IFG GROUP LTD

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDING 31 DECEMBER 2019

Registered in Ireland No. 21010

IN THIS REPORT

STRATEGIC REPORT

On 25 March 2019, IFG Group (the "Group") announced that it had reached agreement on the terms of a recommended cash offer by SaintMichelCo Limited, a wholly owned indirect subsidiary of Epiris Funds, who have Epiris GP Limited as their General Partner, for the purchase of the Group. This offer, at £1.93 per share, valued the issued and to be issued share capital of the Group at approximately £206m – a premium of approximately 46 percent to the closing price on 22 March 2019.

The Board supported the offer as a compelling opportunity for shareholders to realise value and for employees and clients to benefit from an accelerated delivery of the strategies of James Hay and Saunderson House under new ownership. We were pleased that 99.99% of shareholders subsequently voted in favour of the acquisition which later completed on 27 August 2019 once regulatory permissions and court approvals were received.

2019 IN REVIEW

During 2019 we have continued our focus on developing two self-reliant, independent businesses with the necessary autonomy, resources and capability to thrive.

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 process, 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.

In 2018, we identified three near-term priorities for the Group and we have made good progress against all of these in 2019. We have built two self-reliant businesses, rationalised the Group structure to make it more efficient and made material steps in the resolution of our legacy issues.

Our focus on making the Group more efficient has led to a reduction in central costs in 2019 – down to £3.5 million from £5.0 million in 2018. We are continuing to take cost out of the Group as, under Epiris' ownership, we are working towards separating the two businesses in the short term. We expect that this separation, and the wind down of the group function, will take place during 2020.

James Hay

The platform market grew significantly during 2019 with Platforum's Q4 2019 report showing 17.8% annual growth to £546 billion. Due to the impact of Covid-19, Platforum's Q1 2020 report showed adviser platform assets falling by 12.1% to £480bn in the quarter ended 31st March 2020, but held up well against overall market falls with the FTSE All-Share Index falling by 26% over the same period.

Notwithstanding short-term volatility in stock markets, including the impact of COVID-19, industry forecasts predict that the platform market will continue to see significant growth over the long-term and we expect our segment of the market to grow broadly in line with the market as a whole.

The FCA delivered their final Investment Platform Market Study in December 2019. This focused on making transfers simpler for customers and we support this goal. We continue to support the STAR initiative (shaping recognised, industry-wide standards to promote good practice in transfers across the retail investment and pensions sectors) whereby the industry is working towards self-regulation on transfers.

The Retirement Outcome Review has introduced changes to retirement wake-up packs, reminder timing and other changes to improve information provided to customers to alert them to their options. 2020 will see the introduction of investment pathways for investors entering drawdown without advice, ensuring holding cash is an active decision.

Saunderson House

The long-term demographic trends in the UK are supportive of continued growth in demand for personal financial advice and increase the government's focus on self-provision for retirement. We continue to develop relationships with an increasing number of younger clients particularly through the provision of our discretionary management service (DMS).

2019 saw another year of heightened political activity particularly in the UK with Brexit and continuing parliamentary instability resulting in both new and existing clients deferring their decision-making process. Whilst there remains significant short-term uncertainty in the stock markets, we expect this to resolve over 2020 and will continue to support our clients in navigating these volatile times.

The industry continues to bear significant regulatory change as firms meet the Markets in Financial Instruments Directive (MiFID) II changes and implement the Senior Managers Certification Regime (SMCR). We believe that the regime is aligned with good business practice and ensures clarity over responsibility and accountability.

PERFORMANCE AND KPIS

The period under review has shown revenue increasing by 3% from £87.6 million last year to £89.8 million. Amortisation was in line with prior year at £2.1 million (2018: £2.1 million) while adoption of IFRS 16 saw depreciation of leases of £1.6 million (2018: nil). Exceptional costs of £20.3 million related to legal, remediation and sanction costs, restructuring and redundancy costs and transaction costs incurred in the sale of the Group to Epiris (2018: £9.9 million) resulted in an operating loss of £6.6 million down from a profit of £0.3 million in 2018 while adjusted operating profit increased by 40% from £12.4 million to £17.4 million. Following

PERFORMANCE AND KPIS (CONTINUED)

a capital injection from Epiris in order to address revised FCA capital requirements as part of the acquisition, the Group saw an increase in cash of £24.8 million during 2019. On a like for like basis, operating cashflow from the underlying businesses was £6.3m in 2019, up from £3.1m in 2018. Free cash flows have increased by 142% to £16.0 million from £6.6 million in 2018 and Earnings before Interest Tax and Amortisation ('EBITDA'), was £22.0 million (2018: £16.7 million after £1.8 million of rental costs). Under new management EBITDA is a measure believed to provide a better indication of the underlying performance of the business, replacing Return on Capital Employed.

James Hay

2019 saw softer markets and a continued reduction of Defined Benefit transfers, resulting in 3,621 new cases (22% lower than 2018). However, client retention across all products remains strong at 94% (2018: 93%). Retention in our core products is slightly higher at 95% with lower retention among the legacy products. We now administer assets for over 58,000 clients across our business, of which over 55,000 are in SIPPs and the remainder are in Small-Self Administered Schemes 'SSAS' and Wrap products.

Assets under Administration (AuA) increased by 9% during 2019 to £27.6 billion with net inflows of £0.3 billion and market movements of £2.0 billion. 2019 revenue of £55.1 million was 3% higher than 2018 (£53.3 million) due to growth in AUA and a modest increase in margin on cash.

This year saw significant improvement in adjusted operating profit up 27% on last year to £13.1 million (2018: £10.3 million) due to increased revenue and a modest reduction in non-exceptional costs.

Saunderson House

Total client numbers at the year end increased by 2% to 2,397 (2018: 2,342) and revenue was rose by 1% to £34.7m (2018: £34.3m). DMS clients comprised approximately 80% of the total of 173 (2018: 239) client wins for the year. Various stock markets across the globe had a strong year and assets under advice grew to £5.1bn (2018: £4.9 bn)

Operating profit increased to £7.0 million (2018: £4.1 million) and adjusted operating profit increased by 10% to £7.8 million (2018: £7.1 million).

OPERATING PROFIT

	2019 £'000	2018 £'000
Platform – James Hay	13,067	10,293
Independent wealth management – Saunderson House	7,777	7,092
Group/other	(3,492)	(5,007)
Total adjusted operating profit	17,352	12,378
Amortisation of intangibles	(2,128)	(2,128)
Depreciation – leases	(1,569)	-
Exceptional costs	(20,270)	(9,923)
Operating (loss)/profit	(6,615)	327
Finance income	176	123
Finance expense	(304)	-
(Loss)/profit before income tax	(6,743)	450
Income tax expense	(1,949)	(1,404)
Loss for the year from operations	(8,692)	(954)

PRINCIPAL RISKS AND UNCERTAINTIES

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 of the Group. During the year both businesses continued to strengthen and embed their internal second line teams to develop their management information and reporting in relation to risk. The identification, mitigation and reporting of risks of poor client outcomes and other conduct risks remains a key focus in each of the businesses with further developed conduct frameworks and reporting.

The directors believe that there are a number of potential risks to the Group that could impact successful implementation of its strategy. These risks may arise from internal and external events, acts and omissions. The Group's internal control systems are

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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 principal risks and uncertainties facing the Group are detailed below:

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

Since year end, the COVID-19 pandemic has had a considerable impact on many businesses, including the Group. The Directors expect these circumstances to be temporary, but their duration is uncertain. Employee welfare continues to be a priority for the Directors, whilst maintaining operational service to its clients. To ensure a safe and effective control environment is maintained, the Group has implemented mitigating actions and processes.

In assessing business continuity plans, the Group has maintained close communication with critical third party suppliers and outsourcers. To date, the Group has not suffered any knock-on effects from its supply chain and continue to be monitor closely with emphasis on critical outsource arrangements.

The travel and social distancing restrictions introduced by the Government have had a limited effect on the key operational processes of the Group. Currently, approximately 90% of employees are working from home and the Directors believe that the Group will be able to continue to function with minimal disruption to clients' access to all the services normally provided.

