is a risk that we are unsuccessful in any litigation.

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## OPERATIONAL RISKS

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### 3. Loss of key clients/intermediaries

Failure to properly service and thereby lose key clients /intermediaries, which may have an adverse effect on the Group's results and reputation.

The Saunderson House sale process is not expected to have a material impact on new client wins over the full year. However, new client wins in H1 2018 are marginally down on H1 2017, believed to be due to the distraction of the sale process during H1. Clarity brought about by the decision not to proceed with the sale process has removed uncertainty for both new and existing clients.

We continue to see strong retention of our clients and intermediaries in both businesses, and growth in new client activity based on the quality and capability of our offering and continue to invest in our operations to improve service levels.

To the extent that a smaller number of key strategic advisors drive a greater proportion of James Hay's new business, there is a risk that loss of a material number of these strategic partners would impact the business.

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### 4. Loss of key management resources

Strong and effective management is fundamental to the Group's success. Failure to attract and retain highly skilled employees and executives may have a material adverse effect on the Group's operations and implementation of strategy.

The Group recently underwent a change of management with a new CEO, CFO and Chairman joining the business. In light of this change there is the possibility of increased risk around retention of personnel and the loss of corporate knowledge.

Management of legacy risks has required the retention of experienced personnel with the capability to resolve such matters satisfactorily.

We are reviewing our remuneration policies across the Group to ensure that management remain incentivised and aligned with our strategic objectives.

£3.0 million of retention payments have been committed following the decision to retain Saunderson House within the Group.

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### 5. Disruption to Information technology systems

Catastrophic loss of systems, undiscovered systems errors or other external events could cause disruption to our businesses and result in inability to perform core business activities or reduction in client services.

We have continued to invest in our technology to ensure that the risk of disruption to the businesses is appropriately managed in the context of an evolving threat landscape. There were no material outages during H1 2018.

Increased incidences of global attacks on all firm's computer systems increases risk of loss of client data and any associated reputational damage.

A systems failure which impacts the ability to trade and settle with the market.

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**6. Cybercrime, fraud or security breaches in respect of the Group's data, software or information technology systems**

Failure to protect our information technology systems against the increasing sophistication of cybercrime attacks, fraud or security breaches could result in loss of data or disruption to business.

We continue to invest in information technology systems in order to mitigate the risk of significant data breaches and other instances of cybercrime.

The businesses further demonstrated the ability to effectively manage the potential for disruption from recent significant market-wide cyber-attacks. The cybercrime environment continues to be monitored very closely as the Group is acutely conscious of rising levels of inherent risk in this area.

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**FINANCIAL RISKS****7. Regulation and conduct considerations**

Ongoing changes to regulation and the legislative environment applicable to the Group's activities, operating model or business opportunities may result in implementation costs, disruption to our businesses and increased levels of risk transfer by regulators to platform and advisory businesses. The Group could face a loss arising from client complaints or a failure to deliver good customer outcomes, fines including HMRC sanction charges and/or regulatory censure as a result of failure to comply with applicable regulations and taxation obligations and guidance in respect of both current and legacy business practices, as well as constraints in the ability to charge appropriate risk premiums for the Group's business.

We continue to monitor and assess the impact of the FCA's review of Investment Platform Providers, specifically in respect of James Hay's SIPP business; the FCA's Retirement Outcomes Review; and, similarly, the Financial Ombudsman Service's current scrutiny of SIPP Operators.

The Group continues to address a number of legacy issues that have significant taxation and regulatory components, as well as seeking to mature further recent enhancements to both its governance and conduct frameworks. Given the ongoing review of legacy matters within James Hay, there is a risk that further cases requiring remediation or resulting in exposure to HMRC or regulatory sanctions, may arise.

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**8. Brexit and other sources of potential fluctuations in capital markets**

Volatility within capital markets may adversely impact the value of assets under administration and/or advice by our underlying businesses, and consequently may affect revenues. Brexit is a key potential source of such market fluctuations, which may also give rise to significantly increased demands for professional financial advice, with positive impact on Group revenue.

Ongoing political uncertainty in relation to Brexit, and the increased risk of a disorderly exit from the EU, is likely to result in continued volatility in equity markets for some time.

Increased volatility within capital markets increases the risk of a negative impact on the value of assets under administration and advice or management.

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**9. Liquidity**

Lack of sufficient, readily realisable financial resources to meet the Group's obligations as they fall due or lack of access to liquid funds on commercially viable terms could lead to inability to pay clients and suppliers and to regulatory breaches.

Management continues to carefully monitor and manage working capital by ensuring that profits are converted to cash in a timely manner. The business has continued to generate cash in H1 2018 and remains highly liquid. However, the potential exposure surrounding the resolution of the ongoing legacy matters remains uncertain and in light of the inherent uncertainty the Group took the prudent decision not to pay a final dividend for 2017 and has taken the decision not to pay an interim dividend for 2018, to retain cash within the business to cover a worst case outcome. The Group is confident that any financial exposure in relation to legacy matters, including Elysian Fuels, would be fundable from the Group's cash resources and hope to reinstate the progressive dividend policy at the earliest practicable time.

