# Interim Results

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Nucleus Financial Group PLC
08 September 2020

8 September 2020

Nucleus Financial Group plc

("Nucleus" or the "group")

Unaudited interim results for the six months ended 30th June 2020

Nucleus delivers resilient financial performance and operational progress alongside continued long-term business investment

Nucleus (AIM: NUC), a leading independent wrap platform provider, is pleased to announce its unaudited interim results for the six months ended 30 June 2020.

Financial highlights

| £ million (unless otherwise stated) | Six months ended 30 June 2020 | Six months ended 30 June 2019 | Change |
|---|---|---|---|
| Period end AUA | 15,825 | 15,332 | 3.2% |
| Average AUA | 15,374 | 14,725 | 4.4% |
| Revenue | 25.1 | 25.2 | (0.4%) |
| Net revenue* | 22.2 | 22.1 | 0.7% |
| Blended revenue yield (bps)* | 29.1 | 30.2 | (3.6%) |
| Adjusted EBITDA* | 2.1 | 4.6 | (54.1%) |
| Adjusted EBITDA margin (%)* | 9.4 | 20.7 | (54.6%) |
| Adjusted profit before tax* | 1.8 | 4.2 | (56.6%) |
| Profit after tax for the period | 1.2 | 3.4 | (63.8%) |
| Earnings per share (p) | 1.6 | 4.4 | (63.6%) |
| Adjusted earnings per share (p)* | 2.0 | 4.5 | (55.6%) |
| Interim dividend declared per share (p) | 1.0 | 1.5 | (33.3%) |

- Despite the impact of Covid-19 on markets in H1 2020, period-end AUA increased 3.2% year-on-year to £15.8bn compared to a FTSE All-Share Index reduction of 15.9%.
- Net revenue grew by 0.7% in the period, with blended revenue yield reducing as expected.
- Operating expenses were in line with expectations, except for AUA related costs which were lower than expected on account of the H1 market falls, as planned levels of investment were maintained.
- Adjusted EBITDA, at £2.1m, was adversely impacted by the combined effect of lower than expected average AUA levels during the period and maintenance of expected levels of proposition investment.
- Interim dividend of 1.0p per share (H1 2019: 1.5p) equating to a payment of £0.8m.
- Strong balance sheet retained with £18.7m of cash, no borrowings and £11.2m of capital in excess of the 8% minimum regulatory capital requirement.

Operational highlights

- We continued to develop our new discretionary model portfolio service, Nucleus IMX, during the period which was subsequently launched at the end of August. IMX offers a compelling combination of greater personalisation and better value for customers.
- Further investment in the core platform proposition throughout H1 saw several notable enhancements including adapting to the Covid-19 situation to accept scanned documentation and (post-period) e-signatures, the introduction of new telephony infrastructure and improved tax reporting.
- 3.3% increase in the number of active advisers from 1,383 to 1,428 over the last year.
- 4.3% increase in customer numbers from 95,657 to 99,797 over the last year.

David Ferguson, founder and CEO of Nucleus, commented:

"Covid-19 has clearly impacted investor sentiment over the first half of the year but despite this, we recovered most of the Q1 market fall in AUA by the end of the period and grew assets by 3.2% year-on-year and net revenue by 0.7% over the same period."

"During this time we have focused on those elements within our control and as such we continue to invest in our proposition to ensure we meet the future needs of our users. On that note, I'd like to thank our people who have maintained stable operations, deployed several notable platform enhancements and completed the development and launch of Nucleus IMX, our new model portfolio service. IMX is rooted in a belief we can help customers achieve greater value for money and is therefore a natural extension to our strategy to create value through greater alignment of advisers and their customers."

"We expect good things from IMX over time and intend to continue investing in the development of our platform and service proposition for the long-term benefit of our users, their clients and our shareholders. While the impact of Covid-19 remains uncertain and continues to affect investor sentiment, customer numbers exceeded 100,000 after the period end, and trading has been in line with our post-Covid-19 expectations. I believe we are well positioned to win market share, grow our top line and expand our operating margin."

* 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.

- Blended revenue yield is calculated by dividing annualised net revenue by Average AUA.
- Adjusted EBITDA and adjusted profit before tax exclude non-operating income and share-based payments, and include right of use (ROU) asset depreciation and ROU liability interest. Refer to the chief financial officer's report for further analysis.

The definitions and calculation methods are included at the end of the document, where other technical terms are also defined.

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Analyst presentation

There will be an analyst conference call to discuss the results at 10:00am today, 8 September. Analysts wishing to attend are asked to use the following link to join.

Forward-looking statements

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". By their nature, forward-looking statements involve known and unknown risks and uncertainties since they relate to future events and circumstances. Actual results may, and often do, differ materially from any forward-looking statements.

Any forward-looking statements in this announcement reflect Nucleus' view with respect to future events as at the date of this announcement. Save as required by law or by the AIM Rules for Companies, Nucleus undertakes no obligation to publicly revise any forward-looking statements in this announcement following any change in its expectations or to reflect events or circumstances after the date of this announcement.

Notes to editors

About Nucleus

Nucleus is a wrap platform founded in 2006 and built by advisers committed to altering the balance of power in the industry by putting the client centre stage. It provides independent wrap platform services to over 1,400 active adviser users and works with more than 900 financial adviser firms as at 30 June 2020. It is responsible for AUA of £15.8bn on behalf of more than 99,000 customers (over 100,000 at the time of issue).

The multi award-winning 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.

Nucleus has been awarded CoreData's 'Best medium-sized platform' for 2020 (and the last nine years). It has also been awarded a 5-star service rating at the 2019 Financial Adviser Awards, the Schroders 'Platform of the year' award for 2016, 2017 and 2018 and won 'Best platform' and 'Platform innovation' at the Money Marketing awards 2018.

