

Nucleus Financial Group plc

Annual report and financial statements

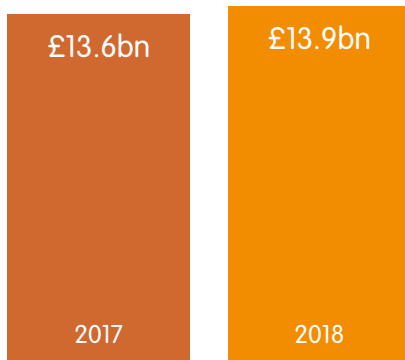
for the year ended 31 December 2018

Company registration number 05522098

2018 highlights

Assets under administration ¹

2.3% increase



Average AUA

Growth 13.5%



6% increase in the number of active advisers from 1,317 to 1,396

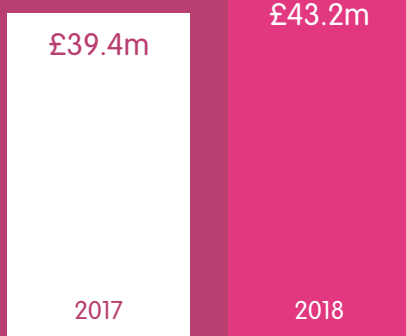


7% increase in customer numbers from 87,556 to 93,715

¹ Industry-specific financial performance measures. Included within this results announcement are alternative measures that the directors believe help to inform the results and financial position of the group. These are defined in the definitions and glossary of technical terms section.

Net revenue ¹

9.6% increase

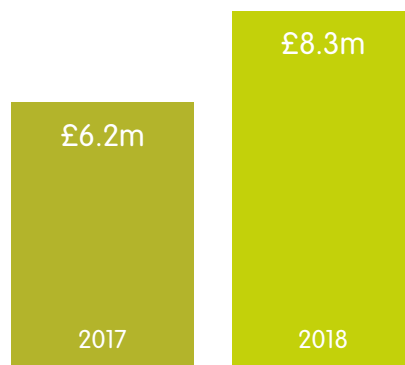


£

Final dividend of 3.6p recommended

Adjusted EBITDA ¹

Growth 32.9%



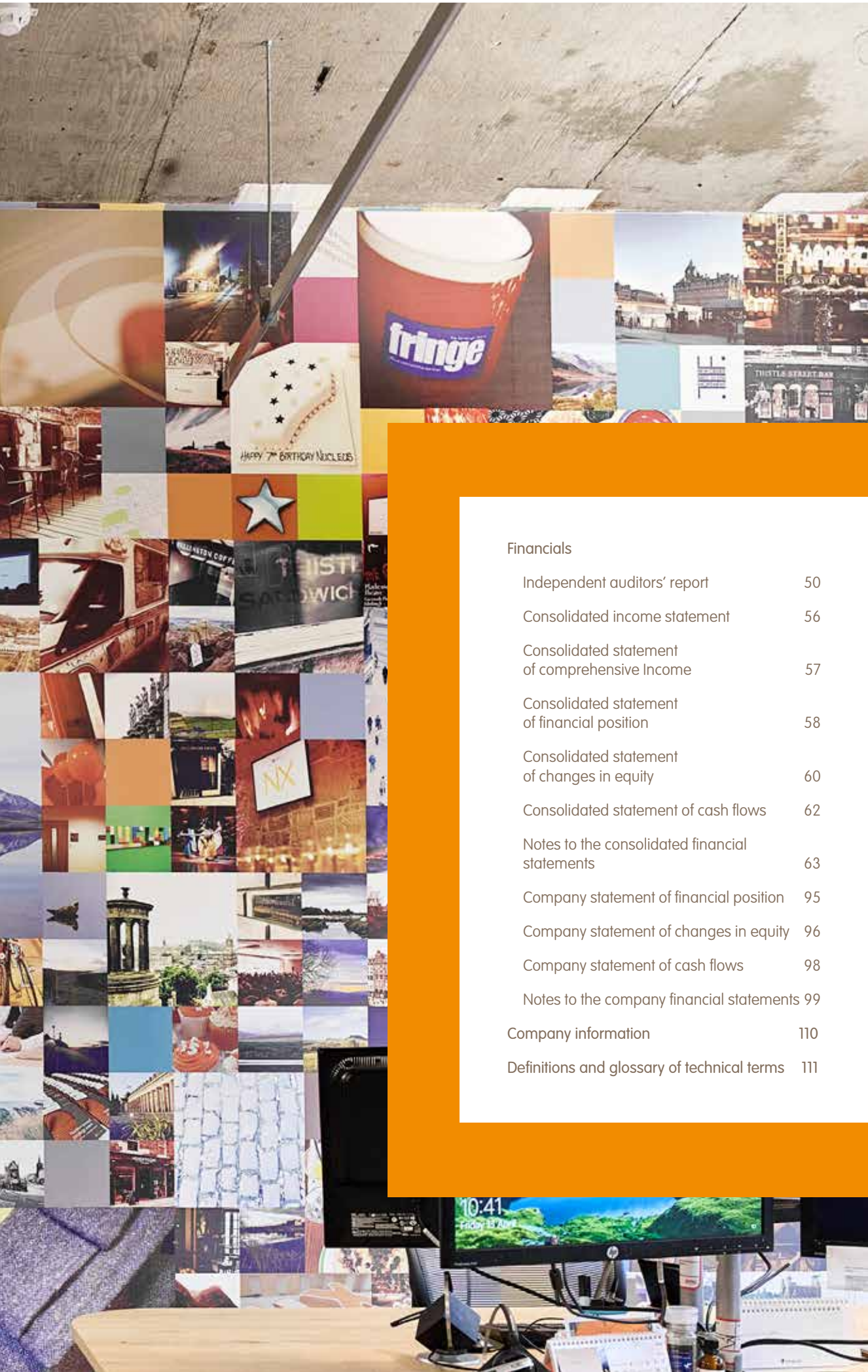
Profit for the year of £4.8m, up from £4.1m in 2017



Revenue for the year of £49.4m, up from £45.5m in 2017

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Strategic report

Chairman's statement

2018 was a transformative year for us and marked the beginning of a new chapter following our admission to the AIM market of the London Stock Exchange (LSE).

Our admission was well received by the market and it has been particularly pleasing to see such high quality institutions invest in the potential of the business.

We also completed a restructuring of our outsourced operations in November and this is expected to accelerate our product development and the delivery of operating efficiencies over the coming years.

Alongside these important strategic milestones, we have successfully navigated well-reported turbulent

markets to deliver another strong set of results. The CEO and CFO reports that follow provide detail on the key financial results but it is gratifying to see growth across most of our key performance indicators (KPIs) including growth in assets, revenue, profit, customers, accounts and advisers using the platform. Inflows were the notable exception to this as we saw both gross and net inflows reduce across the year. This is widely recognised as a market-wide, near-term issue arising due to weak investor sentiment caused by the lack of clarity around Brexit and ongoing market volatility.

The board

As a consequence of our admission to AIM, Nucleus IFA Company Limited, the vehicle through which financial advisers held shares in Nucleus, ceased to hold any interest in Nucleus and its representatives on the Nucleus board stepped down. I would like to thank and extend our best wishes to Mike Seddon and Stephen Tucker who each made significant contributions to our business and the board.

Upon admission, we welcomed two new non-executive directors to the board, Margaret Hassall and Tracy Dunley-Owen. Margaret brings a broad range of experience including in manufacturing, utilities and financial services while Tracy brings over 15 years of financial services sector experience. Margaret and Tracy have already made a positive impact through their presence on the board and I look forward to their continued contribution as we help the business develop its market position.

Governance

The board has long recognised the importance of good governance and effective systems and controls in supporting the executive management to ensure the company's strategy is delivered in an effective manner. The admission to AIM has seen the standard of governance and challenge raised further with the business adopting the Quoted Companies Alliance corporate governance code (QCA Code).



Angus Samuels
Chairman

People

While delivering on our two major strategic projects, we also made good progress on our people strategy, and this is testament to the quality and strength of everyone at Nucleus. The Nucleus team have enthusiastically embraced the challenges and changes required following our admission to AIM and on behalf of the board, I would like to thank the entire team for a tremendous effort throughout the year.

Dividend

Following the strong financial performance of the group, I am pleased to confirm the board is recommending, in line with the group's dividend policy, a final dividend payment of 3.6p per share, amounting to a final dividend of £2.7m. This takes the full year dividend since admission to AIM to 5p per share.

The final dividend will be paid on 21 June 2019 to ordinary shareholders on the register on 31 May 2019, with an ex-dividend date of 30 May 2019. The payment of the dividend is subject to shareholder approval at our AGM which will be held on 23 May 2019.

Outlook

We remain resolute in our belief that the advised platform market will enjoy very positive long-term prospects. Notwithstanding recent unsettled market conditions and politico-economic uncertainties, I am pleased with the group's performance over the past year. I believe Nucleus today is in a stronger position than at any time in its relatively short history to take advantage of the significant opportunities we believe are still available in this exciting market. In conclusion, I am pleased to re-affirm the board's ongoing confidence in the group's ability to deliver its future plans.

Angus Samuels
Chairman

Strategic report

Chief executive's report

We were pleased to end last year having successfully completed two substantial strategic projects.

Our July admission to AIM allowed us to mature our capital structure in accordance with our ambitions, and subsequent adjustments to our technology and BPO model have helped position us to become one of the most scalable and technology-led independent platforms in our market.

Despite the challenging market environment, we were pleased to add over 8,600 new customers, helping grow AUA to £13.9bn, increase net revenue to £43.2m and substantially

grow adjusted EBITDA to £8.3m. We also welcomed 43 new firms and 172 new advisers as platform users and this group, together with existing advisers and customers, is expected to contribute positively to future inflows.

In such a full year, we were delighted to gain recognition as platform of the year in the Schroders and Money Marketing awards and also to retain CoreData's best medium-platform award for the seventh year in succession.



43
new firms



8,600
new
customers



£43.2m
net revenue

David Ferguson
Founder and chief executive

Market environment

Several environmental themes combined to make 2018 a more challenging year than the prior year, although the advised platform market nevertheless grew 3 per cent to £364bn at the end of the year¹.

Markets experienced increased volatility in 2018, especially during the last quarter and valuations generally trended downward through the year (the FTSE All-Share Index declined by 13 per cent across 2018 and the FTSE 100 Index was similarly down 12.5 per cent), negatively impacting growth in AUA and inflows, which have some correlation to investor sentiment. Inflows were also affected by a reduction in the number and value of pension transfers. Despite a modest recovery in Q1 2019, the continued lack of clarity caused by Brexit and the ongoing impact on investor confidence is doing little to promote stability and these themes may continue throughout 2019.

From a regulatory perspective, the introduction of Mifid II created some operational disruption to adviser businesses, leading to some capacity issues as new processes bed in. Over time, the enhanced transparency afforded by these new rules will encourage greater accountability and in time can be expected to deliver a more effective market for customers. In essence, fund managers are now subject to the same disclosure requirements as have been applied to financial advisers and platforms since the introduction of the retail distribution review (RDR) in 2013.

In addition, the FCA published the final findings in respect of its Investment Platform Market Study on 14 March 2019. We welcome the findings and agree with its reiteration that the platform market is generally competitive. We are in full support of the proposed ban on exit fees and believe customers should be free to move between platforms without being exposed to financial or practical barriers. The study was borne from the asset management market study and we would expect the use of better analytics and improved transparency under Mifid II to apply further downward pressure on fund fees over time which will improve end-to-end value for money for clients.

It is increasingly apparent that the advised platform market is polarised between those who see platforms as a distribution channel for in-house fund management and those seeking to make financial advisers more effective in the pursuit of better customer outcomes. We are firmly in the latter category.

Platform pricing continued to drift downward in 2018, somewhat catalysed by special deals available from certain platforms aiming to drive in-house fund flows and those that have been through technology programmes that have caused disruption for advisers and their clients. It remains to be seen how durable such deals will prove in the light of new fee disclosures and (for the latter group) after operations have returned to a steady state.

Product development

In keeping with the rest of our sector, the early part of the year was focused on delivering new capabilities and operational changes in respect of Mifid II and GDPR regulations. We also made progress in delivering our new re-engineered client portal, an improved capital gains tool and further enhancements to our multiple award-winning reporting capabilities.

Beyond these areas, our efforts were primarily aimed at improving operational efficiency and executing changes to our technology and BPO model, the latter resulting in us having a direct licence with Bravura for the provision of its Sonata technology for the first time. Sonata sits at the core of our technology infrastructure and we are particularly excited about what we can achieve under the terms of this new relationship structure.

Following implementation of this new arrangement in Q4, we have already been successful in completing a Sonata upgrade and in adding a Junior Isa to our proposition. We have planned (and expect) to substantially accelerate our product development through 2019 and beyond with a view to becoming the most technology-enabled and ultimately scalable platform in our market.

¹ Source: Fundscape Platform report March 2019

“ The percentage of women in senior roles in the business improved from 18 per cent to 32 per cent over the year.”

Our people

We cannot be successful in the marketplace if we are not successful in the workplace and we continue to develop our structure to ensure our team has the breadth of capability and diversity of thought that will enable us to execute our business plan. In general, our hiring is directed toward raising standards and becoming increasingly technology-led so that we can operate within the cost constraints we expect the market to require.

To that end we were pleased to welcome several new additions to the team and to see 18 per cent of our people promoted into more senior roles. In accordance with our commercial ambitions, we were also very proud of our work in promoting diversity and inclusion, including signing up for the Women in Finance charter. The percentage of women in senior roles in the business improved from 18 per cent to 32 per cent over the year. We also continue to encourage our adviser users to think more about culture as they expand their own operations.

Outlook

The commercial and regulatory agenda will increasingly be set by the pursuit of improved customer outcomes and we believe our long-embedded commitment to transparency alongside our strategy of targeting more modern and customer-aligned advisers will prove correct. The advised platform market is now forecast to grow to £581bn by the end of 2023 (representing 9.3 per cent compound annual growth over the next five years)¹ and this structural trend is a key driver of our medium/long-term growth.

Despite the well-publicised market headwinds, we view the outlook for better quality advisers and those that provide services to those advisers as positive. We similarly believe that platform pricing will continue to correlate to the utility value on offer and that while all components in the sector are set to experience price compression, the greatest focus will arise in asset management where transparency is a more contemporary concept.

We expect the new disclosures resulting from Mifid II to generate substantial scrutiny on all-in fees and believe that advised platforms can play a positive role in creating meaningful cost efficiency for adviser users and their customers, whether delivered through improved practice management for advisers or more effective procurement of asset management for customers.

Rather than act as distribution channels for expensive retail asset management, platforms have scope to use data insights and portfolio construction techniques to substantially improve accountability across the value chain, adding value in such a way that pricing pressure may become diluted.

Successful execution of our product roadmap is vital to us accelerating growth and we believe our new technology and BPO model will allow us to achieve this while limiting unplanned costs which would negatively impact our financial outlook. The combination of Sonata and our in-house capabilities has been carefully designed to balance agility, scalability and resilience and we look forward to being able to demonstrate these characteristics over time.

David Ferguson
Founder and chief executive

Strategic report

About Nucleus

Nucleus is an independent wrap platform that allows clients to hold all of their pensions, Isas and other investments in one secure place online. We have one purpose, and that is to help advisers deliver better outcomes for their clients, our customers.

We were founded in 2006 and built in collaboration with advisers committed to altering the balance of power in the industry by putting the client centre stage. We work with around 1,400 active adviser users and more than 870 financial adviser firms as at 31 December 2018. We are responsible for assets under administration (AUA) of £13.9bn on behalf of more than 93,000 customers.

The platform offers a range of custody, trading, payment, reporting, fee-handling, research and integration services across a variety of tax wrappers and more than 5,000 asset choices including cash, OEICs, unit trusts, offshore funds, structured products and listed securities, including ETFs and investment trusts, and currently facilitates over 1.1 million client account transactions on average per month.



Our purpose

Our purpose has been clear and consistent since our inception and that is to help advisers deliver better outcomes for their clients, our customers.

Our values

As an FCA regulated business, Nucleus operates within the eleven business principles of our regulator and its conduct regime. This regulatory underpin is supplemented by our values, which in aggregate provide the foundations that support our purpose and shape and unify the culture of the business. Together they are a core part of our identity and provide the framework for how we engage with our people, our users and our customers and how we drive value for our shareholders.



Accountable

Taking full ownership for solving problems and delivering a solution. Being accountable is being aware, responsible and delivering.



Authentic

Having confidence to be ourselves and not shying away from candid conversations. Being authentic is being respectful, honest and open.



Energetic

Driving our business forward and making a difference for our customers. Being energetic is being proactive, innovative and tenacious.



Inspiring

Pushing the boundaries and generating better ways of doing things. Being inspiring is being engaging, excellent and challenging.

Strategic report

Chief financial officer's report

Despite the volatile and challenging market conditions, 2018 was a further year of solid financial performance with most of our key financial metrics continuing to display positive trends, including growth in AUA, revenue, adjusted EBITDA and profit after tax.

In particular, the increase in net revenue of 9.6 per cent over the prior year was not matched by increases in expenditure, with the result that adjusted EBITDA increased to £8.3m and the adjusted EBITDA margin improved substantially to 19.2 per cent.

Stuart Geard
Chief financial officer



£14.1bn

Average assets
under administration



£8.3m

Adjusted EBITDA



19.2%

Adjusted
EBITDA margin

Andrew Smith
Chief technology officer



Financial key performance indicators

	Year ended December 2018	Year ended December 2017	Year ended December 2016	Year ended December 2015	Year ended December 2014
Group	£'000	£'000	£'000	£'000	£'000
AUA ¹	13,883,713	13,576,703	11,143,757	9,068,789	7,807,690
Gross inflows ¹	2,290,236	2,607,759	1,854,830	1,977,783	1,944,335
Net inflows ¹	1,193,502	1,668,237	970,263	1,229,625	1,441,099
Revenue ²	49,405	45,462	37,483	33,091	27,572
Net revenue ^{1 3}	43,154	39,361	32,407	28,166	22,925
Adjusted EBITDA ¹	8,304	6,248	5,141	4,637	3,089
Profit for the year*	4,756	4,111	3,387	4,300	2,472
Dividend paid	3,933	4,813	nil	nil	nil
Adjusted EBITDA margin ^{1 2}	19.2%	15.9%	15.8%	16.5%	13.5%

*2015 - 2018 reported on an IFRS basis; 2014 reported under FRS102

¹ Industry-specific financial performance measures. Included within this results announcement are alternative measures that the directors believe help to inform the results and financial position of the group.

² Details of the 2017 revenue presentation restatement are set out in note 2.

³ The definition of net revenue has been revised to include product fees that were previously included within AUA related costs.