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**10. Interest rates**

Over dependency on interest revenue giving rise to continuing potential vulnerabilities in the short to medium term financial performance driven by macro-economic factors.

Inflation and weaker global growth may lead to the risk of interest rates remaining at historically low rates, despite the recent increases. The repricing undertaken during 2017 has reduced James Hay's historical over-reliance on interest income.

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**11. Credit risk**

The exposure to a financial loss as a result of a default by clients or counterparties with which the Group transacts business, including failure to receive deferred or contingent consideration on businesses sold.

The Group continues to focus on improving recovery of aged receivables.

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## FINANCIAL STATEMENTS

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	Six months ended 30 June 2018 Unaudited £'000	Six months ended 30 June 2017 Unaudited £'000
Revenue	3	42,951	38,502
Staffing expense		(27,042)	(24,102)
Depreciation and amortisation		(3,174)	(2,565)
Other operating expenses		(10,366)	(9,240)
Other losses		(1,014)	(2,729)
Operating profit/(loss)		1,355	(134)
Analysed as:			
Operating profit before exceptional items		4,593	2,595
Exceptional items	4	(3,238)	(2,729)
Operating profit/(loss)		1,355	(134)
Finance income		43	33
Profit/(loss) before income tax		1,398	(101)
Income tax (expense)/credit	5	(570)	116
Profit for the period	3	828	15
Profit for financial period attributable to:			
Owners of the parent company		828	15
Profit for the period		828	15

### EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY DURING THE PERIOD:

	Six months ended 30 June 2018 Unaudited	Six months ended 30 June 2017 Unaudited
Basic and diluted earnings per ordinary share (pence)		
From profit for the period	0.79	0.01

The accompanying notes form an integral part of the half yearly report.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Six months ended 30 June 2018

	Six months ended 30 June 2018 Unaudited £'000	Six months ended 30 June 2017 Unaudited £'000
Profit for the period	828	15
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign currency operations	(2)	119
Other comprehensive income	(2)	119
Total comprehensive income attributable to the owners of the Company for the period	826	134

The accompanying notes form an integral part of the half yearly report.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2018

	Notes	30 June 2018 Unaudited £'000	31 December 2017 Audited £'000	30 June 2017 Unaudited £'000
<b>ASSETS</b>				
Non-current assets				
Property plant and equipment	11	4,162	4,181	3,564
Intangible assets	11	52,810	53,720	54,652
Deferred income tax asset		725	703	9
<b>Total non-current assets</b>		<b>57,697</b>	<b>58,604</b>	<b>58,225</b>
Current assets				
Trade and other receivables	11	19,154	18,054	18,209
Income tax asset		133	133	-
Cash and cash equivalents	8	24,890	24,572	20,557
<b>Total current assets</b>		<b>44,177</b>	<b>42,759</b>	<b>38,766</b>
Assets classified as held for sale	11	-	-	550
<b>Total assets</b>		<b>101,874</b>	<b>101,363</b>	<b>97,541</b>
<b>LIABILITIES</b>				
Non-current liabilities				
Deferred income tax liabilities		2,090	2,252	2,360
Provisions for other liabilities	10	456	449	1,030
<b>Total non-current liabilities</b>		<b>2,546</b>	<b>2,701</b>	<b>3,390</b>
Current liabilities				
Trade and other payables	11	17,708	19,239	16,667
Income tax liabilities		708	168	58
Provisions for other liabilities	10	5,133	4,539	262
<b>Total current liabilities</b>		<b>23,549</b>	<b>23,946</b>	<b>16,987</b>
<b>Total liabilities</b>		<b>26,095</b>	<b>26,647</b>	<b>20,377</b>
<b>Net assets</b>		<b>75,779</b>	<b>74,716</b>	<b>77,164</b>
<b>EQUITY</b>				
Share capital		10,093	10,093	10,093
Share premium		82,404	82,404	82,404
Other reserves	11	(14,121)	(14,118)	(14,151)
Retained earnings		(2,597)	(3,663)	(1,182)
<b>Total equity</b>		<b>75,779</b>	<b>74,716</b>	<b>77,164</b>

The accompanying notes form an integral part of the half yearly report.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 Unaudited £'000	Six months ended 30 June 2017 Unaudited £'000
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	7	4,318	(1,342)
Head office restructuring and exceptional		(1,570)	(4,084)
Interest received		38	31
Income taxes paid		(214)	(1,192)
<b>Net cash generated from/(used in) operating activities</b>		<b>2,572</b>	<b>(6,587)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(539)	(551)
Purchase of intangible assets		(1,706)	(1,534)
Deferred consideration received		-	4,037
<b>Net cash (used in)/generated from investing activities</b>		<b>(2,245)</b>	<b>1,952</b>
<b>Cash flows from financing activities</b>			
Dividends paid		-	(3,123)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(3,123)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>327</b>	<b>(7,758)</b>
Cash and cash equivalents at the beginning of the period		24,572	28,226
Effect of foreign exchange rate changes		(9)	89
<b>Cash and cash equivalents at the end of the period</b>	8	<b>24,890</b>	<b>20,557</b>