Chief executive officer's report

Overview

I wrote in our 2019 results (in April) that our business was exposed to external events more than ever before but that we would continue to deliver on those matters within our control. The Covid-19 pandemic has since dominated the agenda, but through it all our people have worked from their kitchens, lounges and spare bedrooms to maintain stable operations, to deploy some notable platform enhancements and to develop and launch Nucleus IMX, our new model portfolio service. I am very grateful to the team for adapting so well to the challenging environment, so much so that we have been awarded CoreData's 'best medium platform' award for the ninth year in succession.

Despite the effect of the pandemic on global asset values, we recovered most of the Q1 2020 market fall in AUA by the end of the period, grew our market share slightly and shortly after the reporting period, broke through the 100,000 customer barrier. Adviser firms remain resilient, and as activity trends back toward normal, I expect us to recover momentum in inflows and operating margin as we scale.

## Operational performance

We closed the period with AUA of £15.8bn, broadly flat since the start of the year, despite the considerable market volatility, and up 3.2 per cent over June 2019. Adviser and customer numbers continued to rise and overall gross inflows during the period were just under £1bn, up 1 per cent year-on-year, with the strong performance in Q1 2020 (£580m) offset by a weaker Q2 2020 (£384m) as Covid-19 impacted adviser and client activity. At the same time, outflows fell substantially helping us achieve a 76.7 per cent improvement in net flows across all channels, including from our new relationships with Fairstone and SimplyBiz.

In addition to the excellent performance of the team in maintaining operations (including adapting to accept scanned documentation and post-period e-signatures), we were able to deliver new telephony infrastructure, improvements to our tax reporting and developed IMX which went live towards the end of August. We have also embarked on a programme to remove paper wherever possible, and in H1 experienced a 25 per cent uplift in the number of users of our online customer portal, Nucleus Go (81 per cent uplift on June 2019).

## Financial performance and dividend

The Covid-19 market correction meant that net revenue was only marginally up over the prior period and adjusted EBIDTA fell to £2.1m reflecting the greater operational gearing in the business with a higher level of platform development expenditure and increased direct platform costs as a result of the change in relationship with Genpact. Operating expenses were in line with our expectations as we combined cost control in some areas with continued investment in future growth, as planned. On a reported basis, profit after tax and earnings per share fell by 63.8 per cent and 63.6 per cent, respectively. Further details are contained in the chief financial officer's report.

I am pleased to announce that the board has declared an interim dividend of 1.0p per share, in line with our dividend policy, amounting to a total payment of £0.8m to be paid in October. On account of the continued and open-ended uncertainty relating to the Covid-19 pandemic which the board considers still persists, in the interests of prudent capital management, the board has not resolved to declare a second interim dividend relating to the financial year ended 31 December 2019 but continues to keep the matter under review.

## Our people

Further to my comments above, our people have risen well to the challenges this year has presented and in keeping with our plans to grow the business we have hired eight new people since lockdown started, including the appointment of Martin Ettles to the newly created position of chief risk officer in March.

We have not furloughed any staff and will continue to take our wider stakeholder responsibilities seriously as the fallout from the pandemic becomes clearer. Among these responsibilities are our obligations in respect of diversity and inclusion, and we have refocused our efforts in this area.

## Strategic development

Continued top line growth is planned to be achieved through continued development of the online platform, the rollout of IMX and further focused engagement with existing and new platform users, including existing strategic partners and the new enterprise channel.

IMX is rooted in a belief that we can help customers achieve better value for money and is therefore a natural extension to our strategy to create value through greater alignment of advisers and their customers. It occupies the space between financial planning and the portfolios required to deliver such plans, and we believe it offers a compelling combination of greater personalisation and lower fees. We already have firms signed up for the new service, and we plan to use insight to identify where existing users can improve value for money in portfolio construction.

We are also now in dialogue with several larger firms through our Nucleus enterprise channel and expect this to open up further growth opportunities. Combining our existing well-established capabilities with technology connectivity, and more flexible relationship and pricing models appears to present an attractive proposition in this space. This should become ever more the case as we continue to develop our capabilities over the next 12-18 months.

## Outlook

The impact of Covid-19 remains uncertain and open-ended, but not withstanding this external theme, we remain positive over the outlook for our business. The group has a robust capital position with substantial headroom to its regulatory requirements and trading since the period end has been in line with our expectations, taking into account the effect of Covid-19 on investor sentiment and investment asset values. We expect good things from IMX over time, and while further fluctuations in asset levels feels inevitable, we are well positioned to win market share, grow our top line and expand our operating margin.

David Ferguson
Founder and CEO

## Chief financial officer's report

After a very positive start to the period, the impact of the Covid-19 pandemic dominated Nucleus' financial performance for the period and the outlook beyond it. Whereas the result of the general election in December 2019 removed - at least temporarily - much of the uncertainty that had existed throughout the previous year, Covid-19 resulted in significantly increased market volatility and investor uncertainty, necessitated material changes to working environments and operational processes at short notice, and challenged the sustainability of many business models. With this came an increased focus on balance sheet strength and solvency management, as well as the need to realign business plans to compensate for the effects of the pandemic and the expected emergence from it.

From a financial perspective, the impact on Nucleus of the pandemic has been felt mainly in the level of assets under administration, the trend in gross inflows and the consequent effect on net revenue of both. A more detailed update on the key elements of our income statement and balance sheet is provided in the sections that follow.