Financial review

	Year ended 31 December 2018	Year ended 31 December 2017
Group	£m	£m
Opening AUA	13,577	11,144
Inflows	2,290	2,608
Outflows	(1,097)	(940)
Net inflows	1,193	1,668
Market movements	(886)	765
Closing AUA	13,884	13,577
Average AUA	14,124	12,441
	Year ended 31 December 2018	Restated ² Year ended 31 December 2017
Group	£'000	£'000
Revenue	49,405	45,462
AUA related fees paid	(6,251)	(6,101)
Net revenue ²	43,154	39,361
Staff costs	(14,142)	(13,138)
AUA related costs ²	(11,131)	(10,224)
Other direct platform costs	(745)	(495)
Platform development costs	(1,682)	(2,773)
Other costs	(7,150)	(6,483)
Adjusted EBITDA *	8,304	6,248
Depreciation	(585)	(410)
Adjusted EBIT	7,719	5,838
Interest income	11	9
Interest expense	(7)	(3)
Adjusted profit before tax	7,723	5,844
Other income	22	36
AIM admission costs	(1,688)	-
Share-based payments	(404)	(756)
Statutory profit before tax	5,653	5,124
Taxation	(897)	(1,013)
Statutory profit after tax	4,756	4,111
Adjusted profit after tax ¹	6,255	4,719
Basic and diluted EPS	6.3p	5.4p
Blended revenue yield (bps)** ¹	30.6	31.6
Adjusted EBITDA margin	19.2%	15.9%

¹ Industry-specific financial performance measures. Included within this results announcement are alternative measures that the directors believe help to inform the results and financial position of the group.

² The definition of net revenue has been revised to include product fees that were previously included within AUA related costs

*Adjusted EBITDA excludes non-operating income, AIM admission costs and share-based payments and is included within the strategic report as the directors believe this is a better representation of the underlying performance of the business

**Blended revenue yield is calculated by dividing annualised revenue over Average AUA

Revenue

AUA was naturally impacted by market volatility throughout the year, and in particular the sharp, market-wide decline in Q4, and this is evident in the muted 2.3 per cent increase in AUA for the year (2017: 21.8 per cent). Across 2018, the FTSE All-Share Index decreased by 13 per cent and the FTSE 100 Index decreased by 12.5 per cent. Despite market conditions and weak investor sentiment, particularly as the year progressed, gross inflows were £2.3bn (2017: £2.6bn) and net inflows were £1.2bn. Average AUA increased by £1.7bn, or 13.5 per cent (2017: 25.3 per cent) to £14.1bn.

Net revenue increased by 9.6 per cent to £43.2m (2017: 21.5 per cent to £39.4m), at a slower growth rate than average AUA growth, reflecting the full effect of our July 2017 price cut and resulting in a blended revenue yield of 30.6 basis points (2017: 31.6 basis points) that was in line with our expectations.

We expect pricing pressure to be a continuing trend in the platform industry in future years, but believe we are well positioned in terms of scale, our current and planned proposition, the quality of our customer base, and our selected technology and outsourced service providers to meet this challenge.

Costs

Staff costs were £14.1m for the period (up 7.6 per cent). The number of full-time equivalent employees increased from 192 to 218 (an increase of 13.5 per cent), predominantly as a result of ongoing investment in our technology, change management, client servicing and operations teams. We expect to continue growing our staffing levels in 2019, but at a lower rate, with most of the recruitment occurring in the first half of the year.

AUA related costs increased to £11.1m, up 8.9 per cent (against revenue growth of 9.6 per cent) over the prior year, at an average cost of 7.9 basis points (2017: 8.2 basis points), reflecting the tiering benefits within a significant component of these costs.

Other direct platform costs relate to platform hosting and licencing costs and increased to £0.7m (2017: £0.5m).

We continue to believe that the impact of the restructuring of the technology and BPO model will be broadly cost neutral in each year of our planning period, subject to market and net inflow levels returning to the levels forecast at the time of the restructuring. Within the overall cost base, we have planned for a material increase in other direct platform costs and, to a much lesser extent, platform development costs and other costs, offset by a reduction in AUA related costs, through a combination of fixed discounts and basis points-related rate card adjustments.

Platform development costs of £1.7m were lower than the 2017 comparative cost of £2.8m. This difference is as a result of 2017 including the preparatory costs of a significant platform upgrade that was completed in October 2017 as well as the costs of a substantial amount of third-party developed software, while 2018 was characterised by increased internally-developed software expenditure (included in staff costs), as well as, particularly in the first half of the year, an increase in regulatory change (which was largely non-chargeable to Nucleus) and reduced external development expenditure while we renegotiated our agreements with Genpact and Bravura.

We continue to plan for a significant increase in platform development expenditure over the level achieved in 2018, including through a programme of regular core platform software upgrades, optimising our use of Sonata and consistent levels of third-party development expenditure.

Complemented by further increased investment in our internal software development capabilities, we believe that this expenditure will drive proposition, efficiency and resilience benefits and is a source of competitive advantage.

Finally, other costs increased by £0.7m (10.3 per cent) to £7.2m (2017: £6.5m). The increase in these costs was largely as a result of the inclusion of the costs of our single location head office premises, the incremental costs incurred as a result of being quoted on AIM and increases in overhead costs attributable to the increasing size of the business.

Our operating margin (as reflected by adjusted EBITDA margin) increased as a result of lower platform development spend and the operating leverage effect of our increased scale.

Taxation

The group's effective tax rate of 15.9 per cent (2017: 19.8 per cent) reflects the impact of a number of one-off items, in particular a large proportion of AIM admission costs, that are non-tax deductible, offset by the impact of research and development related tax relief of £0.5m (2017: nil) that related to prior years but that was claimed in 2018.

Dividend

During the year we paid pre-admission dividends in June and July 2018 totalling £2.9m, as well as an interim dividend in October 2018 of £1.1m, which amounted to 1.4p per share.

Our dividend policy is to pay both interim and final dividends at a combined pay-out ratio of between 60 and 70 per cent of the group's profits after tax adjusted for exceptional items. In determining the 2018 pay-out ratio, the board has taken into consideration the benefit to earnings of the lower than anticipated platform development expenditure in the year, as well as the weak performance of markets in 2018, and have set the proposed pay-out ratio at the lower end of the range at 60.7 per cent.

The final dividend therefore amounts to £2.7m (or 3.6p per share) and brings the full-year post-admission dividend in respect of the 2018 financial year to £3.8m (or 5.0p per share).

A maiden dividend was made to shareholders in 2017 to take account of accumulated profits in the preceding years.

	31 December 2018	31 December 2017
Group financial position	£'000	£'000
Cash and cash equivalents	17,672	16,992
Net assets	17,473	16,182
Capital adequacy ratio	14.5%	15.3%
Capital adequacy ratio – underlying	20.6%	21.7%
Excess capital – above 8% regulatory requirement	5,393	5,369

Financial position

Nucleus continues to maintain a balance sheet that is free from goodwill and intangible assets and has no debt. Surplus capital is comfortably in excess of minimum regulatory capital requirements and, together with regard for the forecasted liquidity requirements of the group, is assessed as sufficient to support the ongoing operations of the business (under both normal and stressed conditions), allow the planned investment in the platform, and deliver returns to shareholders in line with our dividend policy guidance.

The directors consider that the group has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the annual financial statements.

Stuart Geard
Chief financial officer

Strategic report

Principal risks and uncertainties

The following principal risks relate to the group's business and the wider sector in which it operates. The risks and uncertainties described below are not intended to be exhaustive.

Additional risks and uncertainties not presently known to the directors or that the directors currently deem to be immaterial could also have an adverse effect on the group's business and financial performance.

The group operates a risk management framework through which it systematically identifies actual and

potential risk events and seeks to put in place appropriate policies and controls as safeguards. Our key risk categories as set out in our risk taxonomy are summarised below, and these are managed within the risk appetites set by the board on an annual basis. Additional information can be found in our Pillar 3 disclosure documents.

Strategic and business model risks

Fluctuations in capital markets, and economic, political and market factors that are beyond the group's control

The group's revenue and performance are directly linked to the value of AUA held on the platform, which in turn is linked to the level of inflows, outflows and the performance of the assets and asset classes into which customers have invested. A decline in capital market asset values may: (i) reduce the value of the AUA on the platform; (ii) prompt clients (in conjunction with their financial advisers) not to make further investments or to withdraw funds from the platform; and (iii) make it more difficult for financial advisers to attract new clients to advise through the platform.

Economic, political and market factors can also affect the level of inflows and outflows and the performance of investment assets. For example, a general deterioration in the global economy, and the UK economy in particular, may have a negative impact on customers' disposable income and assets, and the value of savings and investments on the platform.

Competition

The provision of advised platforms is competitive and Nucleus faces significant competition from a number of sources, including other intermediated platform providers, life insurance companies, asset and fund managers and direct to consumer investment platforms. While the group strives to remain competitive by continuing to develop its online and offline offering, the risk exists that it is unable to adapt to changing market pressures or customer demands, keep pace with technological change and platform functionality relative to its competitors or maintain its market share given the intensity of the competition.

Competition may also increase in response to demand dynamics, further consolidation (including vertical integration) in the wider financial services sector, new entrants to the market or the introduction of new regulatory requirements (including those targeted at financial advisers or other market participants).

Relationship with financial advisers

While Nucleus has been able to maintain strong, longstanding relationships with its adviser users, there can be no assurance that this will continue. The group could lose or impair relationships as a consequence of, among other things, operational failures, uncompetitive functionality or pricing, reputational damage, consolidation and vertical integration in the financial advice market or the closure of firms of financial advisers. The loss of, or deterioration in, the group's relationships with its financial adviser base, particularly those responsible for directing significant inflows to the platform, could have a material adverse effect on AUA and revenues.

Reliance on key suppliers

Nucleus, like many other participants in the wrap platform market, operates a business model that outsources selected components of its operations and technology services, and enters into agreements with selected product providers to distribute and administer their products as part of the Nucleus wrap platform. As a result, the group has a reliance on its key suppliers and performance issues affecting these products and services may have an adverse impact on Nucleus' strategy and business performance.

The group's key suppliers are:

- Genpact WM UK Limited, who Nucleus outsources wrap administration services to;
- Bravura Solutions Limited, who Nucleus outsources platform technology services to;
- Scottish Friendly Assurance Society Limited and Sanlam Life & Pensions UK Limited, who provide the onshore bond tax wrappers on the platform, and RL360, who provides the offshore bond tax wrapper on the platform; and
- Alliance Trust Savings Limited, who provides stockbroking services.

Operational and regulatory risks

Operational

The nature of the activities performed by the group is such that a degree of operational risk is unavoidable. Operational risk may have a number of consequences, including deficient service delivery, poor customer outcomes, an inability to scale effectively, reputational damage and financial loss.

The group's operational risks can be divided into three main categories (people, operational process and controls and technology) with relevant examples of each below:

People

- failure to attract, train, motivate and retain core skills and knowledge in the company;
- people-related errors in core processes;

Operational process and controls

- failure in core processes and controls (whether preventative or detective), either by the company or by third parties;
- failure in systems and controls in place to meet the requirements of taxation and other regulations in respect of the suitability of certain investments to be held within certain tax wrappers and accounts;

Technology

- failure of, or disruption to, the sophisticated technology and advanced information systems (including those of the group and its third-party service providers) upon which the group is dependent;
- inability to respond to the need for technological change as a result of the failure to continue to improve new technologies, through lack of appropriate investment in new technologies or through such investment proving unsuccessful;
- failure to maintain existing technologies or to invest appropriately in continuing improvements to those technologies;
- vulnerability of the group's networks and platform (and those of its third-party service providers) to security risks, cyber-attack or other leakage of sensitive or personal data;
- vulnerability of the group's networks and platform (and those of its third-party service providers) to security risks or cyber-attack leading to direct theft of monies or assets.

Regulatory

Regulatory risk includes the risk of non-compliance with existing regulatory requirements as well as the risk relating to changes in government policy and applicable regulations:

- i. Impact of a material breach of existing regulatory requirements

If Nucleus Financial Services Limited (NFS) or any other member of the group, and/or any of its key suppliers, were to commit a serious breach of any of the regulations that apply to it (not least the applicable regulatory regime relating to the group's FCA authorisations and its FCA regulated activities), there could be both regulatory and financial consequences (including, without limitation, sanctions, fines, censures, loss of permissions and/or the cost of being required to take remedial action).

- ii. Impact of material new regulation and forthcoming regulatory change

New regulation in 2018

The PRIIPs regulation came into force in January 2018. This required standardised key information documents for packaged retail and insurance-based products with the aim of providing more clarity and comparability for investors.

Mifid II came into force in January 2018. This is a broad-reaching directive and regulation that affects many areas of the group's business. The main changes required by Nucleus were in respect of product governance, client reporting and transaction reporting.

GDPR came into force in May 2018. The concept of accountability is at the heart of the GDPR rules and therefore requires companies to demonstrate they have analysed the GDPR's requirements in relation to the processing of personal data and have implemented systems or programmes to achieve compliance.

Forthcoming regulatory change

Brexit may be the largest regulatory change for 2019, but also the area of greatest uncertainty. The impact of Brexit depends on what deal, if any, is agreed, whether any transitional arrangements for financial services are put in place, and the relationship between the EU and the UK after the event.

The Senior Managers and Certification Regime will be extended from December 2019 to all FCA solo-regulated firms, which will include Nucleus. Senior managers will be held responsible in the event of failings and will need to prove that they took all reasonable steps to prevent conduct breaches. Furthermore, the certification regime covers the remaining significant influence functions holders and staff who can cause 'significant harm' to the firm and/or its customers. It will be the responsibility of firms to self-supervise all certified roles and certify that the relevant individuals are fit and proper on an annual basis.

In 2017 the EBA and EC published proposals for a new prudential capital framework, the Investment Firm Regime (IFR), for investment firms, which are expected to come into force in late 2020 or early 2021. Most investment firms are currently governed by the prudential capital framework for banking, as set out by Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR). This framework is ill-suited to most investment firms and the new proposals aim to address this and introduce specific regulations for the investment firms sector.

The FCA has introduced new reporting requirements for pension providers. These 'wake-up packs' are required to be issued from November 2019, triggered by certain anniversaries and specific actions of pension holders.

Financial and liquidity risks

Solvency (including access to capital)

The group is required to maintain and have available to it a sufficient level of capital as determined by the requirements applicable to a Significant IFPRU 125k limited licence investment firm and a non-insured Sipp operator.

The group may require access to additional capital for a number of reasons, including increased regulatory capital requirements, and there is no assurance that such additional capital will be available (or available on favourable terms).

Nucleus is a public company and its entire issued share capital is admitted to trading on the AIM market of the LSE, which provides the group with access to capital markets if required. The group also operates a dividend policy, with the intention that it will pay regular dividends - however the ability of the group to pay dividends is dependent on a number of factors including, among other things, the results of its operations, its financial condition, anticipated cash requirements, regulatory capital requirements, future prospects and its profits available for distribution, and there can be no assurance that the group will pay dividends or, if a dividend is paid, of the amount that any dividend will be.

Liquidity

The group's liquidity position is subject to a number of factors that may generate liquidity strain in the short or medium term. The group manages its liquidity risk through an ongoing evaluation of its working capital requirements against available cash balances and credit facilities. We also have a defined liquidity management framework that requires management to monitor and report on liquidity positions and potential risks to the audit committee and board on a quarterly basis.

The strategic report was approved by the board of directors on 1 April 2019 and signed on its behalf by:

David Ferguson
Director

Stuart Geard
Director

Governance

Risk management framework

The board's objective regarding risk management is to deliver the group's strategy and business plan supported by a robust, scalable and enterprise wide governance, risk management and control framework.

Our framework is concerned with:

- demonstrating that it is proportionate and effective in the governance and performance of risk management for a Significant IFPRU firm;
- evidencing our business strategy and business planning process are aligned with the risk management framework;
- demonstrating we manage our risk appetite tolerances and limits across agreed risk categories;
- demonstrating that we meet all applicable regulatory principles and requirements on an ongoing basis and do so based on strong and effective risk management culture and structures; and
- embedding a risk aware culture with risk management recognised as a management competence, critical to the delivery of our business strategy and performance targets.

We use a clearly defined risk framework to effectively identify, assess, manage and report the group's risks. The framework is set out in our risk management policy and is subject to annual review and challenge by the risk committee.

In assigning risk management responsibilities, the group operates an approach to risk management that is commonly referred to as the 'three lines of defence' model.

The activities within each of the three lines are:

First line of defence

Business lines have responsibility for identifying, assessing and managing their risks through a sound set of policies, processes and controls. Business lines are also responsible for the development and deployment of appropriate mitigating actions.

Second line of defence

The roles of the second line risk and compliance functions are to develop and maintain the group risk and compliance management policies and frameworks. Review of the effectiveness of the performance of the risk management practices performed by operational management is evidenced through effective assurance reporting to management and the audit committee. The second line also provides support and advice to the business risk owners in reporting risk related information within the group, including management information on risk and assurance matters to the audit and risk committees and the board.

Third line of defence

The group engaged Deloitte LLP as an appointed internal audit function to serve as its third line of defence on a fully outsourced basis. Through the model the group obtains independent assurance on the effectiveness of its control environment for material processes. Internal audit, through a risk-based approach, provides assurance to the audit committee and the board on how effectively risks are assessed and managed, and the effectiveness of the risk management framework. Findings arising from these audit processes are reported to the audit committee.

The group also engages other third parties to provide independent assurance for the purposes of its Cass handbook arrangements, information security arrangements and statutory financial management obligations.

Governance

Corporate governance statement

Chair's introduction to governance

I am pleased to present our first corporate governance statement following our admission to AIM.

It is my intention, and that of the board, to ensure our approach to corporate governance is embedded in our culture and values and is proportionate to a company of our size and complexity.

At Nucleus we believe that our corporate governance arrangements should support and encourage effective risk management, diversity of thought and robust decision making. It should also support our strategy for growth, commitment to the creation of shareholder value in the long term and our desire to deliver good outcomes for our customers.

Since our admission to AIM, the board has stated its intention to comply with the principles of the QCA Code to support and enhance the group's existing governance framework. In line with the changes to AIM rule 26, we published our statement of compliance with the QCA Code in September 2018, which can be found at <https://nucleusfinancial.com/investors>.

Angus Samuels
Chair
1 April 2019

Our board

The board of Nucleus consists of a team of executive and non-executive directors working together and using their knowledge and experience of UK financial services and platform businesses to drive Nucleus forward and achieve good outcomes for its customers.

We believe our board possesses all the necessary attributes to effectively steer and challenge the executive team and assess the quality of management decision making. The board must also ensure the group's obligations to its shareholders and wider stakeholders are understood and met.

Our board is collectively responsible for setting out the strategy and vision of the group. It is also responsible for shaping and instilling company values, culture and standards, providing oversight of and challenge to management and for ensuring the maintenance of a sound system of internal control and risk management.

In 2018 both our admission to AIM and the unbundling of our outsourced services led to an increase in the time commitment of the board in the year, with the board (or a board sub-committee) meeting 27¹ times.

Meeting attendance	Board	Audit committee ²	Risk committee ³	Nomination committee ⁴	Remuneration and HR committee ⁵
Independent non-executive directors					
Angus Samuels (chair)	24	5	4	5	9
John Levin ⁶	23	2	2	2	4
Margaret Hassall ⁷	8	n/a	n/a	2	5
Tracy Dunley-Owen ⁸	8	2	2	n/a	n/a
Mike Seddon ⁹	13	3	n/a	n/a	n/a
Stephen Tucker ¹⁰	16	n/a	2	3	4
Non-independent non-executive directors					
Jeremy Gibson	24	5	4	n/a	n/a
Jonathan Polin	19	n/a	n/a	4	7
Executive directors					
David Ferguson	23	n/a	n/a	n/a	n/a
Stuart Geard	24	n/a	n/a	n/a	n/a

¹ The full board met 24 times and held 3 board sub-committees during 2018.