	Notes	Six months ended 30 June 2018 Unaudited £'000	Six months ended 30 June 2017 Unaudited £'000
<b>Cash and short-term deposits:</b>			
- as disclosed on the condensed Consolidated Statement of Financial Position		24,890	20,557
<b>Cash and cash equivalents at the end of the period</b>	8	<b>24,890</b>	<b>20,557</b>

The accompanying notes form an integral part of the half yearly report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital Unaudited £'000	Share premium Unaudited £'000	Other reserves Unaudited £'000	Retained earnings Unaudited £'000	Total equity Unaudited £'000
At 1 January 2018	10,093	82,404	(14,118)	(3,663)	74,716
Profit for the period	-	-	-	828	828
<i>Other comprehensive income</i>					
Currency translation:					
– arising in the period	-	-	(2)	-	(2)
Total comprehensive income for the period	-	-	(2)	828	826
Dividends	-	-	-	-	-
Transfer of vested share-based payment	-	-	(238)	238	-
Share-based payment compensation:					
– value of employee services – share options	-	-	237	-	237
Transaction with owners	-	-	(1)	238	237
At 30 June 2018	10,093	82,404	(14,121)	(2,597)	75,779

At 1 January 2017	10,093	82,404	(14,054)	1,763	80,206
Profit for the period	-	-	-	15	15
<i>Other comprehensive income</i>					
Currency translation:					
– arising in the period	-	-	119	-	119
Total comprehensive income for the period	-	-	119	15	134
Dividends	-	-	-	(3,123)	(3,123)
Transfer of vested share-based payment	-	-	(163)	163	-
Share-based payment compensation:					
– value of employee services – share options	-	-	(53)	-	(53)
Transaction with owners	-	-	(216)	(2,960)	(3,176)
At 30 June 2017	10,093	82,404	(14,151)	(1,182)	77,164

	Share capital Audited £'000	Share premium Audited £'000	Other reserves Audited £'000	Retained earnings Audited £'000	Total equity Audited £'000
At 1 January 2017	10,093	82,404	(14,054)	1,763	80,206
Profit for the period	-	-	-	(338)	(338)
Other comprehensive income					
Currency translation:					
– arising in the period	-	-	143	-	143
Total comprehensive income for the period	-	-	143	(338)	(195)
Dividends	-	-	-	(5,217)	(5,217)
Transfer of vested share-based payment	-	-	(164)	164	-
Share-based payment compensation:					
– value of employee services – share options	-	-	(43)	-	(43)
– cash settlement of vested share options	-	-	-	(35)	(35)
Transaction with owners	-	-	(207)	(5,088)	(5,295)
At 31 December 2017	10,093	82,404	(14,118)	(3,663)	74,716

The accompanying notes form an integral part of the half yearly report.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### 1. REPORTING ENTITY

IFG Group plc is a public company, listed on the Irish and London Stock Exchanges and is incorporated and domiciled in the Republic of Ireland. This condensed set of financial statements (financial information) comprise the Parent Company and its subsidiaries. The Group owns two key businesses which provide full platform services, pension administration and independent financial advice.

### 2. GENERAL INFORMATION

The half-yearly financial information is considered non-statutory financial statements for the purposes of the Companies Act 2014 and in compliance with section 340(4) of that Act we state that:

- the financial information for the half year to 30 June 2018 has been prepared to meet our obligation to do so under the listing rules of the main securities market of Euronext Dublin (formerly the Irish Stock Exchange) and S.I. No. 277 of 2007;
- the financial information for the half year to 30 June 2018 does not constitute the statutory financial statements of the Company;
- the statutory financial statements for the financial year ended 31 December 2017 have been annexed to the annual return and filed with the Companies Registration Office in Ireland;
- the statutory auditors of the Company made a report under section 391 of the Companies Act 2014 in relation to the statutory financial statements for the year ended 31 December 2017; and
- the matters referred to in the statutory auditors' report were unqualified and did not include a reference to any matters to which the statutory auditors drew attention by way of emphasis without qualifying the report.

#### Basis of preparation

This financial information, for the six months ended 30 June 2018, has been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, as amended, the Transparency Rules of the Central Bank of Ireland and International Accounting Standard 34 'Interim Financial Reporting' as adopted by the EU. This financial information should be read in conjunction with the financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The accounting policies applied are consistent with those used to prepare the financial statements for the year ended 31 December 2017 and the financial statements have been prepared on a basis consistent with that reported for the year ended 31 December 2017 with changes to accounting policies relating to standards effective for the first time in the current year detailed below.

#### Updates to technical pronouncements

The following standards and interpretations issued by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC') are effective, for the first time in the current year, and have been adopted with no significant impact on the Group's result for the period or financial position.