The Board has considered the potential financial impact on the Group and are satisfied that even in a severe stress scenario it will remain profitable albeit at a significantly reduced level. It will also continue to meet its regulatory capital requirements.

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.

CORPORATE SOCIAL RESPONSIBILITY

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 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.

EMPLOYEE ENGAGEMENT

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.

Following two detailed employment engagement surveys in 2017 and 2018, Saunderson House conducted a specific leadership survey in 2019. We had a 64% response rate which was lower than the prior year and the average score out of 10 from the survey was 6.9 compared to 7.1 in 2018.

Following the results of the survey we undertook a number of focus groups to understand in more detail the results of specific questions in the survey and we continue to strive for improvement and to address the points raised within these meetings. Another full employment engagement survey will be undertaken in 2020 in order to understand the needs and concerns of all of our employees.

James Hay

In 2019, James Hay moved from annual Employee Engagement surveys to more regular "pulse" surveys which offer much improved response rates and more immediate, better quality feedback. Regular surveys track and monitor employees' experience against twelve industry-recognised themes. The surveys highlighted clear areas of focus for 2019 and beyond. These include internal communication of our strategy, leadership skills and reward and recognition.

In 2019, we have invested in leadership training for our team leaders across the business and introduced all-staff events to share our strategy and progress against it with our people. We will continue to focus on this area alongside a review of reward and definition of clear career paths in 2020.

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.

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.

James Hay

During 2019 James Hay continued to invest in employee development with a range of learning interventions designed to strengthen the capability and competence of all our people. A key focus in 2019 was our leadership population with three key initiatives launched during the year. These were; the Management Essentials programme for all new managers, the Leading your People programme for more experienced managers and a management mentoring scheme to provide additional support across the board. These programmes were aimed at strengthening our leadership capabilities and driving increased performance across all teams. Outside of our leadership population we continued to provide workshops in the Learning Academy and furthered our digital learning offering with a new suite of virtual workshops. Through 2020 we will continue to invest in our people and provide opportunities for them to grow both personally and professionally. We will be focussing on technical training, career progression and embracing the principles of modern workplace learning by continuing to modernise our Leadership and Development programme, supporting managers with their team's development and enabling employees to take responsibility for their own learning.

Saunderson House

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 and an enhanced payroll service. 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.

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

CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

DIVERSITY AND INCLUSION (CONTINUED)

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 2019:

	Male	Female	Total
Directors of IFG Group Limited	4	1	5
Subsidiary Directors	5	1	6
Senior managers	43	18	61
Other employees	391	419	810
Total	443	439	882

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 their 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.

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 has 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 applies to the Group and its UK subsidiaries. The Group’s Whistleblowing policy encourages employees to report any instances of wrongdoing anonymously.

During 2019 there were no instances of non-compliance reported with the Anti-Bribery and Corruption policy.

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 appropriate client outcomes remain at the heart of everything they do.

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, both at 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.

COMMUNITIES (CONTINUED)

CHARITIES (CONTINUED)

Every two years, Saunderson House employees nominate and vote for a new charity to partner. The chosen charity for 2019 and 2020 will be Parkinson's UK. 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 and many of our staff and clients have been directly or indirectly affected by the condition. During the year we have undertaken a number of successful fundraising and volunteering activities and have a schedule for further such events for 2020. In James Hay we have recently launched a scheme that allows all employees to take one day paid leave to volunteer for a charity of their choice.

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.

ENERGY AND CARBON 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 2019 totalled 436 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 both the James Hay and Saunderson House technology to facilitate an increase in online and paperless services for our clients.

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	2015	2016	2017	2018	**2019**
Owned vehicles	-	-	-	-	-
Electricity, gas and water	169	128	174	216	233
Business travel	325	300	269	222	203
Total	494	428	443	438	436

Approved by the Board of Directors and signed on their behalf by:

Gavin Howard
Group Chief Financial Officer

Mark Dearsley
Chairman

29 June 2020

Registered Office Address: 70 Sir John Rogerson's Quay, Grand Canal Dock, Dublin 2, Ireland.

DIRECTORS' REPORT

The Directors present the annual report and audited consolidated financial statements of the Group for the year ended 31 December 2019. The Directors' report, which 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 3 to 8), which includes 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 £8.7 million (2018: loss £1.0 million).

The financial results for the year ended 31 December 2019 are set out in the Consolidated Income Statement on page 16. Comprehensive reviews of the financial and operating performance of the Group are set out in the financial review on pages 3 to 4.

BUSINESS REVIEW

A review of the performance of the businesses is set out in the strategic report.

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 5 to 8.

PRINCIPAL RISKS AND UNCERTAINTIES

A description of the principal risks and uncertainties facing the Group is set out on pages 4 to 5.

DIVIDENDS

There were no dividends paid in the year (2018: nil).

FINANCIAL RISK MANAGEMENT

The Group's assessment of its financial risk management is set out in note 4.

ACCOUNTING RECORDS

The measures taken by the Directors to ensure compliance with the requirements of Section 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.

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 pages 5 to 7.

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

Gavin Howard

Kathryn Purves

Bill Priestley (appointed 27 August 2019)

Owen Wilson (appointed 27 August 2019)

David Paige (resigned 27 August 2019)

Peter Priestley (resigned 27 August 2019)

Cara Ryan (resigned 27 August 2019)

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.

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 in office and their families, all of which were beneficial, in the €0.12 ordinary shares of the Company at 31 December 2019 and 31 December 2018, or date of appointment, if later, are noted below:

	At 31 December 2019		At 31 December 2018	
	Shares under option	Share holding	Shares under option	Share holding
Kathryn Purves	-	-	346,000	60,000
Gavin Howard	-	-	231,000	40,000
Mark Dearsley	-	-	-	40,000
David Paige	-	-	-	-
Peter Priestley	-	-	-	719,167
Cara Ryan	-	-	-	15,712
Bill Priestley[(a)]	-	-	-	-
Owen Wilson[(b)]	-	-	-	-

(a) Bill Priestley was appointed as Non-Executive Director on 27 August 2019.

(b) Owen Wilson was appointed as Non-Executive Director on 27 August 2019

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 being at least 12 months from the date of approval of these financial statements.

The Directors have assessed the potential impact of Covid-19, including considerations of the Group's operational resilience and ability to meet its liquidity and capital requirements. In addition, the Directors have performed stress tests on liquidity and capital and these provide assurance that the Group has sufficient capital and liquidity to operate under stressed scenarios.

The Directors believe, after reviewing both the Group's forecasts and projections and taking into account any likely changes in trading performance including the impact of Covid-19 and other risks, that the Group will have sufficient current financial resources to continue to operate and to meet its financial obligations as they fall due, for at least the 12 months from the date of approval of these financial statements.

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

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 2019 can be found on page 8.

RESEARCH AND DEVELOPMENT

The Group continues to research and develop new financial services products and to enhance existing products. Research and development costs of £688,000 (2018: £723,000) 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 (2018: £nil).

EVENTS SINCE THE YEAR END

Details of events since the year end are set out on note 31.

SUBSIDIARY UNDERTAKINGS

The Group's principal subsidiaries, associated undertakings and joint arrangements, as at the date of this document, are listed in note 33 to the Group financial statements.

AUDITORS

Deloitte were appointed at our AGM on 12 May 2015 as the Group's external Auditors and, in accordance with Section 383 (2) of the Act, have indicated their willingness to continue in office. Following the sale of the Group to Epiris, Deloitte LLP, Chartered Accountants and Statutory Audit Firm, United Kingdom have been appointed (previously Deloitte Ireland LLP).

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 to prepare a Directors' Report.

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. Legislation in the Republic of Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITIES STATEMENT (CONTINUED)

Each of the Directors, whose names and functions are listed on page 9, 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 2019 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 2019;
- 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; and
- 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.

S172 STATEMENT: DUTY TO PROMOTE THE SUCCESS OF THE COMPANY

We aim to comply with Section 172 of the UK Companies Act 2006 which requires directors to act in the way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, directors should take into account factors which will affect the success of the company such as the long-term consequences of any decision, the interests of employees, the needs of its customers, relationships with suppliers, regulators and other stakeholders and the wider community and the company's reputation.