Financial key performance indicators

| Group | Six months ended 30 June 2020 £'000 | Year ended December 2019 £'000 | Year ended December 2018 £'000 | Year ended December 2017 £'000 | Year ended December 2016 £'000 |
|---|---|---|---|---|---|
| AUA[1] | 15,824,614 | 16,141,279 | 13,883,713 | 13,576,703 | 11,143,757 |
| Gross inflows[1] | 964,284 | 1,941,712 | 2,290,236 | 2,607,759 | 1,854,830 |
| Net inflows[1] | 432,867 | 509,444 | 1,193,502 | 1,668,237 | 970,263 |
| Revenue | 25,119 | 51,517 | 49,405 | 45,462 | 37,483 |
| Net revenue[1] | 22,244 | 45,234 | 43,154 | 39,361 | 32,407 |
| Adjusted EBITDA[1] | 2,096 | 7,923 | 8,304 | 6,248 | 5,141 |
| Profit for the period after tax | 1,222 | 5,953 | 4,756 | 4,111 | 3,387 |
| Dividend paid | nil | 3,873 | 3,933 | 4,813 | nil |
| Adjusted EBITDA margin[1] | 9.4% | 17.5% | 19.2% | 15.9% | 15.8% |

[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.

Financial review

| Group | Six months ended 30 June 2020 £m | Six months ended 30 June 2019 £m | Year ended 31 December 2019 £m |
|---|---|---|---|
| Opening AUA | 16,141 | 13,884 | 13,884 |
| Inflows | 964 | 955 | 1,941 |
| Outflows | (531) | (709) | (1,432) |

| | | | |
|---|---|---|---|
| Net inflows | 433 | 246 | 509 |
| Market movements | (749) | 1,202 | 1,748 |
| Closing AUA | 15,825 | 15,332 | 16,141 |
| Average AUA | 15,374 | 14,725 | 15,180 |

| Group | Six months ended 30 June 2020 £'000 | Six months ended 30 June 2019 £'000 | Year ended 31 December 2019 £'000 |
|---|---|---|---|
| Revenue | 25,119 | 25,210 | 51,517 |
| AUA related fees paid | (2,875) | (3,123) | (6,283) |
| Net revenue | 22,244 | 22,087 | 45,234 |
| Other income | - | - | 105 |
| Total operating income | 22,244 | 22,087 | 45,339 |
| Staff costs | (7,885) | (7,312) | (14,590) |
| AUA related costs | (5,585) | (4,959) | (10,197) |
| Other direct platform costs | (2,120) | (1,057) | (3,389) |
| Platform development costs | (1,465) | (1,094) | (2,948) |
| Other costs | (3,093) | (3,095) | (6,292) |
| Adjusted EBITDA* | 2,096 | 4,570 | 7,923 |
| Depreciation* | (284) | (350) | (667) |
| Adjusted EBIT | 1,812 | 4,220 | 7,256 |
| Interest income | 32 | 27 | 80 |
| Interest expense* | - | (1) | (2) |
| Adjusted profit before tax | 1,844 | 4,246 | 7,334 |
| Other non-operating income | 4 | 8 | 17 |
| Share-based payments | (283) | (74) | (349) |
| Statutory profit before tax | 1,565 | 4,180 | 7,002 |
| Taxation | (343) | (808) | (1,049) |
| Statutory profit after tax | 1,222 | 3,372 | 5,953 |

| | | | |
|---|---|---|---|
| Adjusted profit after tax | 1,494 | 3,439 | 5,941 |
| Basic EPS | 1.6p | 4.4p | 7.8p |
| Adjusted EPS | 2.0p | 4.5p | 7.8p |
| Blended revenue yield (bps)** | 29.1 | 30.2 | 29.8 |
| Adjusted EBITDA margin | 9.4% | 20.7% | 17.5% |

*Adjusted EBITDA excludes non-operating income and share-based payments, and includes ROU asset depreciation and ROU liability interest. It 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 by Average AUA

Revenue

AUA opened the year at £16.1bn and continued to increase in the first quarter on the back of relatively stable market levels and recovering net inflows. The positive momentum created in Q4 2019 continued into 2020, reflecting the rebound in investor sentiment post the general election and Brexit withdrawal agreement, as well as several Nucleus-specific factors, such as the continued growth of some of our largest supporting adviser firms, the development of relationships with Fairstone and SimplyBiz firms, a sustained period of service delivery and the delivery of a number of proposition enhancements and adviser efficiencies since taking control of the change management process towards the end of 2018.

Gross inflows remained strong until the end of Q1, while outflows fell back to historic levels, resulting in net inflows of £268m increasing by 100% on the same quarter of the prior year.

Markets and, as a consequence, AUA fell sharply towards the end of March, with AUA closing the quarter £2.2bn (or 13.4 per cent) down at £14.0bn and the FTSE All-Share index decreasing by 26.0 per cent over that period.

Markets recovered some of their losses over Q2 2020, with our AUA similarly recovering to £15.8bn at 30 June 2020, a net decrease of 2.0 per cent over the half-year period compared to a decrease in the FTSE All-Share index of 18.7 per cent over the same period. In comparison to the position at 30 June 2019, AUA increased by 3.2 per cent, while the FTSE All-Share index fell by 15.9 per cent. The £0.3bn decrease in AUA in the current period reflects the impact of the market fall and subsequent partial recovery (-£749m), as well as net inflows of £433m, which, whilst a 77 per cent uplift on H1 2019, unsurprisingly were negatively impacted in Q2 by the particularly challenging environment. As could be expected given the circumstances, the trading environment in Q3 to date remains difficult and a sustained recovery in inflows will be subject to adviser activity increasing as the national lockdown eases, investor sentiment improving and the transfer value of incoming assets recovering.