² The audit committee met 5 times and held 1 audit committee sub-committee meeting in 2018.

³ The risk committee met 4 times in 2018.

⁴ The nomination committee met 5 times in 2018.

⁵ The remuneration and HR committee met 9 times in 2018.

⁶ On 19 July 2018 John became a member of the audit, risk, nomination and remuneration and HR committees and attendance at those board committee meetings is recorded from that date to the end of 2018.

⁷ Margaret was appointed on 19 July 2018 and attendance at board and board committee meetings is recorded from that date to the end of 2018.

⁸ Tracy was appointed on 19 July 2018 and attendance at board and board committee meetings is recorded from that date to the end of 2018.

⁹ Mike resigned on 19 July 2018 and attendance at board and board committee meetings is recorded prior to that date.

¹⁰ Stephen resigned on 19 July 2018 and attendance at board and board committee meetings is recorded prior to that date.

Board of directors



Angus Samuels
Independent non-executive chair
(appointed July 2006, chair since March 2017)

Angus started his career as a stockbroker and became a partner in Fergusson Bros, Hall Stewart and co. (a leading South African stockbrokers). He has previously held a number of chief executive officer roles and currently serves as the Chair of UK-based financial services group the Punter Southall Group and corporate finance business Craven Street Capital Limited. He also holds a number of other non-executive directorship positions, including with Sanlam UK Limited and Sanlam Life and Pensions UK Limited.



John Levin (appointed April 2017)
Independent non-executive director

John co-founded and is chair of the technology platform Certua and the Quanis Group of companies which provides business technology solutions for the insurance industry. John also co-founded Telecom Plus plc where he was a non-executive director from 1997 to 2006. John has held senior positions in several companies including chair of Amtrust Europe Limited and chief executive officer and non-executive director of IGI Group Limited. Furthermore, John is currently the chair of Car Care Plan (Holdings) Limited, Motors Insurance Company Limited and Rocketeer Limited and sits on the board of Integrated Protection Solutions Limited. John has also held the positions of non-executive director at Pedigree Livestock Insurance Limited and chair of Q-Cloud Services Limited.



Margaret Hassall (appointed July 2018)
Independent non-executive director
Chair of Remuneration and HR committee and
Nomination committee

Margaret has experience of and has developed knowledge in various industry sectors including manufacturing, utilities and financial services. She has held a number of senior executive positions at Barclaycard plc, Bank of America Merrill Lynch Corporation and The Royal Bank of Scotland plc. and in addition to her executive roles, has also worked extensively as a consultant for Deloitte, Oracle Corporation and Wavestone Limited, and led the Financial Services consulting business for Charteris plc. Since 2016 Margaret has been an independent non-executive director at One Savings Bank plc, where she is a member of the risk and audit committees. She is also a non-executive director at Ascension Trust (Scotland).



Jeremy Gibson (appointed February 2013)
Non-independent non-executive director

Jeremy qualified as a chartered accountant in South Africa and has worked in a broad range of financial services organisations including, in the fields of stockbroking, investment banking, mortgage lending, advisory services and life and pensions in Bristol, London and Sydney. He joined Sanlam UK Limited in September 2012 where he is currently the Group chief financial officer. Jeremy was formerly chair of the Nucleus board audit and the risk committees from 2013 to July 2018.



Jonathan Polin (appointed July 2016)
Non-independent non-executive director

Jonathan began his financial services career with Prudential plc before taking up the position of Managing Director UK, European and Middle Eastern sales at what was formerly known as Aberdeen Asset Management plc. Prior to this Jonathan was a director at Ignis Asset Management Limited. Jonathan has also held the position of chief executive officer of wealth management firm, Ashcourt Rowan plc, before becoming the group chief executive officer of Sanlam UK Limited.



Tracy Dunley-Owen (appointed July 2018)
Independent non-executive director
Chair of Audit committee and Risk committee

Tracy possesses wide-ranging experience in financial services at senior level, specifically within the fields of audit and risk. She has held senior executive finance roles in addition to board, audit and risk committee responsibilities at various companies within the Old Mutual plc group, Guardian Financial Services group, a division of Swiss Reinsurance Company Limited and Celestial Financial Services Limited. Tracy is currently a non-executive director of Sun Life Assurance Company of Canada (UK) Limited, a non-executive director of Lifecheq (Pty) Limited and an independent non-executive director, member of the audit committee and chair of the remuneration committee for Women's Investment Portfolio Holdings Limited.



David Ferguson (co-founder and CEO since 2006)
Chief executive officer

David was a trainee actuary prior to working at asset management firm Ivory & Sime Limited and what was then known as Scottish Life International Limited. David is currently a director of Abacus Financial Marketing Limited, chair of FinTech Scotland and a member of Her Majesty's Treasury Fintech Envoy for Scotland.



Stuart Geard (appointed October 2012)
Chief financial officer

Stuart started his career with what is today PwC South Africa before moving to Sanlam Limited as a senior manager in corporate finance. He was head of finance and investments for what is now Sanlam Life and Pensions UK Limited prior to becoming finance director of Sanlam UK Limited. He also served as director at Sanlam Private Investments UK Limited and Sanlam Life and Pensions UK Limited and audit and risk committee chair of most of the Sanlam Group's interests in the UK.

Board effectiveness and constitution

Our schedule of board reserved matters was adopted on admission and is reviewed regularly. It covers topics such as strategy and management, governance, financial reporting and controls, internal controls and remuneration. The schedule of reserved matters can be found at <https://nucleusfinancial.com/investors>.

There is a relationship agreement in place between the company and its majority shareholder, Sanlam UK Limited (Sanlam), the details of which were disclosed in the company's Admission document which can be found at <https://nucleusfinancial.com/investors>. The relationship agreement contains a number of provisions designed to protect the interests of shareholders as a whole as well as to ensure that the company is able to carry on its business independently from Sanlam, and as a result supports independent, effective and transparent decision making by the board. The relationship agreement also specifies that at all times a majority of the board will be comprised of directors who are considered by the board to be unconnected and free from any business, employment or other relationship with the Sanlam Group. Pursuant to the relationship agreement, it has been agreed that Sanlam nominated directors do not qualify as independent directors and as such, Jonathan Polin and Jeremy Gibson are not considered independent non-executive directors of the company.

The board commits to following the QCA Code which we believe will further support independent, effective and transparent decision making, enhance collective and individual performance and drive sustained performance. The board considers Angus Samuels, John Levin, Margaret Hassall and Tracy Dunley-Owen to be independent non-executive directors and as such, free of any relationship which could materially interfere with the exercise of their independent judgement. Further commentary around the independence of our directors can be found within the company's statement of compliance with the QCA Code which can be found at <https://nucleusfinancial.com/investors>.

The board meets at least quarterly and, along with executive management, holds an annual strategy day to review potential strategic initiatives and alignment with our business and strategic planning activities.

The company secretary and the chief executive officer report directly to the chair. The company secretary acts as an internal but impartial adviser to the board, specifically on governance matters, and provides support to the board by managing the agenda planning cycle and ensuring that the board receives quality information in a timely fashion. She also supports the chair in assessing training needs and arranging training for the board as required.

Performance evaluation

The Nucleus board and its committees are committed to periodic evaluation of their performance and effectiveness. This commitment is evidenced in our corporate governance framework as part of the board schedule of reserved matters and the terms of reference of each board committee. The board performance evaluation is led by the chair and supported by the company secretary. Individual performance reviews for each director are the responsibility of the chair and are carried out at least annually.

There was no board or board committee performance evaluation process in 2018. This was due to the company's admission to AIM and associated board commitment and in the knowledge that there were associated planned changes to the composition of the board and its committees. The board intends to evaluate its performance (and that of each committee) in 2019.

“The board commits to following the QCA Code which we believe will further support independent, effective and transparent decision making, enhance collective and individual performance and drive sustained performance.”

Director induction, training and re-election

Nucleus invites each new director to receive a tailored induction. During 2018 and continuing into 2019 Margaret Hassall and Tracy Dunley-Owen have each attended various briefings with members of the executive team and other people across the business. All our directors are also given the opportunity to meet with other stakeholders such as our platform users and key suppliers.

The company is committed to supporting individual director development needs and has most recently arranged training on the GDPR, the AIM rules, conduct risk and the application of the Senior Manager and Certification Regime. Furthermore, all directors can take independent advice in support of their duties at the company's expense and under the board policy for obtaining independent advice. Directors also have access to the advice and services of the company secretary.

Given the adoption of new articles of association on the company's admission to AIM, directors will be required to retire at the company's inaugural AGM and put themselves forward for re-election for approval by shareholders.

Board oversight of Nucleus' risk management and control framework

The board has overall responsibility for risk management and internal controls and is fully supported by the risk and audit committees. Details of our principal risks and uncertainties can be found on pages 18 to 21 and a summary of our risk management framework can be found on pages 22 to 23 of this report. Further details can be found in our Pillar 3 disclosures and statement of compliance with the QCA Code, both of which can be found at <https://nucleusfinancial.com/investors>.

Communication with shareholders and stakeholders

The board is committed to maintaining an ongoing dialogue with the company's shareholders. Following the enhancement of our reporting in 2017 to comply with IFRS, this 2018 report is enhanced further in line with our adoption of the QCA Code.

The company's principal methods of communication with private investors remain the annual report and financial statements and company website but following the company's admission to AIM, we now produce an interim report, hold investor and analyst presentations and will hold our inaugural AGM on 23 May 2019. Nucleus is also committed to releasing timely, accurate and complete information to the market.

It is intended that all directors will attend the AGM and that shareholders will be given the opportunity to ask questions. Dialogue with shareholders and wider stakeholders is welcome.

Our broader engagement with our stakeholders is set out in detail in our statement of compliance with the QCA Code, which can be found at <https://nucleusfinancial.com/investors>. In particular, since admission we have appointed an advisory board of Nucleus users that meet quarterly with a view to sharing market insights and giving feedback on matters affecting their firms and their customers as well as feedback on their experience of Nucleus, including areas for focus. Feedback is reported quarterly to our board, and our senior management team engage regularly with the advisory board.

On behalf of the board
Angus Samuels, chair
1 April 2019

Our board committees

The board has established four principal committees: audit, risk, nomination and remuneration and HR. Each committee operates under its own terms of reference to assist the board in its oversight and monitoring responsibilities for the group.

Audit and risk committee reports

I am pleased to present the audit and risk committee reports for the period ending 31 December 2018.

I would like to take this opportunity to thank Jeremy Gibson for his work as chair of the audit and risk committees in the first part of the year, prior to me assuming the role of chair of these committees upon my appointment to the board. I look forward to working with Jeremy as an ongoing audit and risk committee member.

Tracy Dunley-Owen, chair of the audit committee and risk committee
(appointed 19 July 2018)

Audit committee report

Committee responsibilities

The audit committee terms of reference are available on the company's website and can be found at <https://nucleusfinancial.com/investors>. In accordance with these terms of reference, the committee is ultimately responsible for:

- Providing assurance regarding the integrity, quality and reliability of financial information used by the board, specifically regarding the annual reports and financial statements issued by the group
- Reviewing and challenging the suitability, appropriate adoption and any proposed changes to accounting policies and practices for the group
- Reviewing the impact of any proposed dividends
- Maximising the efficiency and effectiveness of the group's internal and external audit arrangements and three lines of defence
- Providing assurance regarding group financial reporting, compliance, internal controls and ethical conduct
- Engaging and monitoring any non-audit work carried out by the auditors
- Reviewing of quarterly reports such as the reports from the chief financial officer, head of risk, head of compliance, chief legal officer, Cass oversight function holder and chief operating officer

Composition and frequency of meetings

Prior to the company's admission to AIM, the audit committee comprised Jeremy Gibson (chair), Angus Samuels and former non-executive director, Mike Seddon. Following the company's admission to AIM and for the remainder of the reporting period to the present, the audit committee comprises Tracy Dunley-Owen (chair), Angus Samuels, John Levin and Jeremy Gibson. Details of the number of meetings held within the reporting period and attended by members can be found in the table on page 25, in the corporate governance report. The company secretary acts as secretary to this committee.

In nominating the new committee members, the board was and is satisfied that as well as demonstrating recent and relevant financial experience, the committee members possess extensive business experience, knowledge of financial markets and the UK platform market, knowledge of the risks and management practices inherent in these markets and knowledge of the applicable legal and regulatory landscape.

The board also considers that the committee is independent.

Audit committee report

Committee highlights

- Reviewing and approving the accounting policies adopted by the group
- Reviewing and approving areas of significant judgement and estimation including revenue recognition, provisions, share-based payments and income taxes
- Reviewing the company's enhanced 2017 annual report and financial statements under IFRS
- Reviewing the company's inaugural interim results announcement
- Reviewing the impact of the company's interim dividend payments in May and October 2018
- Embedding the relationship with our new outsourced internal audit provider, Deloitte LLP (Deloitte)
- Cementing our relationship with the company's existing external statutory and Cass regulatory audit provider PricewaterhouseCoopers LLP (PwC)
- Providing challenge and oversight of the company's response to external and internal control findings
- Reviewing the 2018 annual report and financial statements and receiving report from PwC relating to their audit

External audit arrangements

Subject to the approval of shareholders, the audit committee is responsible for approving the appointment of the external auditor and setting its remuneration. As reported in our company accounts to 31 December 2010, PwC was first appointed as our external auditor in 2010. Following the company's admission to AIM in July 2018, the audit partner rotation rules for listed companies apply which resulted in a change

of engagement partner during the year. The committee has reviewed the relationship with the auditor and, having considered its effectiveness and independence, propose that PwC is re-appointed as external auditor at the company's forthcoming AGM.

The committee monitors any non-audit work carried out by the auditors. The committee is satisfied that the nature and value of non-audit work performed has not affected the independence of PwC.

Internal audit arrangements

Deloitte was appointed as the company's internal audit provider during 2018. Prior to this, the company engaged Grant Thornton LLP as the fully outsourced internal audit provider for six years. Deloitte provides the company with a fully independent assurance programme which is informed by the company's second line of defence assurance programmes and business requirements with reference to the committee approved internal audit charter. The company's internal audit programme is also supplemented by additional reviews provided by specialist third party service providers in the areas of information security and Cass.

The internal audit programme is reviewed, challenged and approved annually by the committee and is also reviewed quarterly by the committee to monitor progress and completeness.

On behalf of the audit committee

Tracy Dunley-Owen, chair of the audit committee

1 April 2019

Risk committee report

Committee responsibilities

The risk committee terms of reference are available on the company's website and can be found at <https://nucleusfinancial.com/investors>. In accordance with these terms of reference, the committee is ultimately responsible for:

- Providing assurance regarding the board's approach to the group risk management framework
- Advising the board on the group's current and future overall risk exposure, appetite and tolerance
- Maximising the efficiency and effectiveness of the company's three lines of defence
- Reviewing ICAAP approach and methodology
- Monitoring the effectiveness of the business risk management processes in the company
- Reviewing and approving corporate policies in accordance with the group policy framework
- Reviewing a number of quarterly reports from the head of risk and chief legal officer

Composition and frequency of meetings

Prior to the company's admission to AIM, the risk committee comprised Jeremy Gibson (chair), Angus Samuels and former non-executive director, Stephen Tucker. Following the company's admission to AIM and for the remainder of the reporting period to the present, the risk committee comprises Tracy Dunley-Owen (chair), Angus Samuels, John Levin and Jeremy Gibson. Details of the number of meetings held within the reporting period and attended by members can be found in the table on page 25, in the corporate governance report. The company secretary acts as secretary to this committee.

The board is satisfied that the committee is independent.

Committee highlights

- Reviewing and recommending board approval of the 2017 ICAAP approach and methodology
- Reviewing the Pillar 2 reassessment in respect of the 2018 ICAAP
- Providing assurance on the company's risk management framework and development of key risk indicators
- Reviewing the company's existing and forecasted risk profile
- Reviewing and approving of a number of group policies

On behalf of the risk committee

Tracy Dunley-Owen, chair of the audit committee

1 April 2019

Nomination and remuneration and HR committee reports

I am pleased to present the nomination and remuneration and HR committee reports for the period ending 31 December 2018.

These are my first nomination and remuneration and HR committee reports as chair after taking over from Stephen Tucker in July 2018. I would like to thank Stephen for his work as chair and wish him well in his future endeavours.

Margaret Hassall, chair of the nomination committee and remuneration and HR committee (appointed 19 July 2018)

“ Our remuneration policy has been chosen to attract, motivate and retain high-performing people who can deliver our strategy and contribute fully to the future success of Nucleus.”

Nomination committee report

Committee responsibilities

The nomination committee terms of reference are available on the company's website and can be found at <https://nucleusfinancial.com/investors>. In accordance with these terms of reference, the committee is ultimately responsible for:

- Reviewing the structure, size and composition of the board and considering succession planning for directors and other senior executives
- Identifying and nominating new director appointments in line with board procedures
- Evaluating director and management training needs and organisational structure
- Supporting the company's role as a champion of diversity and inclusion and progress against the company's diversity targets

Composition and frequency of meetings

Prior to the company's admission to AIM, the nomination committee comprised former non-executive director Stephen Tucker (chair), Angus Samuels and Jonathan Polin. Following the company's admission to AIM and for the remainder of the reporting period to the present, the nomination committee comprises Margaret Hassall (chair), Angus Samuels, John Levin and Jonathan Polin. Details of the number of meetings held within the reporting period and attended by members can be found in the table on page 25, in the corporate governance report. The company secretary acts as secretary to this committee. The board is satisfied that the committee is independent.

Committee highlights

- Recruiting two new non-executive directors and the embedding of the company's nominations policy by creating a more gender balanced board
- Encouraging management in nurturing an inclusive, diverse and inspiring workplace. The company's inclusion and diversity statement can be found on the company's website at www.nucleusfinancial.com/about-us/inclusion-and-diversity
- Reviewing the executive team structure
- Reviewing board and executive succession planning

To assist the committee in its search for new non-executive directors, the committee sought external advice from Boyden Global Executive Search (Boyden). Boyden is not considered to have any connection with the company. Boyden created a short list of 16 candidates using pre-set criteria and following a second stage interview process, Margaret Hassall and Tracy Dunley-Owen were recommended to the committee and subsequently after consideration, recommended by the committee to the board for approval of their appointments. The company process for the appointment of non-executive directors was followed at all times.

On behalf of the nomination committee

Margaret Hassall, chair of the nomination committee

1 April 2019

Remuneration and HR committee report

Committee responsibilities

The remuneration and HR committee's terms of reference are available on the company's website and can be found at <https://nucleusfinancial.com/investors>. In accordance with these terms of reference, the committee is ultimately responsible for:

- Setting the overall remuneration policy for the executive directors and other senior employees
- Within the terms of that policy, determining the terms and conditions of employment of those individuals and the level of their remuneration (including short-term and long-term incentives)
- Reviewing the delivery of our people strategy

Composition and frequency of meetings

Prior to the company's admission to AIM, the committee comprised previous non-executive director Stephen Tucker (chair), Angus Samuels and Jonathan Polin. Following the company's admission to AIM and for the remainder of the reporting period to the present, the committee comprises Margaret Hassall (chair), Angus Samuels, John Levin and Jonathan Polin. Details of the number of meetings held within the reporting period and attended by members can be found in the table on page 25, in the corporate governance report. The company secretary acts as secretary to this committee.