The Board seeks to maintain our reputation for high standards of business conduct. Consideration of the long-term consequences of our decisions and recognition of the need to act fairly between members of the company is integral to the way the Board operates and to the operation of the business as a whole. The relevance of each stakeholder group will be different for each issue considered by the Board. Therefore, it is important that the Board understands the needs of each stakeholder group during its discussions and as part of its decision making.

The views of stakeholders are heard by the Board through information provided by management and by Directors' direct engagement with stakeholders. The company's key stakeholders and the principal ways it engages with them are:

- Customers — Customers are at the core of our businesses and we survey our customers and the advisers that serve them regularly to understand their views. The results of each survey are analysed and shared with the Board. In addition, focus groups enable us to understand a range of views of individual customers and advisers. We also use the Net Promoter Score to assess customers views of the overall service and proposition provided by our businesses.
- Employees — The Groups businesses have both identified employee engagement as one of the key pillars of their strategies. They undertake regular staff surveys and each has an Employee Forum which supports employee engagement with effective communication and help provide an employee voice. Through these groups employees are involved in the review and development of workforce policies and procedures and two-way dialogue is encouraged.
- Suppliers — The Group works with its suppliers to ensure performance and to identify opportunities for enhanced value and innovation. We hold regular meetings with key suppliers to ensure there is regular engagement in line with our procurement policies and practices.
- Regulators — As a regulated business we have an open and transparent dialogue with all relevant regulators.
- Community – We have engaged an independent advisor to assist with a review of our environmental and social impact and assist in the setting and monitoring of targets in these areas.

Approved by the Board of Directors and signed on their behalf by:

Gavin Howard Group Chief Financial Officer	Mark Dearsley Chairman

29 June 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IFG GROUP LIMITED

Report on the audit of the financial statements

Opinion on the financial statements of IFG Group Limited (the 'company')

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 2019 and of the loss of the group for the 31 December 2019 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 Changes in Equity;
- the Consolidated Statement of Cash Flows; and
- the related notes 1 to 34, including a summary of significant accounting policies as set out in note 3.

the parent company financial statements:
- the Parent Company Balance Sheet;
- the Parent Company Statement of Changes in Equity;
- 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

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, 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts for the Year Ending 31 December 2019, 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.

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 judgment 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.

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 are 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.

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.

Andrew Partridge

For and on behalf of Deloitte LLP

Statutory auditor

Full address: 110 Queen Street G1 3BX, Glasgow, United Kingdom

29 June 2020

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
From operations			
Revenue	6	89,833	87,633
Staffing expense	9	(52,941)	(54,578)
Depreciation and amortisation		(6,757)	(6,426)
Depreciation expense on right of use asset	15	(1,569)	-
Expected credit loss on trade receivables		35	(56)
Other operating expenses	12	(35,216)	(26,250)
Other gains		-	4
Operating (loss)/profit	12	(6,615)	327
Analysed as:			
Operating profit before exceptional items		13,655	10,250
Exceptional items	7	(20,270)	(9,923)
Operating (loss)/profit		(6,615)	327
Finance income	10	176	123
Finance costs	11	(304)	-
(Loss)/profit before income tax		(6,743)	450
Income tax expense	13	(1,949)	(1,404)
Loss for the financial year		(8,692)	(954)

All results were derived from continuing operations.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	2019 £'000	2018 £'000
Loss for the financial year	(8,692)	(954)
Other comprehensive (loss)/income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign currency operations	(125)	29
Other comprehensive (loss)/income	(125)	29
Total comprehensive loss for the financial year	(8,817)	(925)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
ASSETS			
Non-current assets			
Property plant and equipment	14	3,115	3,814
Intangible assets	17	50,250	51,682
Right-of-use assets	15	4,708	-
Deferred income tax asset	22	319	156
Total non-current assets		58,392	55,652
Current assets			
Trade and other receivables	19	23,287	23,840
Income tax asset		-	134
Amounts owed from subsidiary undertakings of the ultimate parent		118	
Cash and cash equivalents	20	52,527	27,694
Total current assets		75,932	51,668
Total assets		134,324	107,320
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	22	1,494	1,817
Lease liabilities	16	3,634	-
Provisions for other liabilities	23	118	471
Total non-current liabilities		5,246	2,288
Current liabilities			
Trade and other payables	24	18,220	20,581
Income tax liabilities		1,005	288
Lease liabilities	16	1,774	
Provisions for other liabilities	23	19,034	10,138
Total current liabilities		40,033	31,007
Total liabilities		45,279	33,295
Net assets		89,045	74,025
EQUITY			
Ordinary share capital presented as equity	25	10,093	10,093
Share premium	25	106,480	82,404
Other reserves	26	(14,215)	(14,093)
Retained losses		(13,313)	(4,379)
Total equity		89,045	74,025

On behalf of the Board:

Gavin Howard
Group Chief Financial Officer

Mark Dearsley
Chairman

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Cash generated from operations	28	20,673	10,665
Exceptional items paid		(11,207)	(2,550)
Interest received		176	113
Income tax paid		(1,586)	(1,087)
Net cash generated from operating activities		8,056	7,141
Cash flows from investing activities			
Purchase of property, plant and equipment		(850)	(1,039)
Acquisition of intangible assets		(3,775)	(2,983)
Net cash used in investing activities		(4,625)	(4,022)
Cash flows from financing activities			
Principal repayment of lease liabilities		(1,716)	-
Interest paid on lease liabilities		(304)	-
Loans with subsidiary undertakings of the ultimate parent		(116)	-
Proceeds from the issue of share capital		24,076	-
Cash settlement of vested share options		(529)	-
Net cash generated from financing activities		21,410	-
Net increase in cash and cash equivalents		24,841	3,119
Cash and cash equivalents at the beginning of the financial year		27,694	24,572
Effect of foreign exchange rate changes		(8)	3
Cash and cash equivalents at end of financial year	20	52,527	27,694

	Notes	2019 £'000	2018 £'000
Cash and short-term deposits:			
– as disclosed on the Consolidated Statement of Financial Position		52,527	27,694
Cash and cash equivalents at end of financial year	20	52,527	27,694

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained losses £'000	Total equity £'000
At 1 January 2018	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
Loss for financial year	-	-	-	(8,692)	(8,692)
Other comprehensive loss					
Currency translation:					
– arising in the financial year	-	-	(125)	-	(125)
Total comprehensive loss for the financial year	-	-	(125)	(8,692)	(8,817)
Unclaimed Dividends	-	-	-	37	37
Issue of share capital	-	24,076			24,076
Transfer of vested share-based payment	-	-	(250)	250	-
Share-based payment compensation:					
– value of employee services – share options	-	-	253	-	253
– Cash settlement of vested share options	-	-	-	(529)	(529)
Transaction with owners	-	24,076	3	(242)	23,837
At 31 December 2019	10,093	106,480	(14,215)	(13,313)	89,045

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

IFG Group Limited ("the Group") is a private company, limited by shares 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 Limited 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 10 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 5.

Updates to technical pronouncements

New standards, amendments and interpretations effective for years ending 31 December 2019.

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.

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

On 1 January 2019, the Group adopted IFRS 16 'Leases' and the revised accounting policies as lessee have been applied. Comparatives have not been restated and the impact of applying IFRS 16 including reconciliation of operating lease commitments is set out in note 16.

A lease is defined as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. 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 leases on the balance sheet with a right-to-use asset and an associated lease liability. The Group adopted the standard under the modified retrospective approach effective 1 January 2019 with no material impact on the Group consolidated income statement, however, classification under IAS 17 Leases of rental costs as an operating expense, are now classified as a depreciation charge and finance cost under IFRS 16. Consequently, this has impacted the Groups EBIT and EBITDA.

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.

- Amendments to IAS 1 and IAS 8: "Definition of Material"
- Amendments to references to the Conceptual Framework in IFRS Standards
- IFRS 17 'Insurance Contracts'
- Amendments to IFRS 3 "Business Combinations"

2. GENERAL INFORMATION (CONTINUED)

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.

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 comparatives 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, depreciation relating to leases, 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 6.

Adjusted earnings and adjusted operating margin

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 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 and adjusted earnings 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.

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.

Earnings before Interest Tax and Amortisation

Earnings before Interest Tax and Amortisation ('EBITDA') is defined as adjusted operating profit before depreciation. It measures how efficiently the Group generates profits from its underlying businesses.

The Group financial statements have been prepared on a basis consistent with that reported for the year ended 31 December 2018 with the exception of changes in the recognition of Right-of-use assets and Lease liabilities arising as a result of adopting IFRS 16 Leases in the year.

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 is 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 & fittings	10–25%
Computer equipment	20–33%
Leasehold improvements	Lower of useful life and lease period

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

The residual value and useful life of property, plant and equipment are 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.

Leases

Policy applicable for the year ended 31 December 2019

The Group assesses whether a contract is or contains a lease at the inception of the contract and recognises a right-of-use (ROU) asset representing its right to use the underlying leased asset and a lease liability presenting its obligation to make lease payments for all leases, except for leases with a term of 12 months or less, or leases which the underlying asset is of low value which are expensed in the income statement on a straight-line over the lease terms. Lease payments exclude irrecoverable VAT which is expensed in the income statement as lease payments are made.

The lease liability, which is included within Other liabilities on the balance sheet, is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate appropriate to the lease term. The liability is subsequently measured at amortised cost using the effective interest rate method. Remeasurement of the lease liability occurs if there is a change in the lease payments (when a corresponding adjustment is made to the ROU asset), the lease term or in the assessment of an option to purchase the underlying asset.

At inception, the ROU asset, which is included within Property, plant and equipment on the balance sheet, comprises the lease liability, initial direct costs and the obligations to restore the asset, less any incentives granted by the lessor. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset and is reviewed for indications of impairment as for owned assets.

Policy applicable for the year ended 31 December 2018

Leases where a significant proportion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease. Lease incentives received are recognised in the Statements of Comprehensive Income as an integral part of the total lease expense and are spread over the life of the lease.

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 programs 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowings (continued)

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.

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 operated 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, interest on lease liabilities, 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 received, net of any directly attributable incremental transaction costs and the related income tax effects, 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. Dividends are subject to Shareholder approval.

4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a number of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Group's Finance function seeks to reduce the Group's exposure to interest rate and other financial risks. It also ensures surplus funds are managed and controlled in a manner which will protect capital sums invested and ensure adequate short-term liquidity, whilst maximising returns. It operates policies and procedures which are periodically reviewed and approved by the Board of Directors. The board provides written policies for overall risk management. Formal standing committees are maintained for effective management of oversight.

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 18.7% of total revenue are both vulnerable to market volatility. Margin on cash in James Hay is vulnerable to interest rate volatility and accounts for 14.85% 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 2019, if interest rates had increased/decreased by 1% with all other variables held constant, pre-tax profit for the year would have been £nil (2018: £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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign exchange risk (continued)

Income Statement, when the Group considers it economically viable to do so. At the end of 2019, the Group had no foreign borrowings.

At 31 December 2019, if Euro had weakened/strengthened by 10% against Sterling with all other variables held constant, post-tax profit for the year would have been £235,110 (2018: £266,459) 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.

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 (2018: 4%) has been made at year end. The allowance has been measured on the ability to fulfil future payment obligations in accordance with IFRS9. At year end 75% of the trade and other receivables balances were classified as not past due (2018: 85%). 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 2019, the Group had 76% (2018: 99%) 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. 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 and cash flows. 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; and (ii) limiting the maturity of such balances.

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. During 2019, this facility was cancelled. The Group's consolidated net cash position is reviewed regularly by the Board of Directors.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

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 2019 and 31 December 2018.

	Trade payables[1] £'000	Total £'000
At 31 December 2019		
Due less than one year	814	814
Total	814	814
At 31 December 2018		
Due less than one year	1,402	1,402
Total	1,402	1,402

1. The maturity analysis applies to financial instruments only and therefore non-financial liabilities are not included.

Brexit Risk

Volatility within capital markets may adversely impact the value of assets under administration and/or advice by our underlying businesses and may affect revenues. Whilst there is potentially less uncertainty now than persisted throughout 2019, Brexit remains a key potential source of such market fluctuations, which may also give rise to clients delaying investment decisions or withdrawing funds from platform, though this is generally a low risk as a large proportion of assets under administration and advice are held within tax-advantaged wrappers. Conversely, market fluctuations may also result in significantly increased demand for professional financial advice, with positive impact on group revenue. Saunderson House principally generates revenues on an hourly basis and is not wholly dependent on the value of underlying assets.

Our businesses include a mix of both transactional and recurring income and the Group has a diversified portfolio of clients, assets and charging structures which acts as mitigation.

COVID-19

Since year end, the COVID-19 pandemic has had a considerable impact on many businesses, including the Group. The Directors expect these circumstances to be temporary, but their duration is uncertain. The full impact of the pandemic remains difficult to predict but could impact the levels of new business, customer attrition, trade receivables, fund withdrawals, stock market levels and interest rates all of which could have adverse consequences for the Group.

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 Board.

5. 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. Due to the uncomplicated nature of the business transactions of the Group, there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than those relating to Goodwill (note 17), Provisions (note 23) and contingencies (note 27).

6. 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 3 to 4.

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.

6. SEGMENTAL INFORMATION (CONTINUED)

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 on page 31.

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 2019, is as follows:

	Platform £'000	Independent wealth management £'000	Group/ Other £'000	Total £'000
Annual fees	24,800	-	-	24,800
Transaction fees	3,222	-	-	3,222
Asset based fees (include DMS)	13,688	3,111	-	16,799
Margin on cash	13,341	-		13,341
Advisory fees	-	31,636	-	31,636
Rental income	-	-	35	35
Total revenue	55,051	34,747	35	89,833
EBITDA	16,256	8,956	(3,232)	21,980
Depreciation	(3,189)	(1,179)	(260)	(4,628)
Adjusted operating profit/(loss)	13,067	7,777	(3,492)	17,352
Amortisation of acquired intangibles	(2,128)	-	-	(2,128)
Depreciation on right-of-use asset	(573)	(750)	(246)	(1,569)
Exceptional costs	(14,299)	-	(5,971)	(20,270)
Operating profit/(loss)	(3,933)	7,027	(9,709)	(6,615)
Finance income	145	30	1	176
Finance expense	(129)	(107)	(68)	(304)
Profit/(loss) before income tax	(3,917)	6,950	(9,776)	(6,743)
Income tax expense				(1,949)
Loss for the year				(8,692)

6. SEGMENTAL INFORMATION (CONTINUED)

for the year ended 31 December 2018 comparatives are 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
EBITDA	13,431	8,181	(4,936)	16,676
Depreciation	(3,138)	(1,089)	(71)	(4,298)
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 (loss)/profit	2,657	4,096	(6,426)	327
Finance income	94	28	1	123
(Loss)/Profit before income tax	2,751	4,124	(6,425)	450
Income tax credit				(1,404)
Loss for the year				(954)

During the year there were no revenues derived from a single client that represent 10% or more of total revenues, in line with 2018.