##### -IFRS 9 - 'Financial Instruments'

This standard provides guidance on the recognition, derecognition, classification and measurement of financial instruments, including impairment and hedge accounting, and replaces IAS 39 Financial Instruments: Recognition and Measurement. Financial assets are initially required to be measured at fair value, and subsequently at amortised cost, fair value through other comprehensive income, or fair value through profit or loss. The Group's financial assets consist of trade receivables and cash for which amortised cost measurement applies. Following a review on the implementation of IFRS 9 there are no material changes to the Group's existing classification or impairment of its financial assets.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss (ECL) model as opposed to an incurred credit loss model under IAS 39. Under the ECL model, an entity calculates an allowance for credit losses by considering possible outcomes weighted by the probability of their occurrence when measuring the asset's credit risk. IFRS 9 allows using a provision matrix for determining ECLs on trade receivables. The Group's current provision policy used to calculate any impairment allowance is deemed suitable, as it assesses the Group's credit risk based on the characteristics, credit history and demographic of its customer base.

The probability of expected defaults in the future based on historical trends has been incorporated into the Group's methodology for measuring ECLs.

Accounting policies amended on adoption of IFRS 9: Financial instruments: Trade and other receivables (extract)

An allowance for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. This allowance is measured using an expected credit loss model. The expected credit losses on trade receivables are calculated using a provision matrix with reference to the characteristics, credit history and demographic of the customer base, together with the probability of expected defaults based on historical trends.

##### -IFRS 15 - 'Revenue from Contracts with Customers'

This standard replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The core principle of IFRS 15 is that an entity should recognise 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 in exchange for those goods or services. An entity recognises revenue in accordance with this core principle by applying a five-step process which involves; Identifying the contract(s) with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations and recognising revenue when, or as, the entity satisfies a performance obligation. Following a review on the implementation of IFRS 15 there are no material changes to the Group's existing revenue recognition policy as most of its revenue is generated from performance obligations that are satisfied at a point in time. Revenue relating to performance obligations that are satisfied over time is recognised in line with the progress towards the satisfaction of the obligations.

##### - Clarifications to IFRS 15 - 'Revenue from Contracts with Customers'

##### - IFRIC 22 - 'Foreign Currency Translations and Advance Consideration'

- Amendments to IFRS 2 - 'Classification and Measurement of Share-based Payment Transactions'

- Annual improvements to IFRS 2014 – 2016 cycle

The following standards, amendments and interpretations have been issued but are not yet effective for the Group. The Group will apply the relevant standards from their EU effective dates and is currently assessing their impact on its financial statements.

- IFRS 16 'Leases'

This standard deals with recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance. The Group expects that it will recognise a right-to-use asset with a corresponding right to use liability within the range of £4.0 million to £4.5 million. The Group does not expect there to be any material impact following the adoption of IFRS 16 over the life of its operating leases.

- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

- IFRIC 23 – Uncertainty over Income Tax Treatments

- Amendments to IFRS 9 – Prepayment Features with Negative Compensation

- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

- Annual Improvements to IFRS Standards 2015 – 2017 Cycle – IFRS 3, IFRS 11, IAS 12 and IAS 23 Amendments

- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

- IFRS 17 – Insurance Contracts

#### **Critical accounting estimates and judgements**

In the six months ended 30 June 2018, there were no significant changes to the Group's approach to, and method of, making critical accounting estimates and judgements compared to those disclosed in the Audit Committee report of the 2017 Annual Report and Accounts.

#### **Use of alternative performance measures**

The Group has identified certain measures that it believes will assist in the understanding of the performance of the business. These measures are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures. These alternative performance measures are not intended to be a substitute for, or superior to, any IFRS measures of performance but management have included them as they consider them to be important comparables and key measures used within the business for assessing performance.

The following are key alternative performance measures identified by the Group and used in the Group financial statements and in the financial information presented herein:

#### **ADJUSTED OPERATING PROFIT**

Adjusted operating profit is defined as operating profit, excluding acquisition-related amortisation and exceptional items. Management believes excluding these items from the calculation of operating profit is useful because management excludes items that are not comparable when measuring operating profitability, evaluating performance trends and setting management performance objectives. It allows investors to evaluate the Group's performance for different periods on a more comparable basis.

The reconciliation of adjusted operating profit to profit before income tax has been disclosed in note 3.

#### **ADJUSTED EARNINGS AND ADJUSTED EPS**

Adjusted earnings is defined as profit attributable to owners of the parent company before amortisation of acquired intangibles, exceptional items and unwinding of discount applicable to contingent consideration, net of tax where applicable.

Adjusted EPS is defined as basic earnings per ordinary share adjusted for amortisation of acquired intangibles, exceptional items and unwinding of discount applicable to contingent consideration, net of tax where applicable.

The Group uses adjusted operating profit, adjusted earnings and adjusted EPS as measures of performance to eliminate the impact of items it does not consider indicative of ongoing operating performance due to their inherent unusual, exceptional, or non-recurring nature or because they result from an event of a similar nature.

A table showing the reconciliation from basic EPS to adjusted EPS and a reconciliation from profit attributable to owners of the parent Company to adjusted earnings is included in the Financial Review.

#### **FREE CASH FLOW**

Free cash flow represents the cash flow generated from operating activities less cash used in relation to capital expenditure.

Management considers free cash flow an important measure of the Group's ability to generate cash and profits. Free cash flow is an accurate measure of how much cash the Group has generated to service its debts, pay dividends and further invest in its operations. The Financial Review includes a reconciliation of free cash flow to the net cash flow in the period.

#### **RETURN ON CAPITAL EMPLOYED**

Return on capital employed is calculated as earnings before interest and tax divided by capital employed. It measures how efficiently the Group generates profits from its capital employed by comparing it to net profit.

### 3. SEGMENTAL INFORMATION

In line with the requirements of IFRS 8, 'Operating segments', the Group has identified the Group Chief Executive of the Company as its Chief Operating Decision Maker (CODM). The Group Chief Executive reviews the Group's internal reporting in order to assess the performance of the Group and allocate resources. The operating segments have been identified based on these reports.

Throughout the period, the Group Chief Executive considered the business line perspective, based on two reporting segments: Platform and Independent Wealth Management. The segments were managed by senior executives who reported to the Group Chief Executive and to the subsidiary Boards. These segments are described in the interim management report. Group and other costs are reported separately.

The Group Chief Executive assessed the performance of the segments based on a measure of adjusted earnings. She also considered profit before tax and reviewed working capital and overall balance sheet performance on a Group wide basis but also received reports on all measures at an individual business level.

The Group earns its revenues in these segments by way of fees from the provision of services. Intersegment revenue is not material and thus not subject to separate disclosure.

Goodwill is allocated to cash-generating units on a reporting segment level and that is the level at which it is assessed for impairment. Income tax is managed on a centralised basis and is therefore not allocated between operating segments for the purpose of presenting information to the CODM. The information provided to the Group Chief Executive for the reportable segments, for the period ended 30 June 2018 is as follows:

#### Six months ended 30 June 2018:

	Platform £'000	Independent Wealth Management £'000	Group/Other £'000	Total £'000
Revenue	25,871	17,080	-	42,951
Adjusted operating profit/(loss)	4,931	3,402	(2,676)	5,657
Amortisation of acquired intangibles	(1,064)	-	-	(1,064)
Exceptional items	(495)	(1,500)	(1,243)	(3,238)
Operating profit/(loss)	3,372	1,902	(3,919)	1,355
Finance income	30	12	1	43
Profit/(loss) before income tax	3,402	1,914	(3,918)	1,398
Income tax expense				(570)
Profit for the period				828

#### Six months ended 30 June 2017:

	Platform £'000	Independent Wealth Management £'000	Group/Other £'000	Total £'000
Revenue	22,259	16,243	-	38,502
Adjusted operating profit/(loss)	1,795	3,908	(2,035)	3,668
Amortisation of acquired intangibles	(1,073)	-	-	(1,073)
Exceptional items	(2,261)	-	(468)	(2,729)
Operating (loss)/profit	(1,539)	3,908	(2,503)	(134)
Finance income	20	-	13	33
(Loss)/profit before income tax	(1,519)	3,908	(2,490)	(101)
Income tax credit				116
Profit for the period				15

Revenue in James comprised £20.3 million of fee income (H1 2017: £19.1 million) and £5.5 million of interest income earned on cash balances (H1 2017: £3.2 million).

Revenue in Saunderson House comprised of £16.1 million from advisory business (H1 2017: £15.8 million) and £1.0 million from discretionary management business (H1 2017: £0.5 million).

Following the implementation of IFRS 15 there are no material changes to the Group's existing revenue recognition.

#### Assets and liabilities as at 30 June 2018:

	Platform £'000	Independent Wealth Management £'000	Group/Other £'000	Total £'000
ASSETS				
Segment assets	72,792	21,923	6,301	101,016

Deferred income tax asset				725
Income tax asset				133
<b>Total assets as reported on the condensed Consolidated Statement of Financial Position</b>				<b>101,874</b>

#### LIABILITIES

Segment liabilities	(12,469)	(7,716)	(3,112)	(23,297)
Deferred income tax liabilities				(2,090)
Current income tax liabilities				(708)
<b>Total liabilities as reported on the condensed Consolidated Statement of Financial Position</b>				<b>(26,095)</b>

#### Assets and liabilities as at 30 June 2017:

	Platform £'000	Independent Wealth Management £'000	Group/Other £'000	Total £'000
<b>ASSETS</b>				
Segment assets	68,984	18,616	9,932	97,532
Deferred income tax asset				9
Income tax asset				-
<b>Total assets as reported on the condensed Consolidated Statement of Financial Position</b>				<b>97,541</b>
<b>LIABILITIES</b>				
Segment liabilities	(9,512)	(5,947)	(2,500)	(17,959)
Deferred income tax liabilities				(2,360)
Current income tax liabilities				(58)
<b>Total liabilities as reported on the condensed Consolidated Statement of Financial Position</b>				<b>(20,377)</b>

#### Assets and liabilities as at 31 December 2017:

	Platform £'000	Independent Wealth Management £'000	Group/Other £'000	Total £'000
<b>ASSETS</b>				
Segment assets	69,812	23,855	6,860	100,527
Deferred income tax asset				703
Income tax asset				133
<b>Total assets as reported on the condensed Consolidated Statement of Financial Position</b>				<b>101,363</b>
<b>LIABILITIES</b>				
Segment liabilities	(12,251)	(9,519)	(2,457)	(24,227)
Current income tax liabilities				(2,252)
Deferred income tax liabilities				(168)
<b>Total liabilities as reported on the condensed Consolidated Statement of Financial Position</b>				<b>(26,647)</b>

## 4. EXCEPTIONAL ITEMS

### Exceptional items charged against operating profit

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000
Retention payment	(1,500)	-
Redundancy costs	(724)	(685)
Loss on disposal of international division	(450)	-

Legal, remediation & sanction costs	(564)	(1,820)
Group headquarters relocation costs	-	(224)
Total	(3,238)	(2,729)

## H1 2018

### Retention payment

A cost of £1.5 million related to the previously announced retention arrangements for senior management and employees of Saunderson House following the cancelled sale process.

### Redundancy costs

Costs of £0.7 million relating to the departure of the former Group CEO have been recognised in the period.

### Loss on disposal of international division

Costs of £0.4 million were provided for legal costs in the period, relating to the notice of claim under the indemnities provided in association with the sale of the International business. The increase in the provision is management's best estimate of costs relating to the ongoing litigation.

### Legal, remediation & sanction costs

Remediation costs relating to James Hay's ongoing legacy products review for £0.5 million has been recognised in the period, in addition to legal costs in relation to the Saunderson House cancelled sale process for £0.1 million.

## H1 2017

### Group headquarters relocation costs

A cost of £0.1 million related to the impairment of the Swavesey office. A further £0.1 million related to the final costs for the delayed closure of the Dublin office.

### Legal, remediation & sanction costs

A cost of £1.8 million was recognised in relation to remediation and legal costs principally driven by the ongoing Elysian Fuels investigation.

### Redundancy costs

Redundancy costs relating to the restructure of the James Hay business of £0.7 million were recognised.

## 5. INCOME TAX (EXPENSE)/CREDIT

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000
Current tax		
– current period expense	(1,170)	(693)
– prior period over provision	-	271
Total current tax expense	(1,170)	(422)
Movement in deferred tax	184	28
Income tax expense before exceptional items	(986)	(394)
Tax effect of exceptional items	416	510
Income tax (expense)/credit	(570)	116

## 6. DIVIDENDS

In view of the ongoing uncertainty relating to outstanding legacy matters, in particular in relation to Elysian Fuels, the Board continues to maintain a prudent approach to maintaining capital and liquidity in the business. Consequently, the Board has decided not to declare an interim dividend (2017: 1.60 pence). The Board remains committed to returning to a progressive dividend policy as soon as practicable.

## 7. CASH GENERATED FROM/(USED IN) OPERATIONS

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000
Profit/(loss) before income tax	1,398	(101)
Depreciation and amortisation	3,174	2,565
Finance income	(43)	(33)
Foreign exchange movement	2	42
Non-cash share-based payment compensation charges	237	(53)
(Increase)/decrease in trade and other receivables	(1,100)	600
Increase/(decrease) in current and non-current liabilities	650	(4,362)

Cash generated from/(used in) operations	4,318	(1,342)
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## 8. ANALYSIS OF NET CASH

	Opening balance £'000	Cash flow £'000	Other movements £'000	Closing balance £'000
Cash and short-term deposits	24,572	327	(9)	24,890
Total	24,572	327	(9)	24,890

### Other movements

Other movements of £9,000 relate to the impact of exchange rate movements arising on balances denominated in currencies other than Sterling.

## 9. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk.

The financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's 2017 Annual Report and Accounts as at 31 December 2017. There have been no changes in any risk management policies adopted by the Group.

### Liquidity and capital resources

The principal liquidity risks faced by the Group relate to the maturity profile of payment obligations and, in particular, the potential crystallisation of contingent liabilities. The Group's finance function ensures that sufficient resources are available to meet such liabilities as they fall due through a combination of liquid investments, cash and cash equivalents, cash flows and undrawn committed bank facilities. The Group has a £5.0 million overdraft facility agreement with Barclays Bank Ireland plc.

### Fair value estimation

All financial instruments, for which fair value is recognised or disclosed, are categorised within the fair value hierarchy (described as follows) based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 - Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).

Level 3 - Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There was no change in the valuation method of financial instrument assets or liabilities, carried at fair value, during the six-month period to 30 June 2018.

The fair value of the Group's financial assets and liabilities approximates their carrying amount.

## 10. PROVISIONS FOR OTHER LIABILITIES

	Leases £'000	UK business disposal £'000	Complaints & pricing £'000	Legal, remediation & sanction costs £'000	Total £'000
At 1 January 2018	337	194	194	4,263	4,988
Additions	-	-	151	1,185	1,336
Unused amount released	-	-	-	(240)	(240)
Utilised during the year	(27)	(29)	(81)	(357)	(494)
Exchange adjustments	(1)	-	-	-	(1)
At 30 June 2018	309	165	264	4,851	5,589

### Analysis of provisions:

Current	19	35	228	4,851	5,133
Non-current	290	130	36	-	456
At 30 June 2018	309	165	264	4,851	5,589

### Analysis of provisions:

	H1 2018 £'000	31 Dec 2017 £'000	H1 2017 £'000
Current	5,133	4,539	262
Non-current	456	449	1,030

A detailed table of provisions made during the period has been included, given the significance of the movement since the year end.

**Leases**

A cost of £27k utilised in the period related to the onerous lease associated with the property in Dublin (Blackrock – Avoca House).

**UK business disposal**

A cost of £29k utilised in the period related to ongoing costs associated with maintaining customer files which related to the Sale of the UK business IFG Financial Services.

**Complaints and pricing**

The provisions recorded represent management's best estimate of the exposures relating to settlement of complaints and pricing claims.

**Legal, remediation & sanction costs**

The increase in the provision of £450k is management's best estimate of costs relating to the ongoing litigation relating to the notice of claim under the indemnities provided in association with the sale of the International business. A cost of £187k has been utilised in the year primarily relating to legal costs associated with the ongoing Elysian Fuels investigation and costs associated with the cancelled sale of Saunderson House.

Other increases in the provision are associated with the ongoing legacy reviews and represent management's best estimate of the costs of settling these matters.

## 11. OTHER STATEMENT OF FINANCIAL POSITION ITEMS

**Property, plant and equipment and intangible assets**

In the half year to 30 June 2018, the Group spent £2.2 million (H1 2017: £2.0 million) on PPE and intangible assets, including computer software to continue to enhance product capability and operational efficiency, in both businesses. The Group also charged amortisation and depreciation expense of £3.2 million (H1 2017: £2.6 million).

At 30 June 2018, amounts authorised by the Directors as capital commitments, but not contracted for, were £3.7 million (31 December 2017: £5.3 million).

**Available for sale assets**

At 30 June 2018, the Group had £nil assets held for sale (30 June 2017: £0.6 million, which related to the Sale of the property in Swavesey).

**Trade and other receivables**

The increase in trade and other receivables from £18.0 million as at 31 December 2017 to £19.2 million as at 30 June 2018 was mainly due to the movement in work in progress in the period.

### Trade and other payables

The decrease in trade and other payables from £19.2 million as at 31 December 2017 to £17.7 million as at 30 June 2018 was due principally to the payment of 2017 bonuses and supplier payments relating to the new Saunderson House premises.

### Other reserves

The other reserves balance of £14.1 million as at 31 December 2017 moved marginally during the period and remains at £14.1 million as at 30 June 2018. This movement was attributable to the half year charge for share options of £0.2 million and the transfer of vested share-based payments to retained earnings of £0.2 million.

## 12. RELATED PARTY TRANSACTIONS

### Key management personnel compensation

As per IAS 24 'Related party disclosures', the Group has defined the term 'key management personnel' as its Directors. In addition to their salaries, the Group also provides non-cash benefits to Directors and contributes to post-employment plans on behalf of certain Directors.

	30 June 2018 £'000	30 June 2017 £'000
Salaries and other short-term benefits	411	381
Post-employment benefits	33	33
Termination benefits	724	-
Long-term incentives and share-based payments	-	-
Charged to Condensed Consolidated Income Statement	1,168	414

Termination costs related to the departure of the former CEO.

### Transactions involving entities in which key management have an interest

During the period, Group companies earned £17,000 (H1 2017: £31,000) from key management for services provided by the two businesses. All fees were charged on an arm's-length basis with our normal terms and conditions. At the end of the period, Group companies were owed £11,000 (2017: £13,000).

## 13. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Given the nature of the business the Group undertakes, it may, from time to time, receive complaints against it. The Group has procedures in place to assess the veracity of any claims and, where possible, provision has been made to cover its best estimate of the exposure in respect of these matters. No provisions have been recorded for other contingencies, as the Group's obligations under them are not probable and estimable.

We have updated our review undertaken in 2017 and the Group has a number of legacy matters which are still under consideration as set out below.

### ELYSIAN FUELS

As previously disclosed, the Group is incurring material legal and remediation costs relating to James Hay's inception of Elysian Fuels investments between 2011-2015. James Hay received notices of assessment arising from Elysian Fuels for tax years 2011-2012 and 2012-2013, which have been appealed, and protective notices of assessment in respect of 2013-2014 and 2014-2015. Our discussions with HMRC seeking an acceptable resolution of James Hay's inception of Elysian Fuels investments over the overall 2011-2015 period are on-going.

James Hay is committed to working collaboratively with HMRC to resolve this matter and will continue to do so. However, James Hay will apply to HMRC for the assessments to be discharged and pursue appeals to the Tax Tribunals as necessary to protect its position. The maximum potential sanction charge for the overall 2011-2015 period is approximately £20m, assuming all Elysian Fuels shares are deemed valueless at inception, and no underlying clients discharge their own tax liabilities.

Based on advice from the Group's legal advisers, the directors are confident that the outcome at Tribunal and/or any settlement with HMRC would be substantially lower than the maximum potential sanction charge and, together with any interest payable at HMRC's standard rate, would be fundable from the Group's cash resources at the time an obligation is anticipated to crystallise. As a result of a range of disputed facts regarding our actions any resulting liability, which would be a function of investment valuations and, the level of any charge or client liability/recovery, is highly uncertain and unquantifiable and is expected to remain so whilst discussions with HMRC and/or any Tribunal proceedings continue. Therefore, no provision, other than for legal fees expected to be incurred in relation to this matter, are provided for as the liability remains contingent. The Group believes James Hay acted appropriately and in accordance with its clients' instructions in relation to these investments.

### OTHER LEGACY MATTERS

The Group has continued its reviews of other legacy business, to ensure that any other contingent exposures are identified and remediated. Over time these may result in further remediation costs, including legal costs for legacy claims and HMRC sanction charges, however, the exposures remain uncertain. These reviews remain in progress although some matters have been provided in Exceptional costs in respect of 2017 and H1 2018, to the extent such liabilities have been deemed likely and capable of being estimated with reasonable certainty. The ongoing reviews being undertaken, focused on the complex, dual-trustee book, are designed to enable all identified legacy issues in those businesses to be assessed and remediated.

**SALE OF THE INTERNATIONAL BUSINESS**

The Group received a notice of a claim under the indemnities provided in the sale of the International Segment completed in 2012. The underlying claim was settled by the acquirer of the International segment during 2017 and the amount of the possible claim was reduced from £3.0 million to £1.3 million, before legal costs, which could be significant. The Group does not believe that the claim is valid and have recently succeeded in defending an application for summary judgement. We have provided a further £0.4 million in relation to likely legal costs to pursue this case through litigation.

**HMRC RELIEF AT SOURCE IN SPECIE CLAIM**

James Hay has been in correspondence with HMRC regarding tax relief on in specie contributions and has received a protective assessment totalling £0.3m in relation to the 2013/14 tax year. HMRC issued the assessment on the basis that tax relief at source is not available where assets other than cash are used to contribute to a pension and that James Hay is therefore liable to repay any such relief that it has claimed on behalf of its customers. James Hay has appealed this assessment.

This issue affects many SIPP providers and is being challenged by the industry. In a recent decision involving Sippchoice and HMRC, the Tribunal found in favour of Sippchoice and observed that HMRC's attempt to deny relief at source in respect of asset contributions clearly contradicted the position set out in HMRC's Pensions Tax Manual. HMRC has indicated that it is seeking to appeal this finding and, as a result, is not possible to determine when this matter will be resolved, nor the eventual outcome or impact.

## RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the half-yearly financial report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 as amended, the related transparency rules of the Central Bank of Ireland and with IAS 34 'Interim Financial Reporting', as adopted by the EU.

The Directors are required to prepare the half-yearly financial report on a going concern basis unless it is not appropriate. Since the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future, the financial information continues to be prepared on the going concern basis.

Each of the Directors, whose names and functions are outlined below, confirm that to the best of each persons' knowledge and belief:

- the half-yearly set of financial statements, comprising the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and the related notes, have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the EU; and

- the financial information includes a fair review of the information required by:

(a) regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007 as amended, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007 as amended, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period and any changes in the related party transactions described in the last Annual Report that could do so.

The names and functions of the Directors as of 30 June 2018 are listed below:

Mark Dearsley	Chairman
Kathryn Purves	Group Chief Executive
David Paige	Senior Independent Director
Colm Barrington	Non-Executive
Robin Phipps	Non-Executive
Peter Priestley	Non-Executive
Cara Ryan	Non-Executive

On behalf of the Board

K Purves  
Group Chief Executive

D Paige  
Senior Independent Director

29 August 2018

## INDEPENDENT REVIEW REPORT

We have been engaged by the company to review the interim financial information included in the Half Yearly Financial Report for the six months ended 30 June, 2018 which comprise the consolidated statement of financial position as at June 30, 2018 and the related consolidated statements of income, changes in equity and cash flows for the six-month period then ended ("interim financial information"). We have read the other information contained in the Half Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial information.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE 2410") issued by the International Auditing and Assurance Standards Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this review report, or for the conclusions we have formed.

## DIRECTORS' RESPONSIBILITIES

The Half Yearly Financial Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half Yearly Financial Report which includes the interim financial information, in accordance with the International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007, and the Transparency Rules of the Central Bank of Ireland.

As disclosed in note 2, the annual financial statements of the company are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The interim financial information included in this Half-Yearly Financial Report has been prepared in accordance International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007, and the Transparency Rules of the Central Bank of Ireland.

## OUR RESPONSIBILITY

Our responsibility is to express to the company a conclusion on the interim financial information in the Half-Yearly Financial Report based on our review.

## SCOPE OF REVIEW

We conducted our review in accordance with ISRE 2410. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information in the Half-Yearly Financial Report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007, and the Transparency Rules of the Central Bank of Ireland.

Gerard Fitzpatrick

For and on behalf of Deloitte Ireland LLP

Chartered Accountants and Statutory Audit Firm

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