In nominating the new committee members, the board is satisfied that the committee is independent. No individual was involved in any discussion relating to his or her own remuneration.

During the year, the committee sought internal support from the chief people officer, who attended committee meetings by invitation from the chair, to advise on specific questions raised by the committee and on matters relating to the performance and remuneration of senior managers. The chief people officer was not present for any discussions that related directly to her own remuneration.

In addition, the committee sought external advice from Deloitte on executive remuneration benchmarking and on long term incentive plan design. Advice was sought from Shepherd and Wedderburn on the design and implementation of the performance share plan and share incentive plan.

Committee highlights

- Benchmarking executive director total remuneration and reviewing and recommending approval to the board of executive director remuneration arrangements
- Approving annual salary increases for executive directors, executive committee members and other employees
- Overseeing and recommending approval to the board of the satisfaction of the group's growth share scheme
- Reviewing and recommending approval to the board of the rules for the group's long-term incentive plan
- Reviewing and recommending approval to the board of the trust deed and rules for the group's all-employee share incentive plan
- Approving performance targets for the 2018 long-term incentive plan awards and associated performance conditions

Remuneration and HR committee report

- Approving performance targets for the executive directors' and other senior leaders' 2018 bonus scheme
- Approving executive directors' and other senior leaders' 2017 bonus awards
- Reviewing and recommending approval of the directors' remuneration policy (effective from 14 November 2018) to the board
- Approving executive directors' contracts of employment

Shareholder engagement

The group is committed to engaging with its shareholders and wider stakeholders and the purpose of the information presented below is to provide an indication of how remuneration is approached at Nucleus and of director remuneration from 1 January 2018 to the end of the reporting period. The majority of the information below on remuneration policy is presented on a voluntary basis. The committee wishes to oversee, assess and challenge where appropriate how our remuneration policy embeds and to review the extent of engagement with shareholders on our policy throughout the course of 2019. As an AIM-listed company, Nucleus is not required to seek shareholders' approval of this report at the forthcoming AGM. However, the committee will keep this under review and may include such a resolution in future years.

Remuneration at Nucleus

Our remuneration policy has been chosen to attract, motivate and retain high-performing people who can deliver our strategy and contribute fully to the future success of Nucleus. With the support of the board, the committee intends to deliver a market-relevant reward proposition that creates alignment between our people and our shareholders and is driven by our appetite to: a) align the interests of our people and our shareholders, b) reward the right behaviours, reinforce the importance of good conduct and penalise misconduct or other misbehaviour and, c) promote confidence and trust by keeping our remuneration policy simple, clear and transparent.

The group's current executive directors' remuneration policy was developed during the course of the year and was formally adopted by the committee on 14 November 2018. Prior to that date and save as was necessary to take account of the new incentive scheme structures that were adopted as part of the admission process, the committee continued to apply the group's remuneration policies and practices that were in place prior to admission.

While the policy below refers explicitly to executive directors only, it is also applicable to all other executive committee members and senior leaders.

Remuneration and HR committee report

Executive director remuneration policy

The various elements and strategic objectives associated with executive remuneration are:

Base salary

Purpose

To reflect the market value and value of the role to Nucleus along with the individual's performance and contribution.

Operation

The committee reviews base salaries with reference to:

- the individual's role, performance and experience
- company performance and the external economic environment
- salary levels for similar roles at relevant comparators; and
- salary increases across the company

Base salary is reviewed on an annual basis, with any increases taking effect from 1 January.

The committee will seek to limit pay increases for executive directors, where there is no change in role, to those applied generally to our people across the company.

However, where an executive director is relatively new in role the committee reserves flexibility to provide increases that are greater than those applied across the company to bring the individual's salary into line with the market and reflect the gaining of experience.

Performance metrics

Company and individual performance are considerations in setting base salaries.

Annual bonus

Purpose

To reinforce and reward delivery of annual strategic business priorities thus delivering value to shareholders and being consistent with the delivery of the strategic plan.

Operation

Performance measured on an annual basis for each financial year.

Performance measures reviewed prior to the start of the year to ensure they remain appropriate and align with the business strategy. Stretching targets are set.

At the end of the year the committee determines the extent to which these were achieved.

On-target bonuses are a maximum of 75% of base salary. The maximum bonus opportunity is 200% of on-target. There is no minimum or guaranteed level of bonus.

Awards are paid in cash, are discretionary and do not form part of the terms and conditions of employment.

Deferral may be applied where the committee deems it necessary to do so.

Performance metrics

Performance measures are selected, and their respective weightings may vary from year to year, depending on the company priorities.

Measures include a blend of equally-weighted personal and company objectives.

In 2018 the company performance measures were: profit, net inflows, project delivery, systems and controls, service and people engagement.

In 2018 the personal element was measured by assessing delivery against the business plan, leadership and progress towards diversity and inclusion objectives.

Remuneration and HR committee report

Executive director remuneration policy

LTIP

Purpose

To drive sustained long-term performance that supports the creation of shareholder value.

Operation

Annual awards of performance shares may be made to participants. The LTIP rules provide for annual awards of up to 150% of base salary, save that this limit can be exceeded if the committee determines that exceptional circumstances exist in relation to one or more participants.

Award levels and performance conditions are reviewed before each reward cycle to ensure they remain appropriate.

Awards made under the LTIP will have a performance period of three years and a minimum vesting period of three years.

Dividend equivalents may accrue on LTIP awards and are paid on those shares which vest.

Malus (of any unvested LTIP award) and clawback (of any vested LTIP award) may be applied where the committee deems it necessary to do so, including in the event of gross misconduct or a material mis-statement.

Performance metrics

Vesting of LTIP awards is subject to company performance and continued employment.

The current LTIP performance measures and weightings are:

- 33% EPS
- 33% Net inflows
- 33% Total shareholder return

The committee may vary the terms of the performance conditions attaching to an outstanding award in exceptional circumstances, provided that the amended conditions are, in their opinion, neither materially easier nor more difficult to achieve than the original performance conditions as envisaged by the committee at the date of grant of that award.

Share incentive plan

Purpose

To align shareholder interests with those of our people and allow them to benefit from the long-term success of the company.

Operation

Executive directors are invited to participate in this all-employee share plan on the same basis as all of our people.

The Share Incentive Plan (SIP) provides for the purchase of shares, in line with HMRC participation level rules, on a monthly basis from gross pay and is also the vehicle used to allow for awards of free or matching shares.

Performance metrics

Not performance related.

Remuneration and HR committee report

Executive director remuneration policy

Pension

Purpose

To provide a market competitive pension.

Operation

Executive directors may participate in the company pension scheme or may receive a cash allowance in lieu of pension contribution.

Salary is the only element of remuneration that is pensionable.

A maximum of 10% of base salary contribution paid into the company's group pension scheme or, as an alternative, a maximum of 8.5% of base salary cash allowance may be provided upon request. This is the same opportunity that is offered to all other employees.

Performance metrics

Not performance related.

Benefits

Purpose

To provide market competitive benefits.

Operation

Benefits include private medical cover, life assurance and employee assistance programmes.

28 days standard annual holiday allowance plus 9 public holidays.

Fully underwritten private medical insurance to executive directors and their dependents is provided.

Death in service at 4 x base salary.

Performance metrics

Not performance related.

Further detail behind our policy:

Performance measures

The committee selects the short, medium and long-term performance measures to ensure an appropriate balance between short- medium and long-term strategic goals and aligning the interests of executive directors with shareholders as far as practicable. Measures and targets for both the bonus plan and LTIP are aligned to the strategic plan based on internal and external reference points and are set to be stretching but achievable with regard to the company's strategic priorities and economic environment in a given year. These are approved by the board.

The committee may apply discretion, in exceptional circumstances (for example, if there is a major corporate event), to amend or vary targets or the weighting of performance metrics or to substitute the metrics if these are no longer appropriate to ensure alignment with strategy and any risks within the business. The committee will consult with the group's risk management and control functions to ensure changes are appropriate and do not inadvertently encourage irresponsible or inappropriate behaviour.

Consideration of risk factors and risk appetite

Malus and/or clawback may be applied where: there is evidence of colleague misbehaviour, misconduct, material error, where a colleague participated in conduct which resulted in losses for the company or they failed to meet appropriate standards; there is any material failure of risk management; if the financial results are restated; if the financial results for a given year do not support the level of variable remuneration awarded; or in any other circumstances where the committee consider adjustments should be made. The committee is supported in this by the board risk and audit committees and the Nucleus risk function.

When determining the outcome of the performance measures, the committee will seek the advice of the board risk committee to ensure all relevant risk factors are identified and the bonus pool and/or individual awards may be adjusted accordingly.

Balance between fixed and variable pay

Total variable remuneration (bonus and LTIP) is limited by the rules of the LTIP, which limit the annual allocation of awards (unless in exceptional circumstances) to a maximum of 150 per cent of base salary for executive directors under the LTIP, and the rules of the management group bonus scheme, which define the target and maximum bonus rates. All of these parameters are within the authority of the committee, which is therefore able to ensure that an appropriate balance between fixed and variable pay is maintained. The existing LTIP award allocations and current and historic on-target bonus payments result in approximately a 2:1 ratio of variable pay to fixed pay (subject to the achievement of performance conditions), with the on-target LTIP award being at least half of the total variable pay award.

Service contracts for executive directors

The service agreements govern the performance of the executive directors' duties for the company and other members of the group. The principal terms of the service agreements are summarised below.

- The service agreements provide for 28 holidays per annum (plus public and bank holidays), and up to three months sick pay.
- Executive directors are eligible to receive bonus and/or other discretionary incentive awards. These are at the committee's discretion and the executive directors do not have a contractual right to receive such awards.
- An executive director's employment may be terminated by either party giving to the other not less than six months' written notice. Under the terms of each service agreement, the company may elect to terminate an executive director's employment by making a payment in lieu of notice equal to the base salary and benefits (but excluding bonus) for any unexpired portion of the notice period.
- The company also has the discretion to place an executive director on garden leave during the notice period. It is entitled to dismiss an executive director without notice or compensation in specified circumstances, for example if the executive director commits a serious or persistent breach of any term of the service agreement.
- The executive directors' service agreements also contain six-month post-termination non-compete restrictions and 12 months' post-termination non-solicitation and non-deal restrictions.

Directors remuneration in 2018

Audited single total figure of remuneration

The table below sets out a single figure for the total remuneration received by each director for the year ended 31 December 2018 and the prior year:

	Basic salary / fees		Taxable benefits		Pension		Annual bonus		Growth shares		LTIP/SIP		Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Executive directors														
David Ferguson ^{1,2,6}	281	244	1	1	15	24	200	199	2,131	-	-	-	2,628	469
Stuart Geard ^{1,2,6}	245	231	1	1	14	24	143	177	1,580	-	-	-	1,983	433
Non executive directors														
Paul Bradshaw ⁷	-	7	-	-	-	-	-	-	88	-	-	-	88	7
Tracy Dunley-Owen ³	16	-	-	-	-	-	-	-	-	-	-	-	16	-
Jeremy Gibson ^{4,5}	37	39	-	-	-	-	-	-	-	-	-	-	37	39
Margaret Hassall ³	16	-	-	-	-	-	-	-	-	-	-	-	16	-
John Levin	35	35	-	-	-	-	-	-	-	-	-	-	35	35
Jonathan Polin ⁵	35	35	-	-	-	-	-	-	-	-	-	-	35	35
Angus Samuels ⁵	83	76	-	-	-	-	-	-	-	-	-	-	83	76
Michael Seddon ⁴	23	39	-	-	-	-	-	-	-	-	-	-	23	39
Stephen Tucker ^{4,5}	23	39	-	-	-	-	-	-	-	-	-	-	23	39

Non-executive director remuneration is determined by the board as a whole within the limits set out in the articles of association. Non-executives do not participate in performance-related bonus or share-based payment arrangements.

¹ basic salary includes 8.5 per cent pension cash allowance applied for the income tax year 2018/19

² pension restricted for annual taper allowance in the income tax year 2018/19

³ non-executive director fee pro-rated from appointment onto the board and sub committees post AIM listing

⁴ weighted average non-executive director fee received in 2018 reflecting stepping down from sub-committee chair post AIM admission

⁵ remuneration paid to third parties

⁶ The remuneration received by the executive directors in 2018 included the value, at their date of conversion into ordinary shares in Nucleus Financial Group Limited (being 26 January 2018) of the realised G ordinary shares in Nucleus Financial Group Limited held by them. The growth shares, being G1 and G2 ordinary shares, were issued to the executive directors as part of a previous long-term incentive plan operated by the group. Further details of the scheme are set out in note 24 share-based payments below.

⁷ At the start of 2017 Paul Bradshaw, the Nucleus founding chairman, passed away. Paul was entitled to participate in the 2012/2013 growth shares schemes, and upon realisation, these shares were allocated to the benefit of his estate.

Summary of share incentive plan awards

The table below summarises individual executive director awards during the year.

Director	Award type	Grant date	Awarded during the year	Lapsed during the year	Vested during the year	As at 31 December 2018
David Ferguson	LTIP	26 July 2018	243,441	-	-	243,441
	SIP	-	111	-	-	111
Total						243,552
Stuart Geard	LTIP	26 July 2018	164,810	-	-	164,810
Total						164,810

The performance conditions, valuation assumptions and other relevant award information are set out in note 24 share- based payments below.

Directors' interest in shares

The number of shares held by the directors as at 31 December 2018 is as follows:

Director	Shares beneficially owned ¹	Unvested LTIP options	Non-entitled SIP shares	Total
David Ferguson	1,810,713	243,441	111	2,054,265
Stuart Geard	954,625	164,810	-	1,119,435
Angus Samuels	53,409	-	-	53,409

Margaret Hassall
Chair of the remuneration and HR committee

1 April 2019

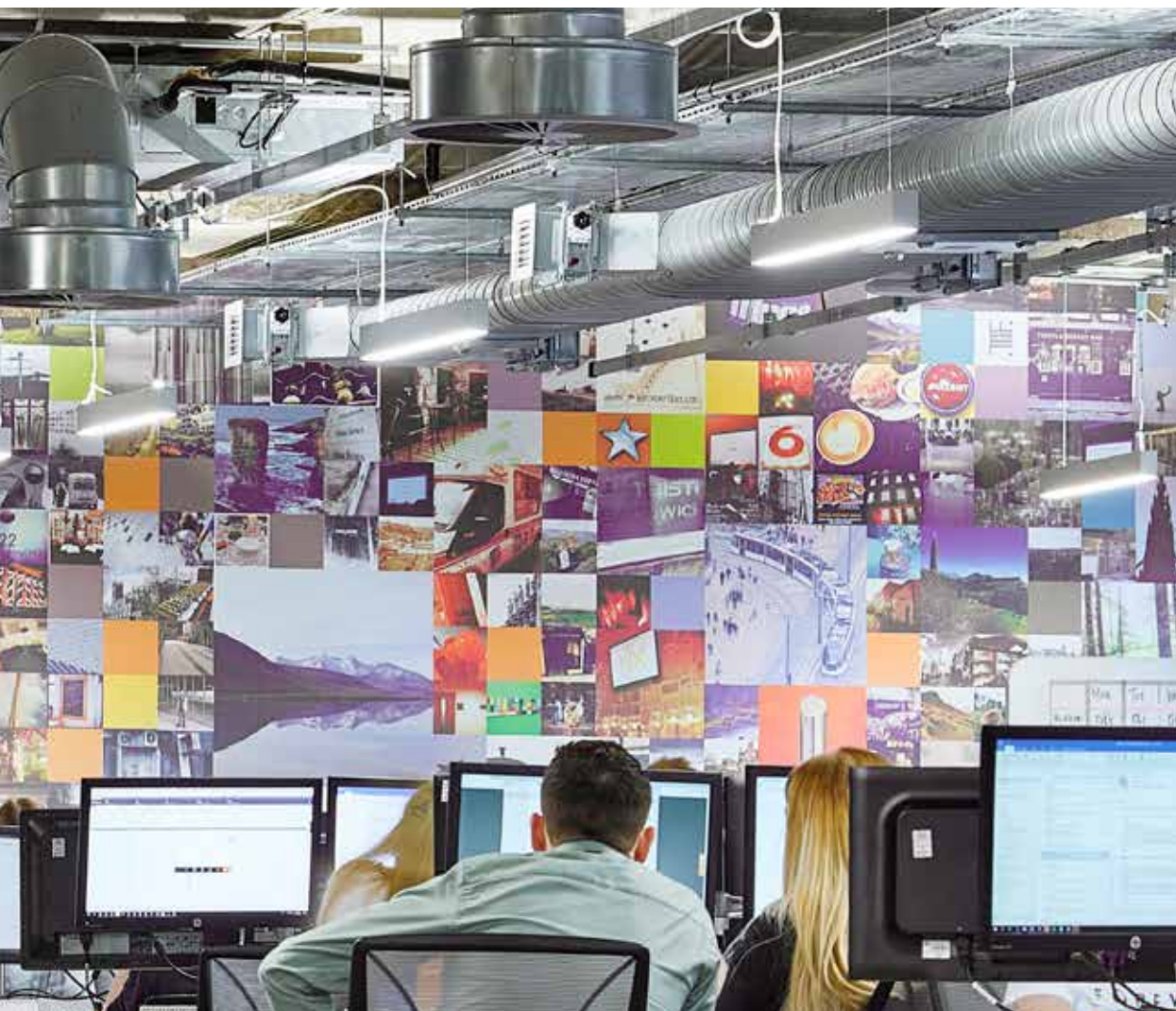
¹ Includes shares held by connected parties

Governance

Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2018.

Nucleus Financial Group plc (the Company) is the parent company of a group of companies comprising Nucleus Financial Group plc and its subsidiaries, Nucleus Financial Services Limited (NFS), and Nucleus IFA Services Limited (NIFAS) (the Group).



Introduction

The company's principal activity is that of a holding company. It is also contracts services on behalf of the group, is the main employer of Nucleus staff and provides and charges management services to its subsidiaries.

The group's principal activity is that of a wrap platform service provider.

The Nucleus wrap allows clients to invest directly, or via various 'tax wrappers' into a broad range of asset types, including cash, unit trusts, OEICs, ETFs, investment trusts and other securities.

NFS is authorised and regulated by the Financial Conduct Authority (FCA) and is classified as an IFPRU limited licence investment firm. Since June 2016 when it met the relevant threshold, NFS has been further classified as a Significant IFPRU firm. In addition, NFS has additional FCA and Her Majesty's Revenue and Customs (HMRC) obligations relating

to its activities as an operator of a self-invested personal pension scheme (a Sipp operator) and also those relating to the management of individual savings accounts (an Isa manager). NFS is authorised to hold and control client money as part of its activities and is therefore subject to the FCA's client asset rules (CASS rules).

NIFAS is not regulated by the FCA and is no longer operating.

The audited financial statements of the group and NFS, along with the group's Pillar 3 statement, can be found on the group's website www.nucleusfinancial.com and they are also available on request from the company secretary.