Assets and liabilities – 2019

	Platform £'000	Independent wealth management £'000	Group/ Other £'000	Total £'000
ASSETS				
Segment assets	91,485	27,895	14,625	134,005
Deferred income tax asset				319
Income tax asset				-
Total assets as reported on the Consolidated Statement of Financial Position				134,324
LIABILITIES				
Segment liabilities	(32,546)	(7,568)	(2,666)	(42,780)
Deferred income tax liabilities				(1,494)
Current income tax liabilities				(1,005)
Total liabilities as reported on the Consolidated Statement of Financial Position				(45,279)

6. SEGMENTAL INFORMATION (CONTINUED)

The 2018 comparatives are as follows:

	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)

Other segmental information – 2019

	Notes	Platform £'000	Independent wealth management £'000	Group/ Other £'000	Total £'000
Property, plant and equipment – additions	14	649	201	-	850
Intangible assets – additions	15	2,719	1,056	-	3,775
Property, plant and equipment – depreciation	14	(836)	(453)	(260)	(1,549)
Intangible assets – amortisation	15	(2,353)	(726)	-	(3,079)
Acquired intangible assets – amortisation	15	(2,128)	-	-	(2,128)

The 2018 comparatives are as follows:

	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	17	2,229	754	-	2,983
Property, plant and equipment – depreciation	14	(835)	(500)	(71)	(1,406)
Intangible assets – amortisation	17	(2,303)	(589)	-	(2,892)
Acquired intangible assets – amortisation	17	(2,128)	-	-	(2,128)

Included in depreciation for the year ending 31 December 2019 were £192,000 of costs relating to the London 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.

During the year there were no revenues derived from a single client or group of clients that represent 10% or more of total revenues, in line with 2018.

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 United Kingdom, £58.0 million (2018: £55.5 million).

7. EXCEPTIONAL ITEMS

Exceptional items charged against operating profit

	2019 £'000	2018 £'000
Redundancy and restructuring costs	1,584	722
Legal, Remediation and governance costs	10,793	5,574
Remediation activity costs	2,912	-
Retention payments	-	3,000
Transaction costs	4,981	-
Loss on disposal of International division	-	627
Total	20,270	9,923

2019

Redundancy and restructuring costs

Costs of £1.6 million relating to the closure of the Group head office and termination costs have been recognised in the year.

Legal, remediation & governance costs

Remediation and governance costs of £10.8 million relating to James Hay's review of the dual-trustee book, Elysian Fuels and other ongoing legacy products review has been recognised in the year.

Remediation activity costs

Remediation activity costs of £2.9 million represent costs James Hay has incurred in relation to the resolution of a number of legacy issues, including Elysian Fuels and other possible sanctions or customer detriment.

Transaction costs

Costs of £5.0 million related to the sale of the Group to Epiris have been recognised in the year.

2018

Redundancy and restructuring costs

Costs of £0.7 million relating to the departure of the former Group CEO were recognised in the previous year as detailed in note 8.

Legal, remediation & governance costs

Remediation and governance 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 were recognised in the previous year. Legal costs in relation to the Saunderson House cancelled sale process for £0.1 million were also recognised in 2018.

Retention payments

A one-off cost of £3.0 million in 2018 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 division

Costs of £0.6 million were provided in the previous 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.

8. DIRECTORS' REMUNERATION

	2019 £'000	2018 £'000
Paid or receivable by directors for qualifying services	1,311	1,193
Paid or receivable by directors under long term incentive schemes for qualifying services	290	-
Total	1,601	1,193

8. DIRECTORS' REMUNERATION (CONTINUED)

	Number of Directors whom benefits are arising	2019 £'000	Number of Directors whom benefits are arising	2018 £'000
Contributions paid or payable to a retirement benefit scheme				
Defined contribution	-	-	-	-
Total		-		-

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

	2019 £'000	2018 £'000
Compensation paid or payable relating to settlement payments - Director 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:

	2019 £'000	2018 £'000
The Company	266	482
The Company's subsidiary	1,335	1,120
Total	1,601	1,602

In the prior year, 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. An accelerated charge was recognised in the prior year in relation to the options which were paid out as part of the acquisition which is not included in the table above.

9. STAFFING EXPENSE

The average number of persons employed by the Group during the year was 848 (2018: 834). The actual number of persons employed by the Group as at 31 December 2019 was 855 (2018: 837).

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

	2019	2018
UK	840	823
Ireland	5	5
Non-Executive Directors	3	6
Total	848	834

9. STAFFING EXPENSE (CONTINUED)

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

	2019 £'000	2018 £'000
Wages and salaries	42,310	44,004
Social insurance costs	4,141	4,017
Redundancy and related costs	44	55
Pension costs – defined contribution plans	2,550	2,297
Share-based payment compensation – share options	53	6
Exceptional staff costs	3,814	3,722
Other staff costs	2,231	2,348
Total staff costs	55,143	56,449
Transfer to internally generated intangible assets	(2,202)	(1,871)
Total staff costs charged to Consolidated Income Statement	52,941	54,578

Other staff costs of £2.2 million (2018: £2.3 million) relate to recruitment, training, travel and entertainment costs. Redundancy costs of £1.0 million, accelerated share options charges of £0.2 million and staff costs in relation to the ongoing legacy review of £2.6 million, are included within exceptional staff costs in the table above for the year (2018: Redundancy £0.7 million and retention payments related to Saunderson House staff of £3.0 million).

10. FINANCE INCOME

	2019 £'000	2018 £'000
Interest income on short-term bank deposits	176	123
Net finance income	176	123

11. FINANCE COSTS

	2019 £'000	2018 £'000
Interest on Lease Liabilities	304	-
Finance costs	304	-

Interest on lease liabilities is measured at the present value of the lease payments that are not paid to the commencement date and a single discount rate being the incremental borrowing rate of 4% was applied to a portfolio of leases liabilities.

12. OPERATING (LOSS)/PROFIT

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

	2019 £'000	2018 £'000
Depreciation (see note 14)	1,549	1,406
Amortisation of intangible assets	5,207	5,020
Depreciation on right-of-use asset	1,569	-
Operating lease rentals	-	1,806
Net foreign exchange gain/(loss)	(137)	37
Employee costs (note 9)	52,941	54,578

12. OPERATING (LOSS)/PROFIT (CONTINUED)

Details of Other Operating Expenses are as follows:

	2019 £'000	2018 £'000
Establishment	3,230	5,142
Professional fees, remediation and sanction charges	14,669	9,580
Transaction costs	4,981	-
IT costs	6,785	6,125
Marketing and advertising	1,087	1,001
Property SIPP administration fees	1,450	1,426
Regulatory subscriptions and levies	1,624	1,061
Other expenses	1,390	1,915
Total	35,216	26,250

Included in professional, remediation and sanction charges in the year are £11.1 million of exceptional costs which relate to the ongoing investigation and remediation of legacy matters in James Hay.

Auditor's remuneration – Group

During the year, the Group obtained the following services from the Group's auditor, Deloitte:

	2019 £'000	2018 £'000
Statutory audit of the Group accounts	307	323
Other assurance services	88	64
Total auditor's remuneration	395	387

Included in the above are amounts paid to Deloitte UK for services provided to other Group companies: audit £211,000 (2018: £253,000), other assurance £88,000 (2018: £64,000) and other non-audit services £nil (2018: £nil).

13. INCOME TAX EXPENSE

	2019 £'000	2018 £'000
Current tax		
Ireland (at 12.5%):		
– current year	-	20
– prior year	(18)	(1)
UK and other (primarily at 19.00% (2018: 19.00%)):		
– current year	2,454	1,786
– prior year	(1)	(513)
Total current tax expense	2,435	1,292
Deferred tax		
Ireland:		
– current year	-	-
– prior year	-	6
UK and other:		
– current year	(486)	(338)
– prior year	-	444
Total deferred tax expense/(credit)	(486)	112
Income tax expense	1,949	1,404

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:

13. INCOME TAX EXPENSE (CONTINUED)

	2019 £'000	2018 £'000
(Loss)/Profit before income tax	(6,743)	450
Tax calculated at domestic tax rates applicable to results in the respective country	(1,281)	86
Adjustment in respect of prior years	(18)	(64)
Re-measurement of deferred tax – impact of change in UK tax rate	19	(5)
Non-taxable gain	-	(1)
Differences in overseas tax rates	-	(11)
Current year losses for which no deferred tax asset was recognised	129	48
Others including expenses not deductible for tax purposes	3,101	1,351
Income tax expense	1,949	1,404

