Nucleus Financial Services Limited

Annual report and financial statements

for the year ended 31 December 2018

Company registration number 05629686

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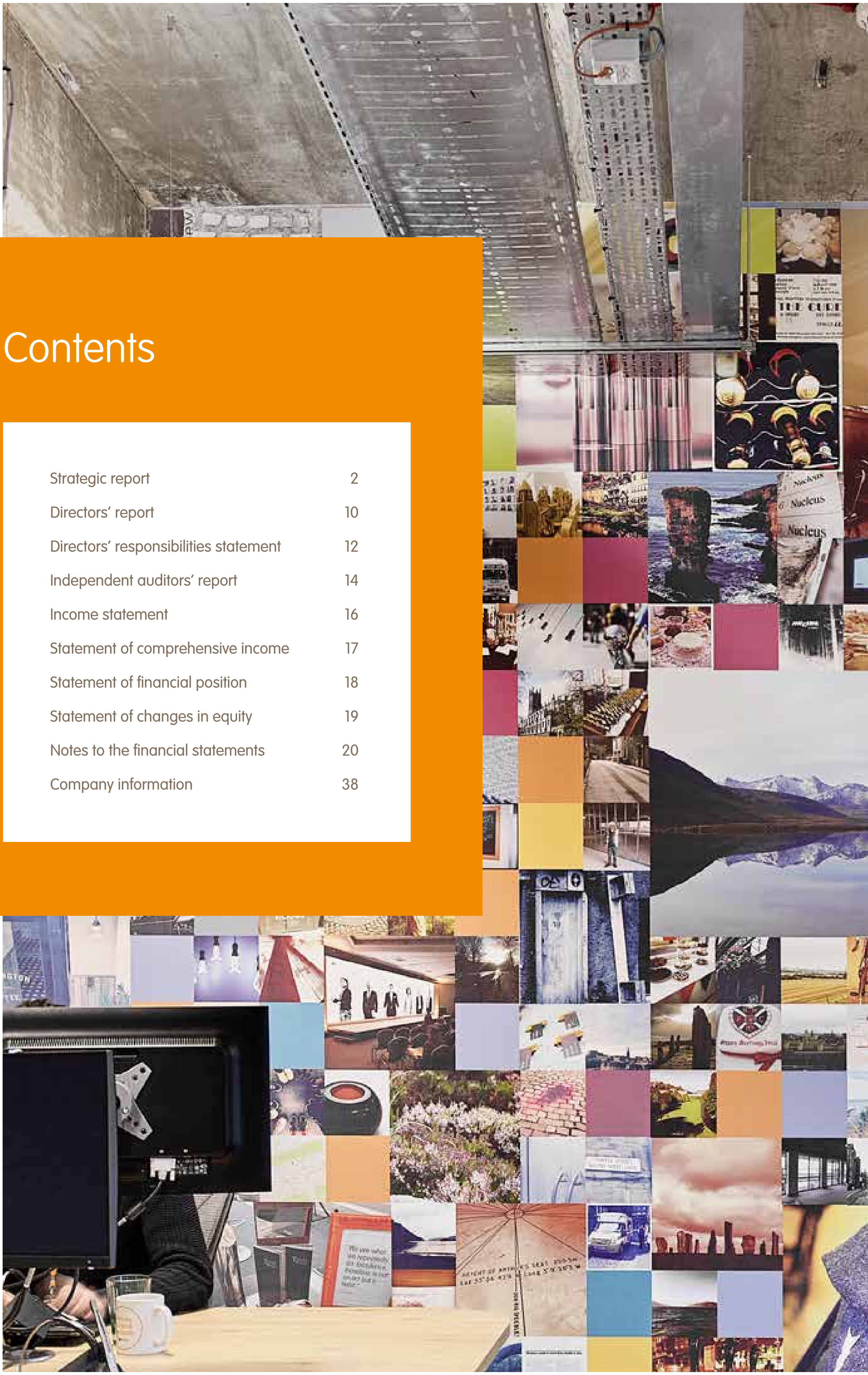

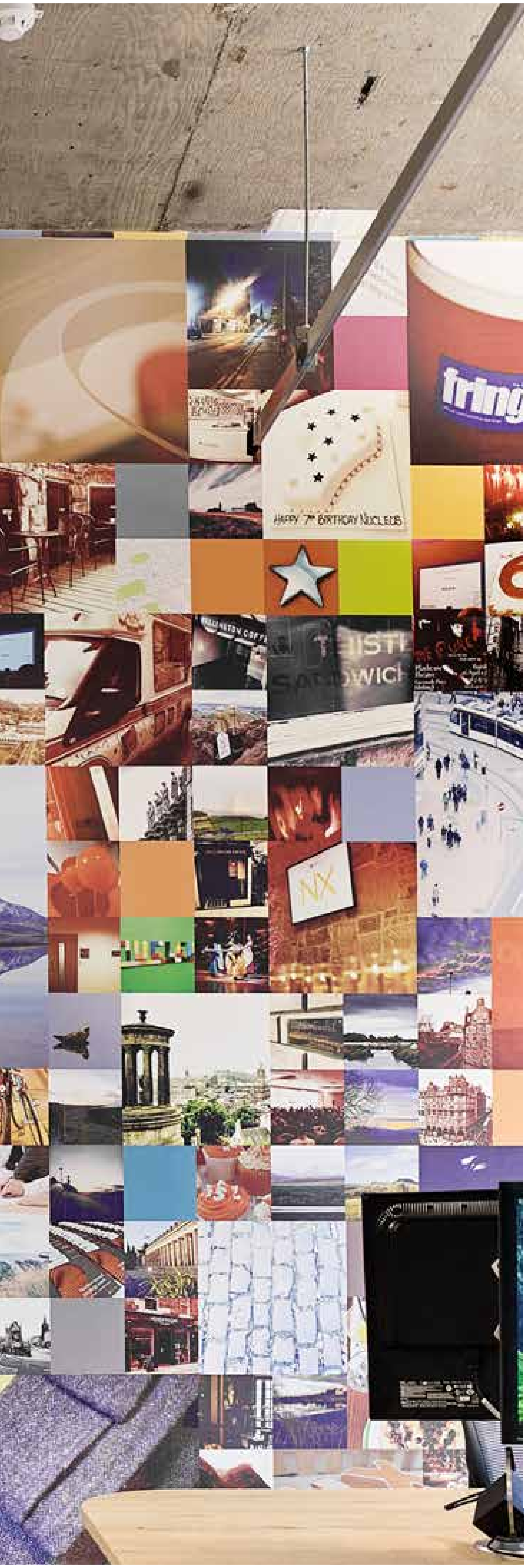

Our purpose

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

The directors present their strategic report for the year ended 31 December 2018 for Nucleus Financial Services Limited (NFS, the company).

About NFS

The company's principal activity is the provision of "wrap" investment administration services to selected financial advisers in the UK.

The company is a wholly owned subsidiary of Nucleus Financial Group plc (NFG) and together with Nucleus IFA Services Limited (NIFAS) forms the group (the group or Nucleus). The group provides a wrap platform to UK financial advisers. 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.

The company 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, the company has been further classified as a Significant IFPRU firm. In addition, the company 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). The company 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).

Business review

Overview

The group was pleased to end last year having successfully completed two substantial strategic projects. NFG's July admission to AIM allowed us to mature our capital structure in accordance with our ambitions, and subsequent adjustments to our operating model have helped position us to become one of the most scalable and technology-led independent platforms in our market.

Despite a reduction in inflows resulting from the challenging market environment, we were pleased to add over 8,600 new customers, helping grow assets under administration (AUA) to £13.9bn, increase turnover to £49.4m and substantially grow operating profit to £7.4m. We also welcomed 43 new firms and 172 new advisers as platform users and this group 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.

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 year[1].

Stockmarkets experienced increased volatility and a generally downward trend through the year, negatively impacting growth in assets under administration and inflows, which have some correlation to investor sentiment. Inflows also suffered from a reduction in the number and value of pension transfers. Despite the 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 the EU Markets in Finance Instruments Directive (2014/65/EU) (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.

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.

[1] Source: Fundscape Platform report March 2019

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 General Data Protection Regulations (GDPR). 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 operating 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 our new operating model 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.

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 and 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 today's stockmarket headwinds, we view the market outlook as positive for better quality advisers and those that provide services to those advisers. 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 operating model will allow us to achieve this without incurring significant 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.

[1] Source: Fundscape Platform report March 2019

Dividend

During the year the company paid interim dividends in June and October totalling £2.3m.

The directors have declared a further interim dividend of £3.5m, payable in May 2019.

The company's key performance indicators are:

	2018 £'000	2017 £'000
Assets under administration	13,883,713	13,576,703
Turnover	49,405	45,462
Operating profit	7,444	5,534
Profit for the financial year	6,021	4,420

Principal risks and uncertainties

The following principal risks relate to the group and company's business and the 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 framework through which it can systematically identify 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, are managed within the risk appetites set by the board on an annual basis. Additional information can be found in our Pillar 3 disclosures which can be found at https://nucleusfinancial.com/investors.

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 turnover 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 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 thus 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 London Stock Exchange, 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.

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.

Going concern

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

- the latest business plan projections of the company, stressed for significant events that would have a material impact on 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 company's solvency and liquidity position;
- known and expected changes in the regulatory environment impacting on platform operators; and
- the results of the company's ICAAP which is formally reviewed and approved by the directors on an annual basis.

The directors also consider their approach to assessing 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.

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

S J Geard
Director

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2018. All content within the strategic report is applicable to the directors' report.

Introduction

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

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).

The audited financial statements of the group 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. Within the strategic report we set out information relating to:

- the development and performance of the business during the year;
- the financial position of the company 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 are set out in the risk management framework above.

Results and dividends

The profit for the year was £6.0m (2017: £4.4m). Turnover increased to £49.4m, (2017: £45.5m), with operating profit increasing to £7.4m (2017: £5.5m). The full results are set out in the accompanying financial statements and notes.

Interim dividends amounting to £2,335,065 (2017: nil) were paid during the year.

On 1 April 2019 the directors declared an interim dividend amounting to £3,517,488 and a preference dividend of £1,500, both payable on 23 May 2019.

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.

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.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

T Dunley-Owen (appointed 19 July 2018)

D R Ferguson

S J Geard

J P Gibson

M G Hassall (appointed 19 July 2018)

J A Levin

J C Polin

J A A Samuels

M D Seddon (resigned 19 July 2018)

S J Tucker (resigned 19 July 2018)

Political donations

There have been no political donations made during the year (2017: £nil).

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

S J Geard
Director

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements under UK GAAP in compliance with Financial Reporting Standard 101 "Reduced Disclosure Framework") ("FRS 101"). 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 of the profit or loss of the company for that period.

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

- select suitable accounting policies and apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the ultimate parent company are responsible for the maintenance and integrity of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

S J Geard
Director

Independent auditors' report to the members of Nucleus Financial Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Nucleus Financial Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); 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 statement of financial position as at 31 December 2018; the income statement, the statement of comprehensive income, the statement 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 company 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 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 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 company's trade, customers, suppliers and the wider economy.

Reporting 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 company and its 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 12, 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 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 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.

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 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

Income statement

	Note	2018 £'000	Restated* 2017 £'000
Turnover*	3	49,405	45,462
Cost of sales*		(19,809)	(22,512)
Gross profit		29,596	22,950
Administrative expenses		(22,153)	(17,424)
Other operating income	4	1	8
Operating profit		7,444	5,534
Interest receivable and similar income	8	10	1
Interest payable and similar expenses	9	(3)	(3)
Profit before taxation	5	7,451	5,532
Tax on profit on ordinary activities	11	(1,430)	(1,112)
Profit for the financial year		6,021	4,420

*details of the 2017 turnover presentation restatement are set out in note 2.

The accompanying notes form part of these financial statements.

Statement of comprehensive income

	2018 £'000	2017 £'000
Profit for the financial year	6,021	4,420
Unrealised loss on investments	-	(1)
Total comprehensive income for the financial year	6,021	4,419

The accompanying notes form part of these financial statements.

Statement of financial position

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	12	991	950
Investments	13	1	1
		992	951
Current assets			
Debtors	14	9,988	9,108
Investments	15	84	99
Cash and cash equivalents	16	15,691	13,366
		25,763	22,573
Creditors			
Amounts falling due within one year	17	(9,514)	(10,157)
Net current assets		16,249	12,416
Total assets less current liabilities		17,241	13,367
Creditors			
Amounts falling due after more than one year	18	(6)	(93)
Provisions for liabilities	21	(628)	(348)
Net assets		16,607	12,926
Capital and reserves			
Called up share capital	23	7,595	7,595
Fair value reserve	24	-	39
Retained earnings	24	9,012	5,292
Total equity		16,607	12,926

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

Statement of changes in equity

	Called up share capital £'000	Retained earnings £'000	Fair value reserve £'000	Total equity £'000
Balance at 1 January 2018	7,595	5,292	39	12,926
Changes in equity				
Dividend paid	-	(2,335)	-	(2,335)
Profit for the financial year	-	6,021	-	6,021
Reclassify investments from FVOCI to FVPL	-	34	(39)	(5)
Balance at 31 December 2018	7,595	9,012	-	16,607

	Called up share capital £'000	Retained earnings £'000	Fair value reserve £'000	Total equity £'000
Balance at 1 January 2017	2,595	872	40	3,507
Changes in equity				
Issue of share capital	5,000	-	-	5,000
Profit for the financial year	-	4,420	-	4,420
Unrealised loss on investments	-	-	(1)	(1)
Balance at 31 December 2017	7,595	5,292	39	12,926

The accompanying notes form part of these financial statements.

Notes to the financial statements

1. Accounting policies

Basis of preparation

The financial statements of the company have been prepared in compliance with Financial Reporting Standard 101 "Reduced Disclosure Framework") ("FRS 101"), the Companies Act 2006 ("the Act") and the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410). FRS 101 sets out a reduced disclosure framework for a qualifying entity as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The company is a qualifying entity for the purposes of FRS 101. Note 26 gives details of the company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The company's financial statements are prepared on a going concern basis, under the historical cost convention. The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79 (a) (iv) of IAS 1; and
  - paragraph 73 (e) of IAS 16 Property Plant and Equipment
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

Changes in accounting policies

There have been no changes in accounting policies during the year.

Turnover

Turnover comprises fees earned by the company 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.

Tangible fixed assets

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 performed by the directors at each reporting date. There was no impairment of fixed assets in the 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

Notes to the financial statements

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

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.

Foreign currency

The company's functional and presentation currency is the Pound Sterling, generally rounded to the nearest thousand. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of transactions 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.

Defined contribution pension scheme

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

Expense recognition

Expenditure incurred by the company 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.

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.

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.

Fixed asset investments

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.

Notes to the financial statements

Current asset investments

The company has investments held by it 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 income statement.

Bad and doubtful debt provision

An expected loss provisioning model is used to calculate a bad and doubtful debt provision. We have implemented a 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.

Provisions for liabilities

Provisions are made where an event has taken place that gives 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 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.

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. There are no critical accounting judgements and the key sources of estimation uncertainty are as follows:

Useful economic lives of tangible assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. There have been no changes to the useful lives of tangible assets during the year. See note 12 for the carrying amount of fixed assets and note 1 for the useful economic lives for each class of asset.

Notes to the financial statements

Restatement of turnover 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 turnover 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 company as a result of this restatement.

	2017 £'000	Adjustment	Restated 2017 £'000
Continuing operations			
Revenue	40,365	5,097	45,462
Cost of sales	(17,415)	(5,097)	(22,512)
Gross profit	22,950	-	22,950
Profit for the financial year	4,420	-	4,420

3. Turnover

All turnover is attributable to the principal activity of the company and arose within the United Kingdom (2017: all United Kingdom).

4. Other operating income

	2018 £'000	2017 £'000
Other operating income	1	8

Notes to the financial statements

5. Profit before taxation

The profit before taxation is stated after charging:

	2018	2017
	£'000	£'000
Depreciation of tangible fixed assets	488	312
Loss on disposal of fixed assets	5	51
Foreign exchange differences	3	1
Movement in bad debt provision	8	(287)

6. Employees

The staff who manage the affairs of the company are employed by NFG.

Staff costs, including directors' remuneration, recharged to the company were as follows:

	2018	2017
	£'000	£'000
Wages and salaries	11,643	9,298
Social security costs	1,404	1,136
Other pension costs	893	675
	13,940	1,109

NFS does not directly employ any staff. The average monthly number of employees, including the directors, whose salaries were recharged to the company during the year was as follows:

	2018	2017
Employees	201	157

7. Directors remuneration

The directors are remunerated by the holding company NFG. Further detail of the consideration paid can be found in the NFG consolidated financial statements which can be obtained from Companies House, the Company Secretary at Nucleus HQ, Greenside, 12 Blenheim Place, Edinburgh, EH7 5JH or the group's website www.nucleusfinancial.com

Notes to the financial statements

8. Interest receivable and similar income

	2018 £'000	2017 £'000
Bank interest receivable	10	1

9. Interest payable and similar expenses

	2018 £'000	2017 £'000
Finance charges payable under finance leases	2	3
Other interest	1	-
	3	3

10. Auditors' remuneration

	2018 £'000	2017 £'000
Audit of the financial statements	43	39
Client assets audit services	151	240
	194	279

Notes to the financial statements

11. Taxation

Analysis of tax expense

	2018 £'000	2017 £'000
Current tax:		
Tax on profits for the year	1,435	1,052
Deferred tax:		
Reversal of timing differences in relation to disallowable provisions	(5)	14
Accelerated capital allowances	-	46
Tax expense in income statement	1,430	1,112

Factors affecting the tax expense

The tax assessed for the year is higher (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are reconciled below:

	2018 £'000	2017 £'000
Profit before taxation	7,451	5,532
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	1,416	1,065
Effects of:		
Expenses not deductible for tax purposes	4	5
Adjust closing deferred tax to average rate of 19% (2017: 19.25%)	-	(1)
Other tax adjustments, reliefs and transfers	10	43
Tax expense in income statement	1,430	1,112

Notes to the financial statements

12. Tangible fixed assets

	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost			
At 1 January 2018	357	1,303	1,660
Additions	170	364	534
Disposals	-	(159)	(159)
At 31 December 2018	527	1,508	2,035
Depreciation			
At 1 January 2018	34	676	710
Charge for the year	93	395	488
Eliminated on disposal	-	(154)	(154)
At 31 December 2018	127	917	1,044
Net book value			
At 31 December 2018	400	591	991
At 31 December 2017	323	627	950

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

Notes to the financial statements

13. Investments

	Investment in subsidiary companies £'000
Cost	
At 1 January 2018 and 31 December 2018	1
Net book value	
At 31 December 2018	1
At 31 December 2017	1

The company's investments at the statement of financial position date in the share capital of companies include the following:

NFS (Nominees) Limited

Registered office	Elder House St Georges Business Park 207 Brooklands Road Weybridge Surrey England KT13 0TS
Class of shares	Ordinary
Holding	100%
Principal activity	Vehicle to ensure appropriate registration of title of client assets for the purposes of the client money rules as defined by the Financial Conduct Authority.

	2018 £	2017 £
Aggregate capital and reserves	1	1

Notes to the financial statements

13. Investments (continued)

Nucleus Trustee Company Limited

Registered office	Greenside 12 Blenheim Place Edinburgh Scotland EH57 5JH
Class of shares	Ordinary
Holding	100%
Principal activity	To act as trustee of the self-invested personal pension operated by NFS.

	2018	2017
	£	£
Aggregate capital and reserves	1,000	1,000

The directors believe that the carrying values of the investments are supported by underlying net assets.

14. Debtors: amounts falling due within one year

	2018	2017
	£'000	£'000
Other debtors	2,166	2,042
Amounts owed by HMRC	1,754	1,831
Trade debtors	429	481
Prepayments and accrued income	5,639	4,754
	9,988	9,108

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 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	84	99

16. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	15,691	13,366

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 prefund 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% plus base rate up to an overdrawn amount of £5,000,000 and 5% 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.

Notes to the financial statements

17. Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Preference shares	50	50
Obligations under finance leases	87	107
Trade creditors	3,305	4,452
Amounts owed to group undertakings	727	2,046
Corporation tax	740	1,122
Social security and other taxes	1	2
Other creditors	1,809	645
Amounts owed to HMRC	240	117
Accruals	2,555	1,616
	9,514	10,157

18. Creditors: amounts falling due after more than one year

	2018	2017
	£'000	£'000
Obligations under finance leases	6	93

Notes to the financial statements

19. Financial liabilities – borrowings

	2018 £'000	2017 £'000
Current:		
Preference shares	50	50
Finance lease	87	107
	137	157
Non-current:		
Finance leases	6	93

Terms and debt repayment schedule:

	< 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
Cash and cash equivalents	50	-	-	50
Trade and other receivables	87	6	-	93
	137	6	-	143

The holder of preference shares, NFG, has the right to receive a non-cumulative fixed preferential dividend, calculated at the rate of 3% per annum on the amounts paid up or treated as paid up on such shares.

At the discretion of the directors, preference shares can be redeemed at their nominal value, or the nominal value treated as paid up on the preference shares, not less than five years and one day after the preference shares were first allotted.

On winding up of the company, preference shares will rank ahead of all other shares in sharing the company's assets. The holder of the preference shares will be entitled to the amount paid up on the preference share and the amount of any dividend which is due for payment on or after the date the winding up commenced.

The holder of the preference shares is entitled to receive notice of general meetings, and to attend, speak and vote at general meetings in relation to proposed resolutions which affect the rights of preference shareholders.

Notes to the financial statements

20. Finance leases

	2018 £'000	2017 £'000
Gross obligations payable:		
Within one year	88	109
Between one and five years	6	94
	94	203

	2018 £'000	2017 £'000
Finance charges payable:		
Within one year	1	2
Between one and five years	-	1
	1	3

	2018 £'000	2017 £'000
Net obligations payable:		
Within one year	87	107
Between one and five years	6	93
	93	200

Notes to the financial statements

21. Provisions for liabilities

	2018 £'000	2017 £'000
Deferred tax	41	46
Other provisions:		
Client compensation	429	98
Outsourced service	158	204
	587	302
Aggregate amounts	628	348

	Deferred tax £'000	Client compensation £'000	Outsourced service £'000	Total £'000
At 1 January 2017	-	85	-	85
Provided during year	-	46	204	250
Utilised during year	-	(28)	-	(28)
Unused amounts reversed during year	-	(5)	-	(5)
Charged to income statement	46	-	-	46
At 31 December 2017	46	98	204	348
Provided during year	-	435	612	1,047
Utilised during year	-	(73)	(333)	(406)
Unused amounts reversed during year	-	(31)	-	(31)
Charge/(credit) to income statement	(5)	-	(325)	(330)
At 31 December 2018	41	429	158	628

Notes to the financial statements

21. Provisions for liabilities (continued)

Deferred tax

The deferred tax liability arises as a result of temporary differences between the company's accounting and tax carrying values, the anticipated and enacted tax rate and estimated taxes payable for the current year.

Client compensation

The company 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 reversed against the administrative expenses line in the income statement and the majority of the outstanding issues are expected to be agreed in the first half of 2019.

Outsourced service

As part of the commercial agreement with our outsourced BPO service provider, should any key performance criteria not be met, the company 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.

22. Dividends

	2018	2017
	£'000	£'000
Interim dividend (20p per share)	1,498	-
Interim dividend (11p per share)	837	-
	2,335	-

Notes to the financial statements

23. Share capital

	2018 £'000	2017 £'000
Shares classified as equity:		
Allotted, called up and fully paid		
7,595,000 ordinary shares of £1 each (2017: 7,595,000)	7,595	7,595

There is a single class of ordinary shares, representing the nominal value of shares that have been issued. There are no restrictions on the distribution of dividends and the payment of capital.

There were no shares issued during the year.

	2018 £'000	2017 £'000
Shares classified as debt:		
Allotted, called up and fully paid		
50,000 preference shares of £1 each (2017: £50,000)	50	50

24. Reserves

Retained earnings

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

Fair value reserve

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

Notes to the financial statements

25. Related party transactions

As a 100% subsidiary of NFG, the company is exempt from disclosing transactions with entities that are part of the group, in accordance with the requirements of FRS 101 section 8(k).

26. Ultimate controlling party

NFS is a company incorporated in England and Wales. The immediate parent undertaking is NFG, a company incorporated in England and Wales. There is no one controlling party.

NFG is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2018. The consolidated financial statements of NFG can be obtained from Companies House or the Company Secretary at Nucleus HQ, Greenside, 12 Blenheim Place, Edinburgh, EH7 5JH or the group's website www.nucleusfinancial.com

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