Business review and strategic report

The strategic report includes a detailed business review that is set out in the chairman's statement, chief executive's report and chief financial officer's report on pages 4 to 17 above. Within these parts of the strategic report we set out information relating to:

- the development and performance of the business during the year;
- the financial position of the group at the end of the year;
- key performance indicators, both financial and non-financial, which are regularly assessed in relation to the development, performance, solvency and liquidity of the business; and
- information relating to likely future developments of the business.

Details of risk management objectives and policies relating to financial instruments are set out in note 22 financial instruments and in the risk management framework above.

Results and dividends

The group's profit for the year was £4.8m (2017: £4.1m). Revenue increased 8.7 per cent to £49.4m, (2017: 21 per cent to £45.5m), with operating profit up 10 per cent to £5.6m (2017: up 20 per cent to £5.1m). The full results are set out in the accompanying financial statements and notes.

The directors have recommended a final dividend in relation to the year ended 31 December 2018 of 3.6p per share.

Qualifying indemnity provisions

As permitted by the company's articles of association directors' professional indemnity insurance has been provided to all directors and this arrangement was in place throughout the year. As part of the company's admission to AIM customary indemnities were provided to certain directors during the year and remain in force.

Directors

The directors who served during the year were:

- T Dunley-Owen (appointed 19 July 2018)
- D R Ferguson
- S J Geard
- J P Gibson
- M Hassall (appointed 19 July 2018)
- J Levin
- J C Polin
- J A A Samuels (Chair)
- M D Seddon (resigned 19 July 2018)
- S J Tucker (resigned 19 July 2018)

Political donations

No political donations were made by the group or the company during the year under review.

Share capital structure

On 8 May 2018, the company issued 50,000 redeemable non-convertible preference shares at a nominal value of £1 per share. These were redeemed on 26 July 2018.

On 6 July 2018, Nucleus Financial Group Limited was re-registered under the Companies Act 2006 as a public company under the name of Nucleus Financial Group plc. The company was admitted to AIM on 26 July 2018. In preparation for and as part of the administration process the capital structure of the company changed such that all other classes of shares converted into ordinary shares or were cancelled. The number of ordinary shares in issue was increased by way of a bonus issue and share split. No share capital was raised during the year.

Authority to purchase own shares

On admittance to AIM, new company articles of association were adopted which granted the company authority to make market purchases of its own shares. The directors confirm that the company has not purchased any of its own shares during the year.

Post balance sheet events

There were no subsequent events that required adjustment to or disclosure in the financial statements for the period from 31 December 2018 to the date upon which the accounts were available to be issued.

Going concern

With regard to the assessment of the group and company's ability to continue as a going concern, the directors evaluate this taking into account:

- the latest business plan projections of the group and the company, stressed for significant events that would have a material impact on the group and the company's profitability, liquidity, solvency and its regulatory capital position;
- actual performance to date;
- access to capital to meet operational and regulatory requirements;
- known risks and uncertainties with consideration of the impact of these on the group's solvency and liquidity position;
- known and expected changes in the regulatory environment impacting on platform operators; and
- the results of the group's ICAAP which is formally reviewed and approved by the directors on an annual basis.

The directors also consider their approach to assessing the group and the company's ability to continue as a going concern with reference to guidance from the Financial Reporting Council and the recommendations from the Sharman Inquiry of 2012 which sought to identify lessons for companies and auditors addressing going concern and liquidity risks following the credit crisis.

Having regard to these matters, the directors believe it is appropriate to prepare the financial statements on a going concern basis.

Disclosures to the external auditor statement

Each individual director confirms that as far as they are aware, there is no relevant audit information of which the company's auditor is unaware, and that they have taken all the steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to be re-appointed and a resolution for reappointment will be proposed at the Annual General Meeting .

This report was approved by the board on 1 April 2019 and signed on its behalf.

David Ferguson
Director

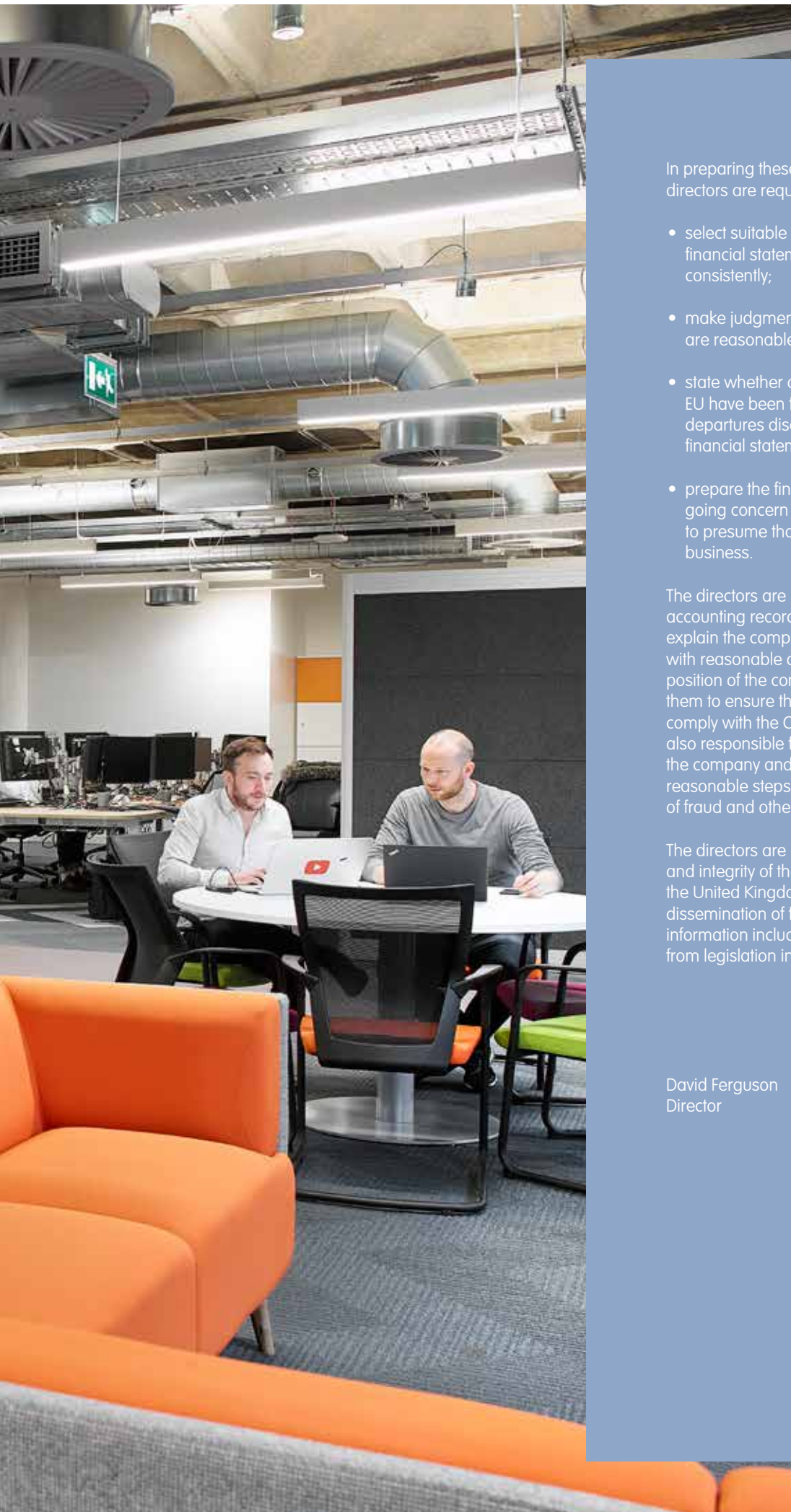
Governance

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated and company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and group for that period.



In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Report may differ from legislation in other jurisdictions.

David Ferguson
Director

Independent auditors' report to the members of Nucleus Financial Group plc

Report on the audit of the financial statements

Opinion

In our opinion, Nucleus Financial Group plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the consolidated and parent company statements of financial position as at 31 December 2018; the consolidated income statement and statement of comprehensive income, the consolidated and parent company statements of cash flows, and the consolidated and parent company statements of changes in equity for the year then ended, the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

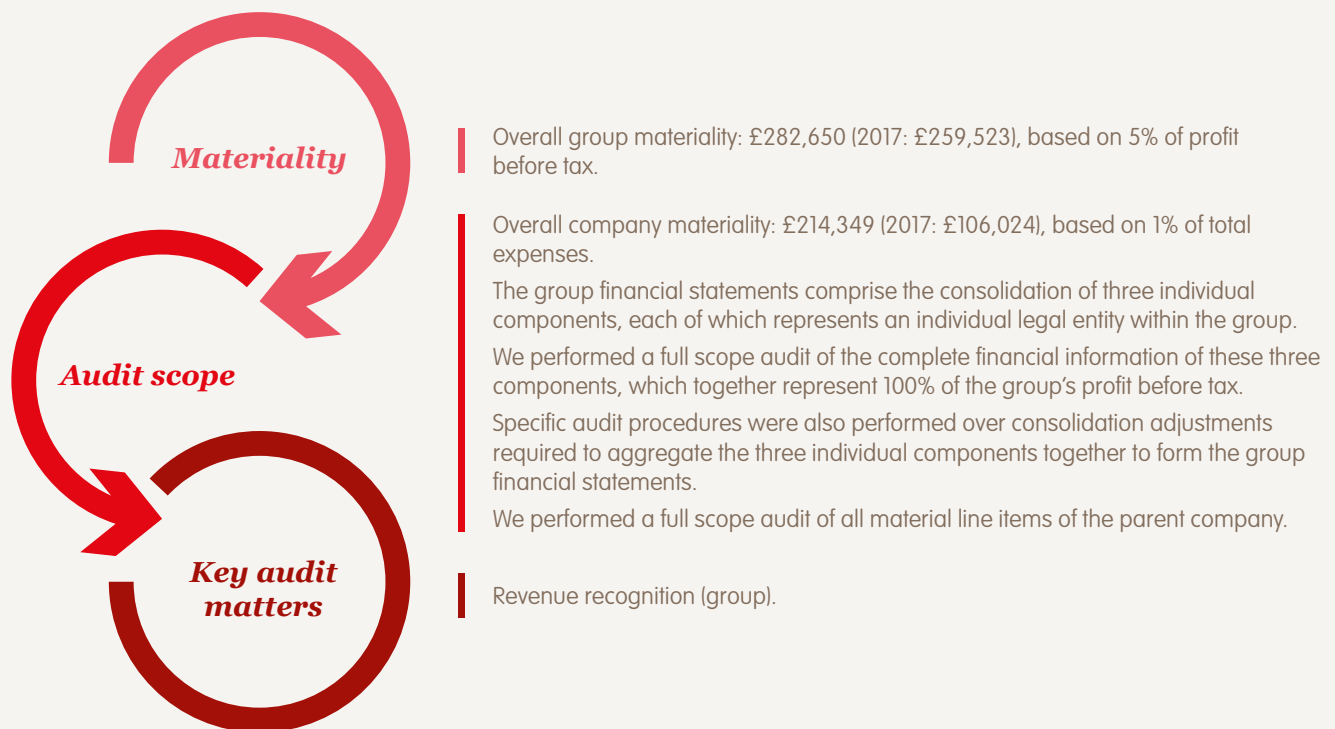
Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Report on the audit of the financial statements (continued)

Our audit approach

Overview



The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Report on the audit of the financial statements (continued)

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>Revenue is material to the group and is an important determinant of the group's profitability.</p> <p>Revenue may be misstated due to errors in system calculations or manual processes, for example, arising from incorrect securities prices or levels of assets held used in these calculations and processes. Further, there are incentive schemes in place for Directors and staff which are in part a function of the group's revenue performance. Where there are incentives based on performance, there is an inherent risk of fraud in revenue recognition as there is an inherent incentive to misstate revenue.</p> <p>The sole revenue stream of the group is fees charged to clients for the provision of a wrap platform service. This revenue stream is calculated based on fixed rates, applicable to each respective product, and the value of assets held on the wrap platform service each day.</p> <p>Unauthorised changes to, or errors in, these inputs and calculations could lead to a misstatement of revenue.</p>	<p>We obtained an understanding of the revenue recognition policy applied by management.</p> <p>For the aggregate revenue balance, we performed substantive testing procedures using the core assets under management information and the fee rates applied to customers and calculated an expectation of the revenue balance each month.</p> <p>In order to rely on the assets under administration data we;</p> <ul style="list-style-type: none"> • Selected a sample of the underlying customer holdings of individual securities at various dates throughout the period and obtained independent confirmation of their holdings; • Selected a further sample of securities and compared the price applied by management to those holdings to arrive at the assets under administration value to an independent third party price. <p>This testing provided sufficient evidence for us to determine that the assets under administration data was reliable for the purposes of performing our substantive testing.</p> <p>We tested the fee rates applied to the value of customers' assets to the underlying legal agreements with the customer.</p> <p>We compared our independent expectations calculated to the amount reported and noted immaterial differences.</p> <p>As part of our testing we considered management's restatement of revenue as set out in note 2. We consider this to be appropriate.</p>

We determined that there were no key audit matters applicable to the company to communicate in our report.

Report on the audit of the financial statements (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group is structured as one segment, comprising the consolidation of three individual components, each of which represents an individual legal entity within the group. All of these components were considered financially significant and we performed a full scope audit of their complete financial information. Together these components represent 100% of the group's profit before tax. Specific audit procedures were also performed over consolidation adjustments required to aggregate the three individual components together to form the group financial statements. All of the audit work was performed by the group engagement team.

The parent company is a holding company, as well as contracting services on behalf of the group and being the main employer. It does not trade outside of the group. The only material income it received during the year was income received from its subsidiaries.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£282,650 (2017: £259,523).	£214,349 (2017: £106,024).
How we determined it	5% of profit before tax.	1% of total expenses.
Rationale for benchmark applied	As the group is profit orientated, we have calculated materiality with reference to profit before tax, with this being a generally accepted auditing benchmark.	As the company is not profit orientated, with its primary purpose being a holding and service company for the group, we have calculated materiality with reference to total expenses, with this being a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £276,997 and £12,958.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £14,133 (Group audit) (2017: £12,967) and £10,717 (Company audit) (2017: £5,301) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Report on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 48, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Report on other information (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Lindsay Gardiner (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Edinburgh

1 April 2019

Consolidated income statement

	Note	2018 £'000	Restated* 2017 £'000
Continuing operations			
Revenue*	3	49,405	45,462
Cost of sales*		(19,809)	(19,592)
Gross profit			
Other operating income	4	22	36
Administrative expenses		(23,969)	(20,788)
Operating profit			
Finance income	8	11	9
Finance costs	8	(7)	(3)
Profit before income tax			
Income tax	10	(897)	(1,013)
Profit for the financial year			
Profit attributable to: Owners of the parent		4,756	4,111
Earnings per share (pence)			
Basic	12	6.3	5.4
Diluted	12	6.3	5.4

The accompanying notes form part of these financial statements.

*Details of the 2017 revenue presentation restatement are set out in note 2.

Consolidated statement of comprehensive income

	2018	2017
Note	£'000	£'000
Profit for the financial year	4,756	4,111
Items that may be subsequently reclassified to profit or loss		
Unrealised loss on investments	-	(1)
	15	(1)
Total comprehensive income for the financial year	4,756	4,110
Total comprehensive income attributable to:		
Owners of the parent	4,756	4,110

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

	Note	31 December 2018 £'000	31 December 2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	2,029	1,780
Deferred tax	23	163	158
		2,192	1,938
Current assets			
Trade and other receivables	14	10,611	9,739
Investments	15	84	99
Tax receivable		541	17
Cash and cash equivalents	16	17,672	16,992
		28,908	26,847
Total assets		31,100	28,785
Equity			
Shareholders' equity			
Called up share capital	20	76	21
Capital redemption reserve	21	53	1
Share-based payment reserve	21	150	2,646
Fair value reserve	21	-	39
Treasury shares	21	(30)	-
Retained earnings	21	17,224	13,475
Total equity		17,473	16,182

Consolidated statement of financial position

	Note	31 December 2018 £'000	31 December 2017 £'000
Liabilities			
Non-current liabilities			
Financial liabilities	18	6	93
Provisions	26	32	-
Deferred tax	23	41	46
		79	139
Current liabilities			
Financial liabilities	18	87	107
Trade and other payables	17	12,134	10,707
Tax payable		740	1,124
Provisions	26	587	526
		13,548	12,464
Total liabilities		13,627	12,603
Total equity and liabilities		31,100	28,785

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 April 2019.

S J Geard
Director

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

	Called up share capital £'000	Retained earnings/ (accumulated losses) £'000	Share premium £'000	Treasury shares £'000
Balance at 1 January 2018	21	13,475	-	-
Reclassify investments from FVOCI to FVPL	-	39	-	-
Changes in equity				
Issue of preference shares	50	(50)	-	-
Redemption of preference shares	(50)	-	-	-
Issue of bonus shares and G share conversion	57	(57)	-	-
Buy back and redemption of G and deferred shares	(2)	-	-	-
Profit for the financial year	-	4,756	-	-
Dividends paid	-	(3,933)	-	-
Purchase of own shares	-	-	-	(30)
Gain on disposal of own shares	-	94	-	-
Transfer on share conversion	-	2,900	-	-
Share-based payments charge	-	-	-	-
Balance at 31 December 2018	76	17,224	-	(30)
Balance at 1 January 2017	22	(1,548)	15,747	-
Changes in equity				
Redemption of shares	(1)	(63)	-	-
Transfer on capital reduction	-	15,747	(15,747)	-
Transfer on exercise of options	-	41	-	-
Dividends paid	-	(4,813)	-	-
Unrealised loss on investments	-	-	-	-
Profit for the financial year	-	4,111	-	-
Share-based payments charge	-	-	-	-
Balance at 31 December 2017	21	13,475	-	-

Consolidated statement of changes in equity

	Capital redemption reserve £'000	Share-based payment reserve £'000	Fair value reserve £'000	Total equity £'000
Balance at 1 January 2018	1	2,646	39	16,182
Reclassify investments from FVOCI to FVPL	-	-	(39)	-
Changes in equity				
Issue of preference shares	-	-	-	-
Redemption of preference shares	50	-	-	-
Issue of bonus shares and G share conversion	-	-	-	-
Buy back and redemption of G and deferred shares	2	-	-	-
Profit for the financial year	-	-	-	4,756
Dividends paid	-	-	-	(3,933)
Purchase of own shares	-	-	-	(30)
Gain on disposal of own shares	-	-	-	94
Transfer on share conversion	-	(2,900)	-	-
Share-based payments charge	-	404	-	404
Balance at 31 December 2018	53	150	-	17,473
Balance at 1 January 2017	-	1,931	40	16,192
Changes in equity				
Redemption of shares	1	-	-	(63)
Transfer on capital reduction	-	-	-	-
Transfer on exercise of options	-	(41)	-	-
Dividends paid	-	-	-	(4,813)
Unrealised loss on investments	-	-	(1)	(1)
Profit for the financial year	-	-	-	4,111
Share-based payments charge	-	756	-	756
Balance at 31 December 2017	1	2,646	39	16,182

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash inflow from operations	27	7,298	10,509
Interest received		8	1
Income tax paid		(1,822)	(940)
Net cash inflow from operating activities		5,484	9,570
Cash flows from investing activities			
Purchase of tangible fixed assets		(833)	(1,373)
(Sale)/purchase of investments		10	(31)
Net cash outflow from investing activities		(823)	(1,404)
Cash flows from financing activities			
Interest paid		(2)	(3)
Interest received		-	8
Dividends paid		(3,933)	(4,813)
Redemption of shares		-	(63)
Purchase of Treasury shares		(30)	-
Repayment of finance leases		(107)	(139)
Exercise of options		98	-
Net cash outflow from financing activities		(3,974)	(5,010)
Increase in cash and cash equivalents		687	3,156
Cash and cash equivalents at beginning of year		16,992	13,839
Effects of exchange rate changes		(7)	(3)
Cash and cash equivalents at end of year		17,672	16,992

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

1. Accounting policies

Basis of preparation

The financial statements comply with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and have been prepared on a going concern basis, under the historical cost convention as modified by the recognition of certain financial assets measured at fair value.

The preparation of the financial statements in compliance with EU adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the group and company's accounting policies. The areas where significant judgements and estimates have been made in the preparation of the financial statements are detailed in note 2.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and all its subsidiary undertakings.

Subsidiaries are entities controlled by the company. Control is achieved where the group has existing rights that give it the current ability to direct the relevant activities that affect the returns and exposure or rights to variable returns from the entity. Subsidiaries are included in the consolidated financial statements of the group from the date control of the subsidiary commences until the date that control ceases. Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Uniform accounting policies have been applied across the group.

Going concern

After reviewing the group and the company's forecasts and projections, the directors have a reasonable expectation that the group and the company has adequate resources to continue in operational existence for at least 12 months from the date of signing of the financial statements. The group and the company therefore continues to adopt the going concern basis in preparing its financial statements.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee (the Chief Operating Decision Maker). The board tasks responsibility to the executive committee to assess the financial performance and the position of the group and make strategic decisions and allocate resources.

Nucleus' principal activities are the provision of wrap administration services and there is only one reporting and operating segment as defined under IFRS 8 Operating Segments. This is reviewed on a regular basis. It is considered appropriate that management review the performance of the group by reference to total results against budget.

The main financial performance measures are assets under administration on the platform, gross and net inflows onto the platform, revenue, adjusted EBITDA, profit for the year, dividend paid, adjusted EBITDA margin, consolidated operating profit, consolidated profit after tax and consolidated net assets. These are disclosed in the chief financial officer's report, where non GAAP financial performance measures are also identified and reconciled to GAAP measures.

Revenue

Revenue comprises fees earned by the group from the provision of a wrap platform service to UK financial advisers and their clients. Fees are recognised exclusive of Value Added Tax and net of large case discounts. They are recorded in the year to which they relate and can be reliably measured. Fees are calculated on a basis point rate applied on a daily basis to assets under administration on the platform. Performance obligations are satisfied as the wrap platform service is provided to customers. Accrued income represents fees that are collected in the following month.

Interest income

Interest received is recognised in the income statement as it is earned.

Finance costs

Interest expense is recognised in the income statement in the year to which it relates.

Expense recognition

Expenditure incurred by the group is recognised in the year to which it relates. Any expenses relating to a year that have not yet been invoiced are accrued and expenses paid but which relate to future years are classified as prepayments within the statement of financial position.

Notes to the consolidated financial statements

Foreign currency

The group and company's functional and presentation currency is the Pound Sterling. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. At each year end, foreign currency monetary items are translated using the closing rate. Foreign exchange gains and losses resulting from the settlement of transactions at year end exchange rates of monetary assets denominated in foreign currencies are recognised in income statement.

Dividends

Dividends are recorded in the financial statements in the year in which they are approved by the shareholders. Interim dividends are recognised when paid.

Property, plant and equipment

Tangible fixed assets are stated at historic cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Impairment reviews are carried out where there are indicators of impairment. No impairment indicators were identified during year.

Depreciation is charged so as to allocate the cost of the assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Fixtures and fittings	4 years straight line
Office equipment	3 years straight line
Short term leasehold property	10 years straight line

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Finance leases

Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the lower of the fair value of the leased asset and the present value of the minimum lease payments. Office equipment acquired under finance leases is depreciated over its useful life of three years on a straight-line basis. Depreciation on the relevant assets is charged to the income statement. Interest on the finance lease is recognised in the income statement using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks. Bank overdrafts are shown within current liabilities due less than one year. Cash equivalents are highly liquid investments that mature no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Defined contribution pension scheme

Nucleus Financial Group plc operates a defined contribution pension scheme. The pension charge represents the amounts payable by the group and the company to the scheme in respect of the year and contributions are recognised as an expense when they are due. Once the contributions have been paid, the group and the company have no further payment obligations. The assets of the scheme are held separately from those of Nucleus Financial Group plc in an independently administered fund.

Operating lease commitments

Rentals under operating leases are charged to the income statement on a straight-line basis over the lease term.

Incentives received to enter into an operating lease are credited to the income statement, to reduce the lease expense, on a straight-line basis over the period of the lease.

Notes to the consolidated financial statements

Share-based payments

The company operates a number of equity settled share-based payment compensation plans, under which the group receives services from directors and senior managers as consideration for equity instruments (options or shares) of the company. These are accounted for in accordance with IFRS 2 Share-based payments. The fair value of services received in exchange for the grant of equity instruments is recognised as an expense over their vesting period.

The total amount to be expensed is determined by reference to the fair value of the equity instrument at the grant date and the number of options or shares expected to vest. Service conditions are included in the assumptions about the number of equity instruments expected to vest. The relevant charge to the income statement is recognised over the vesting period on a straight-line basis.

At the end of each reporting period, the company revises its estimate of the number of equity instruments that are expected to vest to reflect latest expectations on the employee's ability to achieve the specified performance criteria and actual or anticipated leavers from the scheme. The company recognises the impact of any revision to the prior year's estimates in the income statement, with a corresponding adjustment to equity.

Employee benefits trusts

The company has established an Employee Share Ownership Trust (ESOT) and a Share Incentive Plan (SIP) trust for the purposes of satisfying awards under share-based incentive and all employees share ownership plans. Shares held by the trusts are recorded as treasury shares and deducted from equity until the shares are cancelled, reissued or disposed. The employee benefits trusts are now included within the consolidated financial statements of the group.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse, based on tax laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax assets and liabilities are not discounted as the impact of any discounting would be immaterial.

Provisions for liabilities

Provisions are made where an event has taken place that gives the group or the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the income statement in the year that the group or the company becomes aware of the obligation and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

Financial instruments

Financial assets and financial liabilities are initially classified as measured at amortised cost, fair value through other comprehensive income, or fair value through profit and loss when the group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows expire, or the group no longer retains the significant risks or rewards of ownership of the financial asset. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Notes to the consolidated financial statements

Financial assets are classified dependent on the group's business model for managing the financial and the cash flow characteristics of the asset. Financial liabilities are classified and measured at amortised cost except for trading liabilities, or where designated at original recognition to achieve more relevant presentation. The group classifies its financial assets and liabilities into the following categories:

Financial assets at amortised cost

The group's financial assets at amortised cost comprise trade and other receivables. These represent debt instruments with fixed or determinable payments that represent principal or interest and where the intention is to hold to collect these contractual cash flows.

They are initially recognised at fair value, included in current and non-current assets, depending on the nature of the transaction, and are subsequently measured at amortised cost using the effective interest method less any provision for impairment.

Impairment of trade and other receivables

In accordance with IFRS 9 an expected loss provisioning model is used to calculate an impairment provision. We have implemented the IFRS 9 simplified approach to measuring expected credit losses arising from trade and other receivables, being a lifetime expected credit loss. This is calculated based on an evaluation of our historic experience plus an adjustment based on our judgement of whether this historic experience is likely reflective of our view of the future at the balance sheet date. In the previous year the incurred loss model is used to calculate the impairment provision.

Financial liabilities at amortised cost

Financial liabilities at amortised cost comprise finance lease obligations and trade and other payables. They are classified as current and non-current liabilities depending on the nature of the transaction, are subsequently measured at amortised cost using the effective interest method.

Financial assets at fair value through profit and loss

The group has investments held on the platform for operational purposes. These are recognised and measured at fair value using the most recent available market price with gains and losses recognised immediately in the profit and loss.

The fair value measurement of the group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy').

Level 1 – Quoted prices in active markets

Level 2 – Observable direct or indirect inputs other than Level 1 inputs

Level 3 – Inputs that are not based on observable market data

The group measures financial instruments relating to platform holdings at fair value using Level 1.

New standards effective for the first time in the 2018 financial statements

IFRS 2 Share-based payments

IFRS 2 has been amended by Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2). These changes affect accounting for cash-settled share-based payment transactions, classification of share-based payment transactions with net settlement features and modifications of share-based payment transactions from cash-settled to equity-settled. As Nucleus does not operate any cash settled share-based payment schemes, the amendment to this standard has not impacted the group.

IFRS 9 Financial instruments

IFRS 9 replaced the classification and measurement models for financial instruments contained in IAS 39 Financial Instruments: Recognition and Measurement and is effective for accounting periods beginning on or after 1 January 2018. The main changes from IAS 39 include the following:

- financial assets are to be classified and measured based on the business model for managing the financial and the cash flow characteristics of the financial asset, either at fair value or amortised cost
- a financial asset or liability that would otherwise be at amortised cost may only be designated as at fair value through profit or loss if such a designation reduces an accounting mismatch

Notes to the consolidated financial statements

The impairment model in IFRS 9 is based on the premise of providing for expected losses. IFRS 9 requires that the same impairment model apply to all of the following:

- financial assets measured at amortised cost
- financial assets mandatorily measured at fair value through other comprehensive income
- financial guarantee contracts to which IFRS 9 is applied
- lease receivables within the scope of IFRS 17 Leases
- contract assets within the scope of IFRS 15 Revenue from contracts with customers

The adoption of this standard has not had a significant impact on the group.

IFRS 15 Revenue from contracts with customers

The standard provides a comprehensive new model for revenue recognition, addressing various issues such as identifying distinct performance obligations, accounting for contract modifications and accounting for the time value of money.

The directors have reviewed this standard and are of the opinion that, given the simple revenue model and the absence of long-term contracts, the implementation of IFRS 15 does not have a significant impact on the financial performance of the group and no accounting policies have changed as a result of its implementation.

Future standards, amendments to standards and interpretations not early-adopted in the 2018 financial statements

IFRS 16 Leases

The group will not be early adopting this standard which becomes effective from 1 January 2019.

The group will be taking advantage of the practical expedient which allows the continuation of the existing assessment as to whether a contract contains a lease for all ongoing contracts entered into before 1 January 2019. The IFRS 16 definition of a lease will apply to all contracts entered into after 1 January 2019.

The modified retrospective approach will be used, resulting in the cumulative effect of application on 1 January 2019 being recognised through an adjustment to opening retained earnings.

A full assessment of the impact of the above has been performed, and whilst there is no change to the recognition of finance leases, there is a material change to the group's assets and liabilities due to the requirement to bring the group's operating leases on balance sheet. On 1 January 2019, this is expected to result in a £71,123 charge to retained earnings, an increase in the group's intangible right of use assets of £3,900,842 and an increase in the group's liabilities of £3,971,965.

Notes to the consolidated financial statements

2. Critical accounting judgements, key sources of estimation uncertainty, and restatements

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 critical accounting judgements and the key sources of estimation uncertainty are as follows:

Income taxes

The group is subject to income taxes. Judgement is required in determining the extent to which it is probable that taxable profits will be available in future against which deferred tax assets can be utilised. Based on forecasts, the group expects to materially recover its deferred tax assets within the next two years.

Share-based payments

The group assesses the fair value of shares under the LTIP scheme at the grant date using appropriate valuation models, depending upon the nature of the performance criteria. At the end of each reporting period, the company revises its estimate of the number of options and shares under the LTIP scheme that are expected to vest to reflect latest expectations on the group's ability to achieve the specified performance criteria and actual or anticipated leavers from the schemes. For non-market related performance criteria, the company recognises the impact of any revision to the prior year's estimates in the income statement, with a corresponding adjustment to equity.

Provisions

The group has recognised provisions in respect of client compensation, outsourced service and dilapidations. Further detail on these provisions, the rationale behind their recognition and the timing of future cash flow is included in note 26.

Restatement of revenue presentation

As part of our consideration of the impact of IFRS 15 we have also reviewed our principal and agency relationships relating to platform income. We consider that separate revenue and cost presentation will more accurately reflect the revenue and cash flows arising from the contracts with customers. There is no impact on the reported profit or net assets of the group as a result of this restatement.

	2017	Adjustment	Restated
	£'000		£'000
Continuing operations			
Revenue	40,365	5,097	45,462
Cost of sales	(14,495)	(5,097)	(19,592)
Gross profit	25,870	-	25,870
Profit for the financial year	4,111	-	4,111

Notes to the consolidated financial statements

3. Revenue

Revenue comprises fees earned by the group from the provision of a wrap platform service to UK financial advisers and their clients. All revenue arose within the United Kingdom (2017: all United Kingdom).

4. Other operating income

	2018	2017
	£'000	£'000
Other operating income	22	36

5. Profit before income tax

The profit before income tax is stated after charging:

	2018	2017
	£'000	£'000
Depreciation of tangible fixed assets	585	410
Loss on disposal of fixed assets	-	55
Foreign exchange differences	7	3
Movement in expected loss provision	8	(287)
Operating lease rentals	446	516
Share-based payments charge	404	756

Notes to the consolidated financial statements

6. Employees

	2018	2017
	£'000	£'000
Wages and salaries	11,812	11,005
Social security costs	1,424	1,335
Other pension costs	906	798
Cost of employee share schemes	404	756
	<u>14,546</u>	<u>13,894</u>

The average monthly number of employees during the year was as follows:

	2018	2017
Employees	<u>203</u>	<u>180</u>

Notes to the consolidated financial statements

7. Directors' remuneration

Details of directors' remuneration are set out in the remuneration and HR committee report on pages 42 to 43.

8. Net finance income/(cost)

	2018 £'000	2017 £'000
Finance income:		
Bank interest receivable	10	1
Other interest income	1	8
	11	9
Finance costs:		
Interest on finance leases	(2)	(3)
Other interest paid	(5)	-
	(7)	(3)
Net finance income	4	6

Notes to the consolidated financial statements

9. Auditors' remuneration

The group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the group:

	2018 £'000	2017 £'000
Audit of the financial statements	235	92
Client assets assurance report	151	240
All other services	395	-
	781	332

Other services relate to fees earned by PwC in their capacity as reporting accountants to the company's admission to AIM and other corporate finance transactions.

Notes to the consolidated financial statements

10. Income tax

Analysis of tax expense

	2018 £'000	2017 £'000
Current tax:		
Tax on profits for the year	1,435	1,124
Adjustments in respect of prior periods	(527)	(17)
Deferred tax:		
Origination and reversal of timing differences	(11)	(94)
Tax expense in income statement	897	1,013

Factors affecting the tax expense

The tax assessed for the year is lower (2017: higher than) the standard rate of corporation tax in the UK of 19.00% (2017: 19.25 per cent). The differences are reconciled below:

	2018 £'000	2017 £'000
Profit before taxation	5,653	5,124
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.00 per cent (2017: 19.25 per cent)	1,074	986
Effects of:		
Expenses not deductible for tax purposes	412	252
Fixed asset differences	5	2
Share schemes differences	-	(42)
Adjustments to tax charge in respect of prior period	-	(17)
Adjustments to tax charge in respect of prior period R&D claims	(527)	-
Adjustments to deferred tax in respect of prior period	-	21
Adjust closing deferred tax to average rate of 19.00% (2017: 19.25%)	-	3
Adjust opening deferred tax to average rate of 19.00% (2017: 19.25%)	-	(3)
Deferred tax not recognised	(70)	(69)
Recognition of deferred tax asset	-	(122)
Other differences	3	-
Tax credits	-	2
	897	1,013

Notes to the consolidated financial statements

11. Dividends

	2018	2017
	£'000	£'000
£0.01 ordinary share dividends* (142p 2017: 243p per share)	1,577	2,399
£0.001 ordinary share dividends* (1.4p per share)	1,063	-
B ordinary share dividend (142p 2017: 243p per share)	1,081	1,851
G1 share dividend (243p per realised share)	-	338
G2 share dividend (243p per realised share)	-	225
G3 share dividends (243p per realised share)	84	-
G3 share dividends (142p per realised share)	49	-
G4 share dividends (243p per realised share)	50	-
G4 share dividends (142p per realised share)	29	-
	3,933	4,813

*the Esot waived its right to receive dividends during the year.

12. Earnings per share

Earnings per share has been calculated by dividing the total profit for the year by the weighted average number of ordinary shares in issue during the year.

	2018	2017
	£'000	£'000
Profit for the year	4,756	4,111
	2018	2017
Weighted average number of ordinary shares (basic)	75,932,243	75,984,439
SIP scheme	1,821	-
LTIP scheme	16,209	-
Weighted average number of ordinary shares (diluted)	75,949,568	75,984,439
	2018	2017
Basic/diluted earnings per ordinary share (pence)	6.3	5.4

The weighted average number of ordinary shares reflect the number of shares in issue following the listing of the Company on 26 July 2018. The share capital transactions that happened during the year are detailed in note 20.

On 26 July 2018, the company granted long-term incentive awards in the form of nil-cost options over its ordinary shares to the executive directors and other persons discharging managerial responsibility under its newly established long-term incentive plan. The total number of shares over which the awards were granted was 1,013,612 of which 68,865 have lapsed. The vesting of each of the awards is subject to the satisfaction of performance conditions that have been set by the remuneration and HR committee. These conditions, which will be assessed over prescribed three-year periods, relate to the achievement of specific targets in relation to earnings per share, net inflow of assets under administration and total shareholder return. Vesting will also normally be dependent on the continued employment of the participant within the group.

Notes to the consolidated financial statements

13. Property, plant and equipment

	Short-term leasehold property £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2018	837	357	1,303	2,497
Additions	300	170	364	834
Disposals	-	-	(159)	(159)
At 31 December 2018	1,137	527	1,508	3,172
Depreciation				
At 1 January 2018	7	34	676	717
Charge for the year	92	93	400	585
Eliminated on disposal	-	-	(159)	(159)
At 31 December 2018	99	127	917	1,143
Net book value				
At 31 December 2018	1,038	400	591	2,029

The net book value of office equipment includes £112,143 (2017: £232,113) in respect of assets held under finance leases.

	Short-term leasehold property £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2017	27	229	1,343	1,599
Additions	837	303	468	1,608
Disposals	(27)	(175)	(508)	(710)
At 31 December 2017	837	357	1,303	2,497
Depreciation				
At 1 January 2017	19	159	783	961
Charge for year	11	36	363	410
Eliminated on disposal	(23)	(161)	(470)	(654)
At 31 December 2017	7	34	676	717
Net book value				
At 31 December 2017	830	323	627	1,780

Notes to the consolidated financial statements

14. Trade and other receivables

	2018 £'000	2017 £'000
Current:		
Other debtors	2,230	2,156
Amounts owed by HMRC	1,754	1,831
Trade debtors	429	481
Accrued income	4,646	4,507
Prepayments	1,552	764
	10,611	9,739

Included within other debtors is a balance of cash prefunded on the wrap platform as required by our client terms and conditions. This fluctuates due to timing. The total loss allowance provided for trade and other receivables is £176,784 (2017: £168,788).

Notes to the consolidated financial statements

15. Current asset investments

	2018 £'000	2017 £'000
Valuation		
At 1 January	99	69
Additions in year	-	31
Disposals in year	(10)	-
Unrealised loss	(5)	(1)
At 31 December	<u>84</u>	<u>99</u>

16. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	<u>17,672</u>	<u>16,992</u>

During the year, the company transferred its £5,000,000 uncommitted overdraft facility from The Royal Bank of Scotland plc to The Royal Bank of Scotland International Limited. The purpose of the overdraft is to support the company's discretionary commitment to pre-fund tax relief on eligible pension contributions and other temporary funding required under the client money and client asset rules. Interest is charged on this facility at 3 per cent plus base rate up to an overdrawn amount of £5,000,000 and 5 per cent plus base rate on any amount over £5,000,000. The overdraft is secured by a fixed and floating charge over all the company's assets. The overdraft was undrawn as at 31 December 2018.

17. Trade and other payables

	2018 £'000	2017 £'000
Current:		
Trade creditors	3,674	4,767
Social security and other taxes	380	336
Other creditors	1,816	644
Amounts owed to HMRC	240	117
Accruals	6,024	4,843
	<u>12,134</u>	<u>10,707</u>

Notes to the consolidated financial statements

18. Financial liabilities

	2018 £'000	2017 £'000
Non-current:		
Finance leases	6	93
Current:		
Finance leases	87	107

Terms and debt repayment schedule:

	1 year or less £'000	1-2 years £'000	2-5 years £'000	Total £'000
2018				
Finance leases	87	6	-	93
2017				
Finance leases	107	87	6	200

Notes to the consolidated financial statements

19. Finance leases

Minimum lease payments under finance leases fall due as follows:

	2018 £'000	2017 £'000
Gross obligations payable:		
Within one year	88	109
Between one and five years	6	94
	94	203
Finance charges payable:		
Within one year	1	2
Between one and five years	-	1
	1	3
Net obligations payable:		
Within one year	87	107
Between one and five years	6	93
	93	200

Notes to the consolidated financial statements

20. Share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
Ordinary shares of £0.01 each: nil (2017: 998,723)	-	10
B ordinary shares of £0.01 each: nil (2017: 761,028)	-	8
G1 ordinary shares of £0.01 each: nil (2017: 173,074)	-	2
G2 ordinary shares of £0.01 each: nil (2017: 104,430)	-	1
G3 ordinary shares of £0.01 each: nil (2017: 40,727)	-	-
G4 ordinary shares of £0.01 each: nil (2017: 25,676)	-	-
Ordinary shares of £0.001 each: 76,473,360 (2017: nil)	76	-
	76	21

Employee benefits trusts hold a total of 561,442 shares (2017: 53,238)

During January 2018, in line with the growth share scheme, 142,362 G1 and 95,404 G2 shares converted into 124,448 ordinary and 113,318 deferred shares.

On 8 May 2018, the company issued 50,000 redeemable non-convertible preference shares at a nominal value of £1 per share. Each preference share carried a right to a fixed non-cumulative dividend of 0.01 per cent of its nominal value, payable annually in arrears, and did not carry any voting rights. These were redeemed on 26 July 2018.

On 6 July 2018, Nucleus Financial Group Limited was re-registered under the Companies Act 2006 as a public company under the name of Nucleus Financial Group plc. The company listed on AIM on 26 July 2018 and this coincided with the following share capital transactions:

On listing, 18,823 G3 shares and 8,812 G4 shares converted to ordinary shares and 21,905 G3 shares and 16,864 G4 shares converted to deferred shares. Following this there were no G3 and G4 shares remaining in issue.

The company bought back 30,712 G1 shares, 9,026 G2 shares and 152,087 deferred shares for a consideration of £1. Following this there were no G1, G2 or deferred shares remaining in issue.

The company then converted the remaining 761,028 B ordinary shares into ordinary shares and awarded a bonus issue of three new ordinary shares for each existing ordinary share. This resulted in the creation of 5,735,502 new ordinary shares, bringing the total ordinary shares in issue to 7,647,336. Subsequently, each ordinary share was then sub-divided into 10 new ordinary shares. This has given rise to a post-listing number of shares in issue of 76,473,360.

Notes to the consolidated financial statements

21. Reserves

Capital redemption reserve

This is a non-distributable reserve into which amounts are transferred following the redemption or purchase of the company's own shares.

Share-based payment reserve

The fair value of services received in exchange for the grant of options and growth shares is recognised over their vesting period. Upon conversion the fair value of services received is transferred to share premium.

Fair value reserve

Investments held on the platform for operational purposes are recognised and measured at fair value with gains and losses recognised in the fair value reserve.

Treasury shares

Shares of Nucleus Financial Group plc that are held in the Employee benefits trusts for the purposes of satisfying awards under share-based incentive and all employee share ownership plans.

Retained earnings

Retained earnings includes all current and prior year retained profits and losses.

22. Financial instruments

The principal financial instruments, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Investments in securities
- Trade and other payables

As explained in note 1, financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognised in the income statement or statement of other comprehensive income. In adopting IFRS 9 all previously classified loans and receivables were reclassified as financial assets at amortised cost, with no change to measurement, and all financial assets previously classified at fair value through other comprehensive income were reclassified as financial assets at fair value through profit and loss, as this is the residual category under IFRS 9. The following tables show the carrying values of assets and liabilities for each of these categories.

Notes to the consolidated financial statements

22. Financial instruments (continued)

	Financial assets at fair value through profit and loss £'000	Financial liabilities at amortised cost £'000	Financial assets at amortised cost £'000	Total £'000
2018				
Financial assets				
Investments in securities	84	-	-	84
Cash and cash equivalents	-	-	17,672	17,672
Trade and other receivables	-	-	10,611	10,611
Total financial assets	84	-	28,283	28,367
Non-financial assets				2,733
Total assets				31,100
Financial liabilities				
Finance lease obligations	-	93	-	93
Trade and other payables	-	12,134	-	12,134
Total financial liabilities	-	12,227	-	12,227
Non-financial liabilities				1,400
Total liabilities				13,627

Notes to the consolidated financial statements

22. Financial instruments (continued)

	Financial assets at fair value through other comprehensive income £'000	Financial liabilities at amortised cost £'000	Financial assets at amortised cost £'000	Total £'000
2017				
Financial assets				
Investments in securities	99	-	-	99
Cash and cash equivalents	-	-	16,992	16,992
Trade and other receivables	-	-	9,739	9,739
Total financial assets	99	-	26,731	26,830
Non-financial assets				1,955
Total assets				28,785
Financial liabilities				
Finance lease obligations	-	200	-	200
Trade and other payables	-	10,707	-	10,707
Total financial liabilities	-	10,907	-	10,907
Non-financial liabilities				1,696
Total liabilities				12,603

Financial instruments measured at fair value – fair value hierarchy

The table below classifies financial assets that are categorised on the statement of financial position at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels of hierarchy are disclosed in note 1.

Investments in securities are held for the benefit of platform functionality and are reported on a separate line in the statement of financial position. The assets are held at fair value with any gains or losses being taken to the income statement.

Notes to the consolidated financial statements

22. Financial instruments (continued)

The following tables show the group's financial assets measured at fair value through profit and loss, classed according to the level of the fair value hierarchy.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
2018				
Investments in securities	84	-	-	84
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
2017				
Investments in securities	99	-	-	99

Credit risk

The group holds the surplus of corporate cash balances over and above its working capital requirements on deposit with its corporate banking services providers, Royal Bank of Scotland plc, Bank of Scotland plc and Investec Bank plc. The group is therefore exposed to counterparty credit risk and a failure of any of these banks would impact the group's resources and its ability to meet its solvency and liquidity requirements. Credit risk is managed within the risk appetites set by the board on an annual basis.

The supply of wrap platform services to clients results in trade receivables which management considers to be of low risk. Other receivables are likewise considered to be low risk. Management do not consider that there is any concentration of risk within either trade or other receivables.

Included in other receivables is a balance of cash prefunded on the wrap platform. Where these amounts are not received within normal operational timeframes, our experience is that the risk of non-recovery increases, and we provide to our expectation of most likely outcome. The provision as at 31 December 2018 was £176,674 (2017: £168,788).

Liquidity risk

The group's liquidity position is subject to a range of factors that may generate liquidity strain in the short or medium term. The group manages its liquidity risk through an ongoing evaluation of its working capital requirements against available cash balances and credit facilities.

Exposure to securities markets

The group's income is derived from a tiered basis point fee that is applied to client assets under administration. This income is exposed to the value of the underlying investment assets which can be affected by market movements. Although some of this risk is mitigated within components of the cost base, the group is ultimately exposed to volatility in its financial results because of market movements beyond its control.

Notes to the consolidated financial statements

22. Financial instruments (continued)

Operational risk

The nature of the activities performed by the group is such that a degree of operational risk is unavoidable in relation to losses that could be incurred by the group or by others because of errors or omissions for which the group is ultimately liable.

Particular operational risks for the group are considered to be:

- People risks – we consider that the two most significant risks are the risk of failure to attract and retain core skills and knowledge in the company, and people-related errors in core processes;
- Operational control failures in core processes – there is always a risk of failure in core processes, either directly by the company and/or by third parties which would result in operational losses, poor client outcomes and reputational damage; and
- Systems-related risks including cyber-attacks, data leakage and business continuity events.

The following tables show an analysis of the financial assets and financial liabilities by remaining expected maturities.

2018

Financial assets	< 3 months £'000	3–12 months £'000	1-5 years £'000	> 5 years £'000	Total £'000
Cash and cash equivalents	17,672	-	-	-	17,672
Investments	-	84	-	-	84
Trade and other receivables	10,182	429	-	-	10,611
	27,854	513	-	-	28,367

2017

Financial assets	< 3 months £'000	3–12 months £'000	1-5 years £'000	> 5 years £'000	Total £'000
Cash and cash equivalents	16,992	-	-	-	16,992
Investments	-	99	-	-	99
Trade and other receivables	9,069	670	-	-	9,739
	26,061	769	-	-	26,830

Notes to the consolidated financial statements

22. Financial instruments (continued)

2018

Financial liabilities	< 3 months £'000	3–12 months £'000	1–5 years £'000	> 5 years £'000	Total £'000
Trade and other payables	11,966	168	-	-	12,134
Finance lease obligations	87	-	6	-	93
	12,053	168	6	-	12,227

2017

Financial liabilities	< 3 months £'000	3–12 months £'000	1–5 years £'000	> 5 years £'000	Total £'000
Trade and other payables	10,413	279	15	-	10,707
Finance lease obligations	27	80	93	-	200
	10,440	359	108	-	10,907

Notes to the consolidated financial statements

23. Deferred tax

The deferred tax asset is made up of the following balances:

	Accelerated capital allowances £'000	Short term timing differences £'000	Losses and other deductions £'000	Total £'000
At 1 January 2017	3	47	-	50
(Charge)/credit to income statement	(8)	(6)	122	108
At 31 December 2017	(5)	41	122	158
(Charge)/credit to income statement	13	(24)	16	5
At 31 December 2018	8	17	138	163

As a result of the uncertainty in the opinion of the directors regarding the timing and extent of future profit generation by the group, a deferred tax asset of £286,290 (2017: £118,824) has not been recognised.

The deferred tax liability is made up of the following balances:

	Accelerated capital allowances £'000	Short term timing differences £'000	Losses and other deductions £'000	Total £'000
At 1 January 2017	(32)	-	-	(32)
Charge to income statement	(14)	-	-	(14)
At 31 December 2017	(46)	-	-	(46)
Credit to income statement	5	-	-	5
At 31 December 2018	(41)	-	-	(41)

Notes to the consolidated financial statements

24. Share-based payments

Total cost of share-based payments:

	2018 £'000	2017 £'000
Long term incentive plan	150	-
Share incentive plan	1	-
Growth shares	253	756
	<u>404</u>	<u>756</u>

Long Term Incentive Plan (LTIP)

The LTIP comprises conditional awards of nil cost options over ordinary shares to selected members of the senior management team (including the executive directors) and certain other employees, which vest on the achievement of specified performance targets and continuous employment over a certain period of time (the vesting period). The performance conditions are set out in the remuneration and HR committee report.

	LTIP Number 2018
Granted	1,013,612
Lapsed	<u>(68,865)</u>
Outstanding options at the end of the year	<u>944,747</u>

	LTIP 2018 TSR condition Monte Carlo	LTIP 2018 EPS condition Black Scholes
Option pricing model	Monte Carlo	Black Scholes
Date granted	26/07/2018	26/07/2018
Share price on grant date (p)	183p	183p
Exercise Price	0p	0p
Expected volatility	34%	34%
Vesting period (years)	3	3
Risk-free rate	0.84%	0.84%
Dividend yield	Nil	Nil
Fair value per option at grant date	85p	183p
Remaining vesting period (years)	2.6	2.6

Notes to the consolidated financial statements

24. Share-based payments (continued)

Share incentive plan (SIP)

The SIP is an all-employee share ownership plan which has been designed to meet the requirements of Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003 so that Ordinary Shares can be provided to UK employees under its terms in a tax-efficient manner. During the year employees were offered the opportunity to buy Ordinary Shares with a value of up to the lower of £1,800 and 10 per cent of the employee's pre-tax salary, and the company agreed to match the number of shares so purchased. These matching shares are held on the employees' behalf in the SIP trust, subject to a holding period of three years, and may be forfeited if the participant ceases employment within that period.

	SIP Number 2018
Matching shares purchased	21,444
Matching shares forfeited	-
	<hr/>
Outstanding matching shares at the end of the year	21,444

25. Growth shares

G1, G2, G3 and G4 Ordinary Shares were granted to directors and employees. Details of the rights and the conditions attached to these shares are included in note 1.

The growth shares granted were valued as at the date of grant or entitlement using the Black Scholes model. The significant assumptions used are shown in the table below:

	G1 shares	G1 shares	G2 shares	G2 shares	G3 shares	G4 shares
Date granted	15/10/2012	19/09/2013	19/07/2013	14/03/2014	6/10/2015	17/11/2016
Par value	£0.05	£0.05	£0.05	£0.05	£0.05	£0.05
Realisable	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2019	31/12/2020
Shares realised 31/12/2018	-	-	-	-	-	-
Shares in issue 31/12/2018	-	-	-	-	-	-
Shares realised 31/12/2017	44,000	95,130	91,803	563	-	-
Shares in issue 31/12/2017	45,000	128,074	103,843	587	40,727	25,676
Price of the underlying share (£)	£28.22	£28.43	£28.43	£28.43	£34.41	£44.35
Effective strike price of the G Ordinary share	£24.10	£24.10	£31.24	£31.24	£34.41	£44.35
Expected volatility of the share price	40%	40%	40%	25%	25%	28%
Risk free interest rate over the life of the G Ordinary share	0.79%	1.47%	1.08%	1.36%	1.05%	0.55%
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Fair value per G Ordinary share at grant date	£11.82	£11.44	£8.91	£4.95	£7.61	£10.34

The volatility measured is based on historical volatility of similar listed entities between 2008 and 2015.

Coinciding with the companies listing on AIM on 26 July 2018, the growth share scheme ceased to exist. Details of the conversion of growth shares into ordinary shares are set out in note 20 Share capital above.

Notes to the consolidated financial statements

26. Provisions

	2018 £'000	2017 £'000
Client compensation	429	98
Outsourced service	158	204
Dilapidations	32	224
	<u>619</u>	<u>526</u>
Analysed as follows:		
Current	587	526
Non-current	32	-
	<u>619</u>	<u>526</u>

	Client compensation £'000	Outsourced service £'000	Dilapidations £'000	Total £'000
At 1 January 2017	85	-	103	188
Unused amounts reversed during year	(5)	-	-	(5)
Utilised during year	(28)	-	-	(28)
Provided during year	46	204	121	371
At 31 December 2017	98	204	224	526
Provided during year	435	612	30	1,077
Utilised during year	(73)	(333)	(222)	(628)
Unused amounts reversed during year	(31)	-	-	(31)
Charge/(credit) to income statement	-	(325)	-	(325)
At 31 December 2018	429	158	32	619

Notes to the consolidated financial statements

26. Provisions (continued)

Client compensation

The group remediates clients affected by errors on the platform and calculates any amounts due in line with guidance given by the Financial Ombudsman Service in respect of the type of client loss, distress and inconvenience for which clients should be compensated. Where actual trading losses are suffered by clients, these are calculated in accordance with Mifid II best execution rules to ensure clients are restored to the position they would have been in had the error or omission not been made. Amounts are provided and utilised against the administrative expenses line in the income statement and the majority of the outstanding issues are expected to be resolved in the first half of 2019.

Outsourced service

As part of the commercial agreement with its outsourced BPO service provider, should any key performance criteria not be met, the group is entitled to receive a discount on the wrap administration fees charged. Where these are agreed, they are deducted from the invoiced fee and the net expense is charged through the income statement. Where these are uncertain or in dispute with the service provider, a provision is booked in recognition of the uncertainty regarding the outcome.

Dilapidations

During the year, the group utilised the remainder of the dilapidations provision relating to the previous leasehold premises following completion of contractual restoration obligations. The current balance provides for dilapidations relating to the group's new leasehold office premises at Greenside, Edinburgh. This is calculated using the Building Cost Information Service survey (part of the Royal Institution of Chartered Surveyors) of average settlement figures for offices, adjusted for inflation, and the square footage of the company's leasehold premises. The provision has been classified as non-current due to the likelihood of its utilisation at the end of the lease in 2027.

27. Reconciliation of profit before income tax to cash generated from operations

	2018 £'000	2017 £'000
Profit before income tax	5,653	5,124
Depreciation	585	410
Loss on disposal of fixed assets	-	55
Share-based payments charge	404	756
Bad debt provision	8	(287)
Increase in trade and other receivables	(618)	(351)
(Increase)/decrease in operational platform prefunding	(257)	1,234
Increase in trade and other payables	1,427	3,233
Increase in other provisions	93	338
Interest paid	7	3
Interest received	(11)	(9)
Net exchange differences	7	3
	<u>7,298</u>	<u>10,509</u>

Operational platform prefunding includes prefunding of client pension tax relief and temporary funding required under the client money and client assets rules.

Notes to the consolidated financial statements

28. Reconciliation of liabilities arising from financing activities

	At 1 January 2017	Non-cash changes	Cash flows	At 31 December 2017
	£'000	£'000	£'000	£'000
Finance lease liabilities	105	234	(139)	200

	At 1 January 2018	Non-cash changes	Cash flows	At 31 December 2018
	£'000	£'000	£'000	£'000
Finance lease liabilities	200	2	(109)	93

29. Operating leases

The group's future minimum lease payments under non-cancellable operating leases are as follows:

	2018	2017
	£'000	£'000
Within one year	312	38
Between one and five years	2,614	1,880
In more than five years	1,518	2,564
	4,444	4,482

During 2017, the company exercised its right to break the existing leases for its office premises at Thistle Street Lane and Hanover Street, Edinburgh. These leases terminated on 31 January 2018.

On 28 November 2017, the company entered into a new lease for its office premises at Greenside, Edinburgh and this agreement contains an initial rent-free period of 18 months. The future minimum lease payments relate solely to this lease agreement.

30. Employee share ownership trust

The two share ownership trusts that operate on behalf of the company and the employees are the NFG Limited Employee Benefit Trust 2010 and the Nucleus Financial Group plc Share Incentive Plan.

31. Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £906,115 (2017: £797,500). Contributions totalling £91,340 (2017: £81,740) were payable to the fund at the balance sheet date.

32. Ultimate controlling party

In the opinion of the Directors there is no ultimate controlling party.

Sanlam UK Limited (Sanlam), a company incorporated in England and Wales, is a majority shareholder of the Company. The Company has entered into a Relationship Agreement with Sanlam and Shore Capital and Corporate Limited which governs the relationship between Sanlam and the Company, to ensure that the Company is able to carry on its business independently from Sanlam and in compliance with all applicable laws and regulations (including, inter alia, the AIM Rules). Sanlam has agreed that all transactions and relationships between the Sanlam Group and the Company shall be on an arms' length basis and on normal commercial terms.

Notes to the consolidated financial statements

33. Related party transactions

Entities with significant influence over the company

Transactions with NIFAC and Sanlam were as follows:

	2018	2017
	£'000	£'000
NIFAC		
Additional loans provided by NFG to NIFAC	-	28
Subordinated loan facility cap	-	450
Interest charged to NIFAC at 2.5% (2017: 2.5%)	-	1
Interest charged to NIFAC at 3.0% (2017: 3.0%)	-	7
Amounts owed to NFG	42	10
Dividend paid to NIFAC by NFG	632	1,082

	2018	2017
	£'000	£'000
Sanlam		
Amounts owed to Sanlam in respect of board fees	176	89
Amounts owed to Sanlam in respect of fees for the Onshore Bond	72	65
Amounts charged by Sanlam in respect of the Onshore Bond	429	369
Amounts owed to Sanlam in respect of tax collected from the Onshore Bond	97	83
Dividend paid to Sanlam by NFG	1,976	2,427

On Nucleus' admission to AIM, NIFAC realised part of its shareholding in Nucleus and distributed the net proceeds together with its residual shareholding interest to its underlying shareholders. NIFAC no longer holds shares in Nucleus.

Subsidiaries

NFG owns 100% of the share capital of NFS, NIFAS and IMX. There were no transactions with IMX and NIFAS. The transactions with NFS are as follows:

	2018	2017
	£'000	£'000
NFS		
Amounts owed to NFG by NFS	706	2,025

Notes to the consolidated financial statements

33. Related party transactions (continued)

Other related parties

During the year the company was charged £390,000 (2017: £150,000) for services provided by Craven Street Capital Limited of which J A A Samuels is a director. An amount of £nil (2017: £102,000) is accrued.

Key management personnel

Key management personnel are considered to be members of the executive committee and remuneration for the year is as follows:

	2018 £'000	2017 £'000
Short term employee benefits	2,238	1,518
Post-employment benefits	95	106
Share-based payments	314	473
	2,647	2,097

During the year key management personnel received dividends totalling £358,821 (2017: £378,566).

34. Events after the reporting period

There were no subsequent events that required adjustment to or disclosure in the financial statements for the period from 31 December 2018 to the date upon which the financial statements were available to be issued.

Company statement of financial position

	Note	31 December 2018 £'000	31 December 2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	4	1,038	830
Investments	5	7,645	7,645
Deferred tax	10	163	158
		8,846	8,633
Current assets			
Trade and other receivables	6	1,382	2,655
Cash and cash equivalents	7	1,758	3,540
		3,140	6,195
Total assets		11,986	14,828
Equity			
Shareholders' equity			
Called up share capital	17	76	21
Capital redemption reserve	17	53	1
Share-based payment reserve	17	150	2,646
Retained earnings	17	(29)	-
	17	7,481	8,058
Total equity		7,731	10,726
Liabilities			
Non-current liabilities			
Provisions	9	32	-
		32	-
Current liabilities			
Trade and other payables	8	4,223	3,876
Tax payable		-	2
Provisions	9	-	224
		4,223	3,876
Total liabilities		4,255	4,102
Total equity and liabilities		11,986	14,828

In accordance with section 408 of the Companies Act 2006, the company is exempt from the requirement to present its own income statement and a statement of comprehensive income. The company's profit for the year was £562,727 (2017: £917,448). Included in this amount is dividends received of £2,335,065 (2017: £1,500,000), which are recognised when the right to receive payment is established. The company recognised no other income or expenses in either the current or prior year, other than the profit for each year.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 April 2019.

S J Geard
Director

The accompanying notes form part of these financial statements.

Company statement of changes in equity

	Called up share capital £'000	Retained earnings/ (accumulated losses) £'000	Share premium £'000	Treasury shares £'000
Balance at 1 January 2018	21	8,058	-	-
Changes in equity				
Issue of preference shares	50	(50)	-	-
Redemption of preference shares	(50)	-	-	-
Issue of bonus shares and G share conversion	57	(57)	-	-
Buy back and redemption of G and deferred shares	(2)	-	-	-
Profit for the financial year	-	563	-	-
Dividends paid	-	(3,933)	-	-
Purchase of own shares	-	-	-	(29)
Transfer on share conversion	-	2,900	-	-
Share-based payments charge	-	-	-	-
Balance at 31 December 2018	76	7,481	-	(29)

	Called up share capital £'000	Retained earnings/ (accumulated losses) £'000	Share premium £'000	Treasury shares £'000
Balance at 1 January 2017	22	(3,771)	15,747	-
Changes in equity				
Redemption of shares	(1)	(63)	-	-
Transfer on capital reduction	-	15,747	(15,747)	-
Transfer on exercise of options	-	41	-	-
Dividends paid	-	(4,813)	-	-
Profit for the financial year	-	917	-	-
Share-based payments charge	-	-	-	-
Balance at 31 December 2017	21	8,058	-	-

Company statement of changes in equity

	Capital redemption reserve £'000	Share-based payment reserve £'000	Total equity £'000
Balance at 1 January 2018	1	2,646	10,726
Changes in equity			
Issue of preference shares	-	-	-
Redemption of preference shares	50	-	-
Issue of bonus shares and G share conversion	-	-	-
Buy back and redemption of G and deferred shares	2	-	-
Profit for the financial year	-	-	563
Dividends paid	-	-	(3,933)
Purchase of own shares	-	-	(29)
Transfer on share conversion	-	(2,900)	-
Share-based payments charge	-	404	404
Balance at 31 December 2018	53	150	7,731

	Capital redemption reserve £'000	Share-based payment reserve £'000	Total equity £'000
Balance at 1 January 2017	-	1,931	13,929
Changes in equity			
Redemption of shares	1	-	(63)
Transfer on capital reduction	-	-	-
Transfer on exercise of options	-	(41)	-
Dividends paid	-	-	(4,813)
Profit for the financial year	-	-	917
Share-based payments charge	-	756	756
Balance at 31 December 2017	1	2,646	10,726

The accompanying notes form part of these financial statements.

Company statement of cash flows

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash inflow from operations	12	149	6,285
Income tax paid		(2)	(6)
Net cash inflow from operating activities		147	6,279
Cash flows from investing activities			
Purchase of tangible fixed assets		(300)	(837)
Dividend received		2,335	1,500
Interest received		2	-
Investments		-	(5,000)
Net cash outflow from investing activities		2,037	(4,337)
Cash flows from financing activities			
Interest received		-	8
Dividend paid		(3,933)	(4,813)
Share buyback		-	(63)
Purchase of Treasury shares		(29)	-
Net cash outflow from financing activities		(3,962)	(4,868)
Decrease in cash and cash equivalents		(1,778)	(2,926)
Cash and cash equivalents at beginning of year		3,540	6,467
Effects of exchange rate changes on cash and cash equivalents		(4)	(1)
Cash and cash equivalents at end of year		1,758	3,540

The accompanying notes form part of these financial statements.

Notes to the company financial statements

1. Accounting policies

Nucleus Financial Group plc (the company) is a public limited company incorporated in the United Kingdom and registered in England and Wales.

In accordance with Section 408 of the Companies Act 2006, the company is exempt from the requirement to produce its own income statement and statement of comprehensive income.

The significant accounting policies applied in the preparation of these company financial statements are the same as those set out in note 1 to the consolidated financial statements with the addition of the following:

Investments in subsidiaries

Investments in subsidiaries are valued at cost less any provision for impairment. At each reporting date, the directors assess whether there is any indication that an asset may be impaired. If any such indication exists, the directors will estimate the recoverable amount of the asset. There was no impairment during the year.

2. Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements applied in the preparation of these company financial statements are the same as those set out in note 2 to the consolidated financial statements.

3. Staff costs

Staff costs paid by the company and the number of employees are detailed in note 6 to the consolidated financial statements. The company recharges an element of this cost to NFS.

The company's pension commitments are disclosed in note 31 to the consolidated financial statements.

Directors' remuneration and compensation of key management personnel is disclosed in notes 7 and 33 to the consolidated financial statements.

Notes to the company financial statements

4. Property, plant and equipment

	Short-term leasehold property £'000
Cost	
At 1 January 2018	837
Additions	<u>300</u>
At 31 December 2018	<u>1,137</u>
Depreciation	
At 1 January 2018	7
Charge for the year	<u>92</u>
At 31 December 2018	<u>99</u>
Net book value	
At 31 December 2018	<u>1,038</u>
	Short-term leasehold property £'000
Cost	
At 1 January 2017	27
Additions	837
Disposals	<u>(27)</u>
At 31 December 2017	<u>837</u>
Depreciation	
At 1 January 2017	19
Charge for year	11
Eliminated on disposal	<u>(23)</u>
At 31 December 2017	<u>7</u>
Net book value	
At 31 December 2017	<u>830</u>

Notes to the company financial statements

5. Investments

Investment
in subsidiary
companies
£'000

Cost

At 1 January 2018 and 31 December 2018

7,645

Net book value

At 31 December 2018

7,645

At 31 December 2017

7,645

Subsidiary undertakings

The following are subsidiary undertakings of the company:

Nucleus Financial Services Limited

Registered office: United Kingdom

Class of shares: Ordinary

Holding: 100%

Principal activity: Provision of wrap administration services to selected financial advisers in the United Kingdom

	2018	2017
	£'000	£'000
Aggregate capital and reserves	16,607	12,926
Profit for the financial year	6,020	4,420

Notes to the company financial statements

5. Investments (continued)

Nucleus IFA services Limited

Registered office: United Kingdom

Class of shares: Ordinary

Holding: 100%

Principal activity: Provision of platform technology, sales, marketing and platform development services to NFS. Trade was transferred to NFS on 1 April 2017

	2018	2017
	£'000	£'000
Aggregate capital and reserves	648	125
Profit for the financial year	523	274

Nucleus IMX Limited

Registered office: United Kingdom

Class of shares: Ordinary

Holding: 100%

Principal activity: Non-trading subsidiary

	2018	2017
	£	£
Aggregate capital and reserves	1	1
Profit for the financial year	-	-

Notes to the company financial statements

6. Trade and other receivables

	2018	2017
	£'000	£'000
Amounts owed by group undertakings	706	2,025
Other debtors	116	114
Prepayments and accrued income	560	516
	<u>1,382</u>	<u>2,655</u>

Amounts owed by group undertakings are unsecured, interest free and have agreed repayments terms.

7. Cash and cash equivalents

	2018	2017
	£'000	£'000
Cash at bank and in hand	<u>1,758</u>	<u>3,540</u>

8. Trade and other payables

	2018	2017
	£'000	£'000
Trade creditors	367	315
Social security and other taxes	380	334
Other creditors	6	-
Accruals	3,470	3,227
	<u>4,223</u>	<u>3,876</u>

Notes to the company financial statements

9. Provisions

	2018 £'000	2017 £'000
Dilapidations	32	224
Analysed as follows:		
Current	-	224
Non-current	32	-
	32	224
		Dilapidations £'000
At 1 January 2017		103
Provided during year		121
At 31 December 2017		224
Utilised during year		(222)
Provided during year		30
At 31 December 2018		32

Dilapidations

During the year, the company utilised the remainder of the dilapidations provision relating to the previous leasehold premises following completion of contractual restoration obligations. The current balance provides for dilapidations relating to the company's new leasehold office premises at Greenside, Edinburgh. This is calculated using the Building Cost Information Service survey (part of the Royal Institution of Chartered Surveyors) of average settlement figures for offices, adjusted for inflation, and the square footage of the company's leasehold premises. The provision has been classified as non-current due to the likelihood of its utilisation at the end of the lease in 2027.

Notes to the company financial statements

10. Deferred tax

	Accelerated capital allowances £'000	Short term timing differences £'000	Losses and other deductions £'000	Total £'000
At 1 January 2017	4	32	-	36
(Charge)/credit to income statement	(9)	9	122	122
At 31 December 2017	(5)	41	122	158
(Charge)/credit to income statement	13	(24)	16	5
At 31 December 2018	8	17	138	163

The total potential deferred tax asset arising in respect of unutilised tax losses and timing differences at 31 December 2018 is £449,832 (2017: £276,517). As a result of the uncertainty in the opinion of the directors regarding the timing and extent of future profit generation by the company, a deferred tax asset of £286,290 (2017: £118,824) has not been recognised.

11. Financial instruments

	Financial liabilities at amortised cost £'000	Financial assets at amortised cost £'000	Total £'000
2018			
Financial assets			
Cash and cash equivalents	-	1,758	1,758
Trade and other receivables	-	1,382	1,382
Total financial assets	-	3,140	3,140
Non-financial assets			8,846
Total assets			11,986
Financial liabilities			
Trade and other payables	4,223	-	4,223
Total financial liabilities	4,223	-	4,223
Non-financial liabilities			32
Total liabilities			4,255

Notes to the company financial statements

11. Financial instruments (continued)

	Financial liabilities at amortised cost	Loans and receivables	Total
	£'000	£'000	£'000
2017			
Financial assets			
Cash and cash equivalents	-	3,540	3,540
Trade and other receivables	-	2,655	2,655
Total financial assets	-	6,195	6,195
Non-financial assets			8,633
Total assets			14,828
Financial liabilities			
Trade and other payables	3,876	-	3,876
Total financial liabilities	3,876	-	3,876
Non-financial liabilities			226
Total liabilities			4,102

Notes to the company financial statements

11. Financial instruments (continued)

Financial assets maturity schedule:

2018	< 3 months £'000	3–12 months £'000	1–5 years £'000	> 5 years £'000	Total £'000
Financial assets					
Cash and cash equivalents	1,758	-	-	-	1,758
Trade and other receivables	1,382	-	-	-	1,382
	3,140	-	-	-	3,140

2017	< 3 months £'000	3–12 months £'000	1–5 years £'000	> 5 years £'000	Total £'000
Financial assets					
Cash and cash equivalents	3,540	-	-	-	3,540
Trade and other receivables	2,602	53	-	-	2,655
	6,142	53	-	-	6,195

Financial liabilities maturity schedule:

2018	< 3 months £'000	3–12 months £'000	1–5 years £'000	> 5 years £'000	Total £'000
Financial liabilities					
Trade and other payables	4,055	168	-	-	4,223
	4,055	168	-	-	4,223

2017	< 3 months £'000	3–12 months £'000	1–5 years £'000	> 5 years £'000	Total £'000
Financial liabilities					
Trade and other payables	3,582	279	15	-	3,876
	3,582	279	15	-	3,876

Notes to the company financial statements

12. Reconciliation of profit before tax to cash generated from operations

	2018	2017
	£'000	£'000
Profit before income tax	557	797
Depreciation	92	11
Loss on disposal of fixed assets	-	4
Share-based payments charge	404	756
Decrease in trade and other receivables	1,274	4,723
Increase in trade and other payables	347	1,380
(Decrease)/increase in provisions	(192)	121
Finance income	-	(8)
Net exchange differences	4	1
Preference share interest received	(2)	-
Dividend received	(2,335)	(1,500)
	149	6,285

Notes to the company financial statements

13. Dividends

Details of dividends paid are disclosed in note 11 to the consolidated financial statements.

14. Called up share capital

Details of the share capital of the company are disclosed in note 20 to the consolidated financial statements.

15. Operating lease commitments

Details of the company's operating lease commitments are disclosed in note 29 to the consolidated financial statements.

16. Share-based payments

For details of the company's share schemes, including the valuation models used, refer to notes 24 and 25 in the consolidated financial statements.

17. Reserves

Details of the company's reserves are disclosed in note 21 to the consolidated financial statements.

18. Related party transactions

Details of related party transactions are disclosed in note 33 to the consolidated financial statements.

19. Controlling party

Details of the ultimate controlling party are disclosed in note 32 to the consolidated financial statements.

Company information

Directors

T Dunley-Owen
D R Ferguson
S J Geard
J P Gibson
M G Hassall
J A Levin
J C Polin
J A A Samuels

Company secretary

N C Megaw

Registered number

05522098

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Definitions and glossary of technical terms

Definitions of industry-specific financial performance measures

The following definitions apply throughout this document:

Adjusted

Denotes that a standard or defined financial performance measure is adjusted for non-recurring items, transactions that do not reflect the normal operating activities of the group and share based payments.

Adjusted EBITDA

Adjusted EBITDA excludes non-operating income, AIM admission costs and share based payments.

Adjusted EBITDA margin

Adjusted EBITDA expressed as a percentage of revenue.

Adjusted earnings per share (EPS)

Value of adjusted profit after tax divided by weighted average number of shares.

Adjusted profit after tax

The adjusted profit before tax less the adjusted profit before tax multiplied by the standard rate of corporation tax in the UK

AUA

Assets under administration.

Average AUA

The average AUA balance for the period is calculated as the average of the end of day AUA balances during the period.

Blended revenue yield (bps)

Revenue is divided by the average assets under administration. For interim periods the revenue is annualised using the number of days in the period.

Capital adequacy ratio

A capital adequacy measure calculated by dividing regulatory capital over risk weighted exposures.

Capital adequacy ratio-underlying

Capital adequacy ratio that includes current year profits in the capital measure.

Compound asset growth rate

Average growth rate over a period of time expressed as an annualised percentage.

EBITDA

Earnings Before Interest Tax, Depreciation and Amortisation.

Gross inflows

Value of cash and assets received onto the platform.

Industry-specific financial performance measures

Alternative performance measures that the directors believe help to inform the results and financial position of the group.

Net inflows

Value of Gross inflows less Outflows.

Outflows

Value of cash and assets leaving the platform.

Definitions and glossary of technical terms (continued)

Glossary of technical terms

AIM Rules

The rules published by London Stock Exchange entitled AIM Rules for Companies.

BPO

Business process outsourcing. The contracting of the operations and responsibilities of a specific business process to a third-party service provider.

Customers

The customers of Nucleus, whose assets are managed through the platform.

Clients

The customers of financial advisers, whose assets are managed through the platform.

FCA

The Financial Conduct Authority.

GDPR

The General Data Protection Regulation (Regulation (EU) 2016/679).

IFRS

International Financial Reporting Standards as adopted by the European Union.

MiFID II

The EU Markets in Financial Instruments Directive (2014/65/EU).

NFS

Nucleus Financial Services Limited.

Nucleus or the Group

The Company and its subsidiaries.

Priips

The Packaged Retail and Insurance-based Investment Products Regulation.

Sanlam

Sanlam UK Limited.

SMCR

Senior Managers and Certification Regime.