Average AUA of £15.4bn (up 4.4 per cent over the six months to 30 June 2019) incorporates the volatility within the period under review, while net revenue of £22.2m (2019 H1: £22.1m) was 0.7 per cent higher than in the prior year. This reflects an expected lower blended revenue yield of 29.1 basis points (2019 H1: 30.2 basis points, 2019 H2: 29.4 basis points and 2019 FY: 29.8 basis points), which incorporates the effect of the renegotiated contractual terms with Paradigm agreed to in 2019 and improved terms implemented for a very small number of our largest adviser groups during the course of 2019, offset to a limited extent by the impact of lower asset values on tiered fees.

Costs

Except for lower AUA-related costs and other items of expenditure affected by the Covid-19 pandemic, the business continued to demonstrate sound cost control and overall costs were largely in line with expectations. We continue to execute on our strategy of investing in our platform and people and will continue to do so should the external environment not deteriorate to such an extent that mitigating actions are deemed necessary.

AUA-related costs of £5.6m increased by £0.6m (or 12.6 per cent) from the prior year, at an average cost of 7.3 basis points (2019 H1: 6.8 basis points). The increase in this cost line incorporates the effect of higher average AUA over the period (albeit lower than expected due to lower than expected market levels) as well as the reduction in 'fixed discounts' agreed to with Genpact as part of the restructuring of the agreement with them at the end of 2018, which were determined on the basis of anticipated higher AUA balances in the period than was the case due to Covid-19. The profile in respect of this cost category is now representative of the position going forwards, except that the marginal cost relating to assets over £16bn is significantly lower.

Other direct platform costs increased in line with expectations (and guidance given previously) from £1.1m to £2.1m, with the increase reflecting the cost of platform hosting and production support taken over from Genpact with effect from August 2019. All other items in this cost category (i.e. platform printing and postage, platform licences, bank charges and compensation payments) were consistent with expectations and prior year.

Platform development costs of £1.5m were in line with expectations and our stated plans. Unless there is a further significant deterioration in market conditions, we will continue to target expenditure on platform development of £3m per year, and may even look to accelerate this in the next 18 months should conditions improve.

Total staff costs increased to £7.9m from £7.3m in the same period in 2019, with the number of full-time equivalent employees increasing from 229 in H1 2019 to 236 in H1 2020 but remaining flat when compared to the position at the start of the year. The increase in staff costs included one-off restructuring costs of £0.2m and costs relating to IMX of £0.1m (2019 H1: £0.04m), but in general, reflected a slowdown in recruitment and a reduction in bonus accruals in response to the Covid-19 pandemic.

Other costs of £3.1m (2019 H1: £3.1m) were within expectations and in line with the prior year. This result incorporates the action taken to control costs in response to the external environment, offset to some extent by the impact of a further significant increase in FCA and FSCS levies, which increased by £0.2m or 74 per cent over the same period in 2019. Included in this category are costs relating to our head office premises, which have been accounted for within adjusted EBITDA on a basis consistent with that applied in 2018 and 2019.

## Operating margin

Our operating margin (as reflected by the adjusted EBITDA margin) decreased from 20.7 per cent in the first half of 2019 to 9.4 per cent. This reflects the combined effect of reduced revenue growth as a consequence of lower than anticipated market and AUA levels, and costs in general being in line with expectations, save where they are linked to assets under administration or were reduced in response to Covid-19.

## Dividend

At the time of the release of our 2019 results in April 2020, the directors resolved to not recommend a final dividend in respect of the 2019 financial year at that point on account of the considerable Covid-19 enforced uncertainty (2018 final dividend: £2.7m). At the time of writing, and considering the ongoing uncertainty as a result of the Covid-19 pandemic (including as evidenced by very recent market movements, economic projections and government action), the directors do not believe that the outlook for societies, economies and markets has improved sufficiently (or that the downside risk of Covid-19 has reduced sufficiently) to declare a second interim dividend in respect of the 2019 financial year at this stage.

Notwithstanding the strength of the group's capital position, which is summarised in the next section, the directors believe that there is a continued need for prudence and they will continue to keep this matter under review.

The directors have, however, resolved to pay a 2020 interim dividend of 1.0 pence per share in line with our dividend policy. This dividend amounts to a payment of £0.8m (2019 H1: £1.1m) and will be paid on 16 October 2020 to shareholders on the register on 18 September 2020, with an ex-dividend date of 17 September 2020.

Cash flow

Although we continue to achieve a high conversion rate of operating profit to cash, this is not fully reflected in the movement in cash and cash equivalents during the period. This is primarily due to temporary funding required under the client money and client assets rules offset by the benefit of having not paid a 2019 final dividend.

Financial position

| Group financial position | 30 June 2020 £'000 | 31 December 2019 £'000 |
|---|---|---|
| Intangible assets | 325 | 253 |
| Right of use lease assets | 3,245 | 3,476 |
| Cash and cash equivalents | 18,701 | 18,525 |
| Lease liabilities | 3,974 | 4,212 |
| Net assets | 21,139 | 19,706 |
| Capital adequacy ratio | 19.0% | 19.7% |
| Excess capital - above 8% regulatory requirement | 11,181 | 11,424 |

Nucleus continues to be funded entirely by equity capital and has no borrowings, save for in respect of the lease of our Edinburgh headquarters, which is recognised as a lease liability under IFRS16 Leases.

Intangible assets remain limited to the right of use asset in respect of our head office premises lease (under IFRS16) and the development and licencing of Nucleus IMX (recognised in accordance with IAS38).

All surplus capital not required for working capital purposes is held in cash and cash equivalents, which increased from £17.1m as at 30 June 2019 to £18.7m at 30 June 2020, representing 88 per cent of the group's net assets.

The group's cash position benefited from the suspension of the 2019 final dividend, as did its solvency position, which increased to 19.0 per cent (2019 H1: 14.8 per cent) on a pillar one statutory capital basis (or 20.5 per cent (2019 H1: 18.3 per cent) after the inclusion of unaudited current year profits). This amounts to £11.2m of capital in excess of the 8% minimum regulatory capital requirement.

The group's robust capital structure, solvency position, high conversion rate of profit to cash and available liquidity mean that it remains well-positioned to absorb the impact of a sustained collapse in equity markets. The group's capital requirements continue to be reviewed on a quarterly basis (most recently as part of the annual individual capital adequacy assessment process (Icaap) report that was reviewed and approved in June 2020) and are also subject to periodic stress testing to evidence that its regulatory capital requirements can continue to be met in a range of stressed scenarios (including macro-economic shocks, company-specific shocks and a combination of simultaneous internal and external shocks). The output of the stress testing is subject to a set of mitigating actions applied as appropriate to each scenario.

In consideration of the ongoing uncertainty in relation to Covid-19, the group will continue to adopt a prudent approach to capital management and will consider and implement identified mitigating actions should these be required (including in respect of expense management and dividend payments) but will seek to not take actions that might constrain the strategic development of the business unless conditions deteriorate to the extent that this is required.

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 interim financial statements.

Stuart Geard
Chief financial officer

Consolidated statement of comprehensive income

| | Note | Unaudited six months ended 30 June 2020 £'000 | Unaudited six months ended 30 June 2019 £'000 |
|---|---|---|---|
| Continuing operations | | | |
| Revenue | | 25,119 | 25,210 |
| Cost of sales | | (12,046) | (10,233) |
| Gross profit | | 13,073 | 14,977 |
| Other operating income | | 5 | 13 |
| Administrative expenses | | (11,461) | (10,746) |

| | | | |
|---|---|---|---|
| Operating profit | | 1,617 | 4,244 |
| Comprising | | | |
| Adjusted EBITDA | | 2,096 | 4,570 |
| Right of use liability interest included in adjusted EBITDA | | 84 | 90 |
| Right of use depreciation included in adjusted EBITDA | | 218 | 218 |
| Depreciation | | (502) | (568) |
| Other income | | 4 | 8 |
| Share based payments | | (283) | (74) |
| Finance income | | 32 | 27 |
| Finance costs | | (84) | (91) |
| Profit before income tax | | 1,565 | 4,180 |
| Income tax | 7 | (343) | (808) |
| Profit for the six months | | 1,222 | 3,372 |
| Items that may be subsequently reclassified to profit and loss | | - | - |
| Total comprehensive income attributable to equity holders | | 1,222 | 3,372 |
| Earnings per share (pence) | | | |
| Basic | 6 | 1.6 | 4.4 |
| Diluted | 6 | 1.6 | 4.4 |

Consolidated statement of financial position

| | Note | Unaudited 30 June 2020 £'000 | Audited 31 December 2019 £'000 |
|---|---|---|---|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | | 325 | 253 |
| Right of use lease assets | | 3,245 | 3,476 |
| Property, plant and equipment | | 1,501 | 1,698 |
| Deferred tax | | 147 | 107 |
| | | 5,218 | 5,534 |
| Current assets | | | |
| Trade and other receivables | | 10,307 | 10,530 |

| | | | |
|---|---|---|---|
| Investments in securities | | 189 | 107 |
| Tax receivable | | - | - |
| Cash and cash equivalents | | 18,701 | 18,525 |
| | | 29,197 | 29,162 |
| Total assets | | 34,415 | 34,696 |
| Equity | | | |
| Shareholders' equity | | | |
| Called up share capital | 9 | 76 | 76 |
| Capital redemption reserve | | 53 | 53 |
| Share-based payment reserve | | 732 | 465 |
| Treasury shares | | (177) | (121) |
| Retained earnings | | 20,455 | 19,233 |
| Total equity | | 21,139 | 19,706 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Lease liabilities | | 3,499 | 3,737 |
| Provisions | 3 | 131 | 99 |
| Deferred tax | | 22 | 22 |
| | | 3,652 | 3,858 |
| Current liabilities | | | |
| Lease liabilities | | 475 | 475 |
| Trade and other payables | | 8,106 | 9,606 |
| Tax payable | | 420 | 357 |
| Provisions | 3 | 623 | 694 |
| | | 9,624 | 11,132 |
| Total liabilities | | 13,276 | 14,990 |
| Total equity and liabilities | | 34,415 | 34,696 |

The unaudited consolidated interim financial statements were approved and authorised for issue by the Board and were signed on its behalf on 7 September 2020.

S J Geard
Director

Consolidated statement of changes in equity

| | Called up share capital £'000 | Retained earnings £'000 | Treasury shares £'000 | Capital redemption reserve £'000 | Share - based payment reserve £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2020 | 76 | 19,233 | (121) | 53 | 465 | 19,706 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Changes in equity | | | | | | |
| Profit for the six months | - | 1,222 | - | - | - | 1,222 |
| Dividends paid | - | - | - | - | - | - |
| Purchase of own shares | - | - | (56) | - | - | (56) |
| Share-based payments charge (excl NIC) | - | - | - | - | 267 | 267 |
| Balance at 30 June 2020 | 76 | 20,455 | (177) | 53 | 732 | 21,139 |

| | Called up share capital £'000 | Retained earnings £'000 | Treasury shares £'000 | Capital redemption reserve £'000 | Share - based payment reserve £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2019 | 76 | 17,224 | (30) | 53 | 150 | 17,473 |
| IFRS 16 conversion | - | (71) | - | - | - | (71) |
| Changes in equity | | | | | | |
| Profit for the six months | - | 3,372 | - | - | - | 3,372 |
| Dividends paid | - | (2,734) | - | - | - | (2,734) |
| Purchase of own shares | - | - | (51) | - | - | (51) |
| Share-based payments charge (excl NIC) | - | - | - | - | 74 | 74 |
| Balance at 30 June 2019 | 76 | 17,791 | (81) | 53 | 224 | 18,063 |

Consolidated statement of cash flows

| | Note | Unaudited six months ended 30 June 2020 £'000 | Unaudited six months ended 30 June 2019 £'000 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Cash inflows from operations | 4 | 1,090 | 2,782 |
| Interest received | | 32 | 27 |
| Income tax paid | | (320) | (199) |
| Net cash inflow from operating activities | | 802 | 2,610 |
| Cash flows from investing activities | | | |
| Purchase of intangible fixed assets | | (72) | - |
| Purchase of tangible fixed assets | | (74) | (194) |
| Purchase of investments | | (94) | (39) |
| Net cash outflow from investing activities | | (240) | (233) |
| Cash flows from financial activities | | | |
| Interest paid | | (84) | (91) |
| Dividends paid | 8 | - | (2,734) |
| Purchase of Treasury shares | | (56) | (51) |
| Lease payments - principal | | (238) | (115) |
| Net cash outflows from financing activities | | (378) | (2,991) |
| Increase/(decrease) in cash and cash equivalents | | 184 | (614) |
| Cash and cash equivalents at beginning of period | | 18,525 | 17,672 |
| Effects of exchange rate changes | | (8) | (2) |
| Cash and cash equivalents at end of period | | 18,701 | 17,056 |

Notes to the consolidated interim financial statements

1. Accounting policies

Basis of preparation

The annual financial statements comply with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated interim financial statements comply with International Accounting Standard (IAS) 34

Interim Financial Reporting. They have been prepared under the going concern basis, under the historical cost convention as modified by the recognition of certain financial assets measured at fair value.

The consolidated interim financial statements are not the company's statutory accounts and are unaudited, but have been reviewed by the group's auditors, PricewaterhouseCoopers LLP, and their report is set out after the notes to the consolidated financial statements.

The same accounting policies, methods of calculation and presentation have been followed in the preparation of the consolidated interim financial statements for the six months to 30 June 2020 as were applied in the audited financial statements for the year ended 31 December 2019. Those statutory accounts which have been filed with the registrar of companies contained an unqualified audit report, did not reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report, and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Going concern

After reviewing the group and the company's forecasts and projections, together with the results of modelled severe but plausible stress tests on both liquidity and regulatory capital adequacy, and the current operating and trading environment, the directors have a reasonable expectation that the group and the company have 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 continue to adopt the going concern basis in preparing their financial statements.

Basis of consolidation

The consolidated interim 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.

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 reportable 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 AUA on the platform, gross and net inflows, revenue, adjusted EBITDA, profit for the period after tax, dividend paid, adjusted EBITDA margin and 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 period to which they relate and can be reliably measured. Platform fees are calculated monthly using contractual basis point rate cards applied to the daily valuation of 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.

New and amended standards effective for the first time in the 2020 interim financial statements

| Standard | Effective from: |
|---|---|
| Conceptual Framework - amendments to references to the conceptual framework in IFRS standards | 1 January 2020 |
| Amendments to IFRS 3: Business combinations - definition of a business | 1 January 2020 |
| Definition of materiality - amendments to IAS 1 and IAS 8 | 1 January 2020 |
| Interest rate benchmark reform - amendments to IFRS 9, IAS 39 and IFRS 7 | 1 January 2020 |

These new standards did not have any impact on the group's accounting policies.

Future standards, amendments to standards and interpretations not early-adopted in the 2020 financial statements

New accounting standards and interpretations have been published that are not mandatory for adoption in the 2020 financial statements.

| Standard | Effective from: |
|---|---|
| Covid-19-Related Rent Concessions - amendment to IFRS 16 | 1 June 2020 |
| Reference to the Conceptual Framework - amendments to IFRS 3 | 1 January 2022 |
| IFRS 17: Insurance contracts | 1 January 2023 |
| Classification of Liabilities as Current or Non-current - amendments to IAS 1 | 1 January 2023 |

The adoption of these standards is not expected to have a material impact on the group.

Critical accounting judgements and 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:

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, dilapidations and share incentive plans. Further detail on these provisions, the rationale behind their recognition and the timing of future cash flow is included in note 3.

2. 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
- Lease liabilities
- Trade and other payables

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 statement of comprehensive income. The following tables show the carrying values of assets and liabilities for each of these categories.

| | Financial assets at fair value through profit and loss £'000 | Financial liabilities at amortised cost £'000 | Financial assets at amortised cost £'000 | Total £'000 |
|---|---|---|---|---|
| At 30 June 2020 | | | | |
| Financial assets | | | | |
| Investments in securities | 189 | - | - | 189 |
| Cash and cash equivalents | - | - | 18,701 | 18,701 |
| Trade and other receivables | - | - | 10,307 | 10,307 |
| Total financial assets | 189 | - | 29,008 | 29,197 |
| Non-financial assets | | | | 5,218 |
| Total assets | | | | 34,415 |
| Financial liabilities | | | | |
| Lease liabilities | - | 3,974 | - | 3,974 |
| Trade and other payables | - | 8,106 | - | 8,106 |
| Total financial liabilities | - | 12,080 | - | 12,080 |
| Non-financial liabilities | | | | 1,196 |
| Total liabilities | | | | 13,276 |

| | Financial assets at fair value | Financial | Financial | |
|---|---|---|---|---|

| | through profit and loss £'000 | liabilities at amortised cost £'000 | assets at amortised cost £'000 | Total £'000 |
|---|---|---|---|---|
| At 31 December 2019 | | | | |
| Financial assets | | | | |
| Investments in securities | 107 | - | - | 107 |
| Cash and cash equivalents | - | - | 18,525 | 18,525 |
| Trade and other receivables | - | - | 10,530 | 10,530 |
| Total financial assets | 107 | - | 29,055 | 29,162 |
| Non-financial assets | | | | 5,534 |
| Total assets | | | | 34,696 |
| Financial liabilities | | | | |
| Lease liabilities | - | 4,212 | - | 4,212 |
| Trade and other payables | - | 9,606 | - | 9,606 |
| Total financial liabilities | - | 13,818 | - | 13,818 |
| Non-financial liabilities | | | | 1,172 |
| Total liabilities | | | | 14,990 |

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.

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 statement of comprehensive income.

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 |
|---|---|---|---|---|
| At 30 June 2020 | | | | |
| Investments in securities | 189 | - | - | 189 |

| | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| At 31 December 2019 | | | | |
| Investments in securities | 107 | - | - | 107 |

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, Investec Bank plc and Santander International. 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 the management consider 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 30 June 2020 was £168,850 (2019: £168,828).

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.

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.

At 30 June 2020

| Financial assets | < 3 months £'000 | 3-12 months £'000 | 1-5 years £'000 | >5 years £'000 | Total £'000 |
|---|---|---|---|---|---|
| Cash and cash equivalents | 18,701 | - | - | - | 18,701 |
| Investments | - | 189 | - | - | 189 |
| Trade and other receivables | 9,805 | 502 | - | - | 10,307 |
| | 28,506 | 691 | - | - | 29,197 |

At 31 December 2019

| Financial assets | < 3 months £'000 | 3-12 months £'000 | 1-5 years £'000 | >5 years £'000 | Total £'000 |
|---|---|---|---|---|---|
| Cash and cash equivalents | 18,525 | - | - | - | 18,525 |
| Investments | - | 107 | - | - | 107 |
| Trade and other receivables | 10,085 | 445 | - | - | 10,530 |
| | 28,610 | 552 | - | - | 29,162 |

At 30 June 2020

| Financial liabilities | < 3 months £'000 | 3-12 months £'000 | 1-5 years £'000 | >5 years £'000 | Total £'000 |
|---|---|---|---|---|---|
| Trade and other payables | 7,804 | 302 | - | - | 8,106 |
| Lease liabilities | 119 | 356 | 2,096 | 1,404 | 3,974 |
| | 7,923 | 658 | 2,096 | 1,404 | 12,080 |

At 31 December 2019

| Financial liabilities | < 3 months £'000 | 3-12 months £'000 | 1-5 years £'000 | >5 years £'000 | Total £'000 |
|---|---|---|---|---|---|
| Trade and other payables | 9,606 | - | - | - | 9,606 |
| Lease liabilities | 119 | 356 | 2,096 | 1,641 | 4,212 |
| | 9,725 | 356 | 2,096 | 1,641 | 13,818 |

3. Provisions

| | 30 June 2020 £'000 | 31 December 2019 £'000 |
|---|---|---|
| Client compensation | 464 | 536 |
| Outsourced service | 158 | 158 |
| Dilapidations | 82 | 65 |
| Share incentive plans | 50 | 34 |
| | 754 | 793 |

| | | |
|---|---|---|
| Analysed as follows: | | |
| Current | 623 | 694 |
| Non-current | 131 | 99 |
| | 754 | 793 |

| | Share incentive plans £'000 | Client compensation £'000 | Outsourced service £'000 | Dilapidations £'000 | Total £'000 |
|---|---|---|---|---|---|
| At 1 January 2019 | - | 429 | 158 | 32 | 619 |
| Provided during year | 34 | 389 | - | 33 | 456 |
| Utilised during year | - | (122) | - | - | (122) |
| Unused amounts reversed during year | - | (160) | - | - | (160) |
| At 31 December 2019 | 34 | 536 | 158 | 65 | 793 |
| Provided during period | 16 | 292 | - | 17 | 325 |
| Utilised during period | - | (246) | - | - | (246) |
| Unused amounts reversed during period | - | (118) | - | - | (118) |
| At 30 June 2020 | 50 | 464 | 158 | 82 | 754 |

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 statement of comprehensive income and the majority of the outstanding issues are expected to be resolved in the second half of 2020.

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 statement of comprehensive income. Where these are uncertain or in dispute with the service provider, a provision is booked in recognition of the uncertainty regarding the outcome.

Dilapidations

The dilapidations provision relates to the group's 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.

Share incentive plans

Provisions for share incentive plans relate to the LTIP which is a HMRC unapproved equity-settled scheme. The company is liable to pay employers' NIC upon exercise of the options. The provision is calculated using the applicable employers' NIC rate applied to the number of share awards expected to vest, valued at the share price at the reporting date. The provision is recognised over the vesting period of the shares awarded.

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

| | Six months to 30 June 2020 £'000 | Six months to 30 June 2019 £'000 |
|---|---|---|
| Profit before income tax | 1,565 | 4,180 |
| Depreciation | 502 | 568 |
| Unrealised loss on investments | 12 | - |
| Share based payments charge | 267 | 74 |
| (Increase)/decrease in bad debt provision | (62) | 116 |
| Decrease/(increase) in trade and other receivables | 547 | (152) |
| (Increase)/decrease in operational platform funding | (262) | 774 |
| Decrease in trade and other payables | (1,500) | (3,052) |

| | | |
|---|---|---|
| (Decrease)/increase in other provisions | (39) | 208 |
| Interest paid | 84 | 91 |
| Interest received | (32) | (27) |
| Net exchange differences | 8 | 2 |
| Cash inflows from operations | 1,090 | 2,782 |

Share-based payment charge exclude charge for employers NIC included in other provisions.

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

5. Reconciliation of liabilities arising from financing activities

| | At 1 January 2019 £'000 | Non-cash changes £'000 | Cash flows £'000 | At 30 June 2019 £'000 |
|---|---|---|---|---|
| Lease liabilities | 4,606 | - | (115) | 4,491 |

| | At 1 January 2020 £'000 | Non-cash changes £'000 | Cash flows £'000 | At 30 June 2020 £'000 |
|---|---|---|---|---|
| Lease liabilities | 4,212 | - | (238) | 3,974 |

6. Earnings per share

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

| | Six months to 30 June 2020 £'000 | Six months to 30 June 2019 £'000 |
|---|---|---|
| Profit for the period | 1,222 | 3,372 |

| | Six months to 30 June 2020 | Six months to 30 June 2019 |
|---|---|---|
| Weighted average number of ordinary shares (basic) | 75,825,618 | 75,895,905 |
| SIP scheme | 107,742 | 37,455 |
| LTIP scheme | 1,281,962 | 90,794 |
| Weighted average number of ordinary shares (diluted) | 77,215,322 | 76,024,154 |

| | Six months to 30 June 2020 | Six months to 30 June 2019 |
|---|---|---|
| Basic earnings per ordinary share (pence) | 1.6 | 4.4 |
| Diluted earnings per ordinary share (pence) | 1.6 | 4.4 |

The company grants 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 long-term incentive plan. The total number of shares over which the awards were granted was 3,370,849 of which 127,735 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.

7. Income tax

Tax is charged at 22% for the six-month period ended 30 June 2020 (30 June 2019: 19%), representing the best estimate of the average annual effective tax rate expected to apply for the full year, applied to the pre-tax income for the six-month period.

8. Dividends

| | Six months to 30 June 2020 £'000 | Six months to 30 June 2019 £'000 |
|---|---|---|
| £0.001 ordinary share dividends* nil (2019: 3.6p per share) | - | 2,734 |

*The Esot waived its right to receive dividends during the period.

9. Share capital

| | 30 June 2020 £'000 | 31 December 2019 £'000 |
|---|---|---|
| Fully paid ordinary shares of £0.001 each: 76,473,360 (2019: 76,473,360) | 76 | 76 |

Employee benefit trusts hold a total of 647,742 shares (2019: 611,255)

10. Related party transactions

Entities with significant influence over the company

| Transactions with Sanlam were as follows: | Six months to 30 June 2020 | Six months to 30 June 2019 |
|---|---|---|
| Sanlam | £'000 | £'000 |
| Amounts charged by Sanlam to NFS in respect of the Onshore Bond | 233 | 222 |
| Dividend paid to Sanlam by NFG | - | 1,437 |

| | 30 June 2020 | 31 December 2019 |
|---|---|---|
| Amounts owed to Sanlam in respect of board fees by NFG | 128 | 84 |
| Amounts owed to Sanlam in respect of fees for the Onshore Bond by NFS | 77 | 79 |
| Amounts owed to Sanlam by NFS in respect of tax collected from the Onshore Bond | 112 | 23 |

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:

| | 30 June 2020 | 31 December 2019 |
|---|---|---|
| NFS | £'000 | £'000 |
| Amounts owed to NFG by NFS | 586 | 1,760 |

Other related parties
There were no transactions during the period or outstanding balances due to other related parties at the period end. (2019 £nil)

## 11. Events after the reporting period

There were no subsequent events that required adjustment to or disclosure in the financial statements for the period from 30 June 2020 to the date upon which the unaudited consolidated interim financial statements were available to be issued.

## Independent review report to Nucleus Financial Group plc

### Report on the consolidated interim financial statements

Our conclusion

We have reviewed Nucleus Financial Group plc's consolidated interim financial statements (the "interim financial statements") in the unaudited interim results of Nucleus Financial Group plc for the 6 month period ended 30 June 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

What we have reviewed

The interim financial statements comprise:

- the consolidated statement of financial position as at 30 June 2020;
- the consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of cash flows for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the notes to the consolidated interim financial statements.

The interim financial statements included in the unaudited interim results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The unaudited interim results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the unaudited interim results in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

Our responsibility is to express a conclusion on the interim financial statements in the unaudited interim results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the AIM Rules for Companies and for no other purpose.  We do not, in giving this conclusion, 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.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in unaudited interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Edinburgh
7 September 2020

Definitions and glossary of technical terms

The following definitions apply throughout this document:

| | |
|---|---|
| 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 |
| 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, |

| | |
|---|---|
| | and includes ROU asset depreciation and ROU liability interest |
| Adjusted EBITDA margin | Adjusted EBITDA expressed as a percentage of net 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 |
| EBITDA | Earnings before interest, tax, depreciation and amortisation |
| Gross inflows | Value of cash and assets received onto the platform |
| 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 |
| Net inflows | Value of Gross inflows less Outflows |
| Net revenue | Net revenue comprised revenue earned on the platform less the direct fees that are payable to product providers of the platform |
| Outflows | Value of cash and assets leaving the platform |
| ROU asset/liability | Right of use asset/liability |

| Glossary | |
|---|---|
| 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 |
| Clients | The customers of financial advisers who are referred to as clients, whose assets are managed on the platform |
| Company | Nucleus Financial Group plc |
| Customers | The customers of Nucleus, whose assets are managed on the platform through a financial adviser |
| FCA | The Financial Conduct Authority |
| FSCS | Financial Services Compensation Scheme |
| 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) |
| NIFAS | Nucleus IFA Services Limited |
| NFS | Nucleus Financial Services Limited |
| "Nucleus" or the "group" | The Company and its Subsidiaries |
| LTIP | Long term incentive plan |
| PROD rules | Product Intervention and Product Governance Sourcebook rules |
| Sanlam | Sanlam UK Limited |

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