The weighted average applicable tax rate for the year was 28.9% (2018: 312%). Increased costs surrounding the transaction and sanction charges arising from the ongoing legacy reviews, which are not allowable for tax, has resulted in an effective tax rate higher than the corporation tax rate of 19%. On 11th March as part of the 2020 Budget statement, the Government announced that Corporation Tax rate would stay at 19% and not drop to 17% from 1 April 2020. This has an immaterial impact on deferred tax assets and liabilities of the Group.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings & leasehold improvements £'000	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
Cost				
At 31 December 2017	4,570	7,179	1,186	12,935
Additions	522	399	118	1,039
Disposals	-	-	-	-
Exchange adjustment	6	-	-	6
At 31 December 2018	5,098	7,578	1,304	13,980
Additions	241	526	83	850
At 31 December 2019	5,339	8,104	1,387	14,830
Accumulated depreciation				
At 31 December 2017	(2,626)	(5,243)	(885)	(8,754)
Charge for year	(491)	(813)	(102)	(1,406)
Disposals	-	-	-	-
Exchange adjustment	(6)	-	-	(6)
At 31 December 2018	(3,123)	(6,056)	(987)	(10,166)
Charge for year	(672)	(734)	(143)	(1,549)
At 31 December 2019	(3,795)	(6,790)	(1,130)	(11,715)
Net book amounts				
At 31 December 2017	1,944	1,936	301	4,181
At 31 December 2018	1,975	1,522	317	3,814
At 31 December 2019				
– cost	5,339	8,104	1,387	14,830
– accumulated depreciation	(3,795)	(6,790)	(1,130)	(11,715)
At 31 December 2019	1,544	1,314	257	3,115

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in depreciation for the year end 31 December 2019 were £192,000 of costs relating to the London head office which were treated as an exceptional cost.

Capital commitments

Capital commitments contracted for were £nil (2018: £nil).

15. RIGHT-OF-USE ASSETS

	Buildings £'000	Equipment £'000	Total £'000
Cost			
At 1 January 2019	6,232	131	6,363
Additions	-		-
Disposals	(96)		(96)
At 31 December 2019	6,136	131	6,267
Accumulated depreciation			
At 1 January 2019	-	-	-
Charge for year	(1,558)	(11)	(1,569)
Disposals	10		10
At 31 December 2019	(1,548)	(11)	(1,559)
Carrying amounts at 31 December 2019	4,588	120	4,708

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

	2019 £'000
Expense relating to short term lease	23
Short term equipment rental	71
Income from sub-leasing right-of-use asset	(35)
Total expense	59

Further disclosures regarding the impact of application of IFRS 16 on the Group's significant accounting policy on leases (on page 24) and impact of adoption can be found in note 16.

16. LEASE LIABILITIES

The Group leases various properties and equipment under non-cancellable lease agreements. The lease terms are between one and 11 years and the majority of lease agreements are renewable at the end of the lease period at market rate. The leases have varying conditions and terms.

Following the application of IFRS 16 at 1 January 2019, the Group now recognises a lease liability on the balance to represent its obligation to make lease payments. The impact of application of IFRS 16 on the Company's significant accounting policy on leases (on page 24) and impact of adoption.

The Company elected to apply the modified retrospective approach whereby the ROU asset at the date of initial application was measured at an amount equal to the lease liability. The ROU asset was adjusted for any prepaid lease payments and incentives relating to the relevant leases that were recognised on the balance sheet as 31 December 2018. In addition, the following practical expedients permitted by the standard were applied:

- Single discount rate being the incremental borrowing rate of 4% was applied to a portfolio of leases with reasonably similar characteristics to the lease liabilities on 1 January 2019, and
- Operating leases with a remaining term of less than 12 months as at 1 January 2019 were treated as short term leases.

16. LEASE LIABILITIES (CONTINUED)

Reconciliation of operating lease commitments at 31 December 2018 to lease liabilities recognised at 1 January 2019:

Operating lease commitments at 31 December 2018	5,767
Effect of recognising leases beyond break clause under IFRS 16	2,510
Addition of other operating leases	131
Adjustment for recoverable VAT	(283)
Adjustments for unused rent free	(103)
Effect of discounting the above amounts	(1,039)
Increases in rent	68
Dilapidations on onerous lease	64
FX movement on non-GBP denominated leases	(54)
Lease liabilities recognised at 1 January 2019	7,060

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

	2019 £'000
Analysed as:	
Non-current	(3,634)
Current	(1,774)
At 31 December 2019	(5,408)

Maturity analysis:

	2019 £'000
Year 1	1,774
Year 2	1,218
Year 3	680
Year 4	525
Year 5	545
Onwards	666
At 31 December 2019	5,408

17. INTANGIBLE ASSETS

	Goodwill £'000	Customer relationship brands[1] £'000	Purchased client books £'000	Computer software £'000	Total £'000
Year ended 31 December 2019					
Opening net book amount	32,063	10,491	852	8,276	51,682
Additions	-	-	-	3,775	3,775
Amortisation charge on acquired assets	-	(1,701)	(427)	-	(2,128)
Amortisation charge	-	-	-	(3,079)	(3,079)
Closing net book amount 2019	32,063	8,790	425	8,972	50,250
At 31 December 2019					
Cost	32,063	25,517	2,136	22,289	82,005
Accumulated amortisation/impairment	-	(16,727)	(1,711)	(13,317)	(31,755)
Net book amount	32,063	8,790	425	8,972	50,250

17. INTANGIBLE ASSETS (CONTINUED)

	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

Note

1.Includes the James Hay brand and customer relationship intangibles acquired during 2010 (net book value of £8,790,000) which have approximately five years and two months left in their useful lives as of 31 December 2019.

Computer software is amortised over three to five years. Purchased books are amortised over five years.

The amortisation charge for 2019 was £5,207,000. (2018: £5,020,000.) Computer software additions includes £2,202,000 of internally-generated intangible assets (2018: £1,871,000).

Goodwill as allocated to segments

	At 31 December 2019 £'000	At 31 December 2018 £'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 9.9% 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 plan. 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.

The key assumptions used for the value-in-use calculations in 2019 and 2018 are as follows:

	2019	2018
United Kingdom		
Long-term growth rate	1.0%	1.5%
Discount rate	9.9%	9.7%
4-year revenue growth rate	4.0%	7.9%

17. INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill (continued)

The four-year growth rate fell, predominantly due to movement in the base years from 2017 to 2021. The expected revenue growth in the current period range provides consistency, whereas the prior year was distorted by the fluctuations experienced in 2017, when the interest rate was depressed. Additionally, the growth rate in the previous year was affected by revenues benefitting from an increase due to changes in the pricing structures which took effect in mid-2017.

If the estimated long-term growth rates for all businesses were lowered by 10% to -9% from management's estimate at 31 December 2019, the Group would have recorded an impairment charge of £nil against goodwill. If the discount rate used increased to 19.9%, an impairment charge of £nil would have been recorded at 31 December 2019. If the estimated cash flows for the three-year period 2020-2022 reduced by 10%, then an impairment charge of £nil would have been recorded at 31 December 2019. The Group considered the potential impact of the crystallisation of contingent liabilities in relation to the ongoing legacy reviews, which have been provided for in the year, as outlined in note 26. The Group would have recorded an impairment charge of £nil under this scenario.

Although the impact of Brexit is currently uncertain, the UK-focus of our businesses mitigates much of the vulnerability that 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 final negotiations could impact across the UK economy, though these will not come into force until January 2021. 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 cashflows after the crystallisation of the contingent liability outlined in note 26, the Group would record an impairment of £nil.

18. 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 (2018: £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 are 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:

Financial assets measured at amortised cost:

31 December 2019 Assets as per the Consolidated Statement of Financial Position	2019 £'000	2018 £'000
Trade receivables	8,095	5,829
Cash and cash equivalents	52,527	27,694
Total	60,622	33,523

Financial liabilities measured at amortised cost:

Liabilities as per the Consolidated Statement of Financial Position	2019 £'000	2018 £'000
Trade and other payables	(814)	(1,402)
Total	(814)	(1,402)

See note 19 for commentary on the credit quality of trade and other receivables.

19. TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Current – trade and other receivables		
Trade receivables	8,095	5,829
Other receivables	12,804	16,398
Less lifetime expected credit loss/impairment allowance	(908)	(873)
Trade receivables and other receivables – net	19,991	21,354
Prepayments	3,296	2,486
Total	23,287	23,840

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 2019, 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 2019	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%*	3%	5%	14%	24%	22%	42%	4%
Gross carrying amount	15,778	1,719	691	297	395	918	1,101	20,899
Lifetime ECL	(24)	(48)	(32)	(41)	(96)	(206)	(461)	(908)
Total								19,991

*0.0015%

The 2018 comparative balances are 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%

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:

	2019 £'000	2018 £'000
At 1 January	873	817
Allowance for receivables impairment	56	156
Unused allowance released	(21)	(100)
Expected Credit Loss/ impairment allowance	35	56
At 31 December	908	873

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.

20. CASH AND CASH EQUIVALENTS

	2019 £'000	2018 £'000
Cash at bank and in hand	23,211	5,152
Short-term bank deposits	29,316	22,542
Total cash and cash equivalents	52,527	27,694

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

	2019			2018		
	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	77	-	77	215	-	215
Sterling	23,134	29,316	52,450	4,937	22,542	27,479
At 31 December	23,211	29,316	52,527	5,152	22,542	27,694

21. 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 cancelled the overdraft facility during the year ended 31 December 2019.

22. 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.

	2019 £'000	2018 £'000
Deferred tax asset	319	156
Deferred tax liability	(1,494)	(1,817)
	(1,175)	(1,661)

The gross movement on the deferred income tax account is as follows:

	2019 £'000	2018 £'000
At beginning of the year	(1,661)	(1,549)
Consolidated Income Statement credit (see note 12)	486	(112)
At end of the year	(1,175)	(1,661)

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.

22. DEFERRED INCOME TAX (CONTINUED)

The movement in deferred tax assets and liabilities during the year are as follows:

	Accelerated capital allowances £'000	Intangible assets £'000	Tax losses £'000	Other temporary differences £'000	Total £'000
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)
At 1 January 2019	145	(1,817)	-	11	(1,661)
Credit/(charge) to Consolidated Income Statement	174	323	-	(11)	486
Net deferred tax balances at 31 December 2019	319	(1,494)	-	-	(1,175)
Deferred tax assets at 31 December 2019	319	-	-	-	319
Deferred tax liabilities at 31 December 2019	-	(1,494)	-	-	(1,494)
Net deferred tax balances at 31 December 2019	319	(1,494)	-	-	(1,175)

Deferred tax assets of £2,831,000 (2018: £2,873,000) in respect of trading tax losses of circa £651,000 (2018: £663,000) and capital losses of circa £14,569,000 (2018: £14,738,000) 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.

23. PROVISIONS

	Leases £'000	UK business disposal £'000	Complaints & pricing £'000	Legal, remediation & sanction £'000	Total £'000
At 1 January 2019	419	112	198	9,880	10,609
Additions	-	135	825	10,904	11,864
Unused amount released	(419)		(451)	(409)	(1,279)
Utilised during the year	-	(63)	(163)	(1,816)	(2,042)
Exchange adjustments	-	-	-	-	-
At 31 December 2019	-	184	409	18,559	19,152

Analysis of provisions:

	Leases £'000	UK business disposal £'000	Complaints & pricing £'000	Legal, remediation & sanction £'000	Total £'000
Current	-	184	341	18,509	19,034
Non-current	-		68	50	118
At 31 December 2019	-	184	409	18,559	19,152

Analysis of provisions:

	2019 £'000	2018 £'000
Current	19,034	10,138
Non-current	118	471
At 31 December 2019	19,152	10,609

23. PROVISIONS (CONTINUED)

Significant movements in provisions are detailed below:

Leases

As a result of the adoption of IFRS 16, the onerous lease provision was reversed during the year £0.4 million.

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.

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 & 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 associated with the ongoing legacy reviews, including Elysian Fuels and management's best estimate of the costs of settling these matters £10.9 million.

Current provisions

Although these provisions are uncertain in terms of timing and/or amount, it is expected that £19.0 million of the provision will be utilised in 2020.

24. TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Trade and other payables	814	1,402
Accruals	8,943	10,262
Deferred income	7,214	7,244
PAYE and social welfare	659	1,313
Value added tax	590	360
Trade and other payables	18,220	20,581
Creditors for taxation and social welfare included above	1,249	1,673

The carrying value of trade and other payables approximates fair value.

25. SHARE CAPITAL AND SHARE PREMIUM

Authorised	2019 No. of shares	2019 £'000	2019 €'000	2018 No. of shares	2018 £'000	2018 €'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 2019	105,405,665	10,093	82,404
Shares issued	2	-	24,076
At 31 December 2018	105,405,667	10,093	106,480
Share options exercised	-	-	-
At 31 December 2019	105,405,667	10,093	106,480

25. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

Share options

The Group operated a share option scheme whereby options were granted to employees to acquire shares in IFG Group Limited (formerly IFG Group plc). The exercise price of the granted options was equal to the market price of the shares on the date of grant. Options were conditional on the employee remaining in service for a period of three years (vesting period) and were exercisable between three and ten years from the date of grant. As part of Epiris's acquisition of IFG Group, a recommended cash offer for the issued and to be issued share capital of IFG was made at 193 pence cash for each IFG share. Any vested IFG options outstanding were settled in cash. At the time of acquisition, a number of unvested options had not satisfied the performance conditions required to qualify for cash settlement. Subsequent to certain conditions being met, cash consideration of 193 pence per option held will be settled with the former option holders.

At 31 December 2019 share options outstanding over ordinary shares under the Company's share option schemes were nil, (2018: 3,411,000). No further grants were made during the year to the Executive Directors (2018: 577,000 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:

	2019 Weighted exercise price in £ per share	2019 Options no. '000	2018 Weighted exercise price in £ per share	2018 Options no. '000
At 1 January	1.41	3,411	1.41	3,467
Granted	-	-	1.43	977
Expired/cancelled	1.93	(705)	1.42	(1,033)
Cash settled as part of acquisition	1.93	(1,228)		
Cash settlement contingent on future events	1.93	1,478		
Exercised	-	-	-	-
At 31 December	-	-	1.41	3,411
Options exercisable	-	-	1.39	2,348

The were no options exercised during the year (2018: nil).

There were no options outstanding at 31 December 2019.

Option pricing

In prior years, 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 (2018: £1.43 and £1.43) at the grant dates, standard deviation of expected share price returns (2018: 35.89%) 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 (2018: 3.01%). The fair value of share options granted was (2018: £0.41).

26. 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 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)
Currency translation difference	-	-	-	-	(125)	-	(125)
Reclassification of exchange reserve upon strike-off of subsidiaries	-	-	-	-	-	-	-
Share-based payment compensation:							
– value of employee services – share options	-	-	(250)	-	-	-	(250)
– cash settlement of vested share options	-	-	-	-	-	-	-
Transfer of vested share-based payment	-	-	253	-	-	-	253
At 31 December 2019	292	238	41	1,913	1,167	(17,866)	(14,215)

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 transactions 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.

27. 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.

While the Group has made material progress in resolving its legacy issues, it has identified a number of legacy matters which are still under consideration as set out below.

DUAL-TRUSTEE REVIEW

Review of the dual-trustee book which is now closed to new business is underway. We have now reviewed approximately 66% 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 £435,000. 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.

27. CONTINGENCIES (CONTINUED)

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 the 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.

28. CASH GENERATED FROM OPERATIONS

	2019 £'000	2018 £'000
(Loss)/profit before income tax	(6,743)	450
Depreciation and amortisation	6,756	6,427
Depreciation on right-of-use assets	1,569	-
Net interest cost/(income)	128	(123)
Foreign exchange movement	(141)	32
Non-cash share-based payment compensation charges	53	6
(Increase)/decrease in trade and other receivables	553	(5,786)
Increase in current liabilities and provisions	18,498	9,659
Cash generated from operations	20,673	10,665

The increase in current liabilities and provisions in the year primarily relates to an increase in provisions related to the settlement of ongoing legacy matters in James Hay (see note 23) which are expected to be paid during 2020 as well as adjustments related to transaction related costs which are not classified as part of the day to day operating activities of the business and are shown separately on the cash flow statement on page 19.

29. ANALYSIS OF NET CASH/(DEBT)

	Opening balance £'000	Cash flow £'000	Other movements £'000	Closing balance £'000
Cash and short-term deposits	27,694	24,841	(8)	52,527
Total	27,694	24,841	(8)	52,527

Other movements 2019

Other movements of (£8,000) include the impact of exchange rate movements arising on balances denominated in currencies other than Sterling.

The 2018 comparative is as follows:

	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.

30. 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.

	2019 £'000	2018 £'000
Salaries and other short-term benefits	1,204	1,116
Post-employment benefit	107	77
Long-term incentives and share-based payments	290	-
Settlement benefits	-	409
Charged to Consolidated Income Statement	1,601	1,602

There were no dividends paid during the year (2018: nil) in respect of ordinary shares, to Directors of the Company:

Transactions involving entities in which key management have an interest

During 2019, Group companies earned £2,000 (2018: £41,000) from key management for services provided. All fees were charged on an arms-length basis with our normal terms and conditions. At the year end, Group companies were owed £1,000 (2018: £30,000) from key management.

31. EVENTS SINCE THE YEAR END

On 11th March 2020 the Bank of England base rate was reduced from 0.75% to 0.25% and on 19th March 2020 it was reduced further 0.10%.

Also on 11th March as part of the 2020 Budget statement, the Government announced that Corporation Tax rate would stay at 19% and not drop to 17% from 1 April 2020. This has an immaterial impact on deferred tax assets and liabilities of the Group.

The development of the Covid-19 pandemic in early 2020, combined with the associated economic impact and public health measures taken in response, has been considered a non-adjusting post balance sheet event by the Directors.

The Directors have considered the position of the Group at the date of signing these financial statements and do not consider the post balance sheet effect to be material to the assets and liabilities of the company. As outlined in the Strategic Report, the Directors have assessed that the company continues to have sufficient capital to support its operations for the period over which the Company continues to service customers and beyond.

32. (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 £6,150,000 (2018: £3,024,000).

33. PRINCIPAL SUBSIDIARIES AND ASSOCIATE UNDERTAKING

COMPANY	PRINCIPAL ACTIVITIES AND VOTING RIGHTS %	SHAREHOLDING
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, fax +44 20 7315 6550		
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 Service Limited (formerly James Hay Insurance Company Limited)	Provision of SIPPS	100
Wellington House, 15 Union Street, St Helier, telephone +44 1534 714 500, fax +44 1534 767 787		
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, fax +353 1 632 4801		

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.

34. APPROVAL OF FINANCIAL STATEMENTS

The Directors approved the financial statements on 29 June 2020.

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.

PARENT COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Investments in subsidiaries	5	161,009	161,006
Current assets			
Debtors	6	7,715	98
Cash and cash equivalents		12,696	104
		20,411	202
Creditors (amounts falling due within one year)	8	(5,557)	(3,522)
Net current asset/(liabilities)		14,854	(3,320)
Total assets less current liabilities		175,863	157,686
Net assets		175,863	157,686
Capital and reserves			
Called-up share capital presented as equity	9	10,093	10,093
Share premium		106,480	82,404
Other reserves		2,212	2,209
Retained earnings		57,078	62,980
Shareholders' funds		175,863	157,686

The Company's loss for the year determined in accordance with FRS 102 is £6,150,000 (2018: £3,024,000).

On behalf of the Board:

Gavin Howard
Group Chief Financial Officer
29 June 2020

Mark Dearsley
Chairman

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2018	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
Loss for year	-	-	-	(6,150)	(6,150)
Total comprehensive loss for the financial year	-	-	-	(6,150)	(6,150)
Dividends- unclaimed	-	-	-	37	37
Issue of share capital	-	24,076	-	-	24,076
Share issue costs					
Transfer of vested share-based payment	-	-	(214)	211	(3)
Share-based payment compensation					
– value of employee services – share options	-	-	217	-	217
Transaction with owners	-	24,076	3	248	24,327
At 31 December 2019	10,093	106,480	2,212	57,078	175,863

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 £6.2 million (2018: £3.0 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 Cashflows on page 19.

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.

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 end 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the 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.

3.5 Share-based payment compensation

The Company operated a number of equity-settled, share-based compensation plans for employees of some of its subsidiaries. The fair value of share options was determined using the Black-Scholes model while the fair value of shares awarded was 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 regards to discount rates, long-term growth rates and the estimated cash flows for the three-year period from 2020 to 2022.

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

	2019 £'000
Cost	
At 1 January 2019	162,410
Write off of investment	-
Capital contribution in respect of share-based payment compensation	217
Release of vested share-based payment compensation	(214)
At 31 December 2019	162,413
Impairment allowance	
At 1 January 2019	(1,404)
Utilised in the year	-
At 31 December 2019	(1,404)
Net book amount	
At 31 December 2018	161,006
At 31 December 2019	161,009

The 2018 comparative is as per below:

	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

Principal subsidiaries are listed in note 33 of the consolidated financial statements.

The disposal in 2018 relates to a write-off of investment in subsidiary upon liquidation.

6. DEBTORS

	2019 £'000	2018 £'000
Amounts receivable within one year		
Amounts due from subsidiaries	7,764	121
Allowances for receivables from subsidiaries	(50)	(50)
	7,714	71
Other debtors		
Prepayments	1	27
	7,715	98

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

	2019 £'000	2018 £'000
At the beginning of the year	50	50
Utilised in the year	-	-
At the end of the year	50	50

8. CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	2019 £'000	2018 £'000
Trade creditors	43	18
Taxation and social welfare	40	86
Accruals	316	517
Amounts due to subsidiaries	5,133	1,764
	5,532	2,385
Provisions for other liabilities	25	1,137
Total creditors	5,557	3,522

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.

9. SHARE CAPITAL

	2019 No. of shares	2019 £'000	2019 €'000	2018 No. of Shares	2018 £'000	2018 €'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 2018	105,405,665	10,093
Share options exercised during year	-	-
At 31 December 2018	105,405,665	10,093
Share options exercised during year	-	-
Shares issued	2	-
At 31 December 2019	105,405,667	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	104	12,592	-	12,696
Overdrafts	-			
Total	104	12,592	-	12,696

The 2018 comparative is as follows:

	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.

11. RELATED PARTY TRANSACTIONS

Transactions with other companies within the group are not disclosed as this is not a required disclosure 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 30 in the consolidated financial statements.

12. COMMITMENTS, CONTINGENCIES AND GUARANTEES

The Company has provided rental guarantees to landlords of Group occupied premises, totalling £1,585,000 over the period (2018: £2,355,000).

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 2018 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

	2019 £'000	2018 £'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

On 11th March 2020 the Bank of England base rate was reduced from 0.75% to 0.25% and on 19th March 2020 it was reduced further 0.10%.

Also on 11th March as part of the 2020 Budget statement, the Government announced that Corporation Tax rate would stay at 19% and not drop to 17% from 1 April 2020. This has an immaterial impact on deferred tax assets and liabilities of the Group.

The development of the Covid-19 pandemic in early 2020, combined with the associated economic impact and public health measures taken in response, has been considered a non-adjusting post balance sheet event by the Directors.

The Directors have considered the position of the Group at the date of signing these financial statements and do not consider the post balance sheet effect to be material to the assets and liabilities of the company. As outlined in the Strategic Report, the Directors have assessed that the company continues to have sufficient capital to support its operations for the period over which the Company continues to service customers and beyond.

15. APPROVAL OF FINANCIAL STATEMENTS

The Directors approved the financial statements on 29 June 2020.

ADVISERS

INDEPENDENT GROUP AUDITORS

Deloitte LLP

110 Queen Street

Glasgow

G1 3BX

SOLICITORS

Matheson

70 Sir John Rogerson's Quay

Dublin 2

IFG Group Limited

70 Sir John Rogerson's Quay
Grand Canal Dock
Dublin 2
Ireland
T: + 353 1 632 4800
F: + 353 1 632 4801
E: group@ifggroup.com

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