

Registered number: 05522098

NUCLEUS FINANCIAL GROUP LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

NUCLEUS FINANCIAL GROUP LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2014

COMPANY INFORMATION

DIRECTORS

A C D Bloch
P R Bradshaw
D R Ferguson
S J Geard
J P Gibson
J A A Samuels
M D Seddon
S J Tucker
L van der Walt

COMPANY SECRETARY

N C Megaw

REGISTERED NUMBER

05522098

REGISTERED OFFICE

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London
United Kingdom
EC2Y 5AB

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Atria One
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Edinburgh
EH3 8EX

BANKERS

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NUCLEUS FINANCIAL GROUP LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2014

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**NUCLEUS FINANCIAL GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

2014 was a year of significant transition for Nucleus and it is essential that we build on the positive outcomes of that transition as we move forward.

To start with the most challenging by far, we completed the upgrade of our core technology from the Bravura solution known as Talisman to the more modern, more robust and much more effective and scalable Sonata. This was a strategically important development for us being the first to undertake such a re-platforming exercise. We learned midway through that upgrade that Citi planned to sell their Openwealth business which included our key outsourcer, but we were bound by NDAs from disclosing that sale to our partners. The ensuing complications gave rise to some disruption to our stakeholders, most importantly of course our clients. By the end of the year the vast majority of those shortcomings had been addressed and, as I describe below, we now enjoy a key strategic advantage.

We also transitioned to a meaningful level of profitability and remain one of the few platforms to have done so. As the accounts show, operating profit reached £2.5m, an increase of 66% from last year's £1.5m. Given the very low level of capital which has been invested in the business and the clean balance sheet, our management team over the years deserve heartfelt congratulation on building such a great business with such limited resources.

Our client's assets under our care, approached £8bn, with net new asset flows during the year of £1.4bn.

We were sad to lose Aileen Mathieson, but were delighted to welcome Doug Heron as our new CFO. We further strengthened our management team by welcoming back Andrew Smith in the newly created role of CTO and saying hello to Adam Baker who joins us as operations director from Transact. All companies have to strengthen their management teams as they grow and I am personally delighted that we now have a senior management team well able to take us to the next level of scale, profitability and service.

Our Board continued its sterling work, with my colleagues tirelessly helping and advising the team. Bruce Wilson stepped down from the Board, lured by the charms of retirement and we thank him for the great contribution he has made over the years. Stephen Tucker from the WT Fry Group assumed his Board position and we welcome Stephen both as an individual of course, but also as CEO of one of our largest supporting firms.

Externally the radical changes to pensions dominated the agenda. These changes continue the very well established trend of retail financial services moving from packaged solutions (of which annuities are perhaps the last vestige), towards individual solutions catering for all the idiosyncrasies of each of us as people and customers. Individual solutions are what Nucleus excels at and, as such, it is hard to see anything other than the decline of traditional packaged solutions to the advantage of solid modern businesses such as ourselves.

Managing clients' assets in the future will remain a very challenging profession, with negative interest rates elsewhere in the world and perhaps perilously close in the UK the distorting effect of QE is ubiquitous. We remain confident that the sophisticated advisers utilising the Nucleus platform will continue their excellent client service and our transparent open architecture will continue to enable them to optimise customer outcomes.

As ever, it has been a pleasure to chair such a young, ambitious and talented team. I would like to thank all of them, particularly those who suffered the long days and nights to pull us through 2014's challenges with such dogged determination.

I opened with the challenges of our transition to Sonata and I close with our opportunities. All our major competitors face much more demanding upgrades over the next couple of years - that will distract them and frustrate their customers. With the heavy lifting behind us our challenge is to exploit the advantage that upgrade brings us for the year ahead and to look back on 2014 as the year we transitioned into a major financial institution.

P R Bradshaw
Chairman

**NUCLEUS FINANCIAL GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

The Directors present their Strategic and Directors' Reports and the audited consolidated financial statements for the year ended 31 December 2014. Nucleus Financial Group Limited ("the Company") is the parent company of a group of companies comprising Nucleus Financial Group Limited and its subsidiaries Nucleus Financial Services Limited ("NFS") and Nucleus IFA Services Limited ("NIFAS") ("the Group" or "Nucleus").

STRATEGIC REPORT

The Company's principal activity is that of a holding company. The Group's principal activity is that of a wrap platform service provider.

NFS is regulated by the Financial Conduct Authority ("FCA"). The FCA regulated activities of the Group are predominantly those relating to a Limited Licence Investment 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 and money rules ("CASS rules").

NIFAS is not regulated and it provides services encompassing sales, marketing and platform development exclusively to NFS.

The financial statements of NFG and NFS along with NFS' Pillar 3 statement can be found on the Group's website www.nucleusfinancial.com or available from the company secretary on request.

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.

Nucleus has a particular commitment to transparency and a desire to put the client centre stage. This is hardwired into our culture and sustained through the influence of our users in determining our business model and future strategy.

In terms of recent regulatory change we believe that our operating model and corporate culture are consistent with the FCA agenda to promote ever higher standards of conduct and client-centricity across the financial services industry and we welcome the increased levels of professionalism in the advisor market. Wrap platforms, as with quality financial advisors, stand to benefit where life companies once enjoyed protected status.

However, there is much to be done and we must not become complacent or allow our technology or proposition to slip back and to that end, in 2014, in collaboration with our BPO provider and technology partner Bravura, we made a significant investment in our core platform technology and we believe this will allow us to meet the increasing demands of our clients in how their wrap investment accounts help them to achieve their personal financial goals.

The year closed with £7.8bn of assets under management, representing an increase of 26% from the end of 2013. Assets peaked in excess of £8bn in late December, representing another milestone for the Group.

Overall we added £1.9bn of gross inflows (£1.4bn net) and 72 new firms and we now support 1,805 users. Group financial performance was pleasing with turnover up 25.8% to £23.6m and profit after tax rising to £2.5m (2013: £1.7m). Consolidated profit margin increased to 10.5% from 9.2% as we begin to realise the anticipated operational gearing benefit of scale. Successful delivery of our 2015 business plan will see us continue this trajectory and provide a firm footing from which we can continue our growth.

**NUCLEUS FINANCIAL GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

Future Developments

Our 2014 upgrade to next generation technology will allow us to deliver a number of significant enhancements in functionality for our users. We acknowledge and indeed are disappointed that our service performance during and immediately after the upgrade was affected and we have taken steps to put right any client positions affected by our service issues. Ensuring the core platform is operating effectively and fully restoring our service performance comes first, but we will seek to deliver an extensive programme of enhancements during the remainder of 2015. All of these are in direct response to user feedback and as such we can be confident that they will be well received.

Nucleus IFA Company ("NIFAC") (the investment company through which many adviser shareholders in Nucleus hold their investment) continues to consider its future purpose and we continue to support its decision-making process. At the balance sheet date, the Company provided £281,889 of loan support which is repayable on giving three months' notice at a date no earlier than 1 July 2015.

PRINCIPAL RISKS AND UNCERTAINTIES

The following principal risks relate to Nucleus' 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 may also have an adverse effect on the Group's business and financial performance.

Relationship with financial advisers

As with all operators in the adviser platform market, attracting, engaging and retaining users and their clients is an important part of the Group's growth plans. For example, changes in the environment as a result of regulator or competitor actions could adversely affect the Group's ability to continue its offering to financial advisers and have a material adverse effect on the Group's revenues.

Nucleus also provides a platform solution to Paradigm and in 2014 approximately one third of new business originated through this arrangement which is currently fixed until the end of 2016. We continue to have a positive dialogue with Paradigm with a view to extending the term of this partnership.

Reliance on key suppliers

Nucleus relies on the following main suppliers and performance issues affecting these products and services may affect our business performance:

- Citigroup International plc ("Citi") to which we outsource platform administration services. In the delivery of its services, Citi outsources platform technology to Bravura Solutions Limited;
- Scottish Friendly Assurance Society and Sanlam Life & Pensions UK Limited, which provide the onshore bonds;
- RL360, which provides the offshore bond;
- Royal Bank of Scotland plc and Bank of Scotland plc, which provide operational and corporate banking facilities.

It is our understanding that Citi intend to withdraw from the market of providing platform administration services in the UK and we are currently working with Citi and prospective purchasers of their operations to evaluate options for successor agreements and to achieve a positive outcome for Nucleus' clients. Our existing legal agreement requires Citi and Nucleus to agree an exit plan, which includes continuity in the provision of services by Citi until the exit plan has been implemented in full.

**NUCLEUS FINANCIAL GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

Competition risk

There can be no assurance that other companies will not compete more aggressively than at present with Nucleus. This may be in terms of winning new clients, attracting advisers and sourcing acquisition targets. Competition may come from companies that have greater development, marketing, financial and personnel resources than the Group, or firms for whom the platform offering can be subsidised from richer margins on cross-sale of its own products. Competitors may also develop products and services that are more effective or economically viable than those developed by Nucleus.

Access to capital

Nucleus is an unlisted private company limited by share capital. The provisions of the Company's shareholder agreement ordinarily restrict the ability of the Company to raise additional capital from its existing shareholders. However, where additional capital is required in order to meet its regulatory obligations there are certain safeguards in the shareholders' agreement.

The Group operates in a heavily regulated industry

Any change in regulations affecting NFS, or any other member of Nucleus, could have a material adverse effect on Nucleus' ability to carry on its activities, which in turn could have a material adverse effect on the Company and its returns to shareholders. There are a number of risks which arise from Nucleus' regulatory status and the most significant of these, are considered to be:

(i) Impact of a breach of FCA regulations

If NFS or any other member of Nucleus, and/or any of its key suppliers, was to commit a serious breach of any of the regulations that apply to it there could be both cost (including, without limitation, fines and/or the cost of being required to take remedial action) and regulatory consequences. These could adversely impact the Group's business, operations and financial condition.

(ii) Requirement to hold sufficient regulatory capital

As an FCA regulated business, Nucleus is required to have available to it, and to maintain, a sufficient level of capital as determined by the requirements applicable to a Limited License Investment Firm and a non-insured Sipp Operator.

(iii) New and forthcoming regulation

The FCA has continued to focus on how the RDR changes have been implemented and has used a number of themed reviews to sample check the industry's compliance with specific issues such as management of conflicts of interest and inducements, advisers' use of platforms and the handling of customer complaints. The regulatory stage at European level has also brought into force regulations that will affect the operations of the Group which include the provisions of the Capital Requirements Directive IV ("CRD IV") such as the Packaged Retail and Insurance-based Investment Products Regulation (PRIIPs) and the revised Markets in Financial Instruments Directive (MiFID II).

The implementation of the Capital Requirements Directive IV and its supporting Regulation in January 2014 has seen the introduction of more detailed financial reporting and a new section of the FCA's handbook, the IFPRU sourcebook, which we expect will see the Group become a "significant IFPRU firm" in 2016. This will require us to undertake further stress testing of the Group's business plan and the effect on our resources.

The FCA introduced new CASS rules in 2014, with implementation over three phases in July and December 2014 and June 2015. These and the pension legislative changes that have resulted in new FCA rules around communication with clients regarding their retirement income options, may impact the Group's operations.

**NUCLEUS FINANCIAL GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

RESULTS AND KEY PERFORMANCE INDICATORS

The consolidated profit after tax for the financial year was £2,478,200 (2013: £1,719,382). This was in line with Directors' expectations. The key performance indicators the Board uses to assess financial performance are:

	2014	2013
	£	£
Assets under management	7,807,689,863	6,184,389,936
Turnover	23,604,193	18,764,827
Consolidated operