IFG GROUP PLC

Building strong businesses

Annual Report and Accounts 2018

IFG Group plc ("IFG" or "the Group") is a financial services holding company with full market listings in London and Dublin.

Our businesses provide financial solutions to end clients and financial advisers. James Hay provides an investment platform and pensions administration and Saunderson House delivers independent financial advice.

Our strategic priorities

Serving clients

Our businesses deliver products and services that support good client outcomes

Driving growth and profitability

Through long-term relationships that drive revenue growth

Financial discipline

Allocating resources and developing efficient operating models that manage cost and risk

Read more about how we achieve our strategic priorities on **page 12**

Our purpose

Our businesses' purpose is to help clients manage their wealth through their working lives and beyond. By providing excellent service, our businesses build long-term valuable relationships with their clients and intermediaries.

Our ambition as a Group is to deliver value to our shareholders and other stakeholders by supporting our businesses to help their clients to save, invest and plan for their financial future.

Our values

IFG's business principles form a framework within which the Group and its businesses operate. We will always strive to:

- act with integrity in our dealings, with all parties, both internally and externally, treating people fairly and honestly;
- operate with ambition whilst ensuring compliance with both the letter and the spirit of law and regulation; and
- take responsibility for our decisions and actions.

These principles inform and support the Group's culture and ensure our businesses operate to deliver improved client outcomes and contribute positively to our wider stakeholders.

Our structure

IFG Group

JAMES HAY PARTNERSHIP

A pension-led platform provider, offering multi-class asset administration and retirement services.

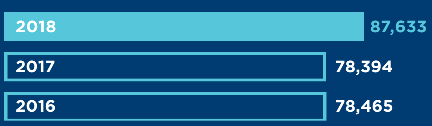
SAUNDERSON HOUSE

Award-winning financial adviser with a strong client-focused brand and an excellent investment track record.

GROUP KPIs

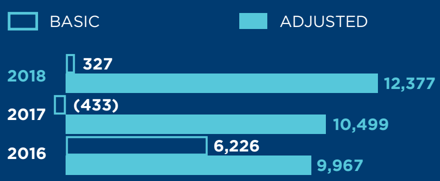
Revenue (£'000)

£87.6m
+12%



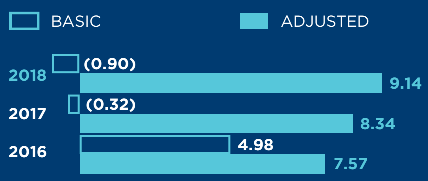
Basic/adjusted operating profit (£'000)

£0.3m/£12.4m



Basic loss/adjusted earnings per share (pence)

(0.90p)/9.14p



Return on Capital Employed (%)

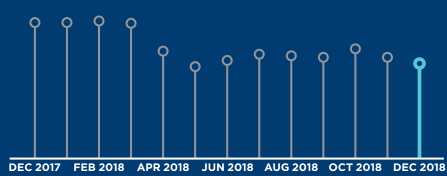
0.4%

Free cash flow (£'000)

£6.6m
+16%

Share price movement 2018 (£)

£1.31
-29%



A wealth of experience

JAMES HAY PARTNERSHIP

Number of clients

58,753
+0.3%

In prior years, number of sipps were reported separately

New clients

4,651
-24%

Retention rates (%)

93%

Assets under administration (£bn)

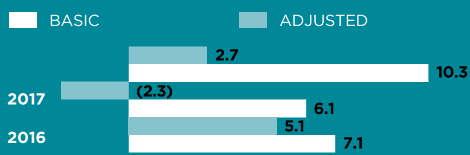
£25.3bn
-1%

Revenue (£m)

£53.3m
+15%

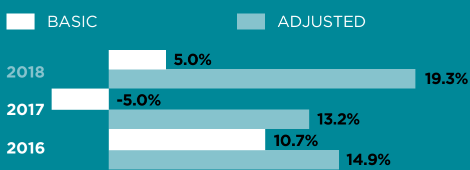
Basic/adjusted operating profit (£m)

£2.7m/£10.3m



Basic/adjusted operating margin (%)

5.0%/19.3%



Read more about James Hay on **page 16**

A reputation for excellence

SAUNDERSON
HOUSE

Number of clients

2,342
+10%

New clients

239
-3%

Client retention

99%
+3%

Assets under advice (£bn)

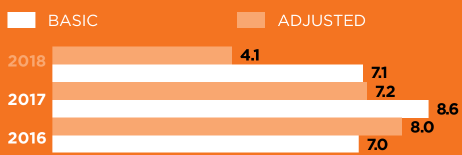
£4.9bn
-4%

Revenue (£m)

£34.3m
+7%

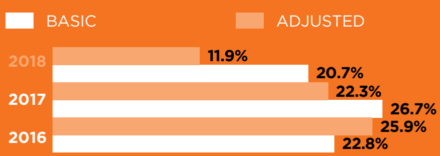
Basic/adjusted operating profit (£m)

£4.1m/£7.1m
-43%/-18%



Basic/adjusted operating margin (%)

11.9%/20.7%
-46%/-23%



Read more about Saunderson House on **page 22**

Our businesses' market offerings

The strength of our businesses is founded upon their relationships with clients and advisers, reinforced by the quality of the administration and advisory services they offer. This is underpinned by the quality of people throughout the Group, the continued development of the businesses' propositions and constant focus on delivering good client outcomes, all of which are key to our success and ability to grow, develop and create long-term stakeholder value.

Our strategic priorities

Serving clients

Our businesses deliver products and services that improve client outcomes

Driving growth and profitability

Through long-term relationships that drive revenue growth

Financial discipline

Allocating resources and developing efficient operating models that manage cost and risk

How we achieve this

IFG Group oversees the businesses it owns and agrees their strategies, allocates resources, engages with shareholders and seeks to maximise shareholder value.

For each business we focus on providing great service to our clients, growing top-line revenue and delivering efficient and well managed operating models.

JAMES HAY PARTNERSHIP

Ensuring we meet client expectations is at the centre of everything we do. Understanding the client's needs and how we want to engage with them is formulated and developed through our ongoing client insight programmes. This influences the development of our proposition and investment in products, people and platform technology.

58,753 clients

We understand that the key to a long-term sustainable business starts with our employees. We invest in our employees' learning and development, to enable them to serve our clients to the best of their ability. By ensuring our employees are highly engaged and appropriately rewarded, we can rely on their commitment and our clients benefit from their expertise for the long term.

615 employees

Our strategy remains to focus on building long-term relationships with financial advisers and clients, in order to deliver sustainable growth. We believe that the key to our strategy and to creating sustainable relationships is consistently meeting client requirements and expectations.

93% client retention

We earn revenue through the administration of assets on the James Hay Partnership platform. Revenue is earned through annual and transaction fees, fees related to assets under administration and by way of interest margin on client cash balances.

£53.3m revenue

Investing in our systems and processes enables us to improve our efficiency, while attracting more clients enables us to spread fixed costs across a larger revenue base.

5.0%/19.3% basic/adjusted

Delivering sustainable value and ensuring financial discipline	As a Group we strive to deliver sustainable value by delivering improved financial outcomes for our clients and by providing employment and development opportunities for our staff. We also engage with our broader community and contribute to society as a responsible tax payer.
	SAUNDERSON HOUSE
meeting client needs	Our culture and values place clients at the heart of what we do. We continue to invest in improving our capabilities in order to deliver good outcomes for clients, including those that deliver efficiencies (such as centralisation of administrative processes) and enhanced services (such as our client portal and DMS offering) whilst ensuring excellent investment performance. **2,342 clients**
through expert people	We attract the best people through our successful graduate scheme and recruitment processes. We then nurture and retain talent through our active staff engagement programme and by investing significant resources in professional training and development. **203 employees**
building long-term relationships	Saunderson House provides a complete financial planning and investment service, incorporating advisory and discretionary offerings to high net worth individuals, charities, trusts and other institutional clients. As part of our holistic wealth management approach, Saunderson House actively engages multiple generations within families we work with. This engagement builds strong, deep relationships with our clients, as well as understanding the needs and challenges that they have in passing on wealth to future generations. **99% client retention**
recurring revenue streams	We earn the majority of our revenue by charging our Advisory clients an hourly fee for financial planning and investment services. We also earn an ad valorem fee based on level of assets held by clients using our Discretionary Management Service. **£34.3m revenue**
focusing on efficiency	Our portfolio management system and Discretionary Management Service will enable us to deliver investment services more efficiently. **11.9%/20.7% basic/adjusted**

Key risks to the delivery of our strategy

1. Changing market conditions and increased competition
2. Corporate activity
3. Loss of key clients/ intermediaries
4. Loss of key management resources
5. Disruption to information technology systems
6. Cybercrime, fraud or security breaches in respect of the Group's data, software or information technology systems
7. Brexit and other sources of potential fluctuations in capital markets
8. Liquidity
9. Interest rates
10. Credit risk
11. Regulation and conduct considerations

See principal risks on **page 30-37**

Our businesses set out their strategies on pages 19 (James Hay) and 25 (Saunderson House). We use clear and consistent KPIs to assess our progress in each of these areas. Performance for each business is discussed on pages 22 and 28 and Group performance on page 12.

Despite a challenging start to 2018, our businesses have performed well, delivering improved underlying performance

I am pleased to present my first statement as Chairman of IFG Group plc for the year ended December 2018. The underlying performance of our businesses in 2018 has been good and we have made significant strides in relation to the near-term priorities identified by the new management team.

Our focus on resolving legacy issues continues and, whilst it is disappointing that we have had to make further provisions for resolution of these issues, we believe that this provides increased clarity and certainty for our shareholders. We have also made good progress in relation to our goals of developing the capabilities of our businesses to ensure they are self-reliant and delivering a cost-efficient Group structure.

"We enter 2019 with confidence, and clear and ambitious long-term plans in two distinct, focused and market-leading businesses in growth markets."

Strategy

I believe we have made substantive progress at IFG Group this year. The underlying businesses have performed well, in spite of distractions in the first four months of the year which were dominated by the assessments from HMRC in relation to Elysian Fuels and the Saunderson House sale process, which was later cancelled. These issues provided the backdrop against which the new management team was appointed in April 2018.

Since then, we have focused on operational performance within our businesses whilst also pursuing our near-term priorities which will provide a solid base from which to grow and deliver value to shareholders. As outlined in our interim statement, these priorities are: the identification and resolution of legacy issues; developing self-reliant businesses with reduced reliance on central functions; and delivering a more efficient Group cost structure. We have made good progress in each of these areas and Kathryn Purves provides a comprehensive update in her Chief Executive's Report.

In our December trading update we highlighted the attractive nature of the markets in which we operate and set out our ambitious plans for the future. These are covered in more detail in the operational reviews on pages 18 and 24.

Performance

The period under review has shown revenue increasing by 12% from £78.4 million last year to £87.6 million, with adjusted operating profit increasing by 18% from £10.5 million to £12.4 million. It is disappointing that operating profit was again depressed by exceptional provisions, primarily as a result of costs in relation to the resolution of legacy issues and staff retention costs in Saunderson House following the cancelled sale. I believe that identifying and resolving these legacy issues is an important part of building the foundations for future growth and that the retention payments made to Saunderson House staff have played an important role in stabilising the business over the latter part of 2018. Basic loss per share was 0.90 pence, as a result of the lack of tax relief for sanction charges and settlement costs relating to legacy matters (2017: loss of 0.32 pence per share). We believe this is a good set of results at an underlying level, particularly in the context of the distraction and disruption suffered by the Group in the early part of 2018 and the broader political and investment market volatility during the year. Kathryn comments on the key financial results in her Chief Executive's Report and more detail is provided in the Strategic Report.

Board and committee composition

Alongside implementing increasingly federated governance and more clearly defining the Group's role and responsibilities, we have taken the opportunity to review the composition of the Group Board. John Gallagher, my predecessor, stood down in May 2018 and both Colm Barrington and Robin Phipps stood down in August 2018. I thank each of them for their contribution to the Board and their support of the Group. We are delighted that John remains a significant and supportive shareholder in the Group.

During the year, John Cotter stepped down from the Group Board upon his resignation as Group Chief Executive succeeded by Kathryn Purves, previously a Non-Executive Director of the Group and chair of the Group Risk Committee. I would like to thank John for his contribution to the Group as CEO and CFO over the years.

Gavin Howard was appointed Interim Group Chief Financial Officer in April and subsequently joined the Group Board in August 2018 as Director and Group CFO. Gavin has also taken on the role of James Hay CFO alongside his Group role. Changes in the management teams of the businesses are discussed in more detail in the operational reviews on pages 18 and 24.

I believe that the Group Board, consisting of four Non-Executive Directors and two Executive Directors, is now more appropriately sized for its role within a federated governance framework and operating alongside the Boards of both James Hay and Saunderson House, each of which include experienced, independent Non-Executive Directors. I would like to thank the members of both boards for their support in implementing our federated governance.

As a result of the changes to the Group Board, the composition of the Board committees has also changed during 2018. The Risk Committee and Audit Committee have now been combined. The members of the Risk & Audit Committee are: David Paige (chair), Cara Ryan, Peter Priestley and myself. The members of the Remuneration Committee are: Peter Priestley (chair), Cara Ryan and myself. The members of the Nomination Committee are: Cara Ryan (chair) Peter Priestley and myself.

People and culture

My thanks go to the executive leadership of the Group and its subsidiaries, and to all our employees across both our businesses, for their continuing hard work, in what has been a challenging year for the Group. Tony Overy, Alastair Conway and their teams have delivered considerable success in strengthening their businesses, serving their existing clients and attracting new ones. These efforts enable us to deliver value to shareholders and I thank them all for their hard work and commitment.

Our ambition as a Group is to create and grow value for our shareholders, clients of our businesses and employees across the Group, by supporting our businesses to help end clients to save, invest and plan for their financial future. Whilst James Hay and Saunderson House each has their own culture and clearly defined values that are relevant to their services and clients, our business principles form a framework within which the Group and its businesses operate. We will always strive to:

- act with integrity in our dealings with all parties, both internally and externally, treating people fairly and honestly;
- operate with ambition whilst ensuring compliance with both the letter and the spirit of law and regulation; and
- take responsibility for our decisions and actions.

These principles inform and support the Group's culture and ensure we and our businesses deliver excellent client outcomes and contribute positively to our wider stakeholders.

The Board has also undertaken a review of the 2018 UK Corporate Governance Code, which was published in July 2018, and how it may impact the Group and its corporate governance. There are a number of workstreams underway to ensure the Group continues to operate to a high standard of governance within its businesses and that it is fully compliant with the new Code in 2019.

Dividend

In light of the continued uncertainty around the resolution of a number of legacy matters and the timing and scale of any exposure, the Board has reluctantly taken the decision to continue with its prudent approach of retaining cash to cover worst-case outcomes and, as a result. No final dividend will be paid in respect of 2018 (2017: interim 1.60 pence per share).

The Board remains committed to a progressive dividend policy, with two businesses which are cash generative. We intend to return to paying dividends at the earliest possible time, once there is more clarity on these uncertain potential exposures.

Brexit

The regulatory challenges, political uncertainty and market volatility experienced during 2018 are expected to continue in the year ahead. In the event of a "hard" Brexit or a "no deal" Brexit there could be significant knock-on impacts across the UK economy and markets. The impact of Brexit on our businesses is difficult to predict. Uncertainty drives an increased need for financial advice but causes volatility in markets and delays decision making. Any negative impact on the wider economy could reduce our clients' ability to invest or increase their need to withdraw funds. The impact on equity markets and interest rates may also impact our revenue linked to market rates. Both of our businesses have considered a range of potential scenarios to ensure they are well prepared and have undertaken extensive planning for these scenarios. Further detail on the impact of Brexit is discussed in the business reviews on pages 21 and 27. Brexit remains a source of considerable uncertainty and a prolonged period of market turmoil or a significant economic downturn could potentially have material adverse consequences for either business.

Outlook

Despite a challenging start to 2018, the businesses have performed well, delivering improved underlying performance and entering 2019 with confidence and clear and ambitious medium-term plans. Brexit continues to be a source of considerable uncertainty and the impact on the economy and investment markets could have implications for both our businesses and their clients.

The Board is committed and confident in our ability to create value for you, our shareholders.

Mark Dearsley
Chairman

GROUP CHIEF EXECUTIVE'S STATEMENT

We have focused on developing two self-reliant, independent businesses with the necessary autonomy, resources and capability to thrive

2018 in review

The start of 2018 was a difficult period for the Group, with assessments from HMRC in relation to Elysian Fuels and the cancelled Saunderson House sale process creating material disruption and distraction, both internally and externally. Management changes in April 2018 saw the appointment of a new Chairman, CEO and CFO.

Since April, the new management team has engaged with a wide range of shareholders and has also undertaken a review of the Group strategy and structure in order to ensure we can deliver value effectively to shareholders. Our focus has been on: supporting and stabilising the businesses to deliver improved operating performance; developing strong relationships with the respective management teams; progressing and implementing critical near-term priorities which are essential building blocks to creating and delivering value for shareholders; and reviewing a range of options around Group strategy.

We believe that addressing our identified near-term priorities, building two self-reliant businesses within an efficient Group structure and progressing resolution of legacy issues, enhances the strategic optionality for the Group, allowing us to consider a range of options to best deliver value to shareholders.

Performance

During 2018 the Group has delivered strong top line growth with Group revenue of £87.6 million up 12% from £78.4 million in 2017. We have two strong, attractively positioned businesses that are performing well, however, performance was again depressed by exceptional costs, primarily related to the resolution of legacy matters in James Hay and one-off retention costs following the cancelled sale process in Saunderson House. Whilst it is disappointing to report another year of material exceptional costs, we believe that dealing with legacy is a key priority and we have been focused on improving clarity around potential issues in a timely manner.

With improved underlying performance in both businesses, we have delivered a materially improved adjusted operating profit up 18% to £12.4 million from £10.5 million in 2017. This was depressed by £9.9 million of exceptional costs, resulting in operating profit of £0.3 million up from a loss of £0.4 million in 2017. Basic loss per share was 0.90 pence, compared to a loss of 0.32 pence in the prior year. Adjusted earnings per share improved by 10% to 9.14 pence per share from 8.34 pence per share in 2017. Overall the Group generated cash of £3.1 million during 2018, compared to £3.8 million of cash consumption during 2017. Free cash flows have increased by 16% to £6.6 million from £5.7 million in 2017 and Return on Capital Employed improved marginally to 0.4% from -0.6% in 2017.

"We have undertaken a full review of the current Group structure and the options available to the Group to deliver value to shareholders effectively."

James Hay
The platform market continues to be an attractive, growing market supported by long-term structural growth drivers. James Hay has a strong position within the high net worth, trusted adviser-led SIPP platform market with significantly higher than average case sizes and a powerful brand in relation to pension expertise.

James Hay saw a material increase in revenue in 2018, driven by pricing changes in 2017 and an increase in margin on cash as interest rates have increased. It was however, adversely affected by weaker investment markets and a decline in defined benefit ("DB") transfer volumes which reduced new business volumes compared to the prior year. Following a comprehensive review of James Hay's strategy, we remain confident of its ability to develop from its current position as a trusted SIPP expert to address the wider platform market, supporting clients through their investment life cycle.

James Hay plans to accelerate its expansion into the GIA and ISA market, significantly increasing its addressable market and leveraging its strong brand name and reputation with financial advisers to capture a greater share of client investment flows. James Hay's management continues to focus on driving new business into its MiPlan product, improving cost efficiencies, expanding its product offering and building out its investment platform.

Saunderson House
The UK wealth management sector, particularly in relation to high net worth clients, remains an attractive and growing market. Saunderson House is well positioned within this sector and is focused on providing a wholly independent, full service wealth management offering. It is a leading, trusted adviser to high-earning professional services executives in which market it has an attractive and differentiated advisory and discretionary proposition.

During 2018, Saunderson House was required to manage through a sale process which was subsequently cancelled, creating a degree of disruption for both clients and employees. Despite this, the business has performed strongly during 2018, demonstrating the strength of its relationships with clients, its brand, service and investment proposition.

Following a comprehensive review of its strategy, Saunderson House expects to see its discretionary proposition continue to grow, enabling the business to attract younger clients at the wealth accumulation stage of their life. This strategy is expected to continue to enhance and embed long-term value in the business with clients accumulating wealth with Saunderson House and remaining clients for a significant period of time.

Delivering near-term priorities

Developing autonomous, self-reliant businesses
Over the course of the second half of 2018 we have focused on developing two self-reliant, independent businesses with the necessary autonomy, resources and capability to thrive.

A review of Group governance has been undertaken and has resulted in a revised increasingly devolved governance model being implemented, with full support from the business boards.

We have worked with the boards and management teams of both businesses to put in place comprehensive, long-term business plans, including setting more granular targets, and we believe that these plans provide a good foundation for each of the businesses to move forward with clarity and ambition. The respective management teams within the businesses have been strengthened and certain centralised responsibilities (in particular compliance and risk) have been transferred into the businesses. As part of this, Simon Jackson, previously Group CFO at Brooks MacDonald, joined Saunderson House as Finance Director in January 2019, and Gavin Howard, Group CFO, has taken on the role of James Hay CFO alongside his Group role. We have also brought in Stephen Mohan as Operations Director in James Hay, as of December 2018, supplementing the James Hay management team with increased platform industry experience.

Group efficiency
As we have further clarified the Group's role and responsibilities, we have been able to identify cost savings and we continue to focus on delivering operating and cost efficiencies within the Group function. During 2018 we significantly reduced the size of the Group Board, as set out in detail within the Chairman's statement. We continue to make further reductions in the costs of the Group executive/central team and are reviewing options to reduce our property footprint.

These actions have delivered H2 2018 costs of £2.3 million, significantly lower than those incurred in H1 2018 of £2.7 million. The Group remains on track to achieve annual cost savings of £1.0 million, with the full impact of these savings visible in the second half of 2019. In order to achieve these cost savings, we expect one-off restructuring costs of approximately £1.0 million to be incurred during 2019.

Legacy matters
Resolution of legacy matters, particularly within James Hay, has remained a core focus during 2018 and has consumed considerable management time and effort. The Group has continued its engagement with HMRC in relation to the Elysian Fuels matter to attempt to address their concerns (and the associated, previously reported, protective assessments). However, disappointingly, there remains significant uncertainty as to potential outcomes and this issue will take further time to resolve. Further detail is included in note 26 under contingencies.

In the interim results, the Group highlighted it was undertaking a review of the legacy dual trustee book in James Hay. Having now reviewed approximately 20% of the book, we are sufficiently progressed to be able to make a provision of £4.9 million as an estimate of potential issues across the book (see note 6 and note 21). The provision is largely in relation to potential HMRC sanction charges as a result of unauthorised payments from SSAS schemes and hence is not covered by insurance. This is our best estimate as to the potential exposure in relation to this book. It is based on extrapolation from the sample reviewed to date and, as such, there is a significant level of judgement in reaching our estimates and further issues may come to light in future as the review of the complete book progresses over the course of 2019.

The previously disclosed reviews of NSIs and SSAS Loanbacks are now substantially progressed. Discussions with HMRC in relation to associated sanction charges are continuing and these are expected to fall within existing provisions. We expect these to be closed off with HMRC during 2019. James Hay is undertaking a voluntary redress programme and continues to engage with the FCA and its insurers in order to address any potential client detriment. The remediation of this book is presently expected to be covered by existing provisions (see note 21).

Within Saunderson House we have significantly progressed the remediation process in relation to the previously reported pension transfers review, which is expected to be covered in line with the existing provision made in the prior year and to be completed during 2019.

In December 2018 we agreed a settlement of £1.1 million in relation to the sale of the International Business resulting in an increase to provisions of £0.6 million from £0.5 million (see note 6). This agreement closes off this matter and removes the risk of a potential finding against the Group of £1.3 million plus legal costs, which would likely have been significant had the case gone to trial (see note 21).

The Group maintains a strong balance sheet and sufficient regulatory surplus capital in line with the Group's risk appetite, retaining cash to cover the worst-case outcomes in respect of Elysian Fuels and other legacy matters that are yet to be resolved.

Strategy

During the course of 2018, we have reviewed a range of options available to the Group to assess whether greater value might be realised for shareholders through alternative ownership structures. We continue to progress our near-term priorities of achieving a cost-efficient Group, supporting two self-reliant businesses and resolving identified legacy matters. This will allow us to further explore the range of strategic options for the Group.

People

The quality and commitment of our people, both at Group level and within the businesses, supports our success and our ability to deliver value to shareholders. I would like to thank all of our staff for their continuing hard work to serve our clients and grow our businesses. Despite a challenging period over the past two years, they have dealt with uncertainty and disruption with professionalism and commitment.

Brexit

The impact of Brexit on our businesses is difficult to anticipate. Whilst uncertainty drives an increased need for financial advice, it can also cause volatility in markets which can impact client confidence and cause delays in decision making for both clients and financial advisers. Any negative impact on the wider UK economy could reduce our clients' ability to invest, or potentially increase their need to withdraw funds. Both of our businesses have considered a range of potential Brexit scenarios to ensure they are well prepared, but it remains difficult to predict the impact with any certainty. Both businesses' revenue models provide some protection against falls in market value. Saunderson House's charges are heavily weighted to time and materials and as a result, the direct impact of a fall in market value is limited. James Hay's fees, partially driven by market values, are more vulnerable to both the impact of market volatility and changes in interest rates which could adversely affect revenue. Despite this uncertainty, we remain confident in the long-term structural drivers of the demand for independent financial advice and platform services.

Outlook

Despite a challenging start to 2018, the underlying businesses have performed well, delivering improved performance and we enter 2019 with confidence. We continue to believe in the attractiveness of the markets in which both James Hay and Saunderson House operate, and we have confidence that both can continue to develop and maximise the opportunities ahead. Both businesses have now put in place clear and ambitious medium-term plans with targets for growth and efficiency. Alongside this we continue to improve the efficiency of the current Group structure and expect to deliver material central cost savings during 2019.

The Board continues to take a prudent approach to managing the Group's liquidity and we continue to retain cash to cover any worst-case outcomes in respect of Elysian Fuels and other legacy matters that are not yet resolved. As a result, we will not be recommending a final dividend for 2018, however, the Board remains committed to reinstating dividends as soon as practicable.

Kathryn Purves
Group Chief Executive

Group Key Performance Indicators (KPIs)

Our ambition as a Group is to deliver value to our shareholders by supporting our businesses to help end clients to save, invest and plan for their financial future.

Measuring our progress against our strategy

Our strategic priorities are:
- Serving clients
- Driving growth and profitability
- Financial discipline

In line with our identified short-term priorities of building two self-reliant businesses, the Group has reviewed the approach to reporting KPIs. At Group level we focus on key measures of growth and shareholder value. Our financial KPIs include: the trend in underlying revenue; our adjusted operating profit and earnings per share; the Return On Capital Employed and free cash flow. We've outlined our performance against each KPI here.

We use these KPIs to measure the variable elements of our senior executives' pay each year, see the Remuneration Report on page 60 for more information.

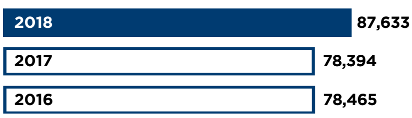
You can find reconciliations of the financial measures to IFRS measures on pages 16 and 17.

KPIs which are specifically relevant to the underlying businesses are reported under the respective operational reviews. The detailed financial performance of the Group is covered on page 14 while the individual performance of our two businesses is discussed in more detail on pages 18-24.

Read more about James Hay and Saunderson House KPIs on **pages 22 and 28.**

Group revenue (£'000)

£87.6m
+12%



Performance

Revenue has grown by 12%, driven by increases in both of our businesses.

Outlook

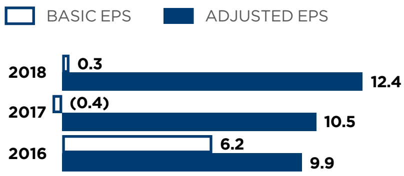
We believe both businesses are well positioned for continued revenue growth through continued client acquisition and wealth accumulation.

Link to remuneration

None.

Basic/adjusted operating profit (£'m)

£0.3m/£12.4m



Performance

Basic operating profit was again depressed through significant exceptional costs including £3.0 million of retention payments incurred in Saunderson House and further legacy costs provided for in James Hay of £5.5 million, largely in relation to the dual trustee review. Adjusted operating profit grew by 18%, largely as a result of the increased profitability in James Hay.

Outlook

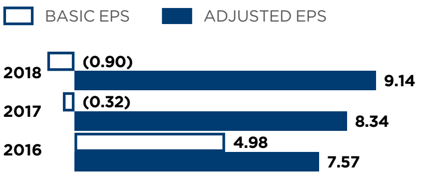
We believe both businesses are well positioned for continued growth. While there are elements which require significant judgement in determining provisions for legacy issues, in particular the dual trustee review, we believe that we are well provided for all issues identified. As a result, we expect basic operating profit to track adjusted operating profit more closely going forward, subject to the resolution of legacy matters outlined in note 26.

Link to remuneration

Management share awards granted in prior years are subject to performance conditions linked directly to the basic EPS of the Group which is linked to basic operating profit.

Basic loss/adjusted earnings per share (pence)

(0.90p)/9.14p



Performance

Basic EPS was impacted by a number of material exceptional costs associated with legacy matters in James Hay (£5.5 million) and the retention of Saunderson House employees following the cancelled sale (£3.0 million), however, the adjusted EPS demonstrates the strength of the underlying businesses. Detail of the impact of exceptional items on tax can be found in the financial review on page 17.

Outlook

The Group expects adjusted EPS and basic EPS to be more closely aligned going forward, subject to the resolution of a number of legacy matters outlined in note 26.

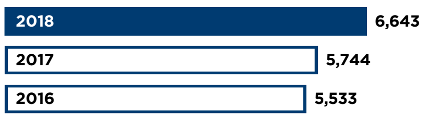
Link to remuneration

Management share awards granted in prior years are subject to performance conditions linked directly to the basic EPS of the Group.

Free cash flow (£'000)

£6.6m

+16%



Performance

Improved underlying performance in the businesses has contributed to increased free cash flow.

Outlook

We continue to focus on improving performance to drive cash generation. This will enable us to both resolve ongoing legacy matters and resume our dividend policy as soon as practicable.

Link to remuneration

Management share awards granted in prior years are subject to performance conditions linked to operating performance and free cash flow of the Group and its subsidiaries (see page 62).

Return on Capital Employed (%)

0.4%

Performance

Return On Capital Employed has improved marginally as a result of the improved performance of the Group, however this was offset by significant exceptional costs relating to the resolution of legacy matters in James Hay combined with costs of retaining staff in Saunderson House following the cancelled sale.

Outlook

The Group expects the Return On Capital Employed to continue to improve going forward, subject to the resolution of legacy matters outlined in note 26.

Link to remuneration

None.

Positive underlying performance offset by significant legacy costs

Review and commentary on the results

The Group's businesses both delivered strong underlying performance in 2018 and both businesses now serve more clients thanks to winning new clients and continued strong retention.

The pricing changes implemented in James Hay in late 2017 combined with increases in the Bank of England Base Rate have helped to deliver a 12% increase in Group revenue, and despite the disruption of the cancelled sale process in Saunderson House, the business performed strongly during 2018, demonstrating the strength of its relationships with clients, its brand, service and investment proposition. As a result, adjusted operating profit (before exceptional costs and amortisation) was up by 18%. These positives were offset by significant levels of exceptional costs, predominantly relating to legacy issues within the Group and stabilising Saunderson House following the decision to end the sale process. These exceptional costs led to operating profit being only marginally up on the loss in 2017.

This financial review provides an overview of the Group's financial performance for the year to 31 December 2018, and of the Group's financial position at that date.

In line with our identified near-term priorities of building two self-reliant businesses, the Group has reviewed the approach to reporting KPIs. At Group level we focus on key measures of growth and shareholder value, while KPIs which are specifically relevant to the underlying businesses are reported under the respective operational reviews. This financial review provides an overview of the Group's financial performance. The two businesses are separately disclosed as segments, with additional disclosure of the central Group costs.

- Revenue improved by 12% from £78.4 million in 2017 to £87.6 million, with repricing and the increase in the Bank of England interest rates improving the underlying performance in James Hay and the strong demand for the Saunderson House Discretionary Management Service contributing to improved revenue.
- Adjusted operating profit increased by 18% from £10.5 million to £12.4 million demonstrating the strength of the two underlying businesses. This is despite an increase in one-off central costs incurred during the year. Adjusted EPS increased from 8.34 pence per share to 9.14 pence.
- The results include exceptional costs relating to the ongoing legacy matters, as well as residual costs associated with the business disposals made in 2014, costs associated with the cancelled Saunderson House sale process, and settlement payments relating to the departure of the former CEO. The operating profit of £0.3 million is marginally higher than the loss of £0.4 million in 2017 which was also impacted by material exceptional costs.
- Loss after tax for the year of £1.0 million was primarily as a result of the lack of tax relief for sanction charges and settlement costs relating to legacy matters (2017: £0.3 million)
- Consequently, basic loss per share was 0.90 pence per share (2017: loss per share of 0.32 pence).
- Net assets remained stable at £74.0 million compared to £74.7 million in the prior year and consequently, with only a marginal improvement in operating profit, Return on Capital employed improved slightly from -0.6% in 2017 to 0.4% in 2018.
- Free cash flow generated in the year improved by 16% from £5.7 million to £6.6 million, partly due to lower net capital expenditure combined with improved operating cash flows.

The Group remains well capitalised. Despite an improvement in cash from £24.6 million to £27.7 million, we continue to conserve cash to ensure that we have sufficient capital and cash to cover worst-case outcomes in relation to our legacy issues, particularly in relation to Elysian Fuels where we have received protective assessments of approximately £20.0 million, plus interest payable at HMRC's standard rate. As a result, despite the improved performance for the Group during the year, we will not be recommending a final dividend for 2018. We recognise the importance of dividend payments to our shareholders and the Board remains committed to reinstating dividends as soon as practicable.

Revenue

Revenue was 12% higher than the prior year at £87.6 million (2017: £78.4 million), with James Hay improving by 15% from £46.2 million to £53.3 million, and Saunderson House increasing by 7% from £32.2 million to £34.3 million.

In James Hay, the repricing undertaken in H2 2017 and the Bank of England interest rate increases both contributed to increased revenue, though this impact was partly offset by a reduction in cash balances over the period, signalling a behavioural change in investment strategy. The increase in interest rates in late 2018 positions the business well for further revenue growth in 2019.

Saunderson House saw revenue improve by 7% and the demand for Discretionary Management Services contributed 60% of client wins during the year and an increase in DMS revenue of 68% from £1.4 million in 2017 to £2.4 million in 2018.

Adjusted operating profit

Adjusted operating profit, before amortisation of intangibles and exceptional costs, increased by 18% from £10.5 million to £12.4 million. This was principally driven by the increased revenues in James Hay which saw its contribution increase by 69% from £6.1 million to £10.3 million, and adjusted operating margin return to prior year levels.

The contribution from Saunderson House decreased by 18% from £8.6 million to £7.1 million, excluding one-off retention payments of £3.0 million, as compensation returned to prior year levels reversing a significant reduction in 2017.

Group costs include costs associated with our London based Group teams, the Board of Directors, governance and oversight committees and other costs associated with being a publicly listed company. Group costs increased from £4.2 million to £5.0 million as a result of increased costs in H1 2018 related to interim resources in senior roles. Group costs normalised in H2 2018 with further cost savings to be delivered during H1 2019 in line with the overall cost saving initiatives previously announced.

Exceptional costs

Exceptional costs of £9.9 million (2017: £8.8 million), comprise remediation costs in relation to the ongoing investigation and resolution of legacy issues in James Hay of £5.5 million, retention payments of £3.0 million to Saunderson House staff following the cancelled sale, settlement costs of £0.7 million associated with the departure of the former CEO, £0.6 million relating to the full and final settlement of the matter relating to the sale of the international business and legal costs associated with the cancelled sale process of £0.1 million. Legacy costs are net of actual and/or assumed recoveries under the Group's insurance arrangements.

Operating profit

An operating profit of £0.3 million, after amortisation of intangibles of £2.1 million and exceptional costs of £9.9 million, was a marginal improvement on the prior year (2017 loss: £0.4 million). Amortisation of intangibles, principally related to the James Hay acquisition in 2010 remained in line with 2017 at £2.1 million.

Tax

The effective tax rate for the Group increased significantly to 312% from 11.3% in the prior year. The effective increase in rate is primarily due to significant non-allowable costs in UK subsidiaries, primarily settlement costs and sanction charges, combined with increased Group plc costs. The prior year effective tax rate benefited from prior year tax adjustments relating to dilapidations and amortisation. While mindful of our obligations to Shareholders to ensure tax efficiency, we use only legitimate tax reliefs for the purposes for which they were intended and do not take part in aggressive tax planning or condone tax avoidance as both would contravene our

Tax continued

cultural values. See the table on page 17 for a reconciliation of the effective tax rate on results and note 11 for a full reconciliation of the income tax expense.

Adjusted EPS and adjusted earnings

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. The table on this page provides a reconciliation of how the Group calculates adjusted and basic operating profit.

Cash flows

The Group generated £10.7 million (2017: £10.1 million) from operations, reflecting adjusted operating profits, offset by movements in working capital. The Group paid a net corporate tax payment of £1.1 million in 2018 (2017: £2.3 million) and invested a total of £4.0 million in capital expenditure (2017: £4.4 million), compared to depreciation and amortisation of £6.4 million (2017: £5.3 million). Total dividends paid during 2018 were £nil (2017: £5.2 million), resulting in an increase in net cash of £3.1 million to £27.7 million.

Free cash flow generated in the year is an alternative performance measure used by management to represent the cash flow generated from adjusted operating activities less cash used in relation to capital expenditure. Free cash flow improved by 16% from £5.7 million to £6.6 million, partly due to lower net capital expenditure combined with improved operating cash flows. Free cash flow was reduced due to unusually high balances over the year-end period, used to fund settlement of client trades which adversely impacted working capital by £2.0 million in James Hay, combined with higher working capital outflows in Saunderson House which resulted from a requirement to realign work-in-progress billing, as detailed in cash generated from operations on page 114. The negative impact caused by mis-matched settlement of client trades in James Hay was subsequently reversed in January 2019. Management continues to closely monitor the Group's liquidity and ability to meet obligations as they fall due (see Financial risk 8. Liquidity on page 35).

The Group's total cash is restricted due to regulatory capital requirements within its subsidiaries and a desire to ensure we retain sufficient cash to cover worst-case outcomes in relation to the known legacy issues. We expect the businesses to continue to generate cash to fund ongoing investment, subject to the resolution of a number of legacy matters. The dividend policy will be kept under review and, subject to retaining cover for our legacy issues, the Board will seek to resume the payment of dividends at the earliest possible date.

Revenue

	2018 £'000	2017 £'000
Platform	**53,295**	46,169
Independent wealth management	**34,338**	32,225
Total revenue	**87,633**	78,394

Operating profit/(loss)

	2018 £'000	2017 £'000
Platform	**10,293**	6,079
Independent wealth management	**7,092**	8,599
Group/other	**(5,007)**	(4,179)
Total adjusted operating profit	**12,378**	10,499
Amortisation of intangibles	**(2,128)**	(2,137)
Exceptional costs	**(9,923)**	(8,795)
Operating profit/(loss)	**327**	(433)
Finance income	**123**	52
Profit/(loss) before income tax	**450**	(381)
Income tax (expense)/credit	**(1,404)**	43
Loss for the year from operations	**(954)**	(338)

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 but can be used, subject to appropriate disclosure in conformance with the guidance issued by the European Securities and Markets Association (ESMA). These alternative performance measures are: adjusted operating profit, adjusted earnings per share, adjusted operating margin, Return on Capital Employed and free cash flow as set out in note 2.

Adjusted operating profit, adjusted EPS and adjusted operating margin exclude acquisition-related amortisation, exceptional items and discontinued operations. Management believes excluding these items from the calculation of basic operating profit, basic EPS and basic operating margin is useful because management excludes items that are not comparable when measuring operating profitability, evaluating performance trends and setting 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 is disclosed in note 5.

Return On Capital Employed

Return on Capital Employed is an alternative performance measure used by management to measure how efficiently the Group generates profits from its capital employed by comparing it to net profit, calculated as earnings before finance income and/or costs and tax, divided by capital employed.

The return on capital employed in 2018 has improved marginally to 0.4% (2017: -0.6%), which was impacted by the material exceptional costs in both James Hay and Saunderson House.

Financial and capital position

The Group's Consolidated Statement of Financial Position is set out on page 83. The Consolidated Statement of Financial Position remains strong and highly liquid. Net cash increased from £24.6 million to £27.7 million in the year (see note 28).

The Pillar 1 capital resource requirement for the Group has been calculated in accordance with the Financial Conduct Authority regulations and is £5.1 million (2017: £6.6 million).

The Group has recently reviewed its approach to calculating capital resources, increasing the level of deductions from its allowable capital based on a more conservative interpretation of the capital requirements regulation. This revised approach results in a more prudent assessment of regulatory capital resources of £25.6 million (2017: £49.5 million). In spite of the reduction, the Group has a coverage of 502% (2017: 750%) of its Pillar 1 requirement.

The Group has also assessed its Pillar 2 capital resource requirements and confirms that it has sufficient capital resources to meet these requirements for the foreseeable future and maintains surplus regulatory capital in line with the Group's risk appetite. 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 is resolved.

Financial risk management

The Group's Finance function oversees the management of the Group's exposure to exchange risk, credit risk, liquidity and interest rate risk, in line with defined policies and procedures. The Group does not trade in financial instruments, except as necessary to hedge foreign currency exposures. The Group does not enter into leveraged derivative transactions. Under the management of the Group Financial Controller, working closely with the divisional finance teams, treasury including Group funding and liquidity requirements are managed.

The Group's financial reporting currency is Sterling, reflecting the primary economic environment in which the businesses operate. The Group's revenue is principally earned in Sterling, and the majority of its expenditure is incurred in Sterling. The Group incurs certain Euro-denominated costs, principally related to its Irish subsidiary.

Share price and market capitalisation

The Company's shares traded in a range of between 123 pence and 190 pence during the year. The share price at 31 December 2018 was 131 pence (31 December 2017: 184 pence), a decrease of 29% in the year. The market capitalisation at 31 December 2018 was £138.1 million (2017: £194.0 million). There were 105,405,665 shares in issue at 31 December 2018.

Gavin Howard
Group Chief Financial Officer

Reconciliation of effective tax rate

	Gross £'000	Tax £'000	Effective tax rate
Operating profit before tax	450		
Add back non-allowable items	7,030		
Taxable profit	**7,480**	**(1,468)**	**20%**
Non-allowable items:			
Settlement charges relating to the sale of the International Business (see note 6)	(627)		
Sanction charges (see note 6)	(3,706)		
Other non-allowable expenses*	(2,697)		
Total	**(7,030)**	**-**	
Prior year tax adjustments	–	64	
Operating profit before tax/tax charge	**450**	**(1,404)**	**312%**

* Other non-allowable items related to non-qualifying depreciation, client entertainment and losses in Ireland and the Netherlands with no tax benefit.

Adjusted EPS and adjusted earnings

	Year ended 31 December 2018		Year ended 31 December 2017	
	Per share pence	**Earnings £'000**	Per share pence	Earnings £'000
Loss attributable to owners of the Parent Company	**(0.90)**	**(954)**	(0.32)	(338)
Amortisation of acquisition related intangible assets	**1.64**	**1,724**	1.83	1,933
Exceptional items	**7.80**	**8,235**	6.39	6,732
Relating to sale of International Business	**0.60**	**627**	0.44	469
Adjusted earnings	**9.14**	**9,632**	8.34	8,796

The table above shows how we calculate adjusted EPS and adjusted earnings. The above amounts are net of tax, if applicable. An amount of £45,000 related to prior year tax adjustments is included in exceptional items above.

Cash flows

	2018 £'000	2017 £'000
Cash flows from operating activities	**10,665**	10,132
Capital expenditure	**(4,022)**	(4,388)
Free cash flow	**6,643**	5,744
Interest and tax	**(974)**	(2,213)
Retention payment	**(1,500)**	–
Disposals of subsidiaries	**-**	550
Deferred consideration	**-**	4,037
Head office restructuring and exceptional costs	**(1,050)**	(6,650)
Dividends paid	**-**	(5,217)
Cash settlement of share awards	**-**	(35)
Net cash flow	**3,119**	(3,784)

A wealth of experience

A pension-led platform provider, offering multi-class asset administration and retirement services.

What we do

James Hay has been working with financial advisers and clients for over 30 years to administer pensions, savings and investments. Today more than 58,500 clients trust us to look after more than £25 billion worth of pension and investment savings.

We continue to respond to changing client and adviser needs – from being the first SIPP provider in the UK, through to developing our modular approach to retirement wealth management, which we launched in 2013 and the planned expansion of our product range to incorporate wrap products such as ISAs and GIAs.

Key facts

- Established in 1979, now with 615 employees.
- Headquartered in Salisbury with offices in London, Milton Keynes and Bristol.
- Offered the first SIPP product launched in March 1990.
- Proprietary technology platform.
- Maximum flexibility across more than 3,700 funds in the Investment Centre.
- Administers £25.3 billion of assets for more than 58,500 clients.

Our business continues to be founded upon strong relationships with advisers and the investors they serve, and the quality of the service we offer. We continue to invest in our people, products and technology to support our ability to deliver sustainable growth.

Industry overview: platform

We operate in an industry with a favourable long-term outlook. Assets in the advised platform market have grown from £463 billion (Q3 2017) to £540 billion (Q3 2018)[1] – an increase of 16.6%. Industry forecasts predict the platform market will double in size in the next five years and we expect our segment of the market to grow broadly in line with this[2].

2018 has seen a number of challenges impacting the sector. SIPP new business was impacted by increased scrutiny of Defined Benefit transfers which resulted in financial advisers taking time to ensure that their processes are robust and that transfers continue to deliver good outcomes for consumers. The regulatory landscape continued to develop with the Markets in Financial Instruments Directive (MiFID) II and General Data Protection Regulation (GDPR) recently implemented and the new Senior Managers and Certification Regime (SMCR) due to come into force in late 2019. The FCA's final report for their Investment Platform Market Study (IPMS) is due to be published by the end of Q1 2019 and consultation with the industry is ongoing for the FCA's Retirement Outcome review. Both of these are likely to have implications for the market.

Platform providers have experienced significant merger, acquisition and IPO activity. Nucleus, Transact and AJ Bell completed their listings to either the AIM or LSE. Interactive Investor purchased ATS and FNZ, a technology provider for many platforms, was purchased by Al Gore's Generation Fund in a deal valuing the business at £1.7 billion.

Political uncertainty in the UK and the continuing Brexit negotiations along with an emerging global economic slow-down has led to increased market volatility which is likely to continue into 2019.

Goal

Our goal is to be a successful, sustainable and profitable business by supporting financial advisers and delivering good outcomes to investors as they accumulate, preserve and manage their wealth up to, through and beyond retirement.

Our platform facilitates this by enabling investors and their advisers to manage their retirement wealth safely and securely via an easy-to-use digital interface and supporting services.

Business strategy

James Hay has a strong position as a SIPP specialist, recognised for its capability at the complex end of the market. This is yet to be reflected in adjacent ISA and General Investment Account (GIA) markets, and we will continue to invest in enhancing our capability in these areas. The platform space continues to see consolidation of pension and savings assets from those with multiple products/pensions, and we see an opportunity to attract incremental pension and non-pension assets from our existing client base.

Our distribution strategy focuses on high quality Independent Financial Advisor ("IFA") relationships, and we continue to invest in enhancements to our client services. We will continue to increase efficiency by making better use of digital and self-serve capabilities.

1 Platforum's Adviser Guide (Q3 2018)
2 Fundscape Q3 2018

Our focus remains on creating a 'digital platform' for the future and responding to adviser and investor demand. This contributes to increasing scalability and supports our journey to becoming a fully functional platform for retirement wealth management. Our Insight programme has provided valuable information on what advisers and clients expect from a platform. One of our responses to this was to introduce more simplified language in our communication with clients.

Business review

2018 saw softer markets and a significant reduction of DB flows, with new business flows of 4,651 (24% lower than 2017).

Client retention across JHP remains unchanged at 93% – with retention in our core product slightly higher at 94% and higher attrition among the legacy products.

We now administer assets for 58,753 clients across our business, of which 55,200 are in SIPPs, (35,744 in MiPlan), and the remaining 3,553 are in Small-Self Administered Schemes 'SSAS' and Wrap products.

Assets under Administration (AuA) decreased by 1% on 2017 at £25.3 billion with net inflows of £0.8 billion offset by market movements in Q4 2018 amidst political uncertainty and fears of global market slow down. James Hay is now the 8th largest platform in the UK by AuA[1].

2018 revenue of £53.3 million was 15% higher than 2017 (£46.2 million) due to the full year impact of re-pricing undertaken in 2017 combined with the interest rate increases in Q4 2017 and Q3 2018. Our revenue is analysed in note 5 and shows that asset-based fees account for 25% of revenue, annual and transaction fees 52% and margin on cash 23%.

This year saw significant improvement in adjusted operating profit up 69% on last year at £10.3 million (2017: £6.1 million) despite costs increasing by 7% as we invested in people and efficiency programmes.

Operating profit after exceptional items improved from a loss of £2.3 million in 2017 to a profit of £2.7 million. Exceptional items of £5.5 million relate primarily to the ongoing legacy review of the dual trustee book, as previously highlighted (2017: £6.3 million).

Clients

	2018	2017	Change
Opening	**58,551**	56,178	4%
Additions	**4,651**	6,116	-24%
Account consolidation	**(380)**	(169)	125%
Attrition	**(4,069)**	(3,574)	14%
Closing	**58,753**	**58,551**	**0.3%**

AuA

	31 December 2018 £'billion	31 December 2017 £'billion
Opening	**25.5**	22.1
Net inflows*	**0.8**	1.7
Market movement	**(1.0)**	1.7
Closing	**25.3**	25.5
Of which subject to asset-based charging	**7.0**	**7.1**

* Net inflows include withdrawals and exits.

Legacy matters

We received protective assessments from HMRC in relation to client investments in Elysian Fuels in H1 2018. We have appealed the assessments and attempted to seek further information from HMRC to better understand their position and inform our application against the assessments. We have submitted an application under s268 Finance Act 2004 for the discharge of James Hay's alleged liability assessed by HMRC in respect of tax years ended 5 April 2012 and 5 April 2013 and expect to submit applications in relation to later tax years in due course. We currently expect that a process involving appeals to tribunal would be unlikely to complete before late 2019 or mid-2020. The 2017 year-end provision of £1.3 million to cover the legal costs of such an appeal process remains unchanged other than amounts utilised during the year. Based on advice from the Group's legal advisers, the Directors are confident that the outcome at tribunal and/or settlement with HMRC would be substantially lower than the maximum potential sanction charge.

The Group and James Hay Boards remain confident that any settlement with HMRC would be materially lower than the c.£20 million included in HMRC's assessments, together with any interest payable at HMRC's standard rate, and that any financial exposure would be fundable from the Group's cash resources. Dialogue with HMRC in relation to the Elysian Fuels matter is ongoing, but there remains significant uncertainty as to the timing of a conclusion and the impact of any negotiated settlement, which could be material. 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.

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 in our review of Non-Standard Investments 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 client detriment where redress may be applicable, however, we expect the majority of this would be recoverable from insurance. We expect to conclude these matters during 2019 and within the existing provision.

Review of the dual trustee book which is now closed to new business is underway. The complexity and structure of the book contribute to a greater degree of risk inherent within the book and a high reliance on the control environment in place. We have now reviewed approximately 20% of the SSAS book and work continues to complete the review. This work 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 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 client detriment.

On the basis of the cases reviewed to date, we have made a provision of £4.9 million in 2018 in relation to potential sanction charges and legal fees relating to the dual trustee book. This provision is our estimate of the costs across the entire SSAS book and includes an extrapolation from the findings to date. A level of significant management judgement is required in our provision estimates which may change as we progress further with the review.

Investment in our people

We continue to invest in our people to ensure successful delivery of our strategic goals and good client outcomes.

The recent staff survey showed continued improvement in employee engagement with a response rate of 87%, the highest we have achieved. There was a clear desire to focus on training and development and this will be an area of focus for 2019 and beyond.

In addition, we have further strengthened the senior management team with Iain McCoo moving over to the role of Chief Commercial Officer, Gavin Howard joining as CFO in November alongside his IFG Group role and Stephen Mohan joining as Operations Director in December.

Our clients

We support clients as they accumulate and maintain wealth for the later phases of their financial lives. Our proposition is designed for retail clients, who are financially secure, typically with at least £200,000 to invest (our average client portfolio size is £450,000) and looking to aggregate their investments in one place, through tax wrappers, to maximise tax efficiency for both saving and managing income. We offer a range of investments giving clients the ability to meet their financial needs over time. Our proposition is predominantly aimed at clients who are advised. We have a targeted approach to the advisers we do business with, ensuring their clients are aligned with our target market and seek to meet the needs of these advisers through our overall service proposition.

We believe that meeting client expectations is central to our success as a business. We strive to improve outcomes for clients through our service and on going client insight reviews. We use insight reviews to monitor our clients' understanding of James Hay products, how they align with our target market and how they are using our products. Our review of client understanding of the cooling off period has resulted in a rewrite of our communications on cancellation rights, which saw a marked positive increase in client insight scores in this area while insight into product charges has resulted in a redesign of how we construct our charges schedules. We also regularly take the opportunity to remind clients of how our products are intended to be used to ensure they remain fit for their needs.

2018 brought about a strong focus on the timeliness of our service to clients, with a significant improvement seen in meeting our published service levels. As at the end of 2018, clients gave us a positive NPS score of +14 and Customer Satisfaction (CSAT) score of 90%. 2019 will be focused on improving the client and adviser experience further with newly appointed resource in this area.

Brexit

In light of the current political uncertainties, in particular in relation to Brexit and its timing and impact, the year ahead is expected to continue with the regulatory challenges, political uncertainty and market volatility that impacted the tail end of 2018. In the event of a "hard" Brexit or a "no deal" Brexit, there could be significant knock-on impacts across the UK economy and markets which would also impact James Hay. Market volatility, or market declines, could adversely affect James Hay's revenue (in relation to revenue earned on an ad valorem basis) and could impact clients' willingness to make investment decisions. Furthermore, a sustained economic downturn in the UK could result in higher unemployment and, potentially, a need for clients to access their pension savings and reduce assets held on platform. Given the political uncertainty surrounding Brexit, we have undertaken extensive planning for a range of scenarios including "hard" or "no-deal" Brexit, an agreed deal with an implementation period, early General Election and extension of Article 50. James Hay has limited direct business with Europe, but uncertainty around Brexit could increase trading activity, cause volatility in margins and reduce new business volumes. Both James Hay's asset based and margin on cash revenue, which account for approximately 48% of revenue, is vulnerable to market volatility. We believe that we are well positioned given our preparation and have added information to our website to keep advisers and investors informed.

Despite this uncertainty, we remain confident in the long-term structural drivers of the business and the demand for platform services.

Outlook

Having completed a comprehensive review of our longer-term strategy, James Hay will continue its commitment to the platform market delivering an expanded ISA/GIA proposition, focused on high net worth clients who are advised by our strategic partners. James Hay continues to view the medium-term sector outlook as positive.

The August 2018 interest rate increase will have a full year impact on 2019, however overall cash balances have been at lower levels signalling a behavioural change in investment strategy, while market volatility may impact revenue earnings. A 5% movement in cash balances would impact revenue by approximately £700,000 p.a., while a 5% movement in assets held in James Hay's investment centre would impact revenue by approximately £550,000 p.a..

We are focused on resolving legacy matters, which continue to absorb significant management time and focus. We believe that on completion of the dual trustee review, all material legacy risk areas in James Hay will have been reviewed for financial exposure and client detriment and the reduction of costs relating to this work is likely to lead to increased efficiency and will allow us to focus on growing the core business.

Alastair Conway
Chief Executive Officer
James Hay Partnership

Our 11 client outcomes

1. James Hay is a safe and secure business to use for my retirement and wealth management needs.
2. I am confident James Hay acts with integrity and ensures my interests as an investor are put first at all times.
3. I understand the information provided by James Hay and I am empowered to make effective and informed decisions.
4. I can easily login 24/7 to use a stable and reliable platform.
5. I have access to functionality and tools which are easy to understand and use, and processing capability that enables me to take the action I want to take, when I want to take it.
6. I believe James Hay's charges are clear, transparent and applied fairly to my account.
7. I can easily see if my James Hay portfolio is on track to support my overall retirement and investment goals.
8. I can easily transfer from/to another platform provider and close my account.
9. I am in control and understand my options and the risks when taking my retirement funds as retirement income or ad hoc withdrawals.
10. If James Hay causes something to go wrong, I know they will fix it on a timely basis and look after me.
11. If I make a complaint it is dealt with effectively, fairly and resolved promptly.

Culture and values

James Hay's culture is founded on our values and behaviours. We aim to behave in a way that is Confident, Professional, Positive and Engaging and espouse the following values:

1. **Think Investor** – Thinking Investor has always been central to James Hay. We're called to have a broad understanding of investors' entire retirement wealth planning journeys and act in the best interests of investors rather than simply servicing the needs of one individual, to the potential detriment of our wider client base.
2. **Do the Right Thing** – We must consider Investor Outcomes in all decisions made and keep the end investor at the forefront of our minds. Personal ethics, such as honesty, integrity, fairness, diversity and inclusivity, as well as consideration of the greater good, all ensure that our actions consistently promote positive outcomes.
3. **Work as a Team** – Good communications, setting and working towards common goals, and playing to our individual strengths to improve outcomes for investors. Working as a team contributes to the shared success of the business.
4. **Take Responsibility** – More than achieving objectives and 'getting the job done', Taking Responsibility means that we take action with a willingness to 'think big' and deliver, adding value to the business's overall success.

Key Performance Indicators (KPIs)

Our goal is to be a successful, sustainable and profitable business by supporting financial advisers and delivering good outcomes to investors as they accumulate wealth, preserve and manage that wealth during retirement.

Measuring our progress against strategy

Serving clients

Our businesses deliver products and services that improve client outcomes

Principal risks 2 3 4 5 6

Driving growth and profitability

Through long-term relationships that drive revenue growth

Principal risks 1 11

Financial discipline

Allocating resources and developing efficient operating models that manage cost and risk

Principal risks 2 7 8 9 10 11

Number of clients

58,753
+0.3%

Performance

Client numbers have increased marginally during 2018 with new clients substantially offset by attrition and run-off of legacy books.

Outlook

We expect client numbers to grow in future years driven by improvements to our proposition and maintaining current levels of client retention.

Link to remuneration

None.

New clients

4,651
-24%

Performance

Lower volumes of new clients were driven by a reduction in Defined Benefit transfer activity in 2018, following a significant rise in 2017.

Outlook

We expect new client wins to increase in future driven by improvements to our proposition.

Link to remuneration

None.

Retention (%)

93%

Performance

2018 saw retention in line with prior years. Retention is lower in older books now closed to new business and higher in core business lines.

Outlook

We expect to continue to retain clients in line with recent experience.

Link to remuneration

None.

See **pages 30-37** for detail on risks.

Assets under administration and advice (£bn)

£25.3bn

-1%

Performance

We continue to attract net inflows but this was offset by adverse market movements during the year.

Outlook

We expect to grow our assets under administration through attracting new clients and by broadening our proposition to attract more ISA and GIA business.

Link to remuneration

None.

Revenue (£'000)

£53.3m

+15%

Performance

Revenue increased by 15% by a combination of increased revenues relating to margin on cash on client cash balances held and increased fee income as a result of the repricing initiative implemented in H2 2017. The increase in interest rates improved James Hay margin on cash by £5.3 million to £12.1 million in the year.

Outlook

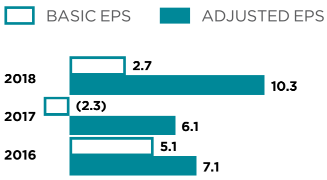
We expect our pricing to remain stable and revenue to grow in line with growth in plans and assets. We expect pricing pressure in the broader market but consider that we are well placed to resist an impact on our business. Margin on cash is now at historical levels and any further increases in interest rates are unlikely to increase margins further.

Link to remuneration

None.

Basic/adjusted operating profit (£m)

£2.7m/£10.3m



Performance

Adjusted operating profit increased materially in 2018, driven by increases in revenue as interest margins on cash returned to historical levels. The ongoing review of the complex dual trustee book required a further £4.9 million of exceptional provisions to resolve these matters. This resulted in basic operating profit of £2.7 million, an increase of £5.0 million.

Outlook

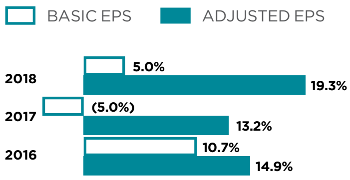
We expect basic operating profit to be more closely aligned to adjusted operating profit, subject to the resolution of a number of legacy matters outlined in note 26.

Link to remuneration

Remuneration is linked to the overall performance, profitability and cash generation of the business.

Basic/adjusted operating margin (%)

5.0%/19.3%



Performance

Our basic operating margin grew, but was depressed as a consequence of significant exceptional costs related to remediation. Adjusted operating margin improved materially as margin on cash returned to prior levels.

Outlook

We expect that increased efficiency and operational leverage should be positive for the Company. We also expect basic operating margin to be more closely aligned to adjusted operating margin subject to resolution of a number of legacy matters (see note 26).

Link to remuneration

None.

SAUNDERSON
HOUSE

A reputation for excellence

Award winning financial adviser with a strong client-focused brand and an excellent investment track record.

What we do

Saunderson House takes pride in providing a complete financial planning and investment service. We ensure that clients understand our recommendations, explaining our rationale in a straight forward and transparent manner. Our Discretionary Management Service (DMS) supports clients who prefer to delegate investment decision making to our experienced team, whilst our advisory service appeals to those who want greater involvement in ongoing decisions relating to their portfolio.

Key facts

- Founded in 1968, now with over 200 employees.
- Based in the City of London.
- Winner of numerous awards for independent financial advice and inheritance planning.
- Advises on £4.9 billion of assets for 2,342 clients.

1968–2018
50
YEARS

Industry overview: independent wealth management

2018 delivered another year of heightened political activity, both in the UK and overseas – with Brexit, domestic parliament instability and US-China trade relations dominating headlines. This, alongside other economic factors, brought with it a correction in some financial markets and a downward turn in investor confidence.

The sustained low interest rate environment, coupled with significant market uncertainty has continued to drive demand for wealth management services, and the wealth management industry has experienced strong asset inflows, with total investment assets managed by UK Wealth Managers[1] having risen to c. £783 billion as at 30 September 2018[2].

Demographic trends are supportive for our business. The growing and ageing UK population[3], a declining workforce as a proportion of the overall population, and increasing concentration of UK wealth[3] encourage demand for personal financial advice and increase the government's focus on self-provision for retirement. We remain attuned to changes in consumer preferences, particularly as we develop relationships with an increasing number of younger clients and must respond to the rise of the 'digital consumer'.

We continue to observe regulatory change within the industry, as firms meet the Markets in Financial Instruments Directive (MiFID) II changes (including cost and charges reporting) and prepare for the impact of Senior Managers Certification Regime (SMCR). Regulatory commitments have added to our business costs, and we have taken steps to improve our control environment, as detailed in the business review below.

Goal

Our goal remains unchanged. We strive to be the first-choice wealth manager in our chosen markets. We aim to do this by always acting as our clients' financial advocate and delivering the highest standards of service in terms of advice and conduct, whilst meeting all other stakeholders' expectations.

Business strategy

Winning clients earlier in their career was one of the core drivers for launching Saunderson House's Discretionary Management Service (DMS) in 2016, and this offering accounted for c.60% of new clients won in 2018. The firm's efforts to extend its appeal to a younger client base have been successful – resulting in a fall in the average age of our client base; c.50% of clients under the age of 50 having been won since 2016. We have also expanded our capability to acquire new clients by developing our adviser population, which has resulted in 75% of clients now being won by individuals below Director level (up from 25% in 2013).

In January 2018 we deployed improved technology to support our DMS business which is now producing efficiency, scalability and control benefits from its adoption. A significant enhancement was made in Q3 2018 with the introduction of a seamless dealing service connection to one of our preferred investment platform providers. Alongside this, significant development work has taken place to ready this technology for use within our advisory business and we are expecting full launch across the business from Q3 2019.

To mitigate the growing threat of cyber crime and to protect the firm and our clients' data, we have maintained investment in IT infrastructure and are deploying security standards best practice within the business. To enhance our broader control environment, we are in the process of developing our 'three lines of defence'. This will involve reassigning ownership of independent risk oversight from IFG Group to Saunderson House during 2019. As part of our ongoing improvement programme, we have also delivered additional initiatives to enhance our risk management controls, including recruitment within our risk and compliance function, delivery of adviser training and development of our management information framework.

Business review

We were proud to celebrate Saunderson House's 50th anniversary in October 2018. By acting as our clients' trusted financial advocate, we have grown to become recognised as a leading provider to the City of London's top professional individuals. Alongside significant growth within the firm, we are proud to have helped our clients grow their own wealth and support them in navigating difficult economic and financial events.

We saw some inevitable disruption to our H1 plans as a result of the process that was undertaken in Q1 around a potential sale of the business, which was subsequently cancelled. In particular, we experienced a slight slowdown in new client wins during the first half of the year. We made much of this back during the second half, enabling the business to achieve new client growth largely in line with the prior year (2018: 239 new clients won, 2017: 247). At the same time, we grew total revenues by c.7% to £34.3 million from £32.2 million in 2017. Saunderson House now serves 2,342 clients with assets under advice of c. £4.9 billion (down from £5.1 billion in 2017) due to recent market movements.

Operating profit fell to £4.1 million (2017: £7.2 million), primarily as a result of £3.0 million related to retention payments made to staff, following the cancelled sale of the business.

1 Defined as 'Full Service Wealth Managers', 'Private Banks' and 'Investment Managers'
2 Compeer, 2018
3 ONS, 2017

Business review continued

As independent recognition of the Saunderson House offering, we were awarded Wealth Management Firm of the Year at the MoneyAge awards in Q4 2018, as well as being shortlisted for the Best Wealth Management Adviser and Best Investment Adviser in the Money Marketing Awards 2018 earlier in the year.

Our in-house investment proposition plays a key role in our broader wealth management offering. Our investment team has maintained its long-term investment performance across three, five and ten years. Over the last decade, our Wealth Accumulation Balanced portfolio has delivered a total return of 115.2%, outperforming the appropriate Asset Risk Consultants (ARC) comparator by 25.5%.

2018 was the worst year for equity markets since the global financial crisis. In stark contrast to the preceding 12 months, markets were extremely volatile and all major stock indices lost value in both local currency and Sterling terms, providing for a challenging backdrop for portfolio returns. Even traditional safe haven investments produced only negligible gains, as low yields and the transition to a less accommodative monetary policy backdrop capped the return from these assets. Over the first nine months, headwinds included our underweight allocation to US equities, while larger weightings to markets trading at a valuation discount, including European and emerging markets, had a negative impact. However, this positioning worked in our favour during the fourth quarter as US equities bore the brunt of the selling pressures, while our decision to reduce equity allocations in May also provided a degree of protection from wider market falls.

We took a further step to de-risk portfolios in December, trimming exposure to UK commercial property, with the proceeds being retained in cash. Despite Brexit induced uncertainty impacting UK-based assets in 2018, the UK commercial property market held up relatively well. As a result of relatively strong performance, the average market yield has since fallen and, in our view, no longer provides adequate compensation to justify substantial allocations to the asset class.

Equity markets bounced back sharply at the beginning of 2019, helped by more promising trade talks between China and the US, a more dovish than expected tone from the Federal Reserve and an encouraging round of corporate earnings announcements in the US. As such, US equities were the strongest performers over the period in local currency terms though all monitored regions were in positive territory.

Legacy matters

In relation to the previously announced legacy matters, the firm has now completed a review of its back book of transfers and has identified a small number of cases where redress and compensation will be awarded to clients. The firm expects to complete the remaining work by the end of 2019 which is expected to settle within the current provision held.

Investment in our people

We welcomed 15 new trainee financial planning staff in Q3 2018, as part of our ongoing graduate programme. Since its launch in 2001, the graduate programme has enabled the firm to recruit highly capable individuals and help them develop their careers to become chartered financial planners or qualified investment professionals. By cultivating new staff in this way, we are able to offer excellent career opportunities, whilst instilling our strong client-focused culture throughout the business.

We were pleased to be reaccredited to the Silver Standard of Investors in People (IiP) – recognising the commitment we have to recruiting and developing top talent. In H2 2018, we conducted an employee engagement survey across the business; the results of which are contributing to our plans for 2019. We recruited for a new Learning and Development role to evolve and formalise career journeys within the organisation and provide enhanced development support within all business functions. We have also launched an internal awards and recognition programme using our new employee engagement platform, 'SHine', which was introduced earlier this year.

Tony Clarke was appointed to the Saunderson House Board in May 2018 and Chris Sexton left the Saunderson House Board in Q3 2018. Following Chris Sexton's departure, the investment team has transitioned to new leadership under Andrew Birt who has been with the business for over 15 years – demonstrating the strength and depth throughout the Saunderson House team and our desire to promote talent from within the business where possible. Simon Jackson, previously Group CFO of Brooks Macdonald, joined Saunderson House as Finance Director in January 2019.

Our clients

We continue to experience strong demand from professional sectors, with penetration rates of up to 50% within the partnerships of some of the largest UK accountancy and legal firms. The addition of the Discretionary Management Service allows us to expand this market by focusing on those earlier in their careers. We continue to leverage these strong relationships to engage with prospects from new markets. Over 45% of clients won in 2018 came from non-core markets – predominantly through referrals from clients and other professional firms.

During the next ten years, £215 billion of UK millionaires' investable wealth is expected to be passed on to the next generation (GlobalData, 2018). This has prompted concerted efforts to be made in recent years by wealth managers seeking to retain and grow their asset base by targeting future wealth recipients. As part of our holistic wealth management approach, Saunderson House has always actively engaged multiple generations within families we work with. This has helped us build strong, deep relationships with our clients, as well as understanding the needs and challenges that they have in passing on wealth to future generations.

Passing wealth on to children (or wider family and friends) while minimising the inheritance tax liability on death is often a key objective for our clients. However, given the significant sums that can be involved, some are concerned that a gift could impact on their children's career efforts, or fail to be invested for the long term.

In 2018, Saunderson House conducted a research study amongst c.200 high net worth individuals titled "Financial Wellbeing: More than just pounds and pence". We found a substantial gap between the importance individuals placed on providing financial support to their family (average rating of 4.4/5) and the importance of discussing financial matters with their family (rated 3.7/5). This is an area where Saunderson House adds value to our clients, by providing a consultative service to guide families through both the financial, as well as emotional, aspects of wealth transfer.

Client retention levels were 99% for 2018, which is understood to be exceptionally high for our industry. Our client feedback programme has highlighted consistently high advocacy levels throughout the year (with an average rating of 9.4/10). Responsiveness and personal service are frequently noted as drivers of client satisfaction, alongside the professional service delivered by our advisory team.

Brexit

Although the outcome of Brexit is currently uncertain, the UK-focus of our business mitigates much of the vulnerability that other areas of the industry face regarding potential barriers to trade and the movement of people. With respect to our clients, we have witnessed increased concern over the potential fallout of UK political decisions, and in a survey of around 200 Saunderson House clients, a change in UK government was rated as a higher concern than geopolitical instability across all levels of wealth and was most prevalent for those with larger portfolios. Whilst the direct impact of Brexit on Saunderson House is relatively limited, particularly in light of Saunderson House's fee structure and asset based fees accounting for less than 5% of revenue, a "hard" Brexit or "no deal" Brexit could impact across the UK economy. A sustained market downturn or increased UK unemployment could negatively impact clients' willingness and ability to invest, and hence could impact demand for Saunderson House's services. Addressing this uncertainty, we continue to guide clients towards diversified portfolios – both in terms of investment holdings as well as the structure of their assets.

Despite this uncertainty, and indeed potentially driven by this uncertainty, we remain confident of the demand from high net worth clients for high quality financial planning and investment advice, particularly in times of market turbulence.

Outlook

As previously announced, we see opportunities to grow our brand through increased penetration in our current market segments, as well as across new, specialist market segments. We seek to do this by capitalising on our differentiated financial planning and investment offering and by leveraging our strong client relationships. We anticipate further growth in our Discretionary Management Service, in both client numbers and assets, as new clients are attracted to the service and recently won younger clients accumulate additional wealth.

Tony Overy
Chief Executive Officer
Saunderson House

Culture and values

Maintaining a strong, client-focused internal culture is critical to deliver the high levels of service that the Saunderson House brand has been built upon. In 2018, we conducted a review of the firm's values, which was driven by the leadership team and involved all areas of the business. In addition to redefining the values that underpin what we do, we have aligned these values with our people management practices and embedded them within our conduct framework to ensure they overarch the day to day operations of the business.

1. **Working Together** – Acknowledge and leverage individual strengths through collaboration to be the best that we can be. Embrace change and encourage diversity. Always treat others with the respect and compassion we would expect to receive ourselves.

2. **Make It Happen** – Continuously striving to be best-in-class, results-driven and to deliver excellent outcomes for our clients. Always thinking ahead and being both proactive and timely in our approach.

3. **Think with Purpose** – Always ensuring our advice to clients is considered and resolute. Taking a long-term view whilst recognising the importance of our tailored approach to client needs. Challenging ourselves to be innovative and thought-provoking.

4. **Be the Difference** – Always willing to go above and beyond for our clients. Striving to make a difference to those around us by always acting with integrity, and in our clients' best interests.

5. **Lead from the Front** – Committed to leading by example by being relentlessly curious, owning the problem and striving for excellence. Ensuring leadership happens at all levels of the organisation to reinforce our dedication to being the first choice wealth manager.

Key Performance Indicators (KPIs)

Our goal remains unchanged. We strive to be the first-choice wealth manager in our chosen markets. We aim to do this by always acting as our clients' financial advocate and delivering the highest standards of service in terms of advice and conduct, whilst meeting all other stakeholders' expectations.

Measuring our progress against strategy

Serving clients

Our businesses deliver products and services that improve client outcomes

Principal risks 2 3 4 5 6

Driving growth and profitability

Through long-term relationships that drive revenue growth

Principal risks 1 11

Financial discipline

Allocating resources and developing efficient operating models that manage cost and risk

Principal risks 2 7 8 9 10 11

Number of clients

2,342
+10%

Performance

Increased client numbers across both business services during the year resulted from new client wins combined with high rates of client retention contributing to an overall increase of 10% for the year.

Outlook

We expect the number of clients in the business to continue to grow both for DMS and Advisory services as a result of new client wins exceeding the rate of client attrition as has been the case for a number of years.

Link to remuneration

None.

New clients

239
-3%

Performance

Despite a strong H2, new client numbers for the year were slightly lower than 2017 due to the hiatus in new client wins during H1 2018 following the cancelled sale process.

Outlook

We anticipate a continued growth of new clients with the strategic marketing of both Advisory and DMS into new business sectors and the increased profile of DMS.

Link to remuneration

None.

Client retention (%)

99%
+3%

Performance

The business maintained its consistently high rates of client retention with an increase over the previous year through continued strong investment performance and high levels of client satisfaction around service levels.

Outlook

We expect to continue to deliver long-term investment returns to clients in excess of market and industry benchmarks and as we invest in the business this will result in an enhanced service to both new and existing clients.

Link to remuneration

Executive management remuneration for the year 2018 was partly based on certain client retention levels being met.

See **pages 30-37** for detail on risks.

Assets under administration and advice (£bn)

£4.9bn

-4%

Performance

Assets under administration and advice fell over the period by 4% in a year when markets were particularly volatile and all major stock indices lost value. Client returns in the year were behind our benchmarks mainly due to asset allocation away from US and towards Asia relative to the peer group.

Outlook

Assets under administration and advice will be affected by the investment markets generally but the business expects total client numbers to continue to grow giving increased AuA. Clients have historically received investment returns in excess of markets.

Link to remuneration

None.

Advisory and DMS revenue (£'000)

£34.3m

+7%

Performance

Total revenue growth was 7% with DMS growing at 68% and Advisory income increasing by 4% over the year. Our new discretionary offering, which will underpin future growth in Saunderson House, continues to attract clients in increasing numbers and is supported by investment in our portfolio management system, enabling efficient and cost-effective client servicing.

Outlook

The business expects to continue to grow total clients and AuA over the forthcoming year which are the main drivers of revenue.

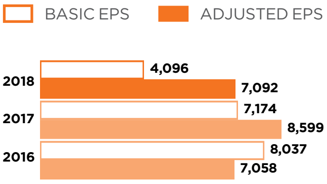
Link to remuneration

None.

Basic/adjusted operating profit (£'000)

£4.1m/£7.1m

-43%/-18%



Performance

The cost base increased with 32 additional staff at the year-end, new office space and increased regulatory costs impacting on the reduction in adjusted profits for the year of 18%. Basic profits were further impacted by the exceptional charge in the year of £3.0 million in respect of a staff retention payment following the cancelled sale process.

Outlook

We believe the business is well positioned to develop its offering to clients and the Directors are confident that, subject to market conditions, the business will return to growth.

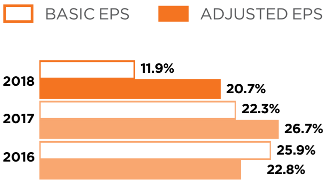
Link to remuneration

Executive management is remunerated based on the underlying performance of the business.

Basic operating/adjusted operating margin

11.9%/20.7%

-46%/-23%



Performance

Margin was impacted in the year by a slower growth in revenue resulting from the cancelled sale process, the investment in front office and operational staff, the additional office space to provide the new DMS and an enhanced service to our existing clients.

Outlook

Following the investment in 2018 and the cancelled sale process impacting on revenue, the Company believes that it is well positioned for growth.

Link to remuneration

Executive management is remunerated based on the underlying performance of the business.

Risk management and internal control

The mechanisms for identifying, assessing, managing and monitoring risks, including internal controls, are an integral part of the management processes of the Group.

Understanding the risks we and our two businesses face, and managing them appropriately, enables effective decision making, contributes to the businesses' competitive advantage and client focus and helps achieve the strategic priorities as set out on page 12. During the year, as we moved to a more devolved governance structure, both businesses strengthened their internal second line teams to develop their management information and reporting in relation to risk. We have continued to implement and embed a comprehensive conduct framework across our businesses, focused on the identification, mitigation and reporting of risks of poor client outcomes and other conduct risks. The conduct framework and programme are owned and delivered by the James Hay and Saunderson House Boards, with oversight and challenge exercised by the Group where appropriate.

The Group's internal control systems are designed to manage and mitigate, rather than eliminate, the risk of failure to achieve objectives and can provide only reasonable, and not absolute, assurance against material financial misstatement or loss.

The Board recognises that the effective management of risk requires the involvement and commitment of people at every level of the organisation and seeks to encourage this through a culture of open communication in addition to the operation of formal risk management processes. The Group risk management framework, as set out below, is viewed as the key enabler of this objective.

Group risk management framework

The Group risk management framework describes the ways in which the Group's two businesses identify, assess, measure, manage and monitor the risks, with oversight and challenge from the Group, that may have an impact on the successful delivery of the strategic priorities of the businesses and the Group.

The Group risk management framework operates in the context of a 'three lines of defence' model of governance and risk management to provide reasonable assurance of the safeguarding of the interests of all stakeholders including the clients of James Hay and Saunderson House.

Board
Overall responsibility for risk management and internal control

Risk & Audit Committee
Oversight of financial matters and effectiveness of risk management and internal controls

First line of defence

Divisional management
Oversight of risk management and advising the Board

Second line of defence

Risk and compliance functions within the individual businesses
Independent oversight

Third line of defence

Internal Audit
Independent assurance on effectiveness of risk management and internal control

The first line comprises first line functions and management within our two businesses, who have day-to-day responsibility for designing, implementing and maintaining effective internal controls within the individual businesses. The second line comprises Risk and Compliance functions within each of the businesses and Group management, who ensure competent risk management across the Group and who independently challenge the management of specific risks. During the year, the Group has continued to move to a more devolved governance structure, in line with the recommendations generated by the independent governance review conducted by Grant Thornton in 2016. This has resulted in more autonomy at business level, supported by strong oversight from the Group. As part of this transition, the second line of the three lines of defence model has been devolved into the businesses. The third line of defence principally comprises Group Internal Audit.

The key roles and detailed responsibilities are assigned, as part of the risk management and control framework, to committee and divisional management structures, freeing the Board to focus on strategic matters, whilst retaining ultimate oversight and control of risk management. The respective roles and responsibilities of the committees of the Board are outlined in the individual committee reports on pages 51 to 67.

The Board has overall responsibility for the Group's risk management policy and for determining and monitoring adherence to the risk appetite statement of the Group. The Board is also required to report on the annual review of the effectiveness of risk management and internal control systems. The Board delegates to the Risk & Audit Committee (previously the Risk committee), the risk functions, Internal Audit and the subsidiary governance bodies, the detailed oversight and execution of risk management and assurance over the adequacy and effectiveness of internal controls. The committee and Internal Audit formally report to the Board as necessary to ensure the Board retains overall control over the risk management and control framework.

The Board is also responsible for ensuring that the Group maintains adequate financial resources to meet regulatory capital requirements.

Risk appetite

The Group risk management framework is underpinned by the Group risk appetite statement within which the individual businesses are required to operate. In the risk appetite statement, the Board sets out the types of risks the Group is willing to take and to what extent and, importantly, the risks which the Group is not willing to assume. It also sets out how the Group operates in its chosen businesses and specifies appropriate metrics for monitoring, reporting, managing and controlling these risks. The risk appetite statement also outlines the internal controls that are required to be maintained in each business. The statement is reviewed by the Risk & Audit Committee and the Board at least annually to ensure it remains current and appropriate to the needs of the business and the expectations of the Board.

Risk management policy

In support of the Group risk appetite statement, the Board has approved the Group risk management policy which sets out the objectives, principles, delegated responsibilities and procedures for the management of risk across the Group. While the Board has primary responsibility for risk management and internal control, it has delegated management and oversight to the Risk & Audit Committee and subsidiary Boards, subject to matters reserved for the Group Board in line with the terms of reference.

Financial reporting processes

Specifically, in relation to financial reporting processes, the main features of the internal control and risk management systems, which are reviewed and approved by the Risk & Audit Committee, include:

- policies and procedures to facilitate the maintenance of records that accurately and fairly reflect transactions;
- controls which provide reasonable assurance that transactions are recorded, as necessary, to permit the preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS") for the consolidated financial statements and FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' for the Parent Company; and
- controls which provide reasonable assurance that assets are maintained in a secure and compliant manner, for the business, its Shareholders and its clients.

The Group Chief Financial Officer manages the financial reporting processes, with oversight by the Risk & Audit Committee to ensure the information which enables the Board to discharge its responsibilities, including the production of interim and annual accounts, is provided on a timely basis. He is supported in this work by Finance teams at Group level and within the businesses who have the responsibility and accountability to provide information in line with Group policies, procedures and internal best practice.

Throughout the year the Group produces latest forecasts to anticipate the expected year-end financial position. These forecasts are compared with the annual budget and enable the Board to assess and, where appropriate, to challenge the subsidiaries if actual or anticipated performance varies materially from the annual budget.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are set out on pages 32 to 37, together with the principal mitigation measures. This is not an exhaustive statement of all risks and uncertainties. Matters which are not currently known to the Board or events which the Board currently considers to be of low likelihood or impact could emerge and could give rise to material risks and uncertainties.

The mitigation measures that are maintained in relation to the principal risks are designed to provide a reasonable and not an absolute level of protection against the impact of the events in question.

The Directors confirm that the Group's ongoing process for identifying, evaluating and managing its principal risks and uncertainties (as outlined in the Directors' Report on pages 68 to 73) is in accordance with FRC guidance (Risk Management, internal control and related financial and business reporting). The process has been in place throughout the accounting period and up to the date of approval of the Annual Report and financial statements. In considering the work of the Risk & Audit Committee, the Board monitored the Group's risk management and internal control systems. See the Risk & Audit Committee report for further information.

Principal risks and uncertainties

Risk	Mitigation	Risk change during 2018
Strategic risks		
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 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. **Affects:** Driving growth and profitability	– Strong market position in each of the sectors in which our businesses compete. – Regular market share and competitor analysis. – Ongoing client, investor and adviser insight across key businesses. – Strong compliance culture, including ongoing review of regulatory and tax changes. – Continued focus on operating efficiencies and business model changes. – Ongoing review and modelling of impact of regulatory and market change. – UK-centric key brands and operating businesses.	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 which may have an impact on demand for services within the platform and financial planning/investment management markets, which could be positive or negative. This is considered further within risk 7 relating to Brexit.
2. Corporate activity		
In respect of any corporate transaction, the failure to meet shareholder expectations or gain regulatory approval, 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. **Affects:** Serving clients Financial discipline	– Engagement with external advisers and brokers on all material transactions. – Setting clear limits in terms of warranty and indemnity risks on disposals that are acceptable and in line with our risk appetite. – Maintenance of professional indemnity insurance policies. – Robust defence of any warranty and indemnity claims that may arise.	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 consequence of the uncertainty caused by the cancelled sale, the risk in relation to client and employee retention within Saunderson House has potentially been elevated during 2018. During the year, the matter relating to the sale of the International Business previously disclosed as a contingency was settled. There are no other material outstanding warranties and indemnities in relation to previous disposals.

Risk trend

Increasing Unchanged Decreasing

Risk	Mitigation	Risk change during 2018	
Operational risks			
3. Loss of key clients/intermediaries			
Failure to properly service and thereby lose key clients/ intermediaries, through impaired brand which may have an adverse effect on the Group's results and reputation. **Affects:** Serving clients	– Maintenance of strong relationships with clients and intermediaries, ensuring we serve clients fairly and transparently. – Continuous investment in our products, service offering and technological capability. – Fair and transparent complaints management processes, and a robust conduct framework at the heart of the businesses. – Prudent financial management.	Within James Hay, ongoing improvements to service to both clients and intermediaries remain a key priority across all key areas to remediate previous examples of underperforming delivery and service.	Increasing
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 execution of strategy and operations. Management of legacy risks has required the retention of experienced personnel with the capability to resolve such matters satisfactorily. **Affects:** Serving clients	– Focus on succession planning, strong recruitment processes, competitive remuneration, long-term management incentive programmes, performance management and management development. – Regular employee engagement and other survey activities. Support and encouragement of staff to take relevant training and achieve qualifications. – The Group continuously assesses its senior management resourcing needs and operates a flexible resourcing model, utilising both permanent and specialist interim resources. Succession plans are regularly considered for both permanent and/or interim roles.	During the year, the Group 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. We continue to review 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 in order to retain and incentivise staff. During 2018 Saunderson House has retained the majority of key staff, however, in September 2018, after 14 years at Saunderson House and 30 years working in investment markets, Chris Sexton, Investment Director, decided to leave the firm to take some time out of the City. Andrew Birt, who has been with the firm for 16 years and has worked alongside Chris as Head of Research, has continued to oversee the investment research function. Andrew is supported by a team of investment analysts and investment decisions continue to be challenged and overseen by the Investment Committee, which comprises both internal and external investment experts. The changes have not impacted the day-to-day management of our clients' portfolios. Our well developed succession plan means that Andrew and the rest of the team have been able to seamlessly continue to deliver our award-winning investment proposition.	Increasing

Risk	Mitigation	Risk change during 2018
Operational risks continued		
5. Disruption to information technology systems		
Catastrophic loss of systems, latent systems errors or other events could cause disruption to our businesses and impact our ability to perform core business activities or cause a reduction in client services. Increased incidences of global attacks on all firms' 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. **Affects:** Serving clients	– Regular testing and assessment of business continuity and disaster recovery planning. – Continuous monitoring of all key IT systems to ensure they are resilient and meet the needs of the Group and its stakeholders. – Maintenance of key ISO accreditations. – Operational resilience built into daily processes. – Ongoing projects to upgrade and enhance our IT systems. – Prevalence of proprietary systems, supported by experienced in-house IT professionals.	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 2018.
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, disruption to business, financial loss and reputational damage. **Affects:** Serving clients	– Full and detailed adherence to applicable Anti-Money Laundering requirements is independently monitored and tested. – External and internal reviews of security measures pertaining to IT and banking systems as well as timely patching of these systems. – Regular cyber-security testing, including best practice resilience and penetration testing. – All data is securely stored and backed-up. – Controls and security measures in respect of key business and client processes. – Recruitment and vetting controls in place for all staff. – Compliance with GDPR and other regulatory standards. – Specialist third parties engaged to review and test business IT control environments on a regular basis	We continue to invest in information technology systems in order to mitigate the risk of significant data breaches and other instances of cybercrime. The cybercrime environment continues to be monitored very closely as the Group is acutely conscious of rising levels of inherent risk in this area. As such, the cyber and IT resiliency of the Group and its businesses has been the subject of Group Internal Audit reviews, with recommendations made and implemented, further strengthening the position. There were no material issues experienced during 2018.

Risk trend

Increasing Unchanged Decreasing

Risk	Mitigation	Risk change during 2018	
Financial risks			
7. Brexit			
Volatility within capital markets may adversely impact the value of assets under administration and/or advice by our underlying businesses, and may affect revenues. Brexit is a key potential source of such market fluctuations, which may also give rise to clients delaying investment decisions or withdrawing funds from platforms. Conversely, market fluctuations may also result in significantly increased demand for professional financial advice, with positive impact on Group revenue. Increased volatility within capital markets increases the risk of a negative impact on the value of assets under administration and advice or management. **Affects:** Financial discipline	– Our businesses include a mix of both transactional and recurring income. – Low risk of withdrawal, as a large proportion of assets under administration and advice are held within tax-advantaged wrappers. – Saunderson House principally generates revenues on an hourly basis and is not wholly dependent on the value of underlying assets. – The Group has a diversified portfolio of clients, assets and charging structures which act as mitigation.	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. James Hay and Saunderson House have considered the impact of a number of potential Brexit scenarios and have planned proportionate responses accordingly. Market volatility caused by uncertainty around Brexit could adversely affect asset based revenue in both businesses and margin on cash in James Hay, which together account for approximately 32% of total revenue. As the position becomes more known the impacts and remedial activities will be further enhanced.	Increasing
8. 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 or suppliers and lead to regulatory breaches. **Affects:** Financial discipline	– Strong balance sheet and capital position both in the businesses and at Group level. – Close monitoring of financial resources to ensure ability to meet liabilities as they fall due. – Careful management of working capital requirements to ensure cash is converted in a timely manner. – Active management of treasury risks in adherence with Board approved policies and procedures. – The Group has in place an overdraft facility.	Management continues to carefully monitor and manage working capital by ensuring that profits are converted to cash in a timely manner, despite unusually high working capital increases at the year-end, caused by uncommonly high mis-matched funding in James Hay which impacted working capital outflows by approximately £2.0 million, and a change in timing of Work-In-Progress billing in Saunderson House. The mis-matched funding subsequently reversed in January 2019. The business has continued to generate cash in 2018 and remains highly liquid. However, the potential exposure surrounding the resolution of the ongoing legacy matters, including Elysian Fuels and the dual trustee book, remains uncertain, and the Group may suffer losses and insurance arrangements might not be adequate. 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 any dividends for 2018, to retain cash within the business to cover worst-case outcomes in relation to these legacy matters. The Group is confident that any subsequent financial exposure in relation to legacy matters, including Elysian Fuels, would be fundable from the Group's cash resources and hopes to reinstate the dividend policy at the earliest practicable time.	Unchanged

Risk	Mitigation	Risk change during 2018
Financial risks continued		
9. Interest rates		
Over-dependency on interest as a source of income may give rise to potential vulnerabilities in short to medium-term financial performance driven by macro-economic factors. **Affects:** Financial discipline	– Active monitoring and negotiation of bank interest rate arrangements. – Repricing of core SIPP business during 2017 has reduced the dependency on interest rates and aligns pricing more closely to the underlying delivery costs of client servicing. – Future increases to interest rates mitigate risk to the benefit of both the Group and its clients.	Inflation, Brexit and weaker global growth may lead to the risk of interest rates remaining at historically low rates. Our repricing undertaken in 2017 has also reduced our historical over-reliance on margin on cash, however volatility in interest rates will have a direct impact on margin on cash revenue, which accounted for approximately 14% of total revenue during 2018.
10. Credit risk		
The exposure to a financial loss as a result of a default by clients or counterparties with which the Group transacts business. **Affects:** Financial discipline	– Careful monitoring of the credit risk exposure at a Group and subsidiary level in line with Group policies. – Management of credit risk by limiting the aggregate amount and duration of exposure to counterparties. – Clients and counterparties are subject to prior credit evaluations and are subject to continuous monitoring at subsidiary level.	The Group continues to focus on improving recovery of aged receivables. Receivables greater than 180 days due have been appropriately allowed for under IFRS 9: Financial instruments, with the appropriate level of expected credit loss accounted for.

Risk trend

Increasing Unchanged Decreasing

Risk	Mitigation	Risk change during 2018	
Financial risks continued			
11. 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, business disruption and increased levels of risk transfer by regulators to Platform and Advisory businesses. The Group could face a material loss arising from client complaints or a failure to deliver good client outcomes, fines including HMRC sanction charges and/or regulatory censure from failure to comply with applicable regulations, tax 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. The Group continues to address a number of legacy issues that have a significant regulatory component, as well as seeking to mature further recent enhancements to both its governance and conduct frameworks. **Affects:** Driving growth and profitability Financial discipline	– Continuously evolving cultural, governance and risk management framework, including Board oversight, local compliance, Risk and Finance managers, compliance monitoring and Internal Audit functions. – Close interaction with the Group's regulators on key regulatory and taxation matters. Strong compliance culture and focus on consumer outcomes, supported by appropriate performance incentives to ensure clients are properly served and supported in a fair and transparent manner. – Regular horizon scanning and review of impending changes, and consideration of impact on the Group and its clients. – Communication with HMRC and other applicable authorities in an open, honest and transparent manner in accordance with the tax risk appetite set by the Board.	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, and the FCA's Retirement Outcomes Review. There continues to be a lack of certainty as to the liability associated with SIPP operators in respect of historic investments previously accepted, in many cases a number of years ago. This uncertainty has potentially increased following the Judicial Review of the Financial Ombudsman Service's decision regarding the Berkeley Burke appeal relating to a complaint in relation to the loss suffered by a client arising on an investment which turned out to be fraudulent. The Group is satisfied that there are controls and procedures in place to ensure the SIPP business remains compliant with its regulatory responsibilities. 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 the dual trustee book within James Hay, there is a risk that further cases requiring remediation or resulting in exposure to HMRC or regulatory sanctions, may arise.	Increasing

Non-financial information statement

We aim to comply with the new Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The sections detailed below are aimed at providing a better understanding of the Group's position on key non-financial matters. This is in line with the Group's existing reporting and follows the Guidance on the Strategic Report (UK Financial Reporting Council).

People

We believe that our staff are fundamental to the creation of long-term sustainable businesses and that our businesses can only deliver sustainable long-term value if they have a skilled, experienced and engaged workforce. This is why we continue to focus on initiatives aimed at engaging and retaining talented people who put clients at the heart of our businesses. In addition, the Boards have put in place a designated Non-Executive Director to engage with the workforce to understand the views of our employees, in accordance with the 2018 UK Corporate Governance Code. This will enable the Boards of the Group and the subsidiaries to consider employee interests in their discussions and decision making.

Saunderson House

As part of the drive to engage with employees and understand their needs, and ultimately improve performance, we continue to undertake regular employee engagement surveys which cover a broad range of subjects.

2018 was the second year Saunderson House conducted the employee engagement survey. We recruited for a new Learning and Development role to evolve and formalise career journeys within the organisation and provide enhanced development support within all business functions. We have also launched an internal awards and recognition programme using our new employee engagement platform, 'SHine', which was introduced earlier this year. We had a 72% response rate, slightly lower than the prior year, however the average score improved from 6.3 in 2017 to 7.1 in 2018, an indication that staff felt more engaged. Our investment in communication channels, headcount and recognition tools has led to positive increases in the average score for questions around communication, the value of staff contribution, external training and general happiness, demonstrating that our staff understand what behaviours are expected of them to ensure that they do the right thing for their clients, colleagues and the firm.

We are pleased with the results of this survey, however we continue to strive for improvement, particularly in providing employees with clarity around performance review and development actions. We firmly believe that high employee engagement will be a driver of sustained high performance and enable us to continue on our mission to position Saunderson House as the Wealth Manager Employer of Choice.

James Hay

In 2018 James Hay undertook its third annual employee engagement survey with an 86% response rate, the highest to date (2017: 83%). The survey tracks and monitors our employees' experience against five indices: Think Investor; Culture; Pride; Happiness & Motivation; and, Leadership (Trust & Communication). Results highlighted opportunities to further improve the way the business addresses conduct (Think Investor); senior and line management communications; and further investment in Learning & Development to help employees feel they can develop their career at James Hay. In consultation with the National People Engagement Group (PEG), management has responded to these opportunities with a structured approach to provide more regular and relevant communications; added resource, time and allocations for personal learning and development (with dedicated FTE in HR); and the launch of the culture and conduct programme, which began with a listening exercise (focus groups) and action planning sessions based on this insight.

In 2019, the business will be moving to a more proactive stance on employee engagement with more regular, shorter pulse surveys run across teams (instead of as an annual measure) to offer actionable insights and immediate feedback for line managers, as well as tracking and measuring the five indices across the business, over time and informing the Conduct dashboard metrics.

Training and development

The Group continues to seek to meet its business objectives by having a highly competent and professional workforce. Professional development is actively encouraged and many of our staff embark on professional qualifications to further their knowledge and careers within the Group.

In 2018 the James Hay Learning Academy was launched, within which we ran courses for over 1,000 attendees. We strengthened and updated our new starter induction, began to offer financial services apprenticeships to existing staff, launched a new digital Learning Management System and rolled out Insights Discovery training to almost half the business to focus on building better relationships. The work last year has created the foundation for us to launch a holistic Client Services training programme, a Management and Leadership Development programme, blended learning as well as enhancing our approach to competency in 2019.

During 2018, Saunderson House created a new Learning and Development Manager role within the business as part of our commitment to providing exceptional personal and professional development opportunities for our staff. In the second half of 2018, we initiated a full review of the technical and soft skill learning journey across the business. We have also launched management training and coaching programmes and have refreshed our new staff induction programme. Saunderson House remains heavily invested in people technology through the introduction of a self-service HR system, online performance management system, learning management system and an engagement, recognition and internal communications platform. These investments have improved the efficiency of delivering online training and development to staff and our ability to communicate effectively as the firm continues to grow.

Just as important as developing the existing workforce, we are focused on attracting the best graduates who may, one day, become senior managers and leaders. Both our businesses run graduate recruitment and training programmes that blend on-the-job training, classroom learning and mentoring.

As part of our ongoing commitment to understanding the people within our business and catering to their needs, we will continue regular surveys as part of our wide employee engagement programme. This will help to inform our future people policies and approaches to personal development.

Diversity and inclusion

IFG fosters a working environment that supports the principles of diversity and equality and is committed to ensuring that everyone is treated with dignity and respect. We are an equal opportunities employer and it is our policy to ensure that all job applicants and employees are treated fairly and on merit to ensure the Group attracts, retains and promotes the best available talent. We aim to:

- promote equality and diversity to our employees;
- ensure our workforce reflects the population;
- promote equal pay;
- demonstrate responsiveness to the needs of individuals and organisations; and
- effectively challenge and eradicate discrimination.

In particular we seek to ensure that responsibilities under the Equality Act 2010 are adhered to.

The table below shows the gender split at different levels across the whole Group as at 31 December 2018:

Health and safety

IFG is committed to providing a safe and healthy environment in which its employees can work. We use health and safety consultants on an ongoing basis to ensure that standards are maintained. Health and safety policies are made available to all staff.

The policies are reviewed and updated on an ongoing basis taking into account changes in the law, and staff are notified of any changes that are made.

Human Rights and Modern Slavery Act

The Board gives due regard to Human Rights considerations, as defined under the European Convention on Human Rights and the UK Human Rights Act 1998 as applied to our UK businesses. During the course of 2018 we carried out a risk assessment and found that our suppliers presented a very low risk of modern slavery or human trafficking. However, the businesses reviewed contractual arrangements with existing suppliers and included a new provision in their contracts requiring suppliers to comply with the Modern Slavery Act.

We continue to be aware of our responsibilities and obligations under the Modern Slavery Act and continue to develop our approach to the prevention of modern slavery and human trafficking, managing risks on an on-going basis.

We have published our Modern Slavery Statement, setting out what we are doing to prevent modern slavery and human trafficking on our website at www.ifggroup.com.

Anti-Bribery and Corruption

The Board is responsible for the oversight of the Group's Anti-Bribery and Corruption and Whistleblowing policies and is committed to applying the highest standards of ethical conduct and integrity in its business activities. Every employee and individual acting on the Group's behalf is responsible for maintaining our reputation and for conducting business honestly and professionally.

The Group considers that bribery and corruption have a detrimental impact on business by undermining good governance and distorting free markets. The Board and Senior Management are committed to implementing and enforcing effective systems throughout the Company to prevent, monitor and eliminate bribery, in accordance with the Irish Criminal Justice (Corruption Offences) Act 2018 and the UK Bribery Act 2010, which apply to the Group and its UK subsidiaries. The Group's Whistleblowing policy encourages employees to report any instances of wrongdoing anonymously.

During 2018 there were no instances of non-compliance reported with the Anti-Bribery and Corruption policy.

Governance

Corporate governance

We follow the corporate governance guidelines contained in the 2016 UK Corporate Governance Code ("the Code") published by the UK Financial Reporting Council in 2010 (revised in September 2012, September 2014 and April 2016), and the Irish Corporate Governance Annex. Given the recent changes made during 2018 to the Code, we are actively reviewing our corporate governance arrangements and reporting to ensure that we comply with the 2018 UK Corporate Governance Code (the "new Code"), effective 1 January 2019.

We ensure that, where practical, the Group complies with the Code or, where it has not done so, explain why this is the case. We compete fairly in the markets in which we operate and believe in business transparency and ethical behaviour. More details can be found in the corporate governance statement on pages 46 to 50.

Gender split

	Male	Female	Total
Directors of IFG Group plc	4	2	6
Subsidiary Directors	9	1	10
Senior managers	46	18	64
Other employees	364	393	757
Total	**423**	**414**	**837**

Clients

Client care

We continuously strive to improve the client experience across our businesses and maintain the highest standards of client care and wholeheartedly support the FCA's conduct agenda. We work to ensure that we deliver upper quartile investment performance and high-quality financial advice, excellent administration, protection from inappropriate risk and that client communication is clear, fair and understandable.

Following the implementation of the Group-wide conduct framework within each of the business units in 2017, both firms continued with embedding activities focused on ensuring fair client outcomes remain at the heart of everything they do. Some examples of this continuing embedding of conduct include:

In James Hay

- The implementation and embedding of the new Vulnerable Investor Policy;
- The implementation and embedding of the revised Operational Training and Competence framework;
- Reaching our target of service back-log to zero in Salisbury;
- Improving complaint handling;
- Continued resolution of legacy matters;
- Making significant improvements to call handling processes; and
- Updating the remuneration policy and processes (incorporating conduct targets) for Executives and employees.

In Saunderson House

- The implementation and embedding of the new file monitoring process, run by the second line compliance monitoring team;
- Embedding new Advice Standards;
- Consideration of conduct maturity by the Saunderson House Board;
- The business values being re-articulated and refreshed with conduct training delivered to all staff; and
- The values, behaviours and client outcomes being embedded in internal processes including objective setting, performance reviews and reward.

We have in place a strong and fair complaints process, but also seek to ensure we address client-related matters in a proactive fashion. Where we make errors, we will seek to put the client back in the correct position before any complaint arises.

Communities

Charities

For many years, our people have been involved in charitable activities, at both an individual and company level. Many of our staff expand their own skill sets and develop networks that personally and professionally enrich them through involvement in a number of charitable trusts, committees and volunteer initiatives.

Saunderson House

Saunderson House is proud to have worked with Teenage Cancer Trust during 2017 and 2018 as its 'chosen charity partner'. Teenage Cancer Trust is the only UK charity dedicated to improving the quality of life and chances of survival of the seven young people, aged 13-24, diagnosed with cancer every day. Our partnership commitment involved a variety of initiatives – including providing all employees with two paid volunteer days to undertake charitable activities, matching the fundraising activities undertaken by our staff and promoting our charity partner to our staff, clients and suppliers.

Every two years, Saunderson House employees nominate and vote for a new charity to partner and we are pleased to announce that for 2019-2020, Parkinson's UK will be our new charity partner. Parkinson's is a degenerative brain condition that can strike anyone at any time, regardless of age, gender or race. 1 in 37 people will hear the shock diagnosis in their lifetime. Many of our staff and clients have been directly or indirectly affected by the condition, so we look forward to the positive impact that we hope our fundraising and volunteering activities will have on the charity and the people it supports.

James Hay

In James Hay, Salisbury employees took part in the Salisbury Hospice Charity's midnight walk event. In 2019, a more strategic approach to corporate social responsibility is planned, with at least one headline event each quarter. The business will partner with national charities and continue to support registered local charity organisations to improve perceptions of the business within the local communities and increase 'Pride in James Hay', a strategic driver for engagement. Events during the year included: 'James Hay Shows Some Love' with the British Heart Foundation and 'James Hay Summer Event at the Bubble Rush' with the Salisbury Hospice Charity.

Local sponsorships, volunteering and community support

IFG and its employees are committed to the communities in which we operate. Employees take great pride in the impact they make on their local communities and are actively encouraged to contribute, with efforts ranging from local sponsorship and volunteering, to providing educational support. During the year employees were involved in renovating the gardens at an elderly care home and hosting afternoon tea for the residents.

A number of initiatives to support local communities are planned for the year ahead, including:

- Recruitment drives and talent showcases with Bath University and Wiltshire College in conjunction with the Learning & Development team;
- Sponsorship of the Sixth Form Awards at Burgate School in Downton;
- 'James Hay Cares for the Environment' with Live @ Farm – Bourne River Community Farm (Salisbury); and
- 'James Hay lends an Ear to Advisers/Investors' – Farley Church Music Festival.

Environmental sustainability

IFG is committed to mitigating our environmental impact through effective management of energy systems, travel, water usage and waste recycling. We recognise the effect our business can have on climate change and we take a proactive approach to managing our businesses, whilst at the same time encouraging all employees to consider their own personal impact on the environment.

Mandatory greenhouse gas report results

Reducing emissions is the right thing to do for a responsible Group seeking sustainable profits. It conserves energy, saves money and helps deliver energy security and better resource efficiency. Some initiatives have included installing motion activated lighting and a PC power management system at a number of properties within the Group.

Our gross greenhouse gas (GHG) emissions for the year ended 31 December 2018 totalled 438 tonnes of CO_2e. We break down our emissions into three categories which can be seen in the table below. We have used emission factors from Defra/DECC's GHG Conversion Factors for Company Reporting.

Our carbon data is collected by managers and entered into a reporting tool that has been designed specifically to support our carbon footprint process. This tool has been developed to reflect the requirements of the GHG protocol and calculates CO_2e emissions.

Environmental initiatives

The Group continues to recognise its impact on the environment and takes steps to minimise it. It is our aim to deal with clients and businesses electronically wherever possible, not only to speed up information transfer but also to reduce the amount of paper we use. We have invested heavily in technology at both James Hay and Saunderson House to facilitate an increase in online and paperless services for our clients.

At the AGM in 2016, Shareholders passed a resolution permitting the Group to use electronic means of communication with its Shareholders. 85% of Shareholders are now opting to receive a notification by email when Shareholder information is made available on the Group's website, including the Annual Report and Accounts, Proxy forms and other documents that are sent to Shareholders.

We continue to utilise software applications that allow Board and committee papers to be distributed electronically, eliminating the need for printing documents and thus conserving resources.

IFG remains committed to seeking out new and innovative ways to reduce our environmental impact. We continue to build on efforts to encourage recycling at all our offices by encouraging staff to separate recyclable waste from general waste. This has resulted in a significant decrease in the amount of waste being sent to landfill.

GHG emissions (tonnes CO_2e)

Description	2013	2014	2015	2016	2017	**2018**
Owned vehicles	3	3	0	0	0	**0**
Electricity, gas and water	454	385	169	128	174	**216**
Business travel	446	389	325	300	269	**222**
Total	903	777	494	428	443	**438**

Introduction to corporate governance

Strong corporate governance is crucial to the long-term success of the Group, enabling us to deliver our strategy and growth objectives for the future. This section of the report describes how the Group is governed and managed and explains how the principles of the Code, the Financial Reporting Council (FRC) Guidance (Risk Management, internal control and related financial and business reporting), and the provisions of the Irish Corporate Governance Annex, have been applied throughout the year. The Board is accountable to our Shareholders and stakeholders for the Group's activities and is responsible for the effectiveness of corporate governance.

The Board ensures that corporate governance developments are kept under constant review as it is vital that the Group's governance structures evolve as necessary and remain appropriate for a Group of our size and complexity. In this regard we have made some refinements during the year to existing practices to ensure full compliance with the Code and the FRC guidance on risk management.

The Board has undertaken a review of the new Code which was published in July 2018 and how it may impact the Group and its corporate governance. There are now a number of workstreams underway to ensure the Group continues to operate to a high standard of governance within its businesses and that it is fully compliant with the new Code.

Annual General Meeting

Finally, I would like to encourage our Shareholders to attend our Annual General Meeting (AGM). It provides an excellent opportunity to meet the Board of Directors and engage with them on any matters you feel are important to the development of the Group.

Mark Dearsley
Chairman
22 March 2019

IFG GROUP BOARD OF DIRECTORS

Mark Dearsley
Chairman (57)

Term of office
Joined the Board in April 2018

Independent
Yes

Committee membership
D Re N F Rk

Mark Dearsley was co-opted to the Board of IFG Group as Deputy Chairman on 17 April 2018 following which he was appointed Chairman on 9 May 2018. Previously, he had served as Interim Chief Financial Officer of IFG Group from 11 January 2018, however, was considered independent as his role was to oversee the year-end financial close process and he was not involved in strategic decisions. Mark is a Chartered Accountant with extensive board level experience in the financial sector, including serving as Group Finance Director and Managing Director, International of Partnership Assurance, Group Chief Financial Officer of Savills plc and Group Mergers & Acquisitions Director of Aviva plc. He was also Finance Director of Aviva Europe & International, its international division. He was most recently Group Strategy Director for Just Group plc.

Kathryn Purves
Group Chief Executive (45)

Term of office
Joined the Board in May 2016

Independent
No

External directorships and commitments
Non-executive director and chair of the Risk Committee of Intermediate Capital Group plc, a FTSE 250 alternative asset manager.

D

Kathryn Purves is an experienced financial services professional with her most recent executive experience being focused on risk management, governance, legal and compliance. She served as Chief Risk Officer of Partnership Assurance Group plc, a leading provider of non-standard annuities, until June 2015. Before joining Partnership in 2008, she worked within the private equity industry for approximately ten years, most recently at Phoenix Equity Partners. Prior to that, she worked as an Investment Manager for Deutsche Bank in Europe and UBS Capital in Australia and Asia.

Gavin Howard
Group Chief Financial Officer (47)

Term of office
Joined the Board in August 2018

Independent
No

Gavin Howard joined IFG Group as Chief Financial Officer in April 2018 and was co-opted to the Board on 30 August 2018. Gavin is a Fellow of the Institute of Actuaries with extensive experience in the financial services sector, including serving as Director of Strategy for Just Group plc, Director of International and Director of Equity Release for Partnership Assurance, Chief Financial Officer of In Retirement Services Ltd, a 3i-backed equity release specialist and actuarial roles for Barclays and Friends Provident.

David Paige
Senior Independent Director (67)

Term of office
Joined the Board in July 2012

Independent
Yes

External directorships and commitments
Chairman of Yorkshire Building Society Pension Scheme.

D Rk F

Mr Paige is a fellow of the Institute of Chartered Accountants and was a partner in Coopers & Lybrand's financial services division before moving into senior executive positions with NatWest Bank, Zurich Financial Services, Aviva plc and RSA Insurance Group where he was executive director for risk. He was also non-executive director of several of Aegon's UK businesses, Willis UK, Yorkshire Building Society and Helphire PLC.

Peter Priestley
Non-Executive Director (51)

Term of office
Joined the Board in March 2010

Independent
Yes

External directorships and commitments
Non-executive director of Continental Farmers Group plc.

D Re N Rk F

Mr Priestley is a qualified lawyer, with an MBA from the University of Michigan. He is an experienced corporate finance adviser, having spent his early career at Williams Holdings plc. Mr Priestley was involved in the foundation of Pension Insurance Corporation, a leading UK life insurer, and co-founded both Celtic Utilities Limited and Greenstar Limited.

Cara Ryan
Non-Executive Director (46)

Term of office
Joined the Board in February 2013

Independent
Yes

External directorships and commitments
Non-executive director of Harmony Capital Partners Limited and Non-executive director of Mercer Ireland, an Irish MiFID firm

Re N Rk

Ms Ryan holds a Masters in Investment & Treasury, worked as an economist for Ulster Bank and has strong experience in corporate finance and financial services. She was appointed managing director of IFG Investment Managers from 2002 until the business was sold in 2006. Ms Ryan has held board positions on numerous investment funds and was an executive director of Manor Park Homebuilders, where she dealt with financial and legal matters of the group.

F Finance Committee **N** Nomination Committee **Rk** Risk & Audit Committee **Re** Remuneration Committee **D** Disclosure Committee

JAMES HAY PARTNERSHIP BOARD OF DIRECTORS

Keith Dignam
Non-Executive Chairman

Mr Dignam has operated as a consultant to the Irish State, Irish and international financial institutions and private equity firms since 2003. He has held senior roles with Elavon Financial Services, Bank of Ireland Group and Andersen Consulting (now Accenture).

Alastair Conway
Chief Executive Officer

Mr Conway has held positions with Cofunds as sales and marketing director, head of propositions and commercial development at Sesame, Zurich International, and Chief Executive of The Clear Group.

Iain McCoo
Chief Commercial Officer

Mr McCoo spent over 14 years with Lehman Brothers in various senior finance roles. He has also held senior finance roles with Morgan Stanley and Credit Suisse.

Kathryn Purves
Group Chief Executive of IFG Group plc

Please see page 43 for full biography.

Geoffrey Clarkson
Non-Executive Director

Mr Clarkson, who is a lawyer by profession, has held executive and non-executive roles with Clarkson and Associates, Tenet Group, Bond Dickinson and London and Manchester Group plc.

Gavin Howard
Gavin Howard, Group Chief Financial Officer of James Hay and IFG Group

Gavin was appointed to the Board on 5 February 2019.

Please see page 43 for full biography.

SAUNDERSON HOUSE BOARD OF DIRECTORS

Robin Phipps
Chairman of Saunderson House

Mr Phipps has significant experience in financial services, having been a group director of Legal & General Group plc, non-executive director of GE Money Credit Cards, Partnership Assurance, Resolution Group and Friends Life and senior financial services adviser to Ernst & Young. Mr Phipps currently holds positions as chair of Bupa Insurance Limited, British Gas Insurance and Reliance Life Limited.

Tony Overy
Chief Executive Officer

Mr Overy joined Saunderson House in 1989 as a trainee financial planner, was appointed a director of the firm in 1996 and Chief Executive Officer in January 2012. Mr Overy holds the Advanced Diploma in Financial Planning and is an Associate of the Chartered Insurance Institute, as well as being a Chartered Financial Planner.

Duncan Ross
Chief Operating Officer

Mr Ross held previous roles in Citibank, Brown Shipley & Co. Private Bank and Legal & General. He is a Fellow of the Association of Chartered Certified Accountants, Associate of the Chartered Institute of Taxation and a Member of the Chartered Institute for Securities & Investment.

Tony Clarke
Business Oversight Director

Mr Clarke commenced his financial planning career in Barclays following which he joined Saunderson House as a financial planner in 2001 and then joined the management team in 2006. Mr Clarke is a Chartered Financial Planner, Certified Financial Planner and a Fellow of the Personal Finance Society.

Kathryn Purves
Group Chief Executive of IFG Group plc

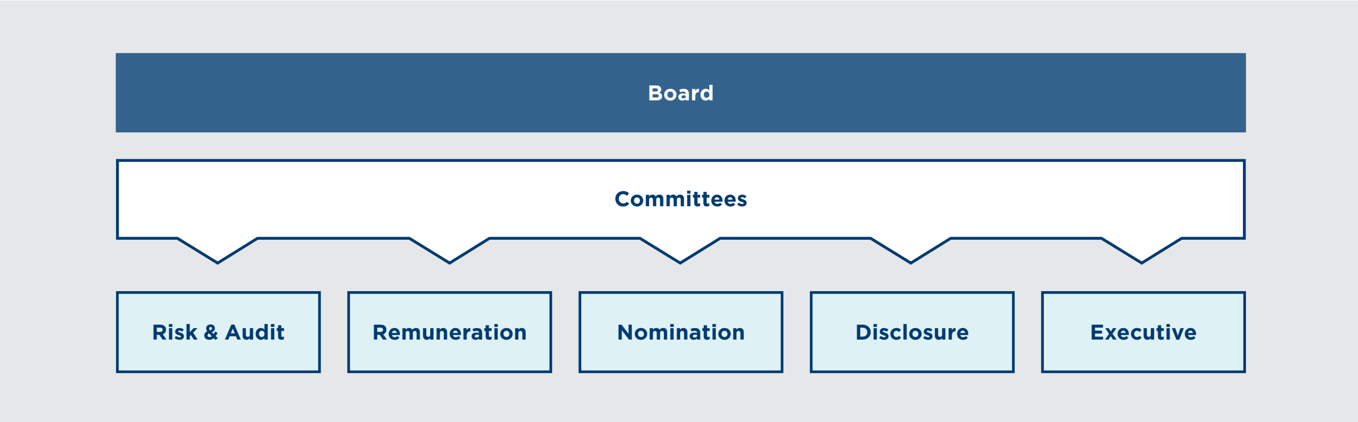
Please see page 43 for full biography.

Dean Buckley
Non-Executive Director

Mr Buckley has over 30 years of experience across insurance, asset management and wealth management businesses, both as a CIO and as a Chief Executive. Since stepping down from his executive career, Mr Buckley has joined the boards of JP Morgan Asian Investment Trust plc and Fidelity Special Values plc.

Amanda Davidson
Non-Executive Director

Ms Davidson joined the Board in July 2017. Ms Davidson is a certified financial planner who held a number a board positions through her career including Baigrie Davies, Holden Meehan and Chase De Vere. In addition, Ms Davidson has served on boards of financial regulators, FCA (Financial Conduct Authority), FSA (Financial Services Authority) and PIA (Personal Investment Authority).



The Board of IFG Group plc ("IFG' or 'the Group") is committed to maintaining the highest standards of corporate governance.

The Group adopts the UK Corporate Governance Code April 2016 published by the Financial Reporting Council in the UK ("the Code") and the Irish Corporate Governance Annex published by the Euronext Dublin Stock Exchange in respect of its corporate governance practices.

This statement sets out in detail how the Group has applied the principles set out in the Code, which was published by the Financial Reporting Council in the UK and adopted by the Euronext Dublin Stock Exchange. The Code is publicly available on the FRC website, www.frc.org.uk. A copy of the Irish Corporate Governance Annex can be obtained from the ISE's website, www.ise.ie

The Board of Directors and its committees

During the year there were some key changes to the Board, including a significant reduction in members. The Board comprises a Chairman with extensive business experience in financial services, three Independent Non-Executive Directors who have significant experience and knowledge of the financial services industry and two Executive Directors with experience of working at senior management levels within UK financial services.

The Group has a strong Board with the appropriate balance of skills and experience in the market segments in which the Group operates, in order to oversee the future of the Group. The Code suggests that at least half the Board, excluding the Chairman, should comprise of Independent Non-Executive Directors. In the case of IFG, the Board comprises three Independent Non-Executive Directors, excluding the Chairman, and two Executive Directors, in compliance with the Code. The Board is satisfied that it is well positioned to address risks and uncertainties faced by the Group as outlined on pages 30 to 37 through the combined specialist financial industry expertise and business skills of its Non-Executive and Executive Directors.

The Board is collectively responsible for the long-term success of the Group. Its role is to provide leadership and direction to the business as well as well as championing the Group's culture and values, to oversee management, and to ensure that the Group provides its stakeholders with a fair, balanced and understandable assessment of its current position and prospects. The Board further determines its governance, its risk appetite and its strategy, ensuring that there is sufficient capacity and capabilities within the organisation.

There is a clear division of responsibilities between the running of the Board and the running of the Group's business. The Board has a formal schedule of matters reserved for its decision and these include, but are not limited to:

- approval of the strategic plans and long-term objectives of the Group, including approval of yearly budgets;
- approval of the annual and half year financial results;
- review of the Group's dividend policy and declaration of the interim dividend and recommendation of the final dividend;
- approval of resolutions and related documentation put before Shareholders at general meetings;
- setting the Group's risk management policy and risk appetite;
- approval of the Group's Conduct Framework including periodic review as required;
- review of financial reporting and control structure;
- review and approval of acquisitions, disposals and capital expenditure;
- nomination, appointment and removal of Directors;
- ensuring the effectiveness of, and reporting on, the system of corporate governance; and
- share issuance and financing.

In common with many of our regulated competitors, we have sought to respond to increased FCA focus on evidencing the raising of standards surrounding the quality and suitability of investment advice and administration services provided to clients, trusts and charities. How we conduct ourselves in supporting our clients to achieve their ambitions underpins the continued success of the Group.

Subject to the matters reserved to it, the Board has delegated responsibility for the operational management of the Group to the Group Chief Executive and, through her, to divisional senior management.

The Board has also delegated some of its responsibilities to committees of the Board. The composition and activities of these committees are detailed in their individual reports on pages 51 to 67. The Board receives reports at its meetings from the chairperson of each of the committees on their current activities.

Following the reduction in Board members and to improve efficiency and effectiveness, the Board reduced the number of delegated committees from seven to five: the Risk & Audit Committee, the Remuneration Committee, the Nomination Committee, the Executive Committee and the Disclosure Committee.

Risk & Audit Committee
This committee was an amalgamation of the previous Risk Committee and Audit Committee. This committee is responsible for assisting the Board in setting risk appetite and assessing and managing the risks to which the Group is exposed, as well as overseeing its risk management structure, organisation and processes. This committee also assists the Board in fulfilling its Group-wide financial and governance oversight responsibilities. Further details of the activities of the Risk & Audit Committee are set out in the report on pages 51 to 57.

Remuneration Committee
The Remuneration Committee is primarily responsible for assisting the Board in ensuring that the Group's overall reward philosophy for Executive Directors and certain members of senior management is consistent with the Group's strategic objectives, risk appetite and regulatory compliance. Further details of the activities of the Remuneration Committee are set out in the report on pages 58 to 64.

Nomination Committee
The purpose of the Nomination Committee is to make recommendations to the Board on the appointment and re-appointment of Directors. Further details of the activities of the Nomination Committee are set out in the report on pages 65 to 67.

Finance Committee
The Finance Committee was primarily responsible for considering and reviewing the appropriateness and strategic fit of potential acquisitions or disposals to be made by the Group, considering high level governance arrangements over subsidiaries, and assessing and reviewing the Group's funding and banking requirements. It made recommendations to the Board in relation to all such matters. The committee met only when necessary to deal with specific matters and did not meet on a regularly scheduled basis.

The committee was composed of John Gallagher (Former Chairman), David Paige, Peter Priestley and Kathryn Purves. The Group Chief Executive and relevant members of the senior management team attended meetings, as necessary.

It was decided during the year that this committee was no longer required and that matters previously delegated to this committee would be dealt with by the Group Board.

Executive Committee
All Directors of the Board are members of the Executive Committee. Its remit is to facilitate the execution of documents by seal or by authorised signatory related to matters approved by the Board, administration of matters relating to the issuing of shares, the completion of share certificates and any other administrative functions necessary for the execution of pre-approved Board decisions. The committee meets only when necessary to deal with specific matters and does not meet on a regularly scheduled basis.

Disclosure Committee
The Disclosure Committee was established this year to ensure the Group's compliance with the transparency and disclosure obligations under the Market Abuse Regulation (MAR) including the management of price sensitive information. The committee only meets when necessary to deal with any possible MAR obligations that may arise in the ordinary course of business.

The Committee is composed of Mark Dearsley (Chairman), David Paige, Kathryn Purves (Group Chief Executive) and Peter Priestley. The Group General Counsel and Company Secretary are also consulted as necessary.

Chairman

The Chairman's primary responsibility is to lead the Board by way of promoting openness and debate by all members of the Board, ensuring that the Board has a common purpose, and to make sure that it promotes the highest standards of integrity, probity and corporate governance.

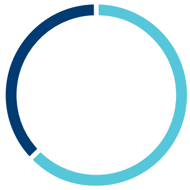
The Chairman is also responsible for establishing and maintaining an effective working relationship with the Group Chief Executive to promote effective and appropriate communications with Shareholders and to ensure that Board members are aware and understand the views of the Group's shareholders and other key stakeholders.

There is a clear division of responsibility between the Chairman and the Group Chief Executive. The responsibilities of each have been set out in writing and have been approved by the Board.

Length of tenure of Directors at 31 December 2018

Balance of Executive and Non-Executive Directors at 31 December 2018

Balance of male and female Directors at 31 December 2018



Senior Independent Director

David Paige has served as the Senior Independent Director ('SID') since May 2015. The SID is available to support the Chairman in his role for separate consultation and is also available as an intermediary for other Directors, for any issues that arise. The Group has an approved process for obtaining feedback on and appraisal of the Chairman's performance. This process is managed by the SID. The SID is also available to Shareholders to express concerns, should contact through the normal communication channels not be available or appropriate.

Company Secretary

The Company Secretary is responsible for advising the Board on all corporate governance matters as well as ensuring good information flows within the Board and its committees. All Directors have access to the services of the Company Secretary and may, if necessary, take independent professional advice at the Group's expense.

Board composition at 21 March 2019

On 31 December 2018, the Board consisted of the Chairman, two Executive Directors and three Independent Non-Executive Directors. The names of the Directors serving at the end of the year and their biographies are set out on page 43.

Appointment of Directors

In compliance with the Code and the Articles of Association, all Directors are subject to retirement at each AGM, and each Director shall be eligible for re-appointment at the same AGM.

Non-Executive Directors are engaged under service agreements. Please see page 64 for more details. It is Board policy that Non-Executive Directors are normally appointed for an initial term of three years, which is now subject to annual re-appointment. Non-Executive Directors are typically expected to serve two three-year terms; however, the Board may invite them to serve longer. All Directors are submitted for re-election at every AGM.

Directors joining are initially appointed to the Board by vote of the existing Board. Elections of Directors by the Shareholders at an AGM take place at the AGM immediately after appointment and then re-elected at every AGM, subject to shareholder approval.

Independence of Non-Executive Directors

The Code provides that an independent Director is one who is independent in character and judgement, but also free of relationships or circumstances which are likely to affect or could appear to affect the Director's judgement in matters of the Board.

Under the provisions of the Code, David Paige, Peter Priestley, Mark Dearsley and Cara Ryan are deemed independent Directors of the Board. Following the 2018 AGM, there was a significant vote against the re-appointment of Colm Barrington. Having received feedback from shareholders, it was believed that the votes against Mr Barrington were largely due to a concern that Mr Barrington was overcommitted to other duties, by virtue of his other directorships. The Board considered the shareholders' concerns and although it was felt he provided sufficient commitment to his role as Non-Executive Director, Mr Barrington decided to step down from the Board.

Peter Priestley will have served on the Board for nine years in April 2019. He plans to step down in due course but, given the significant levels of turnover of the Board during 2018, Mr Priestley has kindly agreed to remain on for the period ahead to provide continuity and to facilitate a search for his replacement. The Board has also concluded that both David Paige and Cara Ryan, having served on the Board for six years, would remain on the Board and remain independent.

Board meetings

The full Board met seven times during the year and held further ad hoc meetings primarily in relation to the assessments received from HMRC in relation to Elysian Fuels, the sale process in relation to Saunderson House and the change of management. In addition, the Board committees met as required. All Directors allocate sufficient time to the Group to discharge their responsibilities effectively as identified in the following table. Board meetings are held with a pre-published structured agenda. Board papers are circulated electronically to each Director with sufficient time before Board meetings. Minutes of the meetings are completed, agreed and signed at the next Board meeting. Any concerns or issues of any individual Directors are noted and recorded in the minutes. The Chairman also meets Non-Executive Directors during the course of the year without the Executive Directors being present.

The following table sets out the attendance by Directors at meetings during the year ended 31 December 2018:

Director	Board[1]	Audit	Risk	Risk and Audit[2]	Remuneration	Nomination	Finance	Executive	Disclosure
Mark Dearsley[(a)]	5	–	–	2	2	–	–	–	2
John Gallagher[(b)]	3	–	–	–	–	–	2	–	1
Colm Barrington[(c)]	3	–	–	–	–	2	–	–	–
John Cotter[(d)]	2	–	–	–	–	–	2	–	1
David Paige	7	4	3	2	–	–	2	–	1
Robin Phipps[(e)]	4	–	3	–	4	–	–	–	–
Peter Priestley	6	–	2	2	7	2	2	–	1
Kathryn Purves[(f)]	7	2	1	–	–	–	2	–	2
Cara Ryan	7	4	–	2	7	2	–	–	–
Gavin Howard[(g)]	2	–	–	–	–	–	–	–	–
Total meetings held	**7**	**4**	**3**	**2**	**7**	**2**	**2**	**–**	**3**

1 In addition to the above scheduled Board meetings there were 17 further ad hoc meetings primarily in relation to the assessments received from HMRC in relation to Elysian Fuels, the cancelled sale of Saunderson House and the subsequent change of management.
2 The Audit Committee and Risk Committee were combined to form one Risk & Audit Committee effective from 30 August 2018.

(a) Mark Dearsley was appointed Chairman on 9 May 2018.
(b) John Gallagher ceased to be Chairman on 9 May 2018.
(c) Colm Barrington ceased to be Director on 30 August 2018.
(d) John Cotter ceased to be Director on 17 April 2018.
(e) Robin Phipps ceased to be Director on 30 August 2018.
(f) Kathryn Purves was appointed by the Board as Group Chief Executive on 17 April 2018, Kathryn previously served as a Non-Executive Director.
(g) Gavin Howard was appointed Director on 30 August 2018.

Changes to the composition of each of the committees can be found on pages 51 to 67.

Relationship with shareholders

The Group places considerable importance, and puts significant effort into, communications with Shareholders and prospective investors. The Group Chief Executive, Group Chief Financial Officer and the Group's brokers meet regularly with institutional Shareholders, prospective investors and brokers catering to private Shareholders. This ongoing programme of dialogue and meetings deals with a wide range of relevant matters to ensure that they understand the Group's strategy, performance, management and governance. Furthermore, the Group regularly seeks Shareholder feedback directly via the Group's corporate brokers, which is then fed back to the Board.

The Chairman and the SID are also available to Shareholders should they have any concerns which contact through the normal channels of the Group Chief Executive and Group Chief Financial Officer has failed to address. The Board is briefed regularly on the views and concerns of Shareholders. The AGM is another opportunity for further Shareholder engagement, with all Directors being present for any questions or concerns that Shareholders may have.

At its AGM, the Group complies with the provisions of the Code relating to the disclosure of proxy votes and the separation of resolutions. The outcome of general meetings, including voting results, is published following the conclusion of the meeting.

Directors' conflicts of interest

The Board has effective procedures for managing and, where appropriate, approving conflicts or potential conflicts of interest. Directors are invited periodically to confirm or amend any conflicts of interest and are encouraged to report these as and when they arise.

Training and development

New Non-Executive Directors undertake appropriate induction on joining the Board and meet with key executives, with a particular focus on ensuring Non-Executive Directors are fully informed on issues of relevance to the Group and its operations. Directors are provided with opportunities to update their skills and knowledge through participation in operational reviews and presentations. They also participate in external training.

The Chairman and Company Secretary review Directors' training needs, in conjunction with individual Directors, and match those needs appropriately. Training and education of Directors is fulfilled by in-house presentations by various executives and employees with specific operational responsibilities and presentations and updates from external experts and consultants where appropriate.

Board performance evaluation

A formal evaluation of the Board and its committees is carried out annually and every three years the Board will consider the engagement of an independent consultant to conduct a review of the Board and its effectiveness, the last having taken place in 2016 with Grant Thornton, who at that time had no other links to the Group. The next independent evaluation of the Board and its effectiveness will take place in 2019.

The Senior Independent Director evaluated the performance of the Board Chairman, taking into account the opinions of the Non-Executive Directors.

Since the external evaluation by Grant Thornton, the Board has continued to review its performance throughout the year through formal and rigorous evaluations, with a self-evaluation questionnaire of its performance under five broad areas: i) Board framework; ii) conduct of meetings; iii) adequacy of information; iv) oversight of executives; and v) culture.

In relation to the Board evaluation carried out for 2018, the following was concluded on each of the key areas:

i) Board framework: the Board members came well prepared to meetings and had a good understanding of what was expected of them. It was recognised that improvement could be made on clearly documented roles and responsibilities of the Board and its subsidiaries in respect of the new devolved governance and work was underway to improve the current Terms of reference.

ii) Conduct of meetings: the Board concluded that it worked constructively as a team and as a whole had the requisite skills, knowledge, experience and time to fulfil its duties effectively. The Board felt that there was the right balance between challenge and mutuality between Board and senior management, with sufficient time being allocated to substantive matters.

iii) Adequacy of information: the Board concluded that although the quality of papers and presentations that were delivered to the Board were suitable, improvement could be made in respect of the range of financial and non-financial performance measures. It was acknowledged that a new suite of KPIs were being developed to improve this.

iv) Oversight of executives: the Board believed that the level of communication of bad news was good, having improved considerably since the last performance evaluation. The Board was satisfied that the CEO and senior management received constructive support from the Board. It was considered that an area for improvement was for the Board to be more engaged in the CEO/senior management succession planning.

v) Culture: the Board scored well on its comprehension of the Group's purpose, vision and strategic plan as well as the Board embedding and maintaining a culture of doing the right thing and putting clients and investors first. The Board felt that it gave sufficient attention to stakeholders that were key to success, with further improvement to continue.

Insurance

The Group maintains appropriate insurance cover in respect of litigation against the Directors.

Statement of compliance with the Code

The Directors confirm that the Group has reviewed the provisions of the Code published by the UK Financial Reporting Council in 2010, revised in September 2012, September 2014 and April 2016 and the Irish Corporate Governance Annex and was in compliance with those sections relevant to a company of our size and nature throughout the year ended 31 December 2018 and where we have not complied, we have provided an explanation as to why.

This corporate governance statement forms part of the report of the Directors.

"The Group Risk & Audit Committee plays a vital role in overseeing the integrity of the financial reporting as well as providing independent oversight, challenge and assurance on the adequacy of risk management, controls and governance."

David Paige
Chairman of the Risk & Audit Committee

In August 2018 the Risk Committee and Audit Committee were merged to become the Risk & Audit Committee.

Meetings

The members of the committee are David Paige (Chairman), Mark Dearsley, Cara Ryan and Peter Priestley. Further biographical details regarding the members of the committee are set out on page 43. All four members of the committee have extensive experience of risk and audit matters and the Board is satisfied that the current members of the Risk & Audit Committee are independent and have skills and experience required to perform their duties, within financial services and within other industries. David Paige, the Chairman of the committee, is a qualified accountant, and all four members have recent and relevant financial experience gained through either current or previous roles and other non-executive directorships, and the Board believes that there is sufficient financial and commercial experience within the committee as a whole, therefore satisfying the requirements of the Code. The members of the committee are encouraged to attend seminars and conferences to follow the latest developments in matters relating to financial reporting.

The length of tenure in years of the Directors on the committee is set out below (including where appropriate Risk Committee and Audit Committee attendance):

	Length of tenure		
Committee member	Audit Committee (to Aug 2018)	Risk Committee (to Aug 2018)	Risk & Audit Committee (effective Sep 2018)
David Paige (Chairman)	6	5	<1
Mark Dearsley	<1	<1	<1
Peter Priestley	n/a	7	<1
Cara Ryan	6	n/a	<1

The committee holds at least four meetings every year. In addition, the Chairman convenes further committee meetings during the year as necessary in order to appropriately discharge its responsibilities and address any matters requiring its attention outside regularly scheduled meetings. During 2018, the committee, and where relevant its predecessors, met on four occasions for the Audit Committee, on three occasions for the Risk Committee and on two occasions for the combined Risk & Audit Committee.

Certain meetings are scheduled around the financial reporting cycle to allow the committee to discharge its duties in relation to the financial statements. To discharge its functions effectively, the committee has unrestricted access to the Group's external and internal auditors, with whom they meet separately at least once annually, without the presence of executive management. These meetings ensure that there are no restrictions on the scope of their audits and allow discussion on any matters that the auditors might not wish to raise in the presence of management. Where appropriate the committee can seek independent external advice.

The Chairman of the committee invites members of management to attend the committee meetings, as appropriate. The Group Chief Executive, Group Chief Financial Officer and the Group Head of Internal Audit may attend all meetings of the committee. Other employees from business units, including the heads of Risk, Compliance, Internal Audit and representatives from the Finance function, may be invited to attend all or part of any meeting, as and when appropriate. The external auditors attend all meetings of the committee dealing with financial and reporting matters.

Main responsibilities of the Committee

- To consider the integrity of the Group's financial statements, accounting policies and the key judgements made in the financial statements.
- To assess whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
- To approve the external auditor's terms of engagement including the fee proposal. The committee also annually assesses external auditor performance objectivity and independence taking into account relevant professional and regulatory requirements and the relationship with the audit firm as a whole, including the provision of non-audit services.
- To review the effectiveness of the Group's internal control systems.
- To review and monitor management's responsiveness to the findings and recommendations of the internal and external auditors.
- To monitor the Group's risk management systems and identify and mitigate our principal risks.
- To monitor the effectiveness of the Internal Audit function.
- To review the Group's risk and compliance framework, including the effectiveness of the three lines of defence model.
- To consider annually, the Group's risk appetite statement and any amendments to it for recommendation to the Board.
- To review and recommend IFG Group's Internal Capital Adequacy Assessment Process ("ICAAP") document (or such other regulatory equivalent which applies to IFG Group and its subsidiaries on a consolidated basis) for approval by the Board at least annually and when necessary throughout the year.

A copy of the Committee's terms of reference can be found on the Group's website: www.ifggroup.com

Focus of the committee in 2018

Risk management

- Assessed the risks and provided oversight of the approach and continued interaction with HMRC in relation to the Elysian Fuels matter.
- Oversaw the continued comprehensive review of the Group's other legacy matters, including the ongoing review of the complex dual trustee book in James Hay, in order to identify any potential legacy exposures which may require remediation or result in further legal costs or legacy claims.
- Assessed the adequacy of the businesses' responses to risk and compliance matters raised.
- Extensive work carried out around the evolution and embedding of the Group's conduct framework across both businesses. This has included regular conduct and culture assessments and the development and monitoring of key conduct indicators and appropriate conduct reporting.
- Reviewed, on behalf of the Board, the adequacy of the Group's regulatory capital resources, and specifically the completeness, robustness and transparency of the Group's ICAAP document, which summarises as required the Group's ongoing capital requirements and its ability to meet them under a range of stress and scenario tests.
- Reviewed the three lines of defence governance model in order to enhance clarity around first and second line activities and accountabilities and effectively transition these responsibilities into the businesses.
- Reviewed compliance with those regulations applicable to the operating businesses and the appropriateness of plans to respond to any changes in regulation, including the Markets in Financial Instruments Directive II (MiFID II) and the General Data Protection Regulations (GDPR) that came into force in 2018, and the Senior Managers and Certification Regime (SMCR).
- Reviewed the Group risk framework and its risk appetite in detail to ensure that they remained current and appropriate to the needs of the business and the expectations of the Board.

Financial reporting

- Reviewed and recommended to the Board the preliminary announcement, the Annual Report and Accounts and the interim results announcement.
- Reviewed the key areas of judgement and financial reporting matters included within the financial results.
- Confirmed that the financial statements and interim results statement are fair, balanced and understandable.
- Reviewed the scope and methodology of the audit work to be undertaken by Deloitte, the external auditor.
- Reviewed reports received from the external auditor on the financial statements including the significant audit risks, areas of audit focus and the reasonableness of the significant management judgements used in preparing the accounts.

External audit

- Reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Irish and UK professional and regulatory requirements.

Internal audit

- Reviewed and approved the internal audit plan for 2019.
- Reviewed reports from Internal Audit including management responses to the findings of the reports and the status of proposed management actions.

Control environment

- Received updates on regulatory engagement.
- Received updates on conduct and client-related provisions and payments.
- Reviewed year-end reports providing assurance on the effectiveness and robustness of the Group's system of internal controls.
- Reviewed a letter of recommendation from Deloitte, the external auditor, for improving the systems of internal financial control based upon their audit work for the year.
- Reviewed the overall effectiveness of the Group's internal financial controls and disclosures made in the Annual Report and Accounts.
- Received management presentations on control-related matters.

Committee priorities for 2019

- Concluding an appropriate outcome for stakeholders in relation to the Elysian Fuels matter.
- Concluding the review of the Group's other legacy issues and clarity as to any potential exposures.
- Overseeing delivery of key regulatory projects in the businesses including SMCR.
- Continuing to refine risk management information with a particular focus on forward-looking metrics.
- Continuing to review regulatory and compliance risks, and regulatory and political change.
- Reviewing of the Risk and Compliance function structure and the transition of responsibilities from the Group to the businesses.
- Focusing on technology and resourcing risks and opportunities to facilitate and sustain high standards of service delivery across all operations.
- Reviewing, on behalf of the Board, the adequacy of the Group's regulatory capital resources, and specifically the completeness, robustness and transparency of the Group's ICAAP document, which summarises as required the Group's ongoing capital requirements and its ability to meet them under a range of stress and scenario tests.
- Continuing to focus on the integrity and presentation of the financial statements, and ensuring the quality and transparency of our disclosures and performance metrics.
- Focusing on the key risks identified in this report, with an emphasis on regulatory matters including conduct related matters and developments impacting contingent liabilities disclosed in note 26.
- Ensuring preventative controls around our IT infrastructure are reviewed by Internal Audit to mitigate against the risk of cybercrime.
- Reviewing the performance of internal and external audit teams to ensure we continue to manage, mitigate and report on the risk we face in our businesses.
- Continuing to focus on internal controls and ensuring the control environment continues to develop to meet the needs of the organisation.

Review of committee performance

The effectiveness of the committee was independently evaluated by Grant Thornton in 2016, and associated recommendations where embedded in the operations of the committee during 2017. Additionally, the effectiveness of the committee is self-assessed (and assessed by the Board as a whole) for those years in which no independent evaluation is performed. The committee's effectiveness is reviewed as part of the Board evaluation process detailed on page 50. The committee and the Board are satisfied that it is operating effectively. An independent review is due to be carried out in 2019.

Significant judgements and estimates – forming part of the audited financial statements

Significant critical judgements and key estimates in connection with the Group accounts for the year ended 31 December 2018, considered by the committee, included the following:

Goodwill and intangible assets

As set out in note 15 to the Group financial statements, at 31 December 2018, the Group had goodwill of £32.1 million with other intangible assets amounting in total to £19.6 million. Under International Financial Reporting Standards (IFRSs), these balances are assessed annually for impairment. Impairment testing requires the application of judgement, largely around the assumptions that are built into the calculation of the value in use of the business being tested for impairment.

In order to satisfy itself that these balances were appropriately stated, the committee considered the impairment reviews carried out by management. These reviews focused on the assumptions underlying the calculation of the value in use of the businesses tested for impairment. The underlying cash flow assumptions were robustly challenged by management and the committee, having regard to historical performance. This was supported by the challenge to budgets earlier in the year which resulted in management decreasing its forecast expectations, which were satisfactorily achieved at the year-end. The main assumptions reviewed by the committee were the achievability of long-term business plans, the potential impact in the event of the crystallisation of contingent liabilities outlined in note 26 and the discount rates used by the different segments which are outlined in note 5. These assumptions were subject to sensitivity analysis by management which were also reviewed by the committee. The committee concluded that the carrying values of goodwill and intangibles included in the financial statements are appropriate. This was supported by the challenge to budgets earlier in the year which resulted in management decreasing its forecast expectations, which were satisfactorily achieved at the year-end.

Exceptional items

The Group accounts have historically adopted an income statement format which seeks to highlight significant items within the Group results for the year. Judgement is used by management in assessing the particular items, which by virtue of their scale and nature, should be disclosed separately in the Consolidated Income Statement and/or notes as exceptional items. During the year ended 31 December 2018, the Group incurred £9.9 million of exceptional items (see note 6) which relate to legal and remediation costs associated predominantly with the resolution of legacy matters on loan backs, NSIs, dual trustees and Elysian Fuels and retention payments paid to Saunderson House following the cancelled sale process, costs associated with full and final settlement of the legal matter relating to the sale of the International Business and settlement costs related to the departure of the former CEO.

The committee considered and challenged the quantum, accounting treatment and disclosure of the exceptional items in the financial statements through a detailed review of management's decisions in respect of the related activities, and the appropriateness and consistency of the accounting treatment and disclosures. Particular attention was given to provisions related to legacy matters and management's judgement in extrapolating and estimating costs associated with resolving these matters.

With regard to the Saunderson House retention payments, management concluded that the cost is non-recurring on the basis that equivalent performance in subsequent years would result in staff compensation being £3.0 million lower than incurred in the current year.

On the basis of this review, the committee concluded that the accounting treatment and disclosure of these items were appropriate.

Liability provisioning	
As set out in note 21 the Group has provisions of £10.6 million as at 31 December 2018. The Group makes provisions where it is probable that settlement of liabilities will result in a cash outflow in respect of contractual obligations, warranties, litigation, client and supplier claims and other matters.	The committee considered and challenged the nature of the provisions, the potential outcomes, any developments relating to specific claims, and the prior history of obligations, provisions and claims in order to assess whether the provisions recorded are prudent and appropriate. With regard to client detriment and sanction charges, steering committees are established with oversight and input from the Risk and Compliance functions as well as the use of external advisers and actuaries where necessary to ensure the correct assessment of potential detriment and or any insurance cover is appropriately accounted for. Details of the provisions and the matters they relate to are detailed in note 21. The committee discussed with management and with the external auditor the key elements of judgement to assure themselves as to the adequacy and appropriateness of the provisions. Following this discussion, the committee was satisfied that the judgements exercised were appropriate and that the provisions were fairly stated in the annual accounts.
Contingent liabilities	
As set out in note 26 the Group has considered matters which remain contingent at the end of the reporting period, where the outflow is uncertain or cannot be reliably estimated or payment is not probable.	The committee considered and challenged management's judgements relating to the matters referred to in the contingent liability note on page 113 with regard to HMRC protective assessments received in James Hay in relation to pension relief at source, the assumptions and estimates underpinning the conclusion reached on resolution of the complex dual trustee matter, associated provisions and any potential contingencies that may arise and in particular, relating to Elysian Fuels. The committee also considered external reports from legal advisers and reviewed the report received from the external auditor. On the basis of these inputs the committee concluded that the matters were appropriately treated as contingent liabilities and that the related disclosures within the financial statements were fair, balanced and understandable. We continue to closely monitor and assess recent decisions on cases such as Berkeley Burke and the imminent decision on Carey pensions, however we believe there are a number of differentiating factors in our case. 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. We will continue to work closely with HMRC and our legal adviser to try and bring a resolution to this matter.
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 but can be used, subject to appropriate disclosure in conformance with the guidance issued by the European Securities and Markets Association (ESMA). These alternative performance measures are: adjusted operating profit, adjusted earnings per share and free cash flow as set out in note 2.	The committee considered the measures and felt that these alternative performance measures are those considered by management to be important comparables and key measures used within the business for assessing performance. They are not substitute for, or superior to any IFRS measures. They were also satisfied that the alternative performance measures and their disclosure met the 2015 and 2017 guidance issued by ESMA.

Significant judgements and estimates – forming part of the audited financial statements continued

Other matters

In addition to the above matters, the committee considered a number of other judgements which have been made by management including: IFRS 15 Revenue from contracts with customers, IFRS 9 Financial instruments and IFRS 16 Leases. The committee considered management's approach, proposed disclosures, assessment of impact on the financials and the judgements made in relation to impairment allowances and the factors considered around expected credit losses on financial instruments. It also considered the useful lives for property, plant and equipment and intangible assets and the recoverability of deferred tax assets. These are not considered material to the financial statements.

Going concern and viability

When preparing the Group's accounts, the Directors are required to confirm that the Group is a going concern and the longer-term viability of the Group. The committee reviewed documented assessments by management supporting the going concern and viability statements, which underpin the basis of presentation for the Parent Company and consolidated 2018 financial statements. The assessment included:

- an analysis of the Group's solvency and liquidity position and of budget information for a period not less than 12 months, after the date of approval of the financial statements;
- consideration of the medium-term plans, using a three-year horizon, taking into account the profitability, capital and the cash flow implications of the plans, which include a sensitivity analysis based on the key business risks identified by the Group;
- the potential impact of the crystallisation of the contingent liabilities outlined in note 26;
- an analysis of surplus cash available to the Group and the availability of credit facilities; and
- consideration of the potential impact of Brexit.

The committee reviewed the above assessments and challenged assumptions used to support short and medium-term projections, including consideration of different scenarios and key assumptions used within the above assessments. The committee was satisfied that the business is viable over the three-year time horizon and that adopting the going concern basis for the preparation of the annual financial statements is appropriate. Further details are outlined in the Directors' Report on page 70.

Fair, balanced and understandable

The committee formally advises the Board on whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, in accordance with section C.1 of the Code. The committee must ensure that the Annual Report and Accounts also provide the information necessary for Shareholders to assess the position and performance of the Group and the Company, along with its business model and strategy.

The committee is satisfied that the Annual Report and Accounts, when taken as a whole are fair, balanced and understandable, provide the information necessary for Shareholders to assess the performance of the Group, along with its business risks and strategy, and continues to evolve in line with regulatory and best practice guidance.

Internal Audit

The Committee has oversight responsibilities for the Internal Audit function. The Committee, with input from business unit Audit committees, approves the annual internal audit plan for the Group Internal Audit function, ensures that it is adequately resourced and has appropriate standing within the Group. The Internal Audit function is governed by a charter which is reviewed annually by the committee. The last review was completed in February 2019.

Throughout the year, the committee received regular reports from Group Internal Audit, which included summaries of the key findings of each audit in the period. The committee considered the appropriateness and status of management actions to address issues raised in Internal Audit reports. The committee satisfied itself as to the independence and standing of Internal Audit within the Group, and also made enquiries of the external auditor and of senior management as to the performance of Internal Audit and was satisfied in this regard.

External Quality Assessments ("EQA") by independent external consultants are conducted at least every five years to confirm compliance by the Group Internal Audit function with the International Professional Performance Framework of the Institute of Internal Auditors. The most recent EQA review was finalised by the Institute of Internal Auditors in March 2018. They reported that Internal Audit conformed with their standards. An internal review against the same standards is completed on each of the intervening years.

The Head of Internal Audit has direct access to the Chairman of the committee and the committee meets with the Head of Internal Audit on a regular basis without the presence of management.

External audit and non-audit services

The committee has the primary responsibility for making recommendations on the appointment, re-appointment and removal of the external auditor. It also manages the relationship with the external auditor, including approval of the proposed fees (fees paid to Deloitte for 2018 are set out on page 99 of this report).

External audit effectiveness

The committee carried out a formal review of the effectiveness of the audit process after the conclusion of the 2017 audit work. The committee concluded on the effectiveness of the external audit process. Deloitte was appointed in 2015 and is subject to re-appointment at the AGM annually. Mr Fitzpatrick will rotate off as Group audit partner for the 2019 audit. The Audit Committee is considering arrangements for transition to a new partner for the year ending 31 December 2019.

After the conclusion of the 2018 audit work, the committee will carry out a performance review and discuss the results with Deloitte in advance of the commencement of the 2019 interim work.

External auditor independence

The committee is responsible for the development, implementation and monitoring of the Group's policies on external audit which are designed to ensure the objectivity and independence of the external auditors.

The committee has a process in place to ensure that the independence of the audit is not compromised. This includes obtaining confirmation from the external auditors of their compliance with ethical standards and of their independence from the Group in their professional judgement. The committee also monitors the level of fees in relation to non-audit services provided by Deloitte.

The committee is satisfied that Deloitte is independent for the purpose of undertaking the external audit.

Non-audit services

On 21 September 2018, The Companies (Statutory Audits) Act 2018, was signed into law, replicating the previous requirements of Statutory Instrument (SI 312 of 2016) that give effect to the EU Directive and Regulation and are applicable to all public listed entities. The statutory auditor is prohibited from providing certain non-audit services, including specified tax services, management decision making, bookkeeping, payroll, system and control, valuation, legal, internal audit, HR and share transaction services. The committee is satisfied that the Group complies with these requirements.

In order to safeguard auditor independence, the Group has a written policy which sets out the basis on which Deloitte can be used for non-audit work. The Audit & Risk Committee monitors compliance with this policy. The external auditor is generally excluded from consultancy work and is not engaged by the Group for non-audit work. The committee monitors the nature and extent of services provided by the external auditor through its annual review of fees paid to the external auditor for audit and non-audit work. Four key principles underpin the provision of non-audit services by the external auditor. The auditor shall not:

- audit its own firm's work;
- conduct activities that would normally be undertaken by management;
- have a mutuality of financial interest with the Group; or
- act in an advocacy role for the Group.

Non-audit fees and services are reported to the committee regularly. During the year ended 31 December 2018, remuneration for non-audit related services to the Group's external auditor Deloitte totalled £nil (2017: £9,000).

Internal control evaluation

The Committee conducts, on behalf of the Board, an annual assessment of the operation of the Group's system of risk management and internal control. This assessment was based on a detailed review carried out by Group Internal Audit which included consideration of internal and external audit, risk and compliance reports, self-assessments by business unit boards and the review of any control incidents arising during the year. As noted elsewhere in the Annual Report, there are a number of legacy issues arising from earlier years in James Hay. In addition to these issues, where areas for improvement have been identified, the necessary actions in respect of the relevant control procedures have been or are being taken. This review took account of the principal business risks facing the Group, the controls in place to manage those risks (including financial, operational and compliance controls) and the procedures in place to monitor them.

In accordance with the guidance laid down by the Financial Reporting Council, there is ongoing review of the processes of identification, evaluation and management of the significant risks faced by the Group. Such risk processes were in place throughout the year 2018 and up to 21 March 2019, the approval date of the financial statements.

"Our remuneration philosophy is aimed at providing incentive structures which are strongly aligned to sustainable business performance, appropriate risk management and achievement of the Group's strategic objectives."

Peter Priestley
Chairman of the Remuneration Committee

The roles and responsibilities of the Remuneration Committee are set out in our written Terms of reference, which are reviewed annually and are available on our website at www.ifggroup.com

Meetings

The members of the committee are Peter Priestley (Chairman), Cara Ryan and Mark Dearsley. Robin Phipps served on the committee in 2018 until he ceased to be a Non-Executive Director on 30 August 2018. Further biographical details regarding the members of the Remuneration Committee are set out on page 43. All three members of the Remuneration Committee have extensive experience of remuneration practices and policies in existence in other companies and industries.

The length of tenure of the Directors on the committee is set out below:

Committee member	Length of tenure on Remuneration Committee
Peter Priestley (Chairman)	9 YEARS
Cara Ryan	3 YEARS
Mark Dearsley	<1 YEARS

The Group Chief Executive may attend on the invitation of the Chairman. None of the committee members have any personal financial interests (other than as Shareholders), conflicts of interest arising from cross-directorships or day-to-day involvement in running the business.

In the year under review, the committee held seven meetings, details of the attendances at these meetings are set out in the corporate governance report on page 49.

Main responsibilities of the committee

- To determine and agree with the Board the policy for the remuneration of Executive Directors and certain Group senior Executives (as determined by the committee). No Director is involved in setting his or her own remuneration.
- To determine the remuneration packages of the Chairman, Executive Directors and senior executives, including salary, bonuses, pension rights and compensation payments.
- To be exclusively responsible for selecting, appointing and determining the Terms of reference of independent remuneration consultants appointed to advise the committee on remuneration policy, levels of remuneration and any other issues relating to Executive Directors.
- To ensure that remuneration packages do not encourage undue risk taking but reflect the risk appetite of the Group, promote the Group's values and culture and demonstrate the right "tone from the top".
- To oversee remuneration structures for Group and subsidiary senior management and ensure that the level and structure of remuneration can encourage long-term sustainability, value creation and success of the Group.
- To recommend to the Board the establishment of any employee share plans (which require the approval of the Company's Shareholders) and exercise all the powers of the Board in relation to the operation of same, including the granting of awards and options, the setting and testing of performance conditions (where appropriate) the exercise of any discretions on behalf of the Board allowed under the rules of the plans, and any material amendments to the rules of the plans not requiring the approval of Shareholders.
- To ensure that contractual terms on termination or redundancy of senior Executives, and any payments made, are fair to the individual and the Company.
- To obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity.
- To agree the policy for authorising claims for expenses from the Directors.

Focus of the committee in 2018

During the period, the committee undertook the following activities:

- Determined the 2017 Executive Director and senior group management bonus awards.
- Determined the Settlement Agreement reached in April 2018 with the former Group CEO.
- Approved the individual compensation packages of the new Executive Directors and members of senior management of the Group.
- Approved the grant of awards under the new Long-Term Incentive Plan and the change in performance metrics in relation to the options granted in 2018.
- Ensured that the remuneration policies remained in compliance with the principles of the FCA remuneration code.
- Approved the Group's Pillar 3 remuneration disclosures and the disclosures to be included in the Annual Report.
- Initiated a review of the Company's long-term incentive arrangements.
- Reviewed the remuneration policies adopted by the Group's subsidiaries, James Hay Partnership and Saunderson House.

Review of committee performance

As detailed on page 50 of the corporate governance statement, the Board conducts an annual evaluation of its own performance and that of its committees, committee Chairmen and individual Directors. This process concluded that the performance of the Remuneration Committee and of the Chairman of the Remuneration Committee were satisfactory.

External advisers

The committee engaged FIT Remuneration (employee compensation specialists) who at that time had no other links to the Group and Matheson (law firm) during the course of 2018.

Directors' remuneration policy

The Committee notes the recent changes to the UK Corporate Governance Code, it seeks to comply with the developments in this area and is considering an appropriate and proportionate way of ensuring that the Company reflects on such developments and meaningfully engages with its staff. In that regard, the Long-Term Incentive Plan (LTIP) being proposed to shareholders at the 2019 AGM reflects such provisions with robust malus and claw-back provisions, reservation of a discretion to reduce payments if the committee is not satisfied that the formulaic out-turn is appropriate in the circumstances (having regard to such factors as it considers appropriate, including conduct risk) and only permits the release of shares comprised in an award after five years. The committee will continue to assess market developments and to build upon this approach. During 2019, it is anticipated that the European Shareholder Rights Directive will come into force which will impact the design of our remuneration arrangements. The committee will also take due account of those regulations.

An overview of the Group's remuneration policy is set out below.

The main focus of the Group's remuneration policy is to ensure alignment of the interests of Executive Directors with the Group's strategic priorities and long-term creation of Shareholder value. The policy is intended to ensure that the Executive Directors and other members of senior management are awarded competitively and appropriately, having regard to a number of factors, including the remuneration practices of other companies of similar size and scope, the current economic climate and the regulatory and governance framework.

The remuneration arrangements are designed to:

- promote value creation and support the business strategy;
- promote sound risk management and ensure that the risk appetite of the Group is not contravened;
- incentivise behaviours consistent with our conduct agenda in relation to clients;
- promote the long-term success of the Group;
- attract, motivate and retain individuals of the highest calibre;
- ensure that the interests of the Executive Directors are aligned with the long-term interests of Shareholders;
- deliver a competitive level of pay for the Executive Directors and other members of senior management; and
- ensure that the Executive Directors are rewarded in a fair and balanced way for their individual and team contribution to the performance of the Group.

IFG's growth strategy requires incentive plans that reward the creation of Shareholder value which the committee considers to be best achieved through the setting of clear absolute total shareholder return targets as seen both in the 2018 option grants and in the proposed 2019 LTIP.

The policy of the Group is to remunerate Executive Directors and senior management through basic salary and benefits, annual performance-based discretionary bonuses and participation in a Long-Term Incentive Plan which promote the creation of sustainable Shareholder value and ensure fair client outcomes.

Salaries and benefits are partly based on external third-party benchmark data. Maximum bonus percentages are also based on this data. Bonuses are paid on Group performance and are discretionary. Bonus payments for executive management are now partly deferred.

Directors' remuneration policy continued

Non-Executive Directors are paid Directors' fees only. The fees paid are set at a level which aims to attract individuals with the necessary experience and ability to make a contribution to the Group. They do not receive bonuses or share entitlements.

In accordance with the committee's Terms of reference, Non-Executive Directors shall not be involved in discussions as to their own remuneration. Remuneration of Non-Executive Directors shall be a matter for a recommendation to the Board by the Chairman and the Executive members of the Board.

As of 1 January 2018, fees for Non-Executive Directors were £45,000 per annum which includes membership of the various committees. There is also an additional fee of £10,000 per annum for chairing a committee, as well as fees in respect of roles on the Boards of subsidiary companies. Details of the membership of the committees are given on page 43.

Directors' remuneration – forming part of the audited financial statements

The remuneration of the Directors for the year ended 31 December 2018 and 2017 is noted below:

	Salary and fees		Benefits		Cash bonus		Deferred bonus		Long-term incentives and share-based payments		Retirement benefit obligations		Settlement payments		Total	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Executive Directors																
Kathryn Purves[a]	**231**	–	**53**	–	**110**	–	**30**	–	**-**	–	**-**	–	**-**	–	**424**	–
Gavin Howard[b]	**73**	–	**11**	–	**70**	–	**-**	–	**-**	–	**-**	–	**-**	–	**154**	–
John Cotter[c]	**97**	330	**36**	59	**-**	–	**-**	–	**-**	–	**-**	55	**409**	–	**542**	444
Sub-total	**401**	330	**100**	59	**180**	-	**30**	–	**-**	–	**-**	55	**409**	-	**1,120**	444
Non-Executive Directors																
Mark Dearsley[d]	**137**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**137**	–
David Paige	**62**	55	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**62**	55
Peter Priestley	**55**	55	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**55**	55
Cara Ryan	**55**	55	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**55**	55
John Gallagher[e]	**33**	109	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**33**	109
Robin Phipps[f]	**80**	85	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**80**	85
Kathryn Purves[a]	**30**	95	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**30**	95
Colm Barrington[g]	**30**	45	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**30**	45
Sub-total	**482**	499	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**482**	499
Total	**883**	829	**100**	59	**180**	–	**30**	–	**-**	**-**	**-**	55	**409**	**-**	**1,602**	943

(a) Kathryn Purves resigned as Non-Executive Director and was appointed Executive Director on 17 April 2018. Kathryn's fee includes an amount of £13,300 relating to her role as Non-Executive of James Hay up to 17 April 2018.
(b) Gavin Howard was appointed on 30 August 2018 (Salary and benefits included in the table above are from date of appointment).
(c) John Cotter ceased to be a Director on 17 April 2018.
(d) Mark Dearsley was appointed Deputy Chairman on 18 April and Chairman on 9 May 2018.
(e) John Gallagher ceased to be Chairman on 9 May 2018.
(f) Robin Phipps ceased to be Non-Executive Director on 30 August 2018. Mr Phipps' fee includes an amount of £50,000 relating to his role as Non-Executive Chairman of Saunderson House.
(g) Colm Barrington ceased to be Non-Executive Director on 30 August 2018.

Notes to Directors' remuneration table

Salary
The base salaries of the Executive Directors are reviewed annually having regard to personal performance, divisional or Group performance, significant changes in responsibilities and competitive market practice in their area of operation.

Fees
Only fees are payable to Non-Executive Directors and these are not pensionable.

Benefits
Other employment-related benefits for Executive Directors principally relate to death, disability and medical insurance or cash allowances taken in lieu of benefits.

Bonus
The annual bonus is based on financial performance, as well as personal, conduct and strategic goals. This is the total bonus earned under the annual bonus scheme in respect of the year. Bonus payments may include additional pension contributions.

In respect of 2018 and future years, bonuses for the Executive Directors and certain senior managers within the business are partly deferred and vest over a multi-year timeframe. For Executive Directors who are awarded a bonus in excess of £100,000, 50% of bonuses in excess of £80,000 are deferred. The deferred amounts may be evenly split, at the Remuneration Committee's discretion, between deferred cash awards and deferred share awards. The deferred cash award is paid evenly on the first and second anniversary of the initial award, and the deferred share awards vest over a three-year period, with one-third vesting on the first, second and third anniversary of the original award. The relevant individual is awarded a number of shares equating to the deferred award value, based on the share price immediately after the results for the relevant year are announced and the close period for trading has ended. The awards are subject only to continuing employment and do not have further performance conditions, as they have been awarded for performance in the relevant year, subject to the claw-back and malus provisions outlined on page 62.

Having regard to the Group's financial performance, John Cotter was not awarded a bonus in respect of 2018, and consequently there are no amounts deferred in respect of that year. Kathryn Purves was awarded a bonus of £140,250 in respect of 2018 and consequently £30,125 will be deferred in cash or cash and shares.

Long-term incentives and share-based payments
Long-term incentives were awarded under the 2015 share option scheme to Executive Directors. See below for further details.

Retirement benefit obligations
Pension payments in respect of Executive Directors are calculated on basic salary only and no incentives or benefits are included. All Directors' pension contributions are paid to defined contribution schemes or paid as cash allowances in lieu of pension, and the Group has no obligations in respect of Defined Benefit schemes.

Settlement payment
The Company reached a settlement agreement with the former CEO, John Cotter, on 17 April 2018 in respect of his decision to step down as Group Chief Executive. The Company agreed to pay John Cotter one year's salary and fixed benefits (total payment of £409,805 in aggregate). In addition, he was treated as a good leaver in respect of his outstanding 574,840 options which became exercisable on his departure and will remain so until 16 October 2019. The average exercise price of the options held by John Cotter is 159 pence per option.

The committee considers these terms to be in the interests of shareholders and, based on legal advice, that this represents no more than he was entitled to legally.

Directors' interest in share options

The 2015 LTIP plan
The current Long-Term Incentive Plan ("the Plan") was approved by the Shareholders at an Extraordinary General Meeting on 12 May 2015.

Eligibility
Any employee (including an Executive Director) of the Group or any of its subsidiaries will be eligible to participate in the Plan at the discretion of the Board. Awards have been made under the Plan to the Executive Directors and other members of James Hay senior management. Senior management within Saunderson House participates in the separate performance pay arrangements for that business only, that do not include share awards.

Form of award
Awards under the Plan may be in the form of an option granted to the participant to acquire ordinary shares with an exercise price equal to the market value of those shares at the date of grant. Alternatively, the Board may grant participants a right to receive a cash amount which relates to the value of a certain number of notional shares, however this is entirely at the discretion of the Board.

Performance conditions
Options will be subject to the satisfaction of performance conditions which will determine the proportion of the option which will vest at the end of the three-year performance period. In 2018 the decision was taken to change the performance conditions in relation to the 2018 option award to the Executive Directors. Following consultation with FIT Remuneration, the committee decided that adoption of an absolute Total Shareholder Return performance metric would be an appropriate measure by which to judge awards to Group management under the LTIP. We set the relevant performance conditions for the 2018 Executive Director award on the basis of Total Shareholder Return ("TSR") over a three-year period. Under the 2018 awards, to obtain the minimum vesting of 25% the Company's shareholder return must be at least 8% per annum compounded over the three-year period, with a target shareholder return of 15% per annum compounded in order to obtain 100% vesting. There is straight-line vesting between these points. The performance conditions for the 2018 awards to the James Hay senior management team have remained subject to a measure of the growth in Free Cash Flow over a three-year performance period.

Directors' interest in share options continued

The performance conditions applicable to the grant of the 2017 options are:

Executive Directors	James Hay senior management group
50% subject to the growth in the Group's EPS measured over a period of three years. 50% subject to the growth in the Group's Free Cash Flow measured over a period of three years to 2019.	100% subject to the growth in the Platform segment Free Cash Flow measured over a period of three years to 2019.

The performance conditions applicable to the grant of the 2018 options are:

Executive Directors	James Hay senior management group
The company's Total Shareholder Return over the three-year performance period must be at least equal to 8% per annum compounded to achieve 25% vesting, with zero vesting for TSR performance below 8% per annum compounded, with additional vesting on a straight-line basis up to a target of 15% per annum compounded for 100% vesting.	100% subject to the growth in the Platform segment Free Cash Flow measured over a period of three years to 2020.

Any performance condition may be amended or substituted if one or more events occur which cause the Board to consider that an amended or substituted performance condition would be more appropriate.

Individual limits
The maximum award level under the plan will be 150% of salary. Options will not form part of pensionable earnings.

Grant of options
Options may be granted within the six-week period following:

- the approval of the plan;
- the announcement of the Group's results;
- any day on which a restriction on the grant of options is lifted; or
- on any day on which the Board determines that exceptional circumstances exist subject to any applicable dealing restrictions.

Options granted are entirely consistent with the share option scheme rules approved by Shareholders.

Terms of options
Options may be granted over newly issued shares, treasury shares or shares purchased in the market. Options are not transferable other than on death. No payment will be required for the grant of an option.

Overall limits
The plan is subject to overall limits on the total number of shares which may be issued within a ten-year period of 5% of the issued ordinary share capital of the Company and an overall limit on the total number of shares issued under all-employee share plans of 10%.

As at 31 December 2018, the number of shares subject to options which have been granted by the Company, but not exercised by the recipient, is 3,411,100. This represents a total of 3.24% of the total issued share capital of the Company. During 2018 198,983 options granted in relation to awards in 2015 lapsed following determination that the performance conditions had not been met.

Claw-back and reduction for malus
In line with the Group remuneration policy, the Board has built claw-back provisions into the Plan. In addition, as outlined on page 61, bonuses for Executive Directors are now subject to deferral and claw-back. Share options granted to Executive Directors and James Hay senior management may be subject to claw-back for a period of five years from grant in certain circumstances including:

- a material misstatement of the Group's audited financial results;
- a material failure of risk management by the Group, a member of the Group or a relevant business unit;
- serious misconduct on the part of the participant; or
- any other circumstances which the Board in its discretion considers to be similar in their nature or effect.

Vesting and exercise
Options that are subject to a performance condition will normally vest as soon as practicable after the end of any performance period and then only to the extent that any performance condition has been satisfied.

In addition, the Board may determine that a vested option is also subject to a holding period, during which an option may not be exercised. The Board placed a holding period on the options issued in 2017 and 2018 (to the extent that they have vested) as follows:

Holding period	% exercisable
On or after third anniversary following grant	33.33%
On or after fourth anniversary following grant	33.33%
On or after fifth anniversary following grant	33.33%

To the extent an option may be exercised, it will normally be exercisable until the tenth anniversary of the grant date.

Cessation of employment and corporate events
If the participant ceases to be a Director or employee of the Group, his/her unvested options will lapse on the date on which the participant ceases to hold that office or employment. The Board may, at their discretion, allow a participant's unvested options to continue until the normal vesting date or vest as soon as reasonably practical following the date the participant ceases to be an officer or employee of the Group. This remains subject to the claw-back provision mentioned previously.

If the participant ceases to be a Director or employee of the Group either during a holding period or while holding vested options (which are not subject to a holding period), the participant will have a period of six months from the end of the holding period (if the options are subject to holding period restrictions), or from the date of cessation of employment, to exercise his/her options.

In the case of dismissal, all options will lapse immediately. In the event of a change of control, the Board will determine to what extent unvested options will vest and the extent that any performance conditions have been satisfied. Alternatively, the Board may permit participants to exchange options for equivalent awards which relate to shares in a different company.

Details of outstanding share options as at 31 December 2018
Details of outstanding share options, with performance conditions, granted to Executive Directors under the 2015 share option scheme are set out below:

	Number of share options	Date granted	Exercise price	Expiry date
Kathryn Purves	346,000	26 October 2018	£1.4275	26 October 2028
Gavin Howard	231,000	26 October 2018	£1.4275	26 October 2028
Total at 31 December 2018	**577,000**			

The market price of the Company's ordinary shares at the beginning and at the end of the year was 184 pence per share and 131 pence per share respectively. During the year the market price per share ranged from 123 pence to 190 pence.

Proposed new LTIP Plan for 2019 (the 2019 Performance Share Plan)
The committee initiated a review in the second half of 2018 of the existing long-term incentive arrangements for the Executive Directors and senior employees within the Group. In this work we have been advised by FIT Remuneration. The committee believes it is appropriate to move from market value share options to performance shares which are more common for listed companies and which we believe will provide a greater incentive to management to grow shareholder value. Performance shares are awards of whole shares (either in the form of conditional rights or nil cost options) that vest after three years subject to performance and, generally, a further hold period. It is intended that awards to Executive Directors will be subject to two-year hold periods and contain standard good leaver protections, claw-back provisions and treatment on change of control.

Following consultation with major shareholders and to ensure there is appropriate focus on delivering shareholder returns, it is proposed that any initial awards to the Executive Directors will vest subject to stretching absolute total shareholder return ("TSR") performance. 25% of any 2019 award under the new plan, if adopted, will vest for growth of 10% per annum increasing pro-rata on a straight-line basis to full vesting for 20% per annum growth or higher (over the three financial years commencing with the year of the award). We believe the adoption of an absolute TSR measure will provide focus on delivering shareholder value.

It is proposed that awards with a face value of 150% of salary are granted to Executive Directors in 2019 (with the committee considering the appropriate level for subsequent awards at the time subject to a formal plan annual limit of 150% of salary). The committee believes this initial grant level is appropriate in incentivising and retaining talent.

The proposed new plan requires the approval of shareholders at the 2019 AGM.

Directors' and Company Secretary's interest in shares

The interests of the Directors in office and their families, all of which were beneficial, in the €0.12 ordinary shares of the Company at 31 December 2018 and 31 December 2017, or date of appointment, if later, are noted below:

	At January 2019		At January 2018	
	Shares under option	**Share holding**	Shares under option	Share holding
Colm Barrington[(a)]	**-**	**506,578**	–	506,578
Kathryn Purves[(b)]	**346,000**	**60,000**	–	–
Gavin Howard[(c)]	**231,000**	**40,000**	–	–
Mark Dearsley[(d)]	**-**	**40,000**	–	–
John Gallagher[(e)]	**-**	**10,166,816**	–	10,166,816
David Paige	**-**	**-**	–	–
Robin Phipps[(f)]	**-**	**-**	–	–
Peter Priestley	**-**	**719,167**	–	719,167
Cara Ryan	**-**	**15,712**	–	15,712
John Cotter[(g)]	**574,840**	**185,000**	574,840	185,000

(a) Colm Barrington ceased to be Non-Executive Director on 30 August 2018.
(b) Kathryn Purves resigned as Non-Executive Director and was appointed Executive Director on 17 April 2018.
(c) Gavin Howard was appointed on 30 August 2018.
(d) Mark Dearsley was appointed Deputy Chairman on 18 April and Chairman on 9 May 2018.
(e) John Gallagher ceased to be Chairman on 9 May 2018.
(f) Robin Phipps ceased to be Non-Executive Director on 30 August 2018.
(g) John Cotter ceased to be a Director on 17 April 2018.

Directors' service agreements and contracts

There are no contracts of service terminable on more than one-year's notice existing or proposed between IFG Group plc and any Director of the Company. The Chief Executive Officer, Kathryn Purves, has entered into a service agreement and contract of employment with the Group on terms which, inter alia, provide for salary, bonus, long-term incentive pay, pension contribution and notice period not exceeding one year.

Other than as disclosed in note 29 'Related party transactions', there has not been any contract or arrangement with the Group during the year in which a Director of the Company was materially interested and which was significant in relation to the Group's business. The Directors' service agreements are available for inspection at the Group's registered office and at the AGM.

"The responsibility of the Nomination Committee is to monitor and assess the Board's resource requirements, composition and diversity on a future basis, and to ensure the retention of Executive Management who are key to the future success of the Group"

Cara Ryan
Chairman of the Nomination Committee

The role and responsibilities of the committee are set out in its written terms of reference, which are reviewed annually and are available on our website at www.ifggroup.com

Meetings

The members of the committee are Cara Ryan (Chair), Peter Priestley and Mark Dearsley. Further biographical details regarding the members of the Nomination Committee are set out on page 43. All three members of the Nomination Committee have extensive experience of hiring senior executives in a broad range of companies and industries.

The committee meets as appropriate but, at least, once a year. During the year the committee met on three occasions. The committee is appointed by the Board and consists of no less than three members, of which at least two are independent Non-Executive Directors. The Group Chief Executive may attend on the invitation of the Chair.

Committee member	Length of tenure on Nomination Committee
Cara Ryan (Chairman)	6 YEARS
Peter Priestley	7 YEARS
Mark Dearsley	<1 YEARS

Main responsibilities of the committee

- To evaluate the Board and committees' composition, ensuring there is a balance of skills, knowledge and experience, taking account of the Group's businesses, strategic direction and objectives.
- To lead the process for Board, committee and senior executive appointments, through a formal, rigorous and transparent procedure.
- To make recommendations to the Board on the appointment and re-appointment of Directors and the Company Secretary.
- To ensure that succession plans are in place for the Directors, and review leadership needs of the Group Executive and Non-Executive Directors.
- To provide input and approval in relation to senior appointments to the Group.
- To ensure that all new Directors receive a full, formal and tailored induction on joining the Board and that the Company provides the necessary resources for developing its Directors' knowledge and capabilities.
- To ensure that a formal and rigorous annual evaluation of the Board's performance, its committees and individual Directors is undertaken to show whether each Director continues to contribute effectively and demonstrate commitment to the role.
- To ensure that the Directors, especially Non-Executive Directors, have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as Directors.

Focus of the committee in 2018

During the period, John Gallagher, Chairman of the Group 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 decided to step down from the Group Board with effect from 30 August 2018. As a result, the Board now comprises a Chairman, a Senior Independent Director, two independent Non-Executive Directors and two Executive Directors. The Committee considered a number of Board appointments this year, as well as taking into account the overall structure, size and composition of the Board, to ensure the Board has the appropriate combination of skills, experience and knowledge to understand the market and to provide challenge to the business to deliver its strategy. Furthermore, the committee assessed the Group's ongoing succession plans.

Appointment of new Chief Executive Officer

Following the resignation of John Cotter as Group Chief Executive Officer, Kathryn Purves was appointed as Group Chief Executive Officer on 17 April 2018. The Committee noted that Ms Purves had joined the Board as a Non-Executive Director in May 2016 and previously held extensive financial services experience in roles as Chief Risk Officer and 20 years' senior leadership experience. Ms Purves also has a non-executive role with Intermediate Capital Group plc, a FTSE 250 company. The committee considered the extensive knowledge and experience Ms Purves already retained in the Group in her roles as Non-Executive Director on the Board and as Non-Executive Director on the Board of James Hay Partnership. The Committee also considered each of the Boards' awareness of Ms Purves' strengths and capabilities. The committee concluded that Ms Purves had demonstrated that she had the right balance of skills, experience and knowledge required for a role as Group Chief Executive Officer and her appointment was approved.

Appointment of new Chief Financial Officer

Following the interim appointment of Mark Dearsley as Chief Financial Officer, Gavin Howard was appointed as Group Chief Financial Officer in April 2018 and joined the Board in August 2018. The committee noted that Mr Howard was an experienced financial services executive and a qualified actuary with over 20 years' experience in roles including Chief Financial Officer and Finance Director in the financial services sector, therefore possessing the requisite skills and experience for the role. The Board approved his appointment and he was co-opted onto the Board of Directors on 30 August 2018.

Appointment of new Deputy Chairman and Group Chairman

The committee considered the appointment of Mark Dearsley as Deputy Chairman and following John Gallagher's decision to step down as Group Chairman subsequent to the Annual General Meeting in May 2018, the committee also considered Mr Dearsley as a successor of John Gallagher as Group Chairman. The committee considered Mr Dearsley's capabilities and discussed his previous board level experience within the financial services sector. It was noted that the Board was already aware of Mr Dearsley's capabilities and experience whilst acting as the Interim Chief Financial Officer from January 2018 to April 2018. The committee considered his independence and agreed that as his time was short as Interim Chief Financial Officer and his responsibilities only included overseeing the financial year-end close process and he was not involved in any strategic decision making, Mr Dearsley would remain independent on his appointment to the Board. The committee concluded that Mr Dearsley demonstrated that he had the right balance of skills and experience required as Chairman of the Group Board and his appointment as Deputy Chairman was approved in April with the view that following Mr Gallagher stepping down at the Annual General Meeting in May 2018 Mr Dearsley would succeed him as Chairman. Mr Dearsley was co-opted onto the Board on 17 April 2018.

The committee decided not to use an external search consultancy nor open advertising for the appointment of Mr Dearsley as having evaluated Mr Dearsley's skills and experience, as well as the Board's knowledge of his capabilities first hand while he held the position of interim Finance Director, the committee and the Board believed that he would be the ideal candidate for the role.

Committee changes

Following the various changes to the Board as previously mentioned, the committee considered the composition of the Board committees, noting the size of each and whether the members had the right balance of skills and experience required for each of the committees. It was concluded that following Mr Barrington's resignation, Mr Dearsley would become a member of the Nomination Committee. Following the resignation of Mr Phipps and Ms Purves' appointment as Group Chief Executive Officer, it was concluded that the Audit & Risk Committee would be combined as one committee and the members would consist of David Paige as Chairman, Cara Ryan, Peter Priestley and Mark Dearsley. The committee also approved that Mr Dearsley would take Mr Phipps' position as member of the Remuneration Committee.

Service contracts and re-election of Directors

The terms and conditions of appointment of Non-Executive Directors are available for inspection at the AGM, as well as at the Company's registered office.

In accordance with UK corporate governance best practice, Mark Dearsley and Gavin Howard will be due to stand for election at the Annual General Meeting and all other Directors are due to stand for re-election this year. The committee has confirmed that each Director standing for re-election at this year's Annual General Meeting continues to perform effectively, both individually and collectively as a Board, and that each member of the Board demonstrates the right level of commitment required for their roles.

Diversity

The Group acknowledges the importance of diversity, including gender, both on the Board and throughout the Group. The Board, through the Nomination Committee, aims to recruit Directors from different backgrounds, with diverse experience, knowledge and skills, different perspectives and backgrounds, regardless of gender, nationality or ethnic background, ensuring the individuals are able to support the achievement of the Group's strategic objectives.

The Group's overriding purpose for any new appointments has been to select individuals based on merit and consideration is given to the diversity and gender balance of Board members, and where possible appointments are made with a view to achieving a balance of skills with diversity. As at 31 December 2018, the percentage of female representation on the Board was 33%, which puts the Group in line with recommended targets for FTSE 350 companies in terms of female representation as set by the Hampton-Alexander Review.

Succession planning

The committee acknowledges that a continuous identification, development and review of internal successors which is benchmarked against the external market is necessary to the Group's long-term success. Whilst seeking to identify and develop future Board members, the committee, through discussions with the Group Chief Executive, assesses the talent pipeline to ensure appropriate management development is taking place.

Nomination Committee priorities for 2019

The activities of the committee for 2019 will be to review and discuss its objectives, ensuring that it links in with the Group's strategy and to review its progress throughout the year. The committee will continue to monitor and assess the Board's composition and diversity, long-term succession planning in terms of a contingency plan for unexpected departures, the retention of talented individuals, assessing the talent pipeline through discussions with the Group Chief Executive and Board evaluation. The committee will also review the succession planning for senior management and ensure that there is the appropriate breadth of skills, experience, knowledge and diversity at the level below the Board of Directors.

Review of committee performance

The effectiveness of the committee was evaluated as part of the internal annual Board evaluation process, whereby a review of the committee was carried out along with whether it was functioning effectively. The Board was satisfied upon evaluation that the committee is working effectively and has met its Terms of reference, and continual focus will be made on the composition of the Board and its capabilities in line with its strategic plans.

The Directors present the Annual Report and audited consolidated financial statements of the Group for the year ended 31 December 2018. The Directors' report has been prepared in accordance with section 325 of the Irish Companies Act 2014 (the "Act") and should be read in conjunction with the Strategic Report (pages 1 to 41), which includes our Corporate Social Responsibility and the corporate governance statement.

Principal activities

The Group is organised into two segments: our platform business, James Hay, and our independent wealth management business, Saunderson House.

The principal products and services offered by the Group are the intermediation and administration of financial service products.

Results

The loss for the year attributable to the owners of the Parent Company was £1.0 million (2017: loss £0.3 million).

The financial results for the year ended 31 December 2018 are set out in the Consolidated Income Statement on page 81. Comprehensive reviews of the financial and operating performance of the Group are set out in the financial review on pages 14 to 17.

Business review

A detailed review of the development and performance of the business and future developments is set out in the Strategic Report.

The key performance indicators relevant to the Group and its component businesses are set out in the Strategic Report on pages 12, 22 and 28. Further information in respect of non-financial performance indicators such as environmental and employee matters are set out in the report on Corporate Social Responsibility on pages 38 to 41.

Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Group is set out on pages 30 to 37.

Financial risk management

The Group's assessment of its financial risk management is set out in note 16.

Accounting records

The measures taken by the Directors to ensure compliance with the requirements of Sections 281 to 285 of the Act 2014 with regard to the keeping of adequate accounting records are to employ accounting personnel with appropriate expertise and to provide adequate resources to the Finance function. The accounting records are maintained at the Group's head office, 1 Gresham Street, London, England EC2V 7BX.

Dividends

As a result of the ongoing legacy matter regarding Elysian Fuels which is currently in discussion with HMRC and the review of the complex dual trustee book, the Board remains of the view that it is prudent to retain cash to cover the worst-case outcome in respect of resolution of these matters. Once resolved the Board will seek to resume the dividend policy as soon as practicable. (2017: an interim dividend of 1.60 pence per ordinary share was paid on 27 November 2017.).

Our people

Details of the Group's approach to maintaining a skilled and diverse workforce can be found in the people section under Corporate Social Responsibility on page 38.

The Group fosters a work environment that supports the principles of diversity and equality. Individuals are assessed on their merit and skills, ensuring no discrimination takes place. We ensure that fair consideration is given to disabled people and ensure their working environment is appropriate.

Board of Directors

The names of the current Directors, all of whom were in office during the year and up to the date of signing the financial statements are as follows:

Mark Dearsley (appointed 17 April 2018)
Gavin Howard (appointed 30 August 2018)
Kathryn Purves
David Paige
Peter Priestley
Cara Ryan
John Gallagher (resigned 9 May 2018)
John Cotter (resigned 17 April 2018)
Colm Barrington (resigned 30 August 2018)
Robin Phipps (resigned 30 August 2018)

Directors' indemnities

The Group has made qualifying third-party provisions for the benefit of its Directors during the period, which will remain in force at the date of this report.

Re-election of Directors

After careful consideration, the Chairman has determined that each individual continues to demonstrate commitment to their role, and brings a significant skillset to the Board, the Chairman is therefore recommending the re-election of all Directors seeking to remain on the Board.

Interests of Directors and Company Secretary

In accordance with Section 329 of the Act, information in relation to the beneficial and non-beneficial interests in the share capital of the Group companies held by the Directors and the Company Secretary who held office at 31 December 2018 is contained within the report of the Remuneration Committee on page 64.

Directors' remuneration, service agreements and contracts

The report of the Remuneration Committee, including the Group's policy on Directors' remuneration, service agreements and contracts, is set out on page 64.

Directors' compliance statement

The Directors, in accordance with Section 225(2)(a) of the Act, acknowledge that they are responsible for securing the Company's compliance with its relevant obligations. Relevant obligations, in the context of the Company, are the Company's obligations under:

(a) the Act, where a breach of the obligations would be a category 1 or category 2 offence;
(b) the Act, where a breach of the obligation would be a serious Market Abuse, a Prospectus or a serious Transparency offence; and
(c) tax law.

Pursuant to Section 225(2)(b) of the Act, the Directors confirm that:

(i) a compliance policy statement has been drawn up by the Company in accordance with Section 225(3)(a) of the Act setting out the Company's policies (that, in the Directors' opinion, are appropriate to the Company) respecting compliance by the Company with its relevant obligations;
(ii) appropriate arrangements and structures that, in their opinion, are designed to secure material compliance with the Company's relevant obligations, have been put in place; and
(iii) a review has been conducted, during the financial year, of the arrangements and structures referred to in paragraph (ii).

We acknowledge that the arrangements and structures, which the Directors of the Company have put in place, can only provide reasonable assurance of compliance in all material respects with those obligations. This review has not identified any material matters of non-compliance.

Going concern

The Directors report that they have satisfied themselves that the Group is a going concern, having adequate resources to continue in operational existence for the foreseeable future.

In forming this view, the Directors have reviewed the Group's solvency and liquidity position by reviewing the 2019 budget approved by the Board in February 2019, and the medium-term strategic plans and have taken into account the cash flow implications of the plan, which include a sensitivity analysis based on the key business risks identified by the Group, including Brexit and the contingent exposures set out in note 26, which may be material. They have also considered surplus cash available to the Group and the availability of credit facilities.

Having assessed the Group's relevant business risks, the Directors believe that the Group is well placed to manage these risks successfully and have a reasonable expectation that the Company and the Group, as a whole, have adequate resources to continue to operate for the foreseeable future.

For these reasons, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Viability statement

In accordance with provision C.2.2 of the Code, the Directors have assessed the prospects of the Group over a period significantly longer than the 12-month period, from date of approval of the financial statements, required by the 'Going Concern' provision. This assessment has been made taking account of the corporate planning process and the Group's principal risks, as set out on pages 32 to 37, including Brexit and the contingent exposures set out in note 26, which may be material. The corporate planning process includes our medium-term strategic plans and our Internal Capital Adequacy Assessment Process ("ICAAP").

For the purpose of this exercise the Directors have selected a period of three years as this is the period for which the Board assesses a detailed strategic plan for the businesses annually and on a rolling basis. While the Board has no reason to believe that the Group will not be viable over a longer period than three years, this period was chosen because it provides a much greater degree of certainty over the forecasting assumptions used and provides an appropriate longer-term outlook.

During the year the Board has assessed the principal risks of the Group as set out in the Risk Management section and the likely degree of effectiveness of the current and available mitigating factors. In particular, given the potential materiality of contingent liabilities, the Directors have considered whether the firm will be able to meet such contingent liabilities, were they to become actual liabilities, from its liquid resources. The Directors have concluded that such liabilities are fundable from the Group's resources.

The assessment involved modelling the impact of severe yet plausible adverse scenarios. These are subject to sensitivity analysis which includes robustly testing the main assumptions used. It also includes a reverse stress test which allows the Board to assess circumstances and scenarios which would make the business model unviable, thereby identifying potential vulnerabilities and ensuring that mitigating actions are developed.

Our ability to adjust the expenditure base, particularly in relation to discretionary pay awards, the dividend and discretionary capital expenditure, protects our continuing viability in the face of any severe yet plausible adverse scenarios.

Based on this assessment, the Board of Directors believes that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of at least three years.

Greenhouse gas emissions

The Group recognises its impact on the environment and strives to minimise its GHG emissions. The results for the GHG emissions for the period ending 31 December 2018 can be found on page 41.

Research and development

The Group continues to research and develop new financial services products and to enhance existing products. Research and development costs of £723,000 (2017: £1,300,000) were expensed during the year.

Political donations

No political donations were made by the Group during the year in accordance with the Electoral Acts, 1997 to 2002 (2017: £nil).

Events since the year-end

Details of events since the year-end are set out in note 30.

Substantial shareholdings

The Group has been notified of the following shareholdings of 3% or more in the issued share capital of the Company at 31 December 2018 and 22 March 2019.

	22 March 2019		31 December 2018	
	Number of shares	**% of issued share capital**	Number of shares	% of issued share capital
FIL Investment International (London)	**10,540,566**	**10.00**	10,540,566	10.00
GVQ Investment Management (London)	**10,439,975**	**9.90**	10,439,975	9.90
John Gallagher	**10,166,816**	**9.65**	10,166,816	9.65
Kabouter Management (Chicago)	**9,762,756**	**9.26**	9,682,973	9.19
Artemis Investment Management (Edinburgh)	**6,974,550**	**6.62**	6,732,890	6.39
Moran Family Holding	**5,838,510**	**5.54**	5,838,510	5.54
Artemis Investment Management (London)	**5,661,159**	**5.37**	5,497,819	5.22
Farringdon Capital Management (Geneva)	**4,720,003**	**4.48**	4,974,181	4.72
Ennismore Fund Management (London)	**4,331,236**	**4.11**	4,331,236	4.11
Dolmen Stockbrokers (Dublin)	**4,004,580**	**3.80**	3,782,356	3.59

General meetings

The Group's AGM affords shareholders the opportunity to engage with and question the Chairman and the Board.

All other general meetings are called Extraordinary General Meetings.

Subsidiary undertakings

The Group's principal subsidiaries, associated undertakings and joint arrangements, as at the date of this document, are listed in note 32 to the Group financial statements.

Issue of shares and purchase of own shares

At the AGM held on 9 May 2018, the Directors were authorised to allot relevant securities up to an aggregate nominal amount not exceeding the then authorised but unissued share capital of the Company. A limited authority was also granted to Directors to allot shares for cash up to a nominal value of €632,433 as if the provisions of Section 1022 of the Act did not apply.

These authorities expire on 10 August 2019 and a resolution will be proposed to renew these authorities.

In addition to the above authorities, the Directors were granted authority to make market purchases (within the meaning of Section 1074 of the Act) up to a maximum aggregate number of 10,540,566 ordinary shares, representing 10% of the issued ordinary share capital net of repurchases. The Directors were also authorised to re-issue off-market treasury shares within defined price ranges. The Company does not currently hold any treasury shares.

These authorities expire on 31 December 2019 and a resolution will be proposed to renew these authorities.

Details of the share capital of the Company are set out in note 23 and are deemed to form part of this report.

Takeover regulations

For the purposes of Regulation 21 of Statutory Instruments 255/2006 'European Communities (Takeover Bids Directive (2004/25/EC)) Regulations 2006', the information given under the following headings on page 110 (Share capital and share premium), page 43 (Board of Directors), pages 60 to 62 (Performance bonus and Long-Term Incentive Plan), pages 61 to 64 (Share options), and page 64 (Directors' service agreements and contracts) is deemed to be incorporated in the report of the Directors.

The Group's Long-Term Incentive Plans contain change of control provisions which can allow for acceleration of the exercise of share options or awards in the event that a change of control occurs with respect to the Group. However, these are not considered to be significant in terms of their potential impact on the business of the Group as a whole.

Corporate governance statement

The corporate governance statement on pages 46 to 50 shall be treated as forming part of the report of the Directors. IFG Group plc is fully compliant with the Code for the year ended 31 December 2018.

Auditors

Deloitte was appointed at our AGM on 12 May 2015 as the Group's external auditors. In accordance with Section 383 (2) of the Act, Deloitte, Chartered Accountants and Statutory Audit Firm, Dublin, has indicated their willingness to continue in office. A resolution authorising the Directors to determine their remuneration will be proposed at this year's AGM.

Statement of relevant audit information

In accordance with Section 330 of the Act, each of the persons who are Directors at the time when this Directors' report is approved, have confirmed that:

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

Directors' responsibilities statement

The Directors are responsible for preparing this report and the financial statements in accordance with applicable laws and regulation.

Irish law requires the Directors to prepare financial statements for each year. Under that law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The Directors have elected to prepare the Company financial statements in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and the Republic of Ireland.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company as at the year-end date and of the profit or loss of the Group and the Company for the year and otherwise comply with the Act.

In preparing the Group and the Company financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Group financial statements comply with IFRS as adopted by the EU; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are required to act in good faith, honestly, responsibly and in accordance with section 228 of the Act.

The Directors are required by Irish law and the listing rules issued by the Euronext Dublin Stock Exchange, to prepare a Directors' Report and reports relating to Directors' remuneration and corporate governance. In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 ("the Transparency Regulations"), as amended by Transparency (Directive 2004/109/EC) (Amendment) Regulations 2013, the Directors are required to include a management report containing a fair, balanced and understandable review of the business and a description of the principal risks and uncertainties facing the Group.

The Directors are responsible for keeping adequate accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements have been properly prepared in accordance with the requirements of the Act. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on our website, www.ifggroup.com Legislation in the Republic of Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement as required by the Transparency Directive and UK Corporate Governance Code

Each of the Directors, whose names and functions are listed on page 43, confirms that, to the best of each person's knowledge and belief:

- The Group financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group at 31 December 2018 and its loss for the year then ended.
- The Parent Company financial statements, prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and the Republic of Ireland, and as applied in accordance with the Companies Act 2014, give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2018.
- The Directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.
- The Group's Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Group's performance, business model and strategy.

On behalf of the Board:

Kathryn Purves
Group Chief Executive

David Paige
Senior Independent Director

22 March 2019

In our opinion the Group and Parent Company financial statements:
- give a true and fair view of the assets, liabilities and financial position of the Group and Parent Company as at 31 December 2018 and of the loss of the Group for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting frameworks and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

The Group financial statements:
- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Financial Position;
- the Consolidated Statement of Cash Flows;
- the Consolidated Statement of Changes in Equity; and
- the related notes 1 to 33, including a summary of significant accounting policies as set out in note 3.

The Parent Company financial statements:
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 15, including a summary of significant accounting policies as set out in note 3.

The relevant financial reporting framework that has been applied in the preparation of the Group financial statements is the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union ("the relevant financial reporting framework"). The relevant financial reporting framework that has been applied in the preparation of the Parent Company financial statements is the Companies Act 2014 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council ("the relevant financial reporting framework").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: - Liability provisioning and contingencies - Goodwill intangibles - Revenue and recoverability of trade receivables Within this report, any new key audit matters are identified with ⮝ and any key audit matters which are the same as the prior year are identified with »
Materiality	The materiality that we used in the current year was £435,000 which was determined on the basis of approximately 4% of operating profit before exceptional items (OPBE).
Scoping	We focused our Group audit scope primarily on the audit work at James Hay Partnership entities ('James Hay'), Saunderson House and the Parent Company. James Hay, Saunderson House and the Parent Company were subject to a full audit, whilst the remaining entities within the Group were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations within these components. Combined, James Hay and Saunderson House represent the principal business units and account for over 90% of the Group's net assets, revenue and profit before tax.
Significant changes in our approach	There were no significant changes in our approach which we feel require disclosure.

Conclusions relating to going concern
We have nothing to report in respect of the following information in the Annual Report, in relation to which ISAs (Ireland) require us to report to you whether we have anything material to add or draw attention to:
- the disclosures on pages 30 to 37 to the Annual Report that describe those risks and explain how they are being managed or mitigated;
- the Directors' confirmation in the Annual Report on page 70 that they have carried out a robust assessment of the principal risks facing the Group and the Parent Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement on page 70 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Parent Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 6.8.3(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation on page 70 in the Annual Report as to how they have assessed the prospects of the Group and the Parent Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group and the Parent Company will be able to continue in operation and meet their liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Liability provisioning and contingencies

Key audit matter description	The risk that the recognition, measurement and disclosure of provisions and contingencies for complaints, legal and sanction matters are inappropriate. Provisions (see note 21). The Group has provided for situations where it will incur costs relating to contractual obligations, warranties, sanction, litigation, customer and other claims. Provisions are, by their nature, uncertain and management has made key judgements in assessing an appropriate level of provisioning. Elysian Fuels (see note 26). For one particular matter, Elysian Fuels, which is described in note 26, Group companies have received notices of assessment from HMRC for tax years 2011/12 and 2012/13 which have been appealed, and protective notices of assessment in respect of 2013/14 and 2014/15. In that regard the Directors have disclosed that their estimate of the maximum potential sanction charge for the overall 2011-2015 period is approximately £20 million, plus interest and that the potential exposure remains uncertain. Furthermore, they report no provision, other than for legal fees expected to be incurred in relation to this matter, as the liability remains contingent. Please also refer to page 51 (Risk & Audit Committee report), page 92 (Significant accounting policies – Provisions for Other Liabilities), note 4 (Critical accounting estimates and judgements), note 21 (Provisions) and note 26 (Contingencies).
How the scope of our audit responded to the key audit matter	We evaluated the design and tested the implementation of the Group's controls over the identification of possible obligations and the identification and measurement of probable obligations. Provisions: We reviewed the correspondence with complainants, authorities and legal advisers. We challenged the assumptions used by management. Given the inherent uncertainty in: – the determination of probable or possible liability or quantum, we questioned the assessments made by management; – the determination and calculation of such provisions and their judgemental nature, we evaluated the disclosures made in the financial statements and we challenged management on these disclosures, in particular that they are sufficiently clear in highlighting the exposures that remain, significant uncertainties that exist and the sensitivity of possible quantum of the liability to changing circumstances. Elysian Fuels: On the Elysian Fuels matter we met with the Group's legal advisers to understand and review the advice received. We challenged management's assessment that no reliable estimate of liability could be made. We sought from management details of the uncertainties associated with key variables, the basis on which the Group is contesting liability, and the Board's position regarding management of the matter. We obtained representations from the Board confirming that they dispute HMRC's claim in its entirety and that a settlement position has not been determined by them. The evidence considered by us included any additional evidence provided by events after the end of the reporting period.

Goodwill intangibles

Key audit matter description	At 31 December 2018, the Group had goodwill of £32.1 million. Under IFRS, goodwill is reviewed annually for impairment. Impairment review requires the application of judgement, largely around the assumptions that are built into the calculation of the value in use of the business being reviewed for impairment. Due to the significant judgements involved in estimating future cash flows and to determine key assumptions including growth rates used in the cash flow projections, this was considered a key audit matter. Please also refer to page 51 (Risk & Audit Committee report), page 90 (Significant accounting policies – Intangible Assets), note 4 (Critical accounting estimates and judgements) and note 15 (Intangible Assets).
How the scope of our audit responded to the key audit matter	The Group audit team, which included valuation specialists, assessed the Group's impairment review methodology. We challenged the underlying key assumptions within the Group's impairment model including discount rates and growth rates. We challenged the Group's forecasts with reference to recent performance. We developed an independent view of the key assumptions used in the model, in particular the Group discount rate where we benchmarked the rates used by management against market data. We evaluated management's sensitivity analysis and performed our own sensitivity analysis on the key assumptions used. We assessed whether the disclosures in relation to goodwill were appropriate and met the requirements of accounting standards. We tested key controls over management's impairment assessment.

Revenue and recoverability of debtors

Key audit matter description	There is risk that the timing of revenue and the collectability of receivables is inappropriate. The material area of judgement in relation to revenue relates to the Saunderson House unbilled revenue where estimation is used to determine the proportion of time billed that is recoverable. Further, the ageing and recoverability of the trade receivables in the Group were an area of focus of management. Please also refer to page 51 (Risk & Audit Committee report), page 92 (Significant accounting policies – Revenue recognition), note 4 (Critical accounting estimates and judgements) and note 17 (Trade and other receivables).
How the scope of our audit responded to the key audit matter	We performed procedures to gain an understanding of: – the underlying system configuration and how fees are calculated, – the implementation of IFRS 15, – the controls in place over system output, and – the controls in place for customers being added to/removed from the system including engagement terms and when fees are first applied/disapplied. We have evaluated the design and tested the implementation and operating effectiveness of controls, performed analytical reviews and tests of detail of fee revenue. We tested the receivables including ageing and subsequent receipts. Based on the evidence obtained, we found that the data and assumptions used by management in determining revenue and debtor impairment were reasonable.

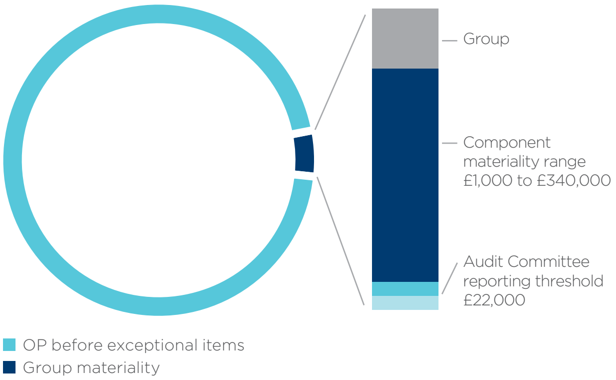
Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £435,000 which is approximately 4% of OPBE. We have considered OPBE to be the critical component for determining materiality as normalised OPBE is recognised as one of the critical benchmarks within the financial statements relevant to members of the Group in assessing financial performance. We have considered quantitative and qualitative factors such as understanding the entity and its environment, history of misstatements, complexity of the Company and the reliability of the control environment. For each component, we allocated a materiality that is less than 80% of Group materiality.

Group materiality



We agreed with the Risk & Audit Committee that we would report to them any audit differences in excess of £22,000, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report to the Risk & Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls and assessing the risks of material misstatement at the Group level.

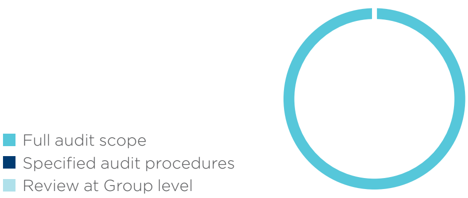
Based on that assessment, we focused our Group audit scope primarily on the audit work at James Hay Partnership entities ('James Hay'), Saunderson House and the Parent Company. James Hay, Saunderson House and the Parent Company were subject to a full audit, whilst the remaining entities within the Group were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations within these components. Combined, James Hay and Saunderson House represent the principal business units and account for over 90% of the Group's net assets, revenue and profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work within both these locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality.

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining entities not subject to audit or audit of specified account balances.

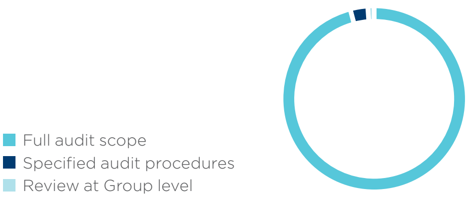
The Group audit team sent component auditors detailed instructions on audit procedures to be undertaken and the information to be reported back to the Group audit team. Regular contact was maintained throughout the course of the audit with key component auditors which included holding Group planning meetings, maintaining communications on the status of the audits and continuing with a programme of planned visits designed so that the Group audit team met each significant component audit team during the year.

The levels of coverage of financial aspects of the Group by type of audit procedures are set out below:

Revenue



Net assets



Other information
The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:
- *Fair, balanced and understandable* – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole to be fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's and the Parent Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Risk & Audit Committee reporting* – the section describing the work of the Risk & Audit Committee does not appropriately address matters communicated by us to the Risk & Audit Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code and the Irish Corporate Governance Annex* – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code and the Irish Corporate Governance Annex containing provisions specified for review by the auditor in accordance with Listing Rule 6.8.3(7) and Listing Rule 6.8.3(9) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code or the Irish Corporate Governance Annex.

Responsibilities of Directors
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the Group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Group to express an opinion on the consolidated financial statements. The Group auditor is responsible for the direction, supervision and performance of the Group audit. The Group auditor remains solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

For listed entities and public interest entities, the auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, including the Ethical Standard for Auditors (Ireland) 2016, and communicates with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

Where the auditor is required to report on key audit matters, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Parent Company were sufficient to permit the financial statements to be readily and properly audited.
- The Parent Company Balance Sheet is in agreement with the accounting records.
- In our opinion the information given in the Directors' report is consistent with the financial statements and the Directors' report has been prepared in accordance with the Companies Act 2014.

Corporate Governance Statement

We report, in relation to information given in the Corporate Governance Statement on pages 46 to 50 that:

- In our opinion, based on the work undertaken during the course of the audit, the information given in the Corporate Governance Statement pursuant to subsections 2(c) and (d) of section 1373 of the Companies Act 2014 is consistent with the Company's statutory financial statements in respect of the financial year concerned and such information has been prepared in accordance with the Companies Act 2014.
- Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in this information.
- In our opinion, based on the work undertaken during the course of the audit, the Corporate Governance Statement contains the information required by Regulation 6(2) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (as amended); and
- In our opinion, based on the work undertaken during the course of the audit, the information required pursuant to section 1373(2)(a),(b),(e) and (f) of the Companies Act 2014 is contained in the Corporate Governance Statement.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions specified by law are not made.

The Listing Rules of the Irish Stock Exchange require us to review six specified elements of disclosures in the report to shareholders by the Board of Directors' Remuneration Committee. We have nothing to report in this regard.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board at the Annual General Meeting on 14 April 2015 to audit the financial statements for the financial year ended 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and re-appointments of the firm is four years, covering the years ending 2015 to 2018.

The non-audit services prohibited by IAASA's Ethical Standard were not provided and we remained independent of the company in conducting the audit.

Our audit opinion is consistent with the additional report to the Risk & Audit Committee we are required to provide in accordance with ISA (Ireland) 260.

Gerard Fitzpatrick
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Dublin
22 March 2019

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
From operations			
Revenue	5	**87,633**	78,394
Staffing expense	8	**(54,578)**	(49,265)
Depreciation and amortisation		**(6,426)**	(5,330)
Expected credit loss on trade receivables/impairment allowance		**(56)**	(64)
Other operating expenses	10	**(26,250)**	(24,299)
Other gains		**4**	131
Operating profit/(loss)	5	**327**	(433)

The expected credit loss recognised in 2018 was calculated in accordance with IFRS 9: Financial Instruments in comparison to the prior year allowance which was calculated in line with IAS 39 Financial Instruments: Recognition and Measurement. The impairment allowance in the prior year was disclosed as part of other operating expenses.

Analysed as:			
Operating profit before exceptional items		**10,250**	8,362
Exceptional items	6	**(9,923)**	(8,795)
Operating profit/(loss)		**327**	(433)
Finance income	9	**123**	52
Profit/(loss) before income tax		**450**	(381)
Income tax (expense)/credit	11	**(1,404)**	43
Loss for the financial year		**(954)**	(338)

Earnings per share from continuing operations attributable to the owners of the Company during the year:

		2018	2017
Loss per ordinary share (pence)			
Basic	12	**(0.90)**	(0.32)
Diluted	12	**(0.90)**	(0.32)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2018

	2018 £'000	2017 £'000
Loss for the financial year	**(954)**	(338)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign currency operations	**29**	143
Other comprehensive income	**29**	143
Total comprehensive loss for the financial year	**(925)**	(195)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	**2018 £'000**	2017 £'000
ASSETS			
Non-current assets			
Property plant and equipment	14	**3,814**	4,181
Intangible assets	15	**51,682**	53,720
Deferred income tax asset	20	**156**	703
Total non-current assets		**55,652**	58,604
Current assets			
Trade and other receivables	17	**23,840**	18,054
Income tax asset		**134**	133
Cash and cash equivalents	18	**27,694**	24,572
Total current assets		**51,668**	42,759
Total assets		**107,320**	101,363
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	20	**1,817**	2,252
Provisions for other liabilities	21	**471**	449
Total non-current liabilities		**2,288**	2,701
Current liabilities			
Trade and other payables	22	**20,581**	19,239
Income tax liabilities		**288**	168
Provisions for other liabilities	21	**10,138**	4,539
Total current liabilities		**31,007**	23,946
Total liabilities		**33,295**	26,647
Net assets		**74,025**	74,716
EQUITY			
Ordinary share capital presented as equity	23	**10,093**	10,093
Share premium	23	**82,404**	82,404
Other reserves	24	**(14,093)**	(14,118)
Retained losses		**(4,379)**	(3,663)
Total equity		**74,025**	74,716

On behalf of the Board:

Kathryn Purves
Group Chief Executive

David Paige
Senior Independent Director

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash generated from operations	27	**10,665**	10,132
Exceptional items paid		**(2,550)**	(6,650)
Interest received		**113**	48
Income tax paid		**(1,087)**	(2,261)
Net cash generated from operating activities		**7,141**	1,269
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,039)**	(1,622)
Sale of property, plant and equipment		**–**	550
Disposal of subsidiaries		**–**	4,037
Acquisition of intangible assets		**(2,983)**	(2,766)
Net cash (used in)/generated from investing activities		**(4,022)**	199
Cash flows from financing activities			
Dividends paid	13	**–**	(5,217)
Cash settlement of vested share options		**–**	(35)
Net cash used in financing activities		**–**	(5,252)
Net increase/(decrease) in cash and cash equivalents		**3,119**	(3,784)
Cash and cash equivalents at the beginning of the financial year		**24,572**	28,226
Effect of foreign exchange rate changes		**3**	130
Cash and cash equivalents at end of financial year	18	**27,694**	24,572
Cash and short-term deposits:			
– as disclosed on the Consolidated Statement of Financial Position		**27,694**	24,572
Cash and cash equivalents at end of financial year	18	**27,694**	24,572

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2018

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	**Total equity £'000**
At 1 January 2017	10,093	82,404	(14,054)	1,763	80,206
Loss for financial year	–	–	–	(338)	(338)
Other comprehensive income					
Currency translation:					
– arising in the financial year	–	–	143	–	143
Total comprehensive loss for the financial year	–	–	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
Loss for financial year	**–**	**–**	**–**	**(954)**	**(954)**
Other comprehensive income					
Currency translation:					
– arising in the financial year	**–**	**–**	**29**	**–**	**29**
Total comprehensive loss for the financial year	**–**	**–**	**29**	**(954)**	**(925)**
Dividends	**–**	**–**	**–**	**–**	**–**
Transfer of vested share-based payment	**–**	**–**	**(238)**	**238**	**–**
Share-based payment compensation:					
– value of employee services – share options	**–**	**–**	**234**	**–**	**234**
– Cash settlement of vested share options	**–**	**–**	**–**	**–**	**–**
Transaction with owners	**–**	**–**	**(4)**	**238**	**234**
At 31 December 2018	**10,093**	**82,404**	**(14,093)**	**(4,379)**	**74,025**

1. Reporting entity

IFG Group plc is a public company, limited by shares, listed on the Irish and London Stock Exchanges and is registered and domiciled in the Republic of Ireland (registration number 21010). The Group's registered address is 70 Sir John Rogerson's Quay, Grand Canal Dock, Dublin 2, Ireland. These consolidated statements comprise the Company and its subsidiaries. The Group provides a range of financial solutions including full platform services, pension administration and independent financial advice.

2. General information

These consolidated financial statements are presented in Sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Statement of compliance
The consolidated financial statements of IFG Group plc have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS), IFRIC interpretations and those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

The significant accounting policies applied in the preparation of these Group financial statements are set out in note 3. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
The Group financial statements are prepared under the historical cost convention, as modified by fair value accounting for certain financial assets and derivative instruments in accordance with IFRS 9 Financial instruments, which requires initially recording financial instruments at fair value through profit or loss and subsequently measuring at fair value through other comprehensive income, or fair value through profit or loss. The financial statements are presented in Sterling, the most representative currency of the Group's operations and rounded to the nearest thousand.

The going concern statement on page 70 forms part of the Group financial statements.

The preparation of financial statements, in conformity with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group financial statements, are disclosed in note 4.

Updates to technical pronouncements
New standards, amendments and interpretations effective for the year ending 31 December 2018
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'
- IFRS 15 'Revenue from contracts with customers'
- Amendments to IFRS 15 'Revenue from contracts with customers'
- Amendments to IFRS 4 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'
- Amendments to IFRS 2 'Classification and measurement of share-based payment transactions'
- Amendments to IFRS 1 and IAS 28 issued in the Annual Improvement Cycle 2014-2016
- Amendments to IAS 40 'Transfers of Investment Property'
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'

- IFRS 9 – 'Financial Instruments'
  On 1 January 2018, the mandatory effective date, the Group adopted IFRS 9 'Financial instruments'. This standard addresses the classification, measurement and recognition of financial instruments including impairment and hedge accounting and replaces IAS 39 *Financial Instruments: Recognition and Measurement*. Financial assets are initially required to be recognised at fair value, and subsequently measured 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 as they are held to collect contractual cash flows under the business model test and meet the "Solely Payments of Principal and Interest" (SPPI) characteristics test under the standard. The IFRS 9 classification and measurement model for financial liabilities is in line with IAS 39, giving rise to no changes. Contingent consideration receivable from the sale of a business is classified and measured at fair value through profit and loss as it fails to meet the SPPI characteristics test. The impact of the adoption of IFRS 9 on the Group's financial statements has not been material and there are no changes to the Group's existing classification of its financial assets. The Group has taken advantage of the practical expedients available and has not restated the information presented for 2017, however has applied the standard retrospectively on adoption, with no adjustment to retained earnings on adoption.

In relation to the impairment of financial assets, IFRS 9 requires the adoption of the expected credit loss (ECL) model in contrast to the 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. This results in earlier recognition of losses on trade and other receivables. IFRS 9 allows using a provision matrix for determining ECLs on trade receivables. Prior to the adoption of IFRS 9, the Group's provision policy used to calculate any impairment allowance assessed the credit risk of its financial assets based on the characteristics, credit history and demographic of its client base. This is still deemed suitable, however, on adoption of IFRS 9 the probability of the risk of expected future defaults and ability to pay has been incorporated into the Group's methodology for measuring ECLs, in addition to assessing historical trends. There has been no material change on the Group's financial statements, except for the requirement to separately present impairment losses on trade receivables in the Consolidated Income Statement.

For further information on how the Group classifies and measures financial instruments and accounts for related impairment under IFRS 9, see note 16 Financial instruments.

- 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 clients 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 client, 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. The Group's revenue is generated by the two businesses from five revenue streams: Annual fees, asset based fees, margin on client cash balances held, transaction fees and advisory fees. Revenue is recognised when performance obligations are satisfied at a point in time, or when performance obligations are satisfied over time, the latter is recognised in line with the progress towards the satisfaction of the obligations. The Group has adopted IFRS 15 using the modified approach and there have been no adjustments to retained earnings. Accordingly, the information presented for 2017 has not been restated.

  For further information on how the Group recognises revenue under IFRS 15, see note 3 Revenue recognition. For information related to the disaggregation of revenue under IFRS 15 see note 5 Segmental information.

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 has assessed their impact on its financial statements which is not material.

- IFRS 14 'Regulatory Deferral Accounts'
- IFRS 16 'Leases'
- IFRS 17 'Insurance Contracts'
- Amendments to IFRS 10 and IAS 28 'Sale or contribution of assets between an investor and its associate or joint venture'
- Amendments to IFRS 9 'Prepayment features with negative compensation'
- Amendments to IAS 28 'Long-term interests in Associates and Joint Ventures'
- Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 issued in the annual improvement cycle 2015-2017
- Amendments to IAS 19 'Plan Amendment, curtailment or settlement'
- Amendments to references to the conceptual framework in IFRS standards
- Amendments to IFRS 3 'Definition of a Business'
- Amendments to IAS 1 and IAS 8 'Definition of material'
- IFRIC 23 'Uncertainty over Income Tax Treatments'

- IFRS 16 'Leases'
  This standard deals with recognition, measurement, presentation and disclosure on 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 standard requires the recognition of operating leases on the balance sheet with a right-to-use asset and an associated lease liability. Accordingly, the impact on the Group's statement of Financial Position will be equivalent to the discounted operating lease obligations as set out in note 25 for periods of 12 months and onwards, currently expected to be within the region of £5.0 million. The Group does not expect there to be an overall material impact on the Group Consolidated Income Statement following the adoption of IFRS 16, however, classification under IAS 17 Leases of rental costs as an operating expense will now be classified as an amortisation charge and finance cost under IFRS 16. Consequently, this will impact the Group's EBIT and EBITDA. The effective date for IFRS 16 is for the period beginning on 1 January 2019. The Group is expected to adopt the standard under the modified retrospective approach for reporting periods after the effective date.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. General information continued

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 non-IFRS 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, exceptional items and discontinued operations. 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 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 is disclosed in note 5.

Adjusted earnings, adjusted operating margin and adjusted EPS

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

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

Adjusted operating margin is defined as adjusted earnings before amortisation of acquired intangibles, exceptional items, discontinued operations and unwinding of discount applicable to contingent consideration, net of tax where applicable as a percentage of total revenue.

The Group uses adjusted operating profit, adjusted earnings, adjusted operating margin 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 adjusted 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. It 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.

The Group financial statements have been prepared on a basis consistent with that reported for the year ended 31 December 2017, with the exception to changes in the recognition of impairment allowances in accordance with IFRS 9: Financial Instruments and the presentation of revenue in the segmental analysis in accordance with IFRS 15: Revenue from contracts with customers.

3. Significant accounting policies

Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group has control of an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets, are also eliminated. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Business combinations
The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. Acquisition and disposal-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquired is remeasured to fair value at the acquisition date through profit or loss.

Disposal of subsidiaries
When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the Consolidated Income Statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint arrangement or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the Consolidated Income Statement.

Contingent consideration, which may be received in the future, in relation to businesses sold is recognised based on management's assessment of the fair value of the receivable.

Segmental reporting
A segment is a distinguishable component of the Group that is engaged in provision of services to earn revenue and incur expenses. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Group Chief Executive.

Foreign currency translation
Items recorded in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Transactions denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. All translation differences are taken to the Consolidated Income Statement.

Results of subsidiary undertakings with different functional currency to the Parent are translated into Sterling using the rates prevailing on the transaction dates. The related balance sheets have been translated using the rates of exchange ruling at the end of the reporting period. Adjustments arising on translation of the results of subsidiary undertakings with different functional currency to the Parent at transaction rates, and on the restatement of the opening net assets at closing rates, are recorded in other comprehensive income.

Property, plant and equipment
Property, plant and equipment are stated at cost, or deemed cost, less accumulated depreciation and impairment losses. Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the replaced item can be measured reliably. The carrying amount of the replaced part is derecognised. All repair and maintenance costs are charged to the Consolidated Income Statement during the financial period in which they are incurred.

Property, plant and equipment are depreciated over their useful economic life on a straight-line basis at the following rates:

Buildings	2%
Fixtures are fittings	10–25%
Computer equipment	20–33%
Leasehold improvements	Lower of useful life and lease period

The residual value and useful life of property, plant and equipment is reviewed and adjusted, if appropriate, at the end of each reporting period.

On disposal of property, plant and equipment, the cost and related accumulated depreciation and impairments are removed from the financial statements and the net amount, less any proceeds, is taken to the Consolidated Income Statement.

3. Significant accounting policies continued

Intangible assets

Goodwill

Goodwill on acquisitions prior to the date of transition to IFRS has been retained at the previous Irish GAAP amount, being its deemed cost subject to being tested for impairment. Goodwill written-off to reserves under Irish GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent gain or loss on disposal.

For the purposes of impairment testing, any goodwill acquired is allocated to the Group of cash-generating units expected to benefit from the business combination. Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses. Goodwill is reviewed for impairment, bi-annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Impairment losses on goodwill are not reversed. Goodwill is monitored at the operating segment level.

Computer software

Computer software is stated at cost, less amortisation and allowance for impairment, if any. Costs incurred on acquisition of computer software are capitalised, as are costs directly related to developing the programmes where the software supports a business system and the criteria specified below are met. Costs associated with maintaining software are recognised as an expense when incurred. Capitalised computer software is amortised over three to five years. The residual value and useful life of computer software are reviewed and adjusted, if appropriate, at the end of each reporting period.

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset to use it;
- there is an ability to use the asset;
- it can be demonstrated how the intangible assets will generate future economic benefits;
- adequate technical, financial and other resources to complete the development are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditure, that does not meet these criteria, is recognised as an expense as incurred. Development costs, previously recognised as an expense, are not recognised as an asset in a subsequent period. Capitalised development costs are recognised as intangible assets and are amortised from the point at which the assets are ready for use on a straight-line basis over their useful lives. Development assets are tested annually for impairment.

Other intangible assets

Other intangible assets are stated at cost less provisions for amortisation and impairment. Intangible assets acquired are amortised over their estimated useful lives from the time they are first available for use. The estimated useful lives are determined at acquisition date and currently range from five to 15 years. The residual value and useful lives of other intangible assets are reviewed and adjusted at the end of each reporting period, if appropriate.

Impairment of assets excluding goodwill

Assets that have an indefinite useful life are not subject to amortisation and are tested bi-annually for impairment. Assets that are subject to amortisation are reviewed for impairment when events or circumstances indicate that the carrying value may be impaired or may not be recoverable. An impairment loss is recognised to the extent that the carrying value of the asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Financial instruments

Trade and other receivables

The Group's financial assets consist of trade receivables and cash, for which amortised cost measurement applies as they are held to collect contractual cash flows under the business model test and meet the "Solely Payments of Principal and Interest" (SPPI) characteristics test under the standard. Contingent consideration receivable from the sale of a business is classified and measured at fair value through profit and loss as it fails to meet the SPPI characteristics test.

Trade and other receivables normally arise due to contingent consideration receivable or when the Group provides services directly to a client with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Group's financial assets comprise 'trade and other receivables' and 'cash and cash equivalents' in the Consolidated Statement of Financial Position.

Impairment of financial assets
Trade and other receivables are subsequently measured at amortised cost. The Group uses an expected credit loss model (ECL) when calculating the allowance for lifetime expected credit losses. A credit loss arises when the contractual cash flows owed to an entity are expected to be paid later than when contractually due, even if the expectation is that a payment will be made in full. The Group recognises any impairment losses at the first balance sheet date the trade receivable is recognised. Under the ECL model, the Group calculates an allowance for credit losses by considering possible outcomes weighted by the probability of their occurrence when measuring the asset's credit risk. The Group uses a provision matrix for determining ECLs on trade receivables. The Group's current provision policy used to calculate any impairment loss assesses the Group's credit risk based on: the characteristics, credit history and demographic of its client base, as well as the probability of expected defaults in the future, based on historical trends and likelihood of future recovery, assessing the credit profile and ability to fulfil future payment obligations. The carrying amount of the asset is reduced through the use of an impairment losses account and the amount of the loss is recognised in a separate line item on the Consolidated Income Statement. Previously impairment losses were included in other operating expenses. When a trade receivable is uncollectible it is derecognised.

Contingent consideration receivable is classified and measured at fair value through profit and loss. At the point where the contingent consideration meets its performance conditions, it is transferred to other receivables. The fair value of the contingent consideration is re-assessed at the end of each reporting period and the cumulative gain or loss is recognised in profit and loss.

Cash and cash equivalents
Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand as well as short-term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows. They are, however, shown as part of borrowings in current liabilities on the Consolidated Statement of Financial Position.

Borrowings
All borrowings are initially recognised at fair value, net of transaction costs incurred.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs and any discount or premium on settlement. Gains and losses are recognised in the Consolidated Income Statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

Borrowings are classified as current unless there is an unconditional right to defer settlement for at least 12 months, in which case they are classified as non-current.

Current and deferred income tax
The income tax expense, in the Consolidated Income Statement, represents the sum of the tax chargeable on profits for the year and deferred tax.

Current tax payable is based on taxable profit for the year. Taxable profit differs from profit before income tax as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other years (timing differences) and it further excludes items that are not taxable or deductible (permanent differences). The Group's liability for current tax is calculated using rates that have been enacted or substantially enacted at the end of the reporting period. Any taxation not payable within 12 months is disclosed as a non-current liability.

Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, in addition to deferred tax on goodwill that does not have a tax base, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply in the year when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint arrangements and associates except to the extent that the timing of the reversal is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit would be available to allow all or part of the deferred income tax asset to be utilised.

3. Significant accounting policies continued

Current and deferred income tax continued
Deferred tax assets and deferred tax liabilities are set off where they relate to income taxes levied by the same taxation authority or different taxable entities within the same taxable group.

Employee benefits

Pension obligations
The Group companies operate various defined contribution pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds.

A defined contribution plan is a pension plan where the Group pays a fixed amount to a separate entity. The Group has no further legal or constructive obligations to pay further contributions once the fixed contributions have been paid.

Obligations to the defined contribution pension plans are recognised as an expense in the Consolidated Income Statement as incurred. The Group does not operate any Defined Benefit plans.

Share-based compensation payment
The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the equity instrument granted is recognised as an employee expense in the Consolidated Income Statement with a corresponding increase in equity. The fair value of share options is determined using the Black-Scholes model while the fair value of shares awarded is estimated as the market price of the shares at the grant date. The total amount to be expensed over the vesting period is determined by reference to the fair value of the equity instrument granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. At each end of the reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the Consolidated Income Statement, with a corresponding adjustment to equity over the remainder of the vesting period.

The proceeds received by the Company, when share options are exercised, are credited to share capital at nominal value and share premium.

The Group does not operate any cash-settled share-based payment schemes or share-based payment transactions with cash alternatives as defined in IFRS 2.

Termination benefits
Termination benefits may be payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

Provisions for other liabilities
A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits would be required to settle the obligation and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. An increase in provision due to passage of time is recognised as an interest expense. In the instance where it is no longer probable that an outflow of resources will be acquired to settle the obligation, the provision is reversed.

Contingent liabilities
Contingent liabilities are possible obligations arising from past events whose existence will be confirmed by uncertain future events not wholly within the control of the Group, or present obligations arising from past events where either an outflow of economic benefits is not probable, or the amount of the obligation cannot be estimated reliably. Contingent liabilities are not recognised in the Consolidated Statement of Financial Position, but are disclosed in the Notes to the Consolidated Financial Statements, unless the possibility of an outflow of economic benefits is remote.

Revenue recognition
Revenue comprises fees from revenue streams where the provision of services satisfies performance obligations at a point in time or services relating to performance obligations that are satisfied over time. Revenue relating to services provided over time are recognised in line with the progress towards the satisfaction of the obligations. The Group earns its revenues within its two reporting segments: Platform and Independent wealth management, and is recognised when, and to the extent that, the Group has obtained the right to consideration in exchange for the services that it provides.

Revenue is disaggregated under the following categories with the respective recognition policy for each category detailed below:

Annual Fees – renewal fees are recognised as revenue when the contingent events, which give rise to the right to receive those fees, typically renewal, have occurred. A proportion of the fee is recognised on the renewal date, representing the fact that the majority of work associated with the annual fee is performed at inception and on the anniversary date of each scheme. The remainder of the fee is spread over the year on a straight-line basis covering other administrative work that occurs over time – services provided over time.

Transaction fees – fees are recognised as revenue when the contingent events which give rise to the right to receive a transaction fee have occurred – which satisfy performance obligations at a point in time.

Margin on cash – this represents an interest spread on money earned on client cash and net of the amount (if any) that is passed to the client. The spread is not the result of a performance obligation to a client but rather an arrangement between the firm and the credit institution where the cash is held. Accordingly, margin on cash is accounted for under IFRS 9 Financial instruments. It is recognised as it accrues.

Asset based fees – fees are charged monthly in arrears, as a percentage of eligible assets, based on the value of the eligible assets at the end of each month. These are recognised as revenue in the month to which they relate – performance obligations satisfied over time.

Advisory fees – fees recognised for financial advice provided and charged on an hourly rate basis – performance obligation satisfied at a point in time.

Where the Group receives payment from clients in advance of the performance of its contractual obligations, a liability equal to the amount received is recognised as deferred income. That liability is reduced and the amount of the reduction is recognised as revenue when, and as, the Group obtains the right to consideration in exchange for the performance condition it provides.

Exceptional items

The Group has adopted an income statement format which seeks to highlight significant items within the Group results for the year. Such items include restructuring, impairment of assets, profit or loss on disposal or termination of operations, litigation settlements, remediation expenditure, sanction charges, unamortised transaction costs arising from early termination of borrowings, profit or loss on disposal of investments and the acquisition and integration costs relating to major acquisitions. Judgement is used by the Group in assessing the particular items which by virtue of their scale and nature should be disclosed in the Consolidated Income Statement and/or notes as exceptional items. These items require separate disclosure in the financial statements to facilitate a better understanding of the Group's financial performance.

Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and represents either a separate major line of business or a geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control. Discontinued operations are treated separately on one line in the Consolidated Income Statement, in the year of disposal.

Finance cost and finance income

Finance cost comprises interest payable on borrowings calculated using the effective interest rate method, facility fees and unamortised borrowing transaction costs.

Finance income includes interest receivable on funds invested and is recognised in the Consolidated Income Statement on a time proportion basis, using the effective interest method. The unwinding of the discount rate on contingent consideration is included as finance income.

Share capital

Ordinary shares that have been issued are classified as equity and confer on the holder a residual interest in the assets of the Group after deducting all of its liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's owners until such shares are cancelled, reissued or disposed. Where such shares are subsequently sold or reissued and any consideration is received, net of any directly attributable incremental transaction costs and the related income tax effects, it is included in equity attributable to the Company's owners.

Dividends

Dividends on ordinary shares are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's Shareholders. Dividends are recommended by the Board, who will take into consideration the overall performance and financial position of the Group in line with its policy. The final dividend is subject to Shareholder approval. Historically the dividend has been paid approximately one third as an interim dividend and two thirds as a final. Dividends declared after the end of the reporting period, but not yet approved by Shareholders, are not provided but are disclosed in note 13 in the financial statements.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next year are discussed in the Risk & Audit Committee report on pages 54 to 56, which forms part of the financial statements. Management estimates and judgements relate primarily to Goodwill (see note 15) and Provisions (see note 21).

5. 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 year, the Group Chief Executive considered the business line perspective, based on three reporting segments: Platform, Independent wealth management and Group. The segments were managed by senior executives who reported to the Group Chief Executive and the Board of Directors. These segments are described in the Strategic Report on pages 18 to 29.

The Group Chief Executive assesses the performance of the segments based on a measure of adjusted earnings. She reviews working capital and overall balance sheet performance at both a business level and on a Group-wide basis. In addition, she also receives 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 and commissions earned in the intermediation of financial service products. In line with the requirements of IFRS 15, further disaggregation of revenue within the operating segments have been disclosed to provide a more comprehensive understanding of the nature of different revenue streams, with prior year comparatives being presented on a disaggregated basis.

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 therefore the item is not allocated between operating segments for the purpose of presenting information to the CODM and accordingly is not included in the detailed segmental analysis below.

Intersegment revenue is not material and thus not subject to separate disclosure.

The information provided to the Group Chief Executive for the reportable segments, for the year ended 31 December 2018, is as follows:

	Platform £'000	Independent wealth management £'000	Group/ Other £'000	Total £'000
Annual fees	**24,682**	**–**	**–**	**24,682**
Transaction fees	**3,216**	**–**	**–**	**3,216**
Asset based fees (include DMS)	**13,347**	**2,382**	**–**	**15,729**
Margin on cash	**12,050**	**–**		**12,050**
Advisory fees	**–**	**31,956**	**–**	**31,956**
Total revenue	**53,295**	**34,338**	**–**	**87,633**
Adjusted operating profit/(loss)	**10,293**	**7,092**	**(5,007)**	**12,378**
Amortisation of acquired intangibles	**(2,128)**	**–**	**–**	**(2,128)**
Exceptional costs	**(5,508)**	**(2,996)**	**(1,419)**	**(9,923)**
Operating profit/(loss)	**2,657**	**4,096**	**(6,426)**	**327**
Finance income	**94**	**28**	**1**	**123**
Profit before income tax	**2,751**	**4,124**	**(6,425)**	**450**
Income tax expense				**(1,404)**
Loss for the year				**(954)**

For the year ended 31 December 2017 comparatives are as follows:

	Platform £'000	Independent wealth management £'000	Group/ Other £'000	Total £'000
Annual fees	24,066	–	–	24,066
Transaction fees	4,102	–	–	4,102
Asset based fees (include DMS)	11,274	1,420	–	12,694
Margin on cash	6,727	–	–	6,727
Advisory fees	–	30,805	–	30,805
Total revenue	46,169	32,225	–	78,394
Adjusted operating profit/(loss)	6,079	8,599	(4,179)	10,499
Amortisation of acquired intangibles	(2,137)	–	–	(2,137)
Exceptional costs	(6,262)	(1,425)	(1,108)	(8,795)
Operating (loss)/profit	(2,320)	7,174	(5,287)	(433)
Finance income	35	17	–	52
(Loss)/profit before income tax	(2,285)	7,191	(5,287)	(381)
Income tax credit				43
Loss for the year				(338)

During the year there were no revenues derived from a single client that represent 10% or more of total revenues, in line with 2017.

Assets and liabilities – 2018

	Platform £'000	**Independent wealth management £'000**	**Group/ Other £'000**	**Total £'000**
ASSETS				
Segment assets	**76,607**	**26,026**	**4,397**	**107,030**
Deferred income tax asset				**156**
Income tax asset				**134**
Total assets as reported on the Consolidated Statement of Financial Position				**107,320**
LIABILITIES				
Segment liabilities	**(17,963)**	**(10,125)**	**(3,102)**	**(31,190)**
Deferred income tax liabilities				**(1,817)**
Current income tax liabilities				**(288)**
Total liabilities as reported on the Consolidated Statement of Financial Position				**(33,295)**

The 2017 comparatives are as follows:

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

5. Segmental information continued

Other segmental information – 2018

	Notes	Platform £'000	Independent wealth management £'000	Group/ Other £'000	Total £'000
Property, plant and equipment – additions	14	**586**	**441**	**12**	**1,039**
Intangible assets – additions	15	**2,229**	**754**	**–**	**2,983**
Property, plant and equipment – depreciation	14	**(835)**	**(500)**	**(71)**	**(1,406)**
Intangible assets – amortisation	15	**(2,303)**	**(589)**	**–**	**(2,892)**
Acquired intangible assets – amortisation	15	**(2,128)**	**–**	**–**	**(2,128)**

The 2017 comparatives are as follows:

	Notes	Platform £'000	Independent wealth management £'000	Group/ Other £'000	Total £'000
Property, plant and equipment – additions	14	586	1,011	25	1,622
Intangible assets – additions	15	1,974	792	–	2,766
Property, plant and equipment – depreciation	14	(819)	(327)	(120)	(1,266)
Intangible assets – amortisation	15	(1,570)	(413)	–	(1,983)
Acquired intangible assets – amortisation	15	(2,137)	–	–	(2,137)

Included in depreciation for the year ending 31 December 2017 were £54,000 of costs relating to the Dublin head office closure which were treated as exceptional costs.

Breakdown of revenue by country of operation
The Group is domiciled in the Republic of Ireland, however all revenue is derived in the UK in both the current and prior financial years.

Analysis of total non-current assets, at the year-end, by geographical region
The total non-current assets (excluding deferred income tax assets), at the year-end, were all held in the UK, £55.5 million (2017: £57.9 million).

6. Exceptional items

Exceptional items charged against operating profit

	2018 £'000	2017 £'000
Redundancy and restructuring costs	**722**	1,385
Legal, remediation and governance fees	**5,574**	5,375
Retention payments	**3,000**	–
Consultancy costs	**–**	1,566
Loss on disposal of International Business	**627**	469
Total	**9,923**	8,795

2018

Redundancy and restructuring costs
Costs of £0.7 million relating to the departure of the former Group CEO have been recognised in the year as detailed in note 7.

Legal, remediation and sanction costs
Remediation and sanction costs relating to James Hay's ongoing review of the dual trustee book of £4.9 million, in addition to £0.6 million of costs related to ongoing legacy products review has been recognised in the year. Legal costs in relation to the Saunderson House cancelled sale process for £0.1 million have also been recognised during the year.

Retention payments
A one-off cost of £3.0 million related to the previously announced retention arrangements for senior management and employees of Saunderson House following the cancelled sale process.

Loss on disposal of International Business
Costs of £0.6 million were provided in the year, relating to the notice of claim under the indemnities provided in association with the sale of the International Business. The increase in the provision was full and final settlement of the matter and payment was settled in January 2019.

2017

Redundancy and restructuring costs

Redundancy costs relating to the restructure of the James Hay business of £1.3 million, and a cost of £0.1 million related to the impairment of the Swavesey office and the delayed closure of the Dublin office.

Legal, remediation and governance costs

A cost of £5.4 million has been recognised in relation to remediation and legal costs. Costs incurred include £2.0 million in relation to the ongoing Elysian Fuels investigation (which includes £1.3 million of provisions for legal costs), £1.6 million of costs relating to the historical pension transfers review in Saunderson House, where there are safeguarded benefits (which includes a provision of £0.9 million for potential client remediation) and £1.8 million of costs associated with the review of other legacy matters in James Hay, (including a provision of £1.5 million for potential remediation).

Consultancy costs

Consultants costs of £1.6 million relating to the detailed review associated with the ongoing legacy matters detailed above were treated as exceptional during the year.

Loss on disposal of International Business

The exceptional loss of £0.5 million relates to the legal costs paid in relation to the First Names claim under the indemnities provided in the sale of the International Business of which £0.3 million relates to interim assessment of costs awarded by the judge and £0.1 million relates to legal costs provided for.

7. Directors' remuneration

	2018 £'000	2017 £'000
Paid or receivable by Directors for qualifying services	**1,193**	888
Paid or receivable by Directors under long-term incentive schemes for qualifying services	**–**	–
Total	**1,193**	888

	Number of Directors whom benefits are arising	2018 £'000	Number of Directors whom benefits are arising	2017 £'000
Contributions paid or payable to a retirement benefit scheme				
Defined contribution	–	**–**	1	55
Total		**–**		55

All amounts paid in respect of retirement benefits are in relation to services as a Director of the Company.

	2018 £'000	2017 £'000
Compensation paid or payable relating to settlement payments – Directors of the Company	**409**	–
Total	**409**	–

All amounts paid in relation to termination benefits are paid in relation to the Directors of the Company.

Directors compensation is made up of the following amounts paid by:

	2018 £'000	2017 £'000
The Company	**482**	499
The Company's subsidiary	**1,120**	444
Total	**1,602**	943

The settlement payment was paid by one of the Company's subsidiaries in the period, relating to the departure of former CEO John Cotter. In addition, he was treated as a good leaver in respect of his outstanding 574,840 options which became exercisable on his departure and will remain so until 16 October 2019. The average exercise price of the options held by John Cotter is 159 pence per option. An accelerated charge was recognised during the year in relation to the options of £238,000 which has not yet been paid.

8. Staffing expense

The average number of persons employed by the Group during the year was 834 (2017: 853). The actual number of persons employed by the Group as at 31 December 2018 was 837 (2017: 823).

The average number of persons employed by the Group, including Non-Executive Directors, during the year, analysed by category, was as follows:

	2018	2017
UK	**823**	840
Ireland	**5**	6
Non-Executive Directors	**6**	7
Total	**834**	853

The aggregate costs of these employees can be analysed as follows:

	2018 £'000	2017 £'000
Wages and salaries	**44,004**	40,132
Social insurance costs	**4,017**	3,656
Redundancy and related costs	**55**	–
Pension costs – defined contribution plans	**2,297**	2,087
Share-based payment compensation – share options	**6**	(43)
Exceptional staff costs	**3,722**	2,990
Other staff costs	**2,348**	2,049
Total staff costs	**56,449**	50,871
Transfer to internally generated intangible assets	**(1,871)**	(1,606)
Total staff costs charged to Consolidated Income Statement	**54,578**	49,265

Other staff costs of £2.3 million (2017: £2.0 million) relate to recruitment, training, travel and entertainment costs. Redundancy costs of £0.7 million and retention payments related to Saunderson House staff of £3.0 million are included within exceptional staff costs in the table above for the year (2017: Redundancy £1.4 million and consultancy costs relating to remediation £1.6 million). Included within the £0.7 million of redundancy costs posted to exceptionals, £0.2 million related to the acceleration of vested share options associated with the departure of the former CEO.

9. Finance income

	2018 £'000	2017 £'000
Finance income		
Interest income on short-term bank deposits	**123**	52
Net finance income	**123**	52

10. Operating profit/(loss)

The following items have been charged in operating profit/(loss):

	2018 £'000	2017 £'000
Depreciation (see note 14)	**1,406**	1,212
Amortisation of intangible assets	**5,020**	4,120
Operating lease rentals	**1,806**	1,453
Net foreign exchange gain	**37**	51
Employee costs (note 8)	**54,578**	49,265

Details of other operating expenses are as follows:

	2018 £'000	2017 £'000
Establishment	**5,142**	4,436
Professional fees, remediation and sanction charges	**9,580**	9,516
IT costs	**6,125**	4,855
Marketing and advertising	**1,001**	1,092
Property SIPP administration fees	**1,426**	1,408
Regulatory subscriptions and levies	**1,061**	1,125
Other expenses	**1,915**	1,867
Total	**26,250**	24,299

Losses for impairment allowances of £0.1 million, previously disclosed as other operating expenses have been excluded from the 2017 comparatives and re-presented in line with the requirement under IFRS 9 to separately disclose impairment losses in the Consolidated Income Statement.

Included in professional, remediation and sanction charges in the year are £5.5 million of exceptional costs which relate to the ongoing investigation and remediation of legacy matters in James Hay, £0.6 million associated with settlement of the matter relating to the sale of the International Business, previously disclosed as a contingent liability and £0.1 million of costs related to the cancelled sale process (2017: £5.9 million) (see note 6).

Auditor's remuneration – Group

During the year, the Group obtained the following services from the Group's auditor, Deloitte:

	2018 £'000	2017 £'000
Statutory audit of the Group accounts	**323**	289
Other assurance services	**64**	32
Other non-audit services	**–**	9
Total auditor's remuneration	**387**	330

Included in the above are amounts paid to Deloitte UK for services provided to other Group companies: audit £253,000 (2017: £181,000), other assurance £64,000 (2017: £5,200) and other non-audit services £nil (2017: £9,000).

11. Income tax expense/(credit)

	2018 £'000	2017 £'000
Current tax		
Ireland (at 12.5%):		
– current year	**20**	46
– prior year	**(1)**	–
UK and other (primarily at 19.00% (2017: 19.25%)):		
– current year	**1,786**	1,278
– prior year	**(513)**	(602)
Total current tax expense	**1,292**	722
Deferred tax		
Ireland:		
– current year	**–**	3
– prior year	**6**	–
UK and other:		
– current year	**(338)**	(987)
– prior year	**444**	219
Total deferred tax expense/(credit)	**112**	(765)
Income tax expense/(credit)	**1,404**	(43)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits of the consolidated entities as follows:

	2018 £'000	2017 £'000
Profit/(loss) before income tax	**450**	(381)
Tax calculated at domestic tax rates applicable to results in the respective country	**86**	(73)
Adjustment in respect of prior years	**(64)**	(383)
Re-measurement of deferred tax – impact of change in UK tax rate	**(5)**	79
Non-taxable gain	**(1)**	(9)
Differences in overseas tax rates	**(11)**	(19)
Current year losses for which no deferred tax asset was recognised	**48**	60
Others including expenses not deductible for tax purposes	**1,351**	302
Income tax expense/(credit)	**1,404**	(43)

The weighted average applicable tax rate for the year was 312% (2017: 11.3 %). Increased Group plc costs, settlement costs associated with the sale of the International Business and sanction charges arising from the ongoing legacy reviews, which are not allowable for tax, have resulted in a higher effective tax rate. During the year, the Company re-measured relevant deferred tax balances that were impacted by the change in the UK rate substantively enacted at the balance sheet date. In accordance with the IFRS provisions, the rate of 17% is used as a basis for the calculation of UK deferred taxes.

12. Earnings per ordinary share

	2018	2017
Basic		
Loss after income tax (£'000)		
From operations	**(954)**	(338)
Total	**(954)**	(338)
Weighted average number of ordinary shares in issue for the calculation of earnings per share	**105,405,665**	105,405,665
Basic loss per share (pence)		
From operations	**(0.90)**	(0.32)
From loss for the year	**(0.90)**	(0.32)
Diluted		
Loss after income tax (£'000)		
From operations	**(954)**	(338)
Total	**(954)**	(338)
Weighted average number of ordinary shares in issue for the calculation of earnings per share	**105,405,665**	105,405,665
Dilutive effect of share options	**108,724**	246,069
Weighted average number of ordinary shares for the calculation of diluted earnings per share	**105,514,389**	105,651,734
Diluted loss per share (pence)		
From operations	**(0.90)**	(0.32)
From loss for the year	**(0.90)**	(0.32)

13. Dividends paid on ordinary shares

	2018 £'000	2017 £'000
Interim 2017 paid of 1.60 pence per share	**–**	1,686
Final 2016 paid of 3.35 pence per share	**–**	3,531
Total	**–**	5,217

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 pay a final dividend in respect of 2018 (2017: 1.60 pence). The Board remains committed to returning to a progressive dividend policy as soon as practicable.

During the year £nil dividends were paid to the owners of the Company (2017: £5,217,000). This equates to £nil pence per share (2017: 4.95 pence per share).

14. Property, plant and equipment

	Buildings and leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 31 December 2016	4,362	6,721	1,119	12,202
Additions	1,010	537	75	1,622
Disposals	(830)	(81)	(8)	(919)
Exchange adjustment	28	2	–	30
At 31 December 2017	4,570	7,179	1,186	12,935
Additions	**522**	**399**	**118**	**1,039**
Exchange adjustment	**6**	**–**	**–**	**6**
At 31 December 2018	**5,098**	**7,578**	**1,304**	**13,980**
Accumulated depreciation				
At 31 December 2016	(2,621)	(4,464)	(795)	(7,880)
Charge for year	(310)	(858)	(98)	(1,266)
Disposals	333	81	8	422
Exchange adjustment	(28)	(2)	–	(30)
At 31 December 2017	(2,626)	(5,243)	(885)	(8,754)
Charge for year	**(491)**	**(813)**	**(102)**	**(1,406)**
Exchange adjustment	**(6)**	**–**	**–**	**(6)**
At 31 December 2018	**(3,123)**	**(6,056)**	**(987)**	**(10,166)**
Net book amounts				
At 31 December 2016	1,741	2,257	324	4,322
At 31 December 2017	1,944	1,936	301	4,181
At 31 December 2018				
– cost	**5,098**	**7,578**	**1,304**	**13,980**
– accumulated depreciation	**(3,123)**	**(6,056)**	**(987)**	**(10,166)**
At 31 December 2018	**1,975**	**1,522**	**317**	**3,814**

Included in depreciation for the year-end 31 December 2017 were £54,000 of costs relating to the Dublin head office which were treated as an exceptional cost.

Capital commitments
At 31 December 2018 amounts authorised by the Directors, but not contracted for, were £4,820,000 (2017: £5,866,000). Capital commitments contracted for were £nil (2017: £nil).

15. Intangible assets

	Goodwill £'000	Customer relationship brands[1] £'000	Purchased client books £'000	Computer software £'000	Total £'000
Year ended 31 December 2018					
Opening net book amount	**32,063**	**12,192**	**1,279**	**8,186**	**53,720**
Additions	**–**	**–**	**–**	**2,982**	**2,982**
Amortisation charge on acquired assets	**–**	**(1,701)**	**(427)**	**–**	**(2,128)**
Amortisation charge	**–**	**–**	**–**	**(2,892)**	**(2,892)**
Closing net book amount 2018	**32,063**	**10,491**	**852**	**8,276**	**51,682**
At 31 December 2018					
Cost	**32,063**	**25,517**	**2,136**	**18,514**	**78,230**
Accumulated amortisation/impairment	**–**	**(15,026)**	**(1,284)**	**(10,238)**	**(26,548)**
Net book amount	**32,063**	**10,491**	**852**	**8,276**	**51,682**
Year ended 31 December 2017					
Opening net book amount	32,063	13,893	1,349	7,769	55,074
Additions	–	–	366	2,400	2,766
Amortisation charge on acquired assets		(1,701)	(436)	–	(2,137)
Amortisation charge	–	–	–	(1,983)	(1,983)
Closing net book amount 2017	32,063	12,192	1,279	8,186	53,720
At 31 December 2017					
Cost	32,063	25,517	2,136	15,532	75,248
Accumulated amortisation/impairment	–	(13,325)	(857)	(7,346)	(21,528)
Net book amount	32,063	12,192	1,279	8,186	53,720

Note
1. Includes the James Hay brand and customer relationship intangibles acquired during 2010 (net book value of £10,491,000) which have approximately six years and two months left in their useful lives as of 31 December 2018.

Computer software is amortised over three to five years. Purchased books are amortised over five years.

The amortisation charge for 2018 was £5,020,000 (2017: £4,120,000). Computer software additions include £1,871,000 of internally-generated intangible assets (2017: £1,606,000).

Goodwill as allocated to segments

	At 31 December 2018 £'000	At 31 December 2017 £'000
Platform	**26,771**	26,771
Independent wealth management	**5,292**	5,292
Total goodwill	**32,063**	32,063

Impairment tests for goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's segments which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Value-in-use calculations are utilised to calculate recoverable amounts of a cash-generating unit ("CGU"). Value-in-use is calculated as the net present value of the projected risk-adjusted pre-tax cash flows of the CGU, in which the goodwill is contained. Net present value of cash flows is achieved by applying a discount rate based on the Group pre-tax Weighted Average Cost of Capital ("WACC"). The Group has applied the WACC of 9.7% to both of its operating segments, as they are both in the financial services sector within the UK. These cash flows are based on budgets approved by the Board covering a one-year budget together with a two-year forecast. Cash flows beyond the three-year period are extrapolated using the estimated long-term growth rates as stated below. Forecasts are based on historical performance together with management's expectation of future trends affecting the industry and other developments and initiatives in the business.

The key assumptions include the long-term growth rates, discount rates and management's estimates of future profitability based on sales growth, inflation and movement in cost expectations. The prior year assumptions were prepared on the same basis.

15. Intangible assets continued

Impairment tests for goodwill continued

The key assumptions used for the value-in-use calculations in 2018 and 2017 are as follows:

	2018	2017
UK		
Long-term growth rate	**1.5%**	1.5%
Discount rate	**9.7%**	10.1%
Four-year revenue growth rate	**7.9%**	6.4%

The four-year growth rate has increased due to the expected revenue growth in 2019 and beyond, supported by the recent rise in interest rates, which translates to profits in the Platform business, in addition to increases from recent changes to the pricing structures which took effect in mid-2017.

If the estimated long-term growth rates for all businesses were lowered by 10% to -8.5% from management's estimate at 31 December 2018, the Group would have recorded an impairment charge of £nil against goodwill. If the discount rate used increased to 19.7%, an impairment charge of £nil would have been recorded at 31 December 2018. If the estimated cash flows for the three-year period 2019-2021 reduced by 10%, then an impairment charge of £nil would have been recorded at 31 December 2018. The Group considered the potential impact of the crystallisation of the contingent liabilities as outlined in note 26. The Group would have recorded an impairment charge of £nil under this scenario.

Although the outcome of Brexit is currently uncertain, the UK-focus of our businesses mitigates much of the vulnerability that other areas of the industry face regarding potential barriers to trade and the movement of people. Whilst the direct impact of Brexit on both our businesses is relatively limited, the impact of a "hard" Brexit or "no deal" Brexit could affect the UK economy as a whole. A sustained market downturn or increased UK unemployment could negatively impact clients' willingness and ability to invest, and hence could impact demand for our services. Both businesses' revenue models provide some protection against falls in market value. Saunderson House's charges are heavily weighted to time and materials and as a result, the direct impact of a fall in market value is limited. James Hay's fees, which are partially driven by market values, are more vulnerable to both the impact of market volatility and changes in interest rates which could adversely affect revenue. If the estimated long-term growth rates were lowered to nil, combined with a 5% increase in the WACC and a 50% reduction in budget and plan cash flows after the crystallisation of the contingent liability outlined in note 26, the Group would record an impairment of £nil.

16. Financial instruments

Fair value estimation

The disclosure of fair value measurements by valuation method has been done using the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At the year-end, there were no financial instrument liabilities measured at fair value (2017: £nil).

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data, where it is available, and rely, as little as possible, on entity specific estimates. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The fair value of trade receivables and payables is not disclosed as they are approximate of their fair value.

Categories of financial assets and liabilities

The accounting policies for financial instruments have been applied to the line items below

31 December 2018 **Assets as per the Consolidated Statement of Financial Position**	**Financial assets £'000**
Trade receivables	**5,829**
Cash and cash equivalents	**27,694**
Total	**33,523**

31 December 2017 Assets as per the Consolidated Statement of Financial Position	Financial assets £'000
Trade receivables	5,739
Cash and cash equivalents	24,572
Total	30,311

31 December 2018 Liabilities as per the Consolidated Statement of Financial Position	Financial liabilities measured at amortised cost £'000
Trade and other payables	**(1,402)**
Total	**(1,402)**

31 December 2017 Liabilities as per the Consolidated Statement of Financial Position	Financial liabilities measured at amortised cost £'000
Trade and other payables	(2,628)
Total	(2,628)

See note 17 for commentary on the credit quality of trade and other receivables.

Nature and extent of risks arising from financial instruments

The Group's activities expose it to a number of financial risks: market risk (including interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Group's finance function seeks to reduce its exposure to these risks. It also ensures surplus funds are managed and controlled in a manner which will protect capital sums invested and ensures adequate short-term liquidity, whilst maximising returns. It does not operate as a profit centre and transacts only in relation to underlying business requirements. It operates policies and procedures which are periodically reviewed and approved by the Board of Directors.

Market risk

Interest rate risk

Other than bank balances and borrowings the Group has no significant interest-bearing exposures. Revenue derived from margin on cash is exposed to movement in interest rates, whilst asset-based fees are impacted by market volatility. Both could adversely affect the revenue of the Group's businesses. In James Hay and Saunderson House, asset-based fees which account for approximately 18% of total revenue are both vulnerable to market volatility. Margin on cash in James Hay is vulnerable to interest rate volatility and accounts for 14% of total revenue. Interest rate risk arising from the Group's borrowings is managed through the utilisation of interest rate swaps when conditions are favourable. The Group currently has no borrowings. The Group centrally manages the short-term cash surpluses or borrowing requirements of subsidiary companies. At 31 December 2018, if interest rates had increased/decreased by 1% with all other variables held constant, pre-tax profit for the year would have been £nil (2017: £nil) lower/higher with relation to interest risk arising on Group borrowings.

Foreign exchange risk

Foreign currency risk is the risk that the Group will sustain losses through adverse movements in currency rates. With all of the Group's trading businesses located in the UK (following the disposal of the Irish segment in 2014), the Group is not exposed to significant exchange translation or transaction risk. The Group still operates with a small office in Dublin, Ireland. The Group also has transactional currency exposures arising from sales or purchases by subsidiaries in currencies other than the subsidiaries' operating functional currency.

The Group's policy in regard to foreign exchange translation exposure is to, as deemed necessary, use foreign currency borrowings to hedge the impact of exchange rate movements on the Group's Consolidated Statement of Financial Position and to use forward foreign exchange contracts to mitigate the impact of exchange rate movements on the Group's Consolidated Income Statement, when the Group considers it economically viable to do so. At the end of 2018, the Group had no foreign borrowings.

At 31 December 2018, if Euro had weakened/strengthened by 10% against Sterling with all other variables held constant, post-tax profit for the year would have been £62,000 (2017: £92,000) lower/higher mainly as a result of foreign exchange gains/losses on translation of Euro-denominated assets.

Price risk

Price risk is the risk that a decline in the value of assets adversely impacts on the profitability of the Group as the result of an asset not meeting its expected value. The Group does not hold directly any market investments (other than its investments in its own businesses) on its Consolidated Statement of Financial Position and therefore is not exposed directly to such market price risk. The Group earns part of its revenue based on the value of client assets under administration and advice (in addition to transactional and fixed fees) and so has an indirect exposure to security price risk. These assets are not held on the Consolidated Statement of Financial Position. The risk is partly mitigated by the extent of the underlying clients and asset class diversification. Uncertainty around Brexit could cause volatility in margins and reduce new business volumes. Both businesses are vulnerable to market volatility and market declines could adversely affect revenues.

16. Financial instruments continued

Categories of financial assets and liabilities continued

Credit risk

The Group has a credit policy in place and monitors credit risk on an ongoing basis. Credit risk is managed at both the Group level and the subsidiary level. It largely arises from exposures in respect of cash and short-term deposits with banks, as well as credit exposures to clients.

Credit risk is managed by limiting the aggregate amount and duration of exposure to counterparties. These judgements are made after taking into account the counterparty's credit rating and by regular monitoring of these ratings. Acceptable credit ratings are medium-to-high investment grade ratings for cash and cash equivalents. Clients who wish to avail of credit terms with the Group are subject to credit evaluations prior to credit being advanced and are subject to continued monitoring at operating company level. The Group does not hold collateral in respect of amounts receivable from clients.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each client. However, management also considers the demographics of the Group's client base as these factors may have an influence on credit risk. The Group also assesses the probability of the risk of future default of payments when assessing expected credit losses associated with client balances. At the end of the reporting period, management believes that there were no concentrations of credit risk in respect of trade receivables due to the large number of clients spread across the Group's activities and areas of operation. An impairment allowance, in line with the businesses' expected credit loss models of 4% of trade and other receivables (2017: 5%) has been made at year-end. The allowance has been measured on the ability to fulfil future payment obligations in accordance with IFRS 9. At year-end 85% of the trade and other receivables balances were classified as not past due (2017: 80%). The maximum exposure to credit risk is represented by the carrying value of each receivable in the balance sheet.

Management monitors credit ratings of banks and financial institutions to which the Group has exposure and where necessary addresses concentration risk by reducing its exposure to individual banks. Cash, cash equivalents and borrowings are held with acceptable banks, as required by the banking facility agreement. At 31 December 2018, the Group had 99% (2017: 84%) of its cash and cash equivalents held with institutions with Standard & Poor's rating of equal to or greater than an 'A' rating. The Group's maximum exposure to credit risk in respect of cash and cash equivalents, during the year-end, is the carrying value of the balance.

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance if applicable, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example currency restrictions.

The Group's Finance function ensures that sufficient resources are available to meet liabilities as they fall due through a combination of cash and cash equivalents, cash flows and undrawn committed bank facilities. Flexibility in funding sources is achieved through a variety of means including: (i) maintaining cash and cash equivalents with a range of highly-rated counterparties; (ii) limiting the maturity of such balances; and (iii) borrowing the bulk of the Group's debt requirements under un-committed bank overdrafts.

On 7 December 2017, the Group renewed its £5.0 million overdraft facility agreement with Barclays Bank Ireland plc, which was renewed on the same terms on 7 December 2018. This facility is available to meet current foreseeable borrowing requirements. The Group's consolidated net cash position is reviewed regularly by the Board of Directors.

Capital management

The Pillar 1 capital resource requirement for the Group has been calculated in accordance with the Financial Conduct Authority regulations. The Group has also assessed its Pillar 2 capital resource requirements 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. The Groups' capital position is managed by the Risk & Audit Committee.

The following is an analysis of the anticipated contractual cash flows for the Group's non-derivative financial liabilities. Cash flows in foreign currencies are translated using the exchange rates at 31 December 2018 and 31 December 2017.

	Trade payables[1] £'000	Total £'000
At 31 December 2018		
Due in less than one year	**1,402**	**1,402**
Total	**1,402**	**1,402**
At 31 December 2017		
Due in less than one year	2,628	2,628
Total	2,628	2,628

1. The maturity analysis applies to financial instruments only and therefore non-financial liabilities are not included.

17. Trade and other receivables

	2018 £'000	2017 £'000
Current – trade and other receivables		
Trade receivables and other receivables	**22,227**	16,439
Less lifetime expected credit loss/impairment allowance	**(873)**	(817)
Trade receivables and other receivables – net	**21,354**	15,622
Prepayments	**2,486**	2,432
Total	**23,840**	18,054

The carrying value less impairment allowance of trade and other receivables approximates fair value. The total carrying amount of the Group's trade and other receivables is denominated in Sterling.

The Group's exposure to concentration risk in respect of its trade receivables is assessed as low given the large number of clients and the absence of any significant exposure to one client.

As of 31 December 2018, the ageing of trade and other receivables and the respective lifetime expected credit loss ("ECL") as set out under IFRS 9, is as follows:

At 31 December 2018	**Trade and other receivables**							
£'000	**0-30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**120-180 days**	**180-360 days**	**+360 days**	**Total**
Expected credit loss %	0%*	2%	5%	9%	10%	18%	66%	**4%**
Gross carrying amount	18,899	761	379	284	348	537	1,019	**22,227**
Lifetime ECL	(10)	(14)	(20)	(26)	(35)	(96)	(672)	**(873)**
Total								**21,354**

* 0.0005%.

As of 31 December 2017, the ageing of trade and other receivables where impaired under an incurred loss model as set out in IAS 39, the comparative balances as follows:

At 31 December 2017	Trade and other receivables							
£'000	0-30 days	30-60 days	60-90 days	90-120 days	120-180 days	180-360 days	+360 days	Total
Gross carrying amount	13,287	653	403	366	441	493	796	16,439
Impairment allowance	(3)	(4)	(3)	(22)	(54)	(118)	(613)	(817)
Total								15,622

Specific subsidiary models were used to determine the lifetime ECL allowance, however, due to materiality of Saunderson House (3% of overall impairment), the ECL model has not been disaggregated by the business segment client base.

Movements on the allowance for impairment of trade and other receivables are as follows:

	2018 £'000	2017 £'000
At 1 January	**817**	753
Allowance for receivables impairment	**156**	99
Unused allowance released	**(100)**	(35)
Expected Credit Loss/ impairment allowance	**56**	64
At 31 December	**873**	817

The creation and release of the allowance for impaired trade receivables has been shown separately in the Consolidated Income Statement in line with the requirements under IFRS 9.

Other than as outlined earlier, the other classes within trade and other receivables do not contain any impaired assets.
The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.
The Group does not hold any collateral as security.

18. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	**5,152**	7,610
Short-term bank deposits	**22,542**	16,962
Total cash and cash equivalents	**27,694**	24,572

Cash and cash equivalents are reported at amortised cost which approximates fair value. Cash at bank and in hand earns interest at floating rates based on daily deposit bank rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

Currency rate profile of cash and cash equivalents

	2018			2017		
	Cash at bank and in hand £'000	**Short-term bank deposits £'000**	**Total £'000**	Cash at bank and in hand £'000	Short-term bank deposits £'000	Total £'000
Euro	**215**	**–**	**215**	1,883	–	1,883
Sterling	**4,937**	**22,542**	**27,479**	5,727	16,962	22,689
At 31 December	**5,152**	**22,542**	**27,694**	7,610	16,962	24,572

19. Borrowings

Bank borrowings

On 7 December 2016, the Group entered into a £5.0 million overdraft facility agreement with Barclays Bank Ireland plc, which was renewed under the same terms on 7 December 2018.

The Group has the following undrawn overdraft facilities available:

	2018 £'000	2017 £'000
Expiring within one year	**5,000**	5,000
	5,000	5,000

20. Deferred income tax

Deferred income tax assets and liabilities are offset if, and only if, there is a legally enforceable right to settle current tax amounts on a net basis, the recognised amounts are levied by the same taxing authority and there is an intention to either settle on a net basis or to realise the asset and settle the liability simultaneously.

	2018 £'000	2017 £'000
Deferred tax asset	**156**	703
Deferred tax liability	**(1,817)**	(2,252)
	(1,661)	(1,549)

The gross movement on the deferred income tax account is as follows:

	2018 £'000	2017 £'000
At beginning of the year	**(1,549)**	(2,314)
Consolidated Income Statement credit (see note 11)	**(112)**	765
At end of the year	**(1,661)**	(1,549)

No deferred income tax is recognised on the unremitted earnings of overseas subsidiaries and joint arrangements as the Group does not anticipate additional tax in Ireland on dividends received from overseas subsidiaries.

The movement in deferred tax assets and liabilities during the year is as follows:

	Accelerated capital allowances £'000	Intangible assets £'000	Tax losses £'000	Other temporary differences £'000	Total £'000
At 1 January 2017	(125)	(2,344)	175	(20)	(2,314)
Credit/(charge) to Consolidated Income Statement	13	204	(106)	654	765
Net deferred tax balances at 31 December 2017	(112)	(2,140)	69	634	(1,549)
Deferred tax assets at 31 December 2017	–	–	69	634	703
Deferred tax liabilities at 31 December 2017	(112)	(2,140)	–	–	(2,252)
Net deferred tax balances at 31 December 2017	(112)	(2,140)	69	634	(1,549)
At 1 January 2018	**(112)**	**(2,140)**	**69**	**634**	**(1,549)**
Credit/(charge) to Consolidated Income Statement	**257**	**323**	**(69)**	**(623)**	**(112)**
Net deferred tax balances at 31 December 2018	**145**	**(1,817)**	**–**	**11**	**(1,661)**
Deferred tax assets at 31 December 2018	**145**	**–**	**–**	**11**	**156**
Deferred tax liabilities at 31 December 2018	**–**	**(1,817)**	**–**	**–**	**(1,817)**
Net deferred tax balances at 31 December 2018	**145**	**(1,817)**	**–**	**11**	**(1,661)**

Deferred tax assets of £2,873,000 (2017: £2,758,000) in respect of trading tax losses of circa £663,000 (2017: £205,000) and capital losses of circa £14,738,000 (2017: £14,728,000) have not been recognised. These losses have no expiration date and can be carried forward indefinitely. Deferred tax assets are recognised where it is probable that future taxable profit will be available to utilise losses.

21. Provisions

	Leases £'000	UK business disposal £'000	Complaints and pricing £'000	Legal, remediation and sanction £'000	Total £'000
At 1 January 2018	**337**	**194**	**194**	**4,263**	**4,988**
Additions	**135**		**282**	**6,416**	**6,833**
Unused amount released	**–**		**(185)**	**(284)**	**(469)**
Utilised during the year	**(56)**	**(82)**	**(93)**	**(515)**	**(746)**
Exchange adjustments	**3**	**–**	**–**	**–**	**3**
At 31 December 2018	**419**	**112**	**198**	**9,880**	**10,609**

Analysis of provisions:

	Leases £'000	UK business disposal £'000	Complaints and pricing £'000	Legal, remediation and sanction £'000	Total £'000
Current	**36**	**42**	**180**	**9,880**	**10,138**
Non-current	**383**	**70**	**18**	**–**	**471**
At 31 December 2018	**419**	**112**	**198**	**9,880**	**10,609**

Analysis of provisions:

	2018 £'000	2017 £'000
Current	**10,138**	4,539
Non-current	**471**	449
	10,609	4,988

Significant movements in provisions are detailed below:

Leases
An increase of £0.1 million with relation to the legacy leases of the Irish segment sold in 2014, subsequent to a review of future rental income associated with the onerous lease.

UK business disposal
A cost of £0.1 million utilised in the period related to ongoing costs associated with maintaining client files which related to the sale of the UK business IFG Financial Services.

21. Provisions continued

Complaints and pricing claims

The provisions recorded represent management's best estimate of the exposures relating to settlement of complaints and pricing claims against Group companies based on information available at the time of the approval of the accounts. This includes £0.3 million of provisions made to cover existing and incurred but not reported complaints and pricing claims against the Group.

Legal, remediation and sanction

The provisions recorded represent management's best estimate of the exposures relating to ongoing legacy reviews and represent management's best estimate of the costs of settling these matters on information available at the time of the approval of the accounts. The estimates require significant management judgement and involve extrapolation of key findings based on samples reviewed in detail to date. As the review progresses, these estimates may change as a result of new findings. The increase in provision is due to costs associated with full and final settlement of the ongoing matter related to the sale of the International Business £0.6 million and increases associated with the ongoing legacy reviews and management's best estimate of the costs of settling these matters £5.9 million.

Current provisions

Although these provisions are uncertain in terms of timing and/or amount, it is expected that £10.1 million of the provision will be utilised in 2019.

22. Trade and other payables (amounts falling due within one year)

	2018 £'000	2017 £'000
Trade and other payables	**1,402**	2,628
Accruals	**10,262**	7,627
Deferred income	**7,244**	7,440
PAYE and social welfare	**1,313**	1,157
Value added tax	**360**	387
Trade and other payables	**20,581**	19,239
Creditors for taxation and social welfare included above	**1,673**	1,544

The carrying value of trade and other payables approximates fair value.

23. Share capital and share premium

Authorised	**2018 No. of shares**	**2018 £'000**	**2018 €'000**	2017 No. of shares	2017 £'000	2017 €'000
Ordinary shares of 12c each	**140,187,210**	**13,095**	**16,822**	140,187,210	13,095	16,822
'A' ordinary shares of €1.27 each	**8,200**	**7**	**10**	8,200	7	10
		13,102	**16,832**		13,102	16,832

Allotted and fully paid up	**No. of shares**	**Ordinary shares £'000**	**Share premium £'000**
At 1 January 2017	105,405,665	10,093	82,404
Share options exercised	–	–	–
At 31 December 2017	105,405,665	10,093	82,404
Share options exercised	–	–	–
At 31 December 2018	**105,405,665**	**10,093**	**82,404**

Share options

The Group operates share option schemes whereby options are granted to employees to acquire shares in IFG Group plc. The exercise price of the granted options is equal to the market price of the shares on the date of grant. Options are conditional on the employee remaining in service for a period of three years (vesting period) and are exercisable between three and ten years from the date of grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

A new share option scheme was approved at the AGM on 12 May 2015.

At 31 December 2018 share options were outstanding over 3,411,000 (2017: 3,467,000) ordinary shares under the Company's share option schemes. The Executive Directors were granted 577,000 (2017: 574,840) of the total. None of the Non-Executive Directors hold any share options.

Movements in the number of share options outstanding and their related average exercise prices are as follows:

	2018 Weighted exercise price in £ per share	2018 Weighted exercise price in € per share	2018 Options no. '000	2017 Weighted exercise price in € per share	2017 Options no. '000
At 1 January	**1.41**	**1.59**	**3,467**	1.61	3,220
Granted	**1.43**	**1.60**	**977**	1.88	462
Expired/cancelled	**1.42**	**1.59**	**(1,033)**	1.71	(215)
Exercised	**–**	**–**	**–**	–	–
At 31 December	**1.41**	**1.58**	**3,411**	1.59	3,467
Options exercisable	**1.39**	**1.55**	**2,348**	1.60	2,286

There were no options exercised during the year (2017: nil).

Options outstanding at 31 December 2018, entitle holders to purchase ordinary shares as follows:

Options no.'000	Exercise price in € per share at rate on date of grant	Exercise price in £ per share	Period normally exercisable From	To
600	**1.53**	**1.25**	**27.04.2015**	**26.04.2022**
672	**1.58**	**1.33**	**26.04.2016**	**25.04.2023**
501	**1.70**	**1.40**	**27.04.2017**	**26.04.2024**
142	**1.95**	**1.40**	**29.05.2018**	**28.05.2025**
323	**2.04**	**1.61**	**23.03.2019**	**22.03.2026**
296	**1.85**	**1.67**	**19.09.2020**	**19.09.2027**
877	**1.60**	**1.43**	**26.10.2021**	**26.10.2028**

The Group has previously issued options with both Euro and Sterling exercise prices. As at 31 December 2018 all outstanding options have exercise prices denominated in Sterling. We now show the Sterling exercise price for all options and, for comparison purposes, the Euro equivalent based on the exchange rate at 31 December 2018. The weighted average share price for options exercisable was previously calculated using historical rates.

The options outstanding at 31 December 2017, were:

Options no.'000	Exercise price in € per share	Period normally exercisable From	To
20	1.97	14.04.2011	11.04.2018
800	1.53	27.04.2015	26.04.2022
840	1.58	26.04.2016	25.04.2023
626	1.70	27.04.2017	26.04.2024
338	1.95	29.05.2018	28.05.2025
381	2.04	23.03.2019	22.03.2026
462	1.85	19.09.2020	19.09.2027

Option pricing

The fair value of options granted was determined using the Black-Scholes valuation model. The significant inputs into the model were share price and exercise price of £1.43 and £1.43 respectively in 2018 (2017: £1.67 and £1.67) at the grant dates, standard deviation of expected share price returns of 35.89% (2017: 32.87%) and annual risk-free rate of 1.90%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over a five-year period as this represents the historical experience of grant date to exercise date. The expected dividend yield input assumption was 3.01% (2017: 3.35%). The fair value of share options granted in the year was £0.41 (2017: £0.41).

24. Other reserves

	Capital conversion reserve £'000	Convertible bond reserve £'000	Equity-settled share transactions reserve £'000	Capital redemption reserve £'000	Currency translation reserve £'000	Other foreign exchange reserve £'000	Total £'000
At 31 December 2016	292	238	214	1,913	1,155	(17,866)	(14,054)
Currency translation difference	–	–	–	–	108	–	108
Reclassification of exchange reserve upon strike-off of subsidiaries	–	–	–	–	–	–	–
Share-based payment compensation:							
– value of employee services – share options	–	–	(43)	–	–	–	(43)
– cash settlement of vested share options	–	–	35	–	–	–	35
Transfer of vested share-based payment	–	–	(164)	–	–	–	(164)
At 31 December 2017	292	238	42	1,913	1,263	(17,866)	(14,118)
Currency translation difference	**-**	**-**	**-**	**-**	**29**	**-**	**29**
Reclassification of exchange reserve upon strike-off of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share-based payment compensation:							
– value of employee services – share options	**-**	**-**	**(238)**	**-**	**-**	**-**	**(238)**
– cash settlement of vested share options	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer of vested share-based payment	**-**	**-**	**234**	**-**	**-**	**-**	**234**
At 31 December 2018	**292**	**238**	**38**	**1,913**	**1,292**	**(17,866)**	**(14,093)**

The capital conversion reserve arose on the re-denomination of the shares from Irish Pounds to Euro in 2001 and the re-nominalisation of the share capital.

The convertible bond reserve was created on the transition to IFRS and the recognition of senior unsecured notes as a compound financial instrument. The existence of warrants required the separation of debt from equity.

Equity-settled share transaction reserve records all entries that result in the Group's requirement to settle its obligations in the form of the issue of shares.

The transfers of amounts from the equity-settled share transaction reserve to revenue reserves in 2018 represents the cumulative amount of vested shares at 31 December 2018.

The capital redemption reserve arose due to the Group's buy-back of shares in 2012.

Currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, which have been included in other comprehensive income and will be recycled to the profit and loss accounts if they are disposed of. Reclassification of exchange reserve to retained earnings relates to strike-off of certain foreign currency operations.

Other foreign exchange reserve comprises differences on translation of certain capital balances at historic rates, on change of functional and presentation currencies in 2011.

25. Operating lease commitments

The Group leases various properties and equipment under non-cancellable operating lease agreements. The lease terms are between one and 12 years and the majority of lease agreements are renewable at the end of the lease period at market rate. The lease expenditure charged to the Consolidated Income Statement during the year was £1.8 million (2017: £1.5 million) and is included in establishment costs. The leases have varying conditions and terms.

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

	2018 £'000	2017 £'000
– within one year	**2,034**	1,781
– in the second to fifth year	**3,157**	4,709
– over five years	**576**	676
	5,767	7,166

26. Contingencies

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 the claims and provision has been made to cover its best estimate of the exposure in respect of these matters which requires significant judgement and subjective assumptions. No provisions have been recorded for other contingencies, as the Group's obligations under them are not probable and estimable.

Following the Group's ongoing review initiated in 2017, the Group has identified 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 and 2015. James Hay received notices of assessment arising from Elysian Fuels for tax years 2011/12 and 2012/13, and protective notices of assessment in respect of 2013/14 and 2014/15, all of which have been appealed. James Hay has applied to HMRC for the assessments in respect of tax years 2011/12 and 2012/13 to be discharged and intends to submit further applications to apply for the discharge of the assessments in respect of tax years 2013/14 and 2014/15. 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 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 £20 million, plus interest at HMRC's standard rate, 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 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.

Dual trustee review

Review of the dual trustee book which is now closed to new business is underway. We have now reviewed approximately 20% of the SSAS book and work continues to complete the review. While we have provided for our best estimate of costs in relation to the whole book of business, the provision is based on extrapolation from the sample reviewed to date based on the incidence of issues and the cost per issue from that sample. As such, there is a significant level of judgement in reaching our estimates and further issues may come to light in future as work progresses. A 10% change in either incidence or cost per issue would change the provision by £485,000. The provision made is largely in relation to potential HMRC sanction charges as a result of unauthorised payments from SSAS schemes and hence is not covered by insurance. The ongoing review may identify further cases in need of remediation (which we would expect to be significantly recoverable from insurance) and/or subject to sanction charges.

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 2018, to the extent such liabilities have been deemed likely and capable of being estimated with reasonable certainty.

HMRC relief at source in specie claim

James Hay received a protective assessment in relation to pension relief at source for the tax years 2013/14 and 2014/15 where the contributions in question were underpinned by the transfer of an asset. The maximum potential exposure for these tax years is c.£0.4 million. James Hay does not consider that any relief at source paid to it during the period to which the assessment relates is properly repayable to HMRC and has appealed the assessment.

In last year's decision involving Sippchoice and HMRC, the Tribunal found that a contribution in kind to a self-invested pension plan was a payment which gave rise to an income tax deduction. The Tribunal also 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 disagrees with the Sippchoice decision and has appealed the decision. The outcome of the Sippchoice appeal may have an impact on James Hay's appeal against the assessment.

Given the uncertainty around the appeals, we have included this as a contingent liability.

27. Cash generated from operations

	2018 £'000	2017 £'000
Profit/(loss) before income tax	**450**	(381)
Depreciation and amortisation	**6,427**	5,332
Finance income	**(123)**	(52)
Foreign exchange movement	**32**	35
Non-cash share-based payment compensation charges	**6**	(43)
(Increase)/decrease in trade and other receivables	**(5,786)**	750
Increase in current liabilities and provisions	**9,659**	4,491
Cash generated from operations	**10,665**	10,132

The increase in trade receivables in the year primarily relates to an increase in work-in-progress balances in Saunderson House and the short-term funding of client trades in James Hay at the year-end, which reduced year-end cash balances and subsequently reversed in January 2019. The increase in liabilities is primarily due to provisions made in relation to legacy matters, which are expected to be paid during 2019.

28. Analysis of net cash/(debt)

	Opening balance £'000	Cash flow £'000	Other movements £'000	Closing balance £'000
Cash and short-term deposits	**24,572**	**3,119**	**3**	**27,694**
Total	**24,572**	**3,119**	**3**	**27,694**

Other movements 2018
Other movements of £3,000 include the impact of exchange rate movements arising on balances denominated in currencies other than Sterling.

The 2017 comparative is as follows:

	Opening balance £'000	Cash flow £'000	Other movements £'000	Closing balance £'000
Cash and short-term deposits	28,226	(3,784)	130	24,572
Total	28,226	(3,784)	130	24,572

Other movements 2017
Other movements of £130,000 include the impact of exchange rate movements arising on balances denominated in currencies other than Sterling.

29. Related party transactions

Key management personnel compensation
For the purposes of the disclosure requirements of IAS 24, IFG 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 Executive Directors.

	2018 £'000	2017 £'000
Salaries and other short-term benefits	**1,116**	888
Post-employment benefits	**77**	55
Long-term incentives and share-based payments	**-**	–
Settlement benefits	**409**	–
Charged to Consolidated Income Statement	**1,602**	943

During the year, the following dividends in respect of ordinary shares were paid to Directors of the Company:

	2018 £'000	2017 £'000
Colm Barrington	**-**	25
John Cotter	**-**	9
John Gallagher	**-**	503
Peter Priestley	**-**	36
Cara Ryan	**-**	1
	-	574

Transactions involving entities in which key management have an interest
During 2018, Group companies earned £41,000 (2017: £83,000) from key management for services provided. All fees were charged on an arm's-length basis with our normal terms and conditions. At the year-end, Group companies were owed £30,000 (2017: £14,000) from key management.

30. Events since the year-end

The Board has reluctantly taken a prudent decision that no final dividend will be paid in respect of 2018. There were no other significant events since the year-end.

31. (Loss)/profit for the year

In accordance with Section 304(2) of the Companies Act 2014, the Company is availing of the exemption from presenting its individual profit and loss account to the AGM and from filing it with the Registrar of Companies. The Company's loss for the year determined in accordance with Irish GAAP is £3,024,000 (2017 profit: £4,741,000).

32. Principal subsidiaries and associate undertaking

Company	Principal activities	Shareholding and voting rights %
PRINCIPAL SUBSIDIARIES		
Incorporated in the UK		
The IPS Partnership plc	Pensions administration and pension scheme administrators	100
IPS Pensions Limited	Pension administration services	100
James Hay Pension Trustees Limited	Pension Trustee services	100
James Hay Wrap Managers Limited	Portfolio administrative services	100
James Hay Holdings Limited	Holding company	100
James Hay Administration Company Limited	Provider of SIPPs	100
Dunn's House, St Paul's Road, Salisbury, SP2 7BF, telephone +44 345 521 2414		
Saunderson House Limited	Independent financial adviser	100
1 Long Lane, London, EC1A 9HF, telephone +44 20 7315 6500		
IFG UK Holdings Limited	Holding company	100
IFG Grp UK Limited	Group administration services	100
1 Gresham Street, 2nd Floor, London EC2V 7BX, telephone +44 203 887 6181		
Incorporated in Jersey		
James Hay Insurance Company Limited	Provision of SIPPS	100
Wellington House, 15 Union Street, St Helier, telephone +44 1534 714 500		
Incorporated in Ireland		
IFG Securities Limited	Group administration services	100
70 Sir John Rogerson's Quay, Dublin 2, D04 T8F2, telephone +353 1 632 4800		

All shares are ordinary shares with the exception of 200,000 deferred shares held in James Hay Holdings Limited and 1,000 non-voting shares held in Saunderson House Limited.

Notes
1. The companies operate principally in their countries of incorporation.
2. Pursuant to Section 316 of the Companies Act 2014, a full list of subsidiaries and associates will be annexed to the Company's Annual Return to be filed in the Companies Registration Office in Ireland.

33. Approval of financial statements

The Directors approved the financial statements on 22 March 2019.

PARENT COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Investments in subsidiaries	5	**161,006**	162,909
Current assets			
Debtors	6	**98**	91
Cash and cash equivalents		**104**	843
		202	934
Creditors (amounts falling due within one year)	8	**(3,522)**	(3,367)
Net current liabilities		**(3,320)**	(2,433)
Total assets less current liabilities		**157,686**	160,476
Net assets		**157,686**	160,476
Capital and reserves			
Called-up share capital presented as equity	9	**10,093**	10,093
Share premium		**82,404**	82,404
Other reserves		**2,209**	2,213
Retained earnings		**62,980**	65,766
Shareholders' funds		**157,686**	160,476

The Company's loss for the year determined in accordance with Irish GAAP is £3,024,000 (2017 profit: £4,741,000).

On behalf of the Board:

Kathryn Purves
Group Chief Executive

David Paige
Non-Executive Director

22 March 2019

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2018

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2017	10,093	82,404	2,419	66,079	160,995
Profit for year	–	–	–	4,741	4,741
Total comprehensive income for the financial year	–	–	–	4,741	4,741
Dividends	–	–	–	(5,217)	(5,217)
Issue of share capital	–	–	–	–	–
Share issue costs					
Transfer of vested share-based payment	–	–	(163)	163	–
Share-based payment compensation					
– value of employee services – share options	–	–	(43)	–	(43)
Transaction with owners	–	–	(206)	(5,054)	(5,260)
At 31 December 2017	10,093	82,404	2,213	65,766	160,476
Loss for year	**–**	**–**	**–**	**(3,024)**	**(3,024)**
Total comprehensive loss for the financial year	**–**	**–**	**–**	**(3,024)**	**(3,024)**
Dividends	**–**	**–**	**–**	**–**	**–**
Issue of share capital	**–**	**–**	**–**	**–**	**–**
Share issue costs					
Transfer of vested share-based payment	**–**	**–**	**(238)**	**238**	**–**
Share-based payment compensation					
– value of employee services – share options	**–**	**–**	**234**	**–**	**234**
Transaction with owners	**–**	**–**	**(4)**	**238**	**234**
At 31 December 2018	**10,093**	**82,404**	**2,209**	**62,980**	**157,686**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with the Companies Act 2014 and FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In accordance with Section 304(2) of the Companies Act 2014, the Company is availing of the exemption from presenting its individual profit and loss account to the AGM and from filing it with the Registrar of Companies. The Company's loss for the year determined, in accordance with FRS 102, is £3.0 million (2017 profit: £4.7 million).

In accordance with FRS 102 1.12 the Company is availing of the exemption from presenting its individual cash flow statement. The Company's cash flows are included in the Consolidated Statement of Cash flows on page 84.

2. Basis of accounting

The financial statements are prepared under the historical cost convention.

3. Summary of significant accounting policies

3.1 Investments in subsidiaries

Investments in subsidiaries are stated at cost less any accumulated impairment and are reviewed for impairment if there are indications that the carrying value may not be recoverable. Impairment assessment is considered annually for the Company in accordance with FRS 102.

3.2 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include trade and other receivables and cash and cash equivalents, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Other financial assets classified as fair value through profit or loss are measured at fair value.

Loans and receivables

Trade debtors and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

3. Summary of significant accounting policies continued

3.2 Financial instruments continued

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled, or expires.

Cash and cash equivalents

Cash and cash equivalents comprise cash in bank and cash on hand. The carrying amount is approximately equal to their fair value.

Borrowings

All borrowings are initially recognised at fair value, net of transaction costs incurred. After initial recognition, borrowings are subsequently measured at the present value of the future payments discounted.

Borrowings are classified as current unless there is an unconditional right to repay balances more than 12 months after the reporting date, in which case they are classified as non-current.

3.3 Foreign currencies

Transactions denominated in foreign currencies are translated into Sterling at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All translation differences are taken to profit and loss.

3.4 Dividends

Dividends on ordinary shares are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Shareholders. Dividends declared after the end of the reporting period are disclosed in note 13 in the consolidated financial statements.

3.5 Share-based payment compensation

The Company operates a number of equity-settled, share-based compensation plans for employees of some of its subsidiaries. The fair value of share options is determined using the Black-Scholes model while the fair value of shares awarded is estimated as the market price of the shares at the grant date. The proceeds received by the Company when share options are exercised are credited to share capital at nominal value and to share premium.

The Company does not operate any cash-settled share-based payment schemes or share-based payment transactions with cash alternatives as defined in FRS 102 26.1.

In line with the transitional arrangements set out in FRS 102 35.10.(b) 'Share-based Payment', the recognition and measurement principles of this standard have not been applied to share entitlements granted before the date of transition to FRS 102.

3.6 Related party disclosures

The Company discloses transactions with related parties that are not wholly owned within the Group. In accordance with FRS 102 33.1A, it does not disclose transactions with members of the same group that are wholly owned.

4. Significant accounting judgements and estimates

Impairment of investment in subsidiaries

The Company tests annually whether any investment in subsidiaries should be impaired. The recoverable amounts of the investments have been determined based on value-in-use calculations. These calculations require the use of significant estimates with regard to discount rates, long-term growth rates and the estimated cash flows for the three-year period from 2019 to 2021.

Allowance for receivables

Management reviews the recoverability of receivables taking into account objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable.

5. Investments in subsidiaries

	2018 £'000
Cost	
At 1 January 2018	**164,313**
Write-off of investment	**(1,899)**
Capital contribution in respect of share-based payment compensation	**234**
Release of vested share-based payment compensation	**(238)**
At 31 December 2018	**162,410**
Impairment allowance	
At 1 January 2018	**(1,404)**
Utilised in the year	**-**
At 31 December 2018	**(1,404)**
Net book amount	
At 31 December 2017	**162,909**
At 31 December 2018	**161,006**

The 2017 comparative is as per below:

	2017 £'000
Cost	
At 1 January 2017	167,590
Write-off of investment	(3,071)
Repayment of capital contribution	-
Capital contribution in respect of share-based payment compensation	(43)
Release of vested share-based payment compensation	(163)
At 31 December 2017	164,313
Impairment allowance	
At 1 January 2017	(4,476)
Utilised in the year	3,071
At 31 December 2017	(1,404)
Net book amount	
At 31 December 2016	163,114
At 31 December 2017	162,909

Principal subsidiaries are listed in note 32 of the consolidated financial statements.

The disposal in 2018 relates to a write-off of investment in a subsidiary upon liquidation.

6. Debtors

	2018 £'000	2017 £'000
Amounts receivable within one year		
Amounts due from subsidiaries	**121**	121
Allowances for receivables from subsidiaries	**(50)**	(50)
	71	71
Other debtors		
Prepayments	**27**	20
	98	91

The carrying value, less impairment allowance of debtors and other receivables, approximates fair value.

All other amounts owed from subsidiaries are unsecured, interest-free, have no fixed date of repayment and are repayable on demand. They will be settled in cash or by set-off.

7. Impairment allowance for receivables from subsidiaries

	2018 £'000	2017 £'000
At the beginning of the year	**50**	52
Utilised in the year	**–**	(2)
At the end of the year	**50**	50

8. Creditors (amounts falling due within one year)

	2018 £'000	2017 £'000
Trade creditors	**18**	197
Taxation and social welfare	**86**	124
Accruals	**517**	363
Amounts due to subsidiaries	**1,764**	2,583
	2,385	3,267
Provisions for other liabilities	**1,137**	100
Total creditors	**3,522**	3,367

The carrying amount of trade and other payables approximates fair value.

The amounts owed to subsidiaries are unsecured, interest-free, have no fixed date of repayment and are repayable on demand. They will be settled in cash or by set-off. Provisions have been re-presented as these were currently included in the amounts due to subsidiaries. The provisions relate to the settlement of the matter regarding the sale of the International Business. The matter was settled in December 2018 with full and final payment made in January 2019.

9. Share capital

	2018 No. of shares	2018 £'000	2018 €'000	2017 No. of shares	2017 £'000	2017 €'000
Authorised						
Ordinary shares of 12c each	**140,187,210**	**13,095**	**16,822**	140,187,210	13,095	16,822
'A' ordinary shares of €1.27 each	**8,200**	**7**	**10**	8,200	7	10
		13,102	**16,832**		13,102	16,832

	No. of shares	£'000
Allotted and fully paid up		
At 1 January 2017	105,405,665	10,093
Share options exercised during year	–	–
At 31 December 2017	105,405,665	10,093
Share options exercised during year	–	–
At 31 December 2018	**105,405,665**	**10,093**

10. Analysis of net cash/(debt)

	Opening balance £'000	Cash flow £'000	Other movements £'000	Closing balance £'000
Cash and short-term deposits	**843**	**(737)**	**(2)**	**104**
Overdrafts	**–**	**–**	**–**	**–**
Total	**843**	**(737)**	**(2)**	**104**

Other movements 2018
Other movements include the impact of exchange rate movements arising on balances denominated in currencies other than Sterling.

The 2017 comparative is as follows:

	Opening balance £'000	Cash flow £'000	Other movements £'000	Closing balance £'000
Cash and short-term deposits	1,538	(697)	2	843
Overdrafts	–	–	–	–
Total	1,538	(697)	2	843

Other movements 2017
Other movements include the impact of exchange rate movements arising on balances denominated in currencies other than Sterling.

11. Related party transactions

Transactions with other companies within the Group are not disclosed as the Company has availed of the exemption under FRS 102 33.1A 'Related Party Disclosures'.

For the purpose of the disclosure requirements of FRS 102, IFG Group has defined the term 'key management personnel' as its Directors. The amount of the compensation is shown in note 29 in the consolidated financial statements.

12. Commitments, contingencies and guarantees

The Company has provided rental guarantees to landlords of Group occupied premises, totalling £2,355,000 over the period (2017: £1,974,000).

The Group received a notice of a claim under the indemnities provided in the sale of the International Business completed in 2012. A cost of £0.6 million was incurred in the year in relation to full and final settlement. At 31 December 2018 the provision balance was £1.1 million, which was paid on 9 January 2019.

Pursuant to the provisions of Section 357 of the Companies Act 2014, the Company has guaranteed the liabilities of its wholly owned subsidiary undertakings in the Republic of Ireland for the year ended 31 December 2017 and, as a result, such subsidiary undertakings have been exempted from the filing provisions of Sections 347 and 348, Companies Act 2014.

13. Auditor's remuneration

	2018 £'000	2017 £'000
Statutory audit of parent entity accounts	**10**	10
Other assurance services	**–**	–
Tax advisory services	**–**	–
Other non-audit services	**–**	–

14. Events since the year-end

The Board is not recommending a final dividend. There were no other significant events since the year-end.

15. Approval of financial statements

The Directors approved the financial statements on 22 March 2019.

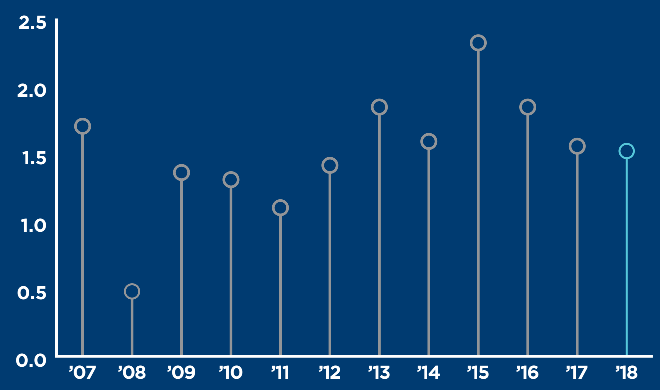
SHAREHOLDERS' INFORMATION

Financial calendar

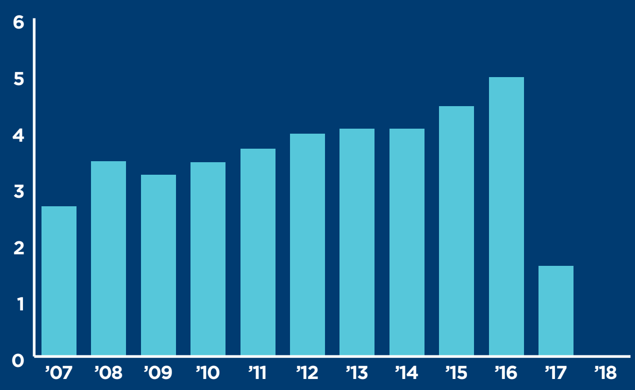
Final results announced	25 March 2019
Interim results announced	13 August 2019

Share price and dividend data

CLOSING SHARE PRICE
(€)



DIVIDEND PER SHARE
(pence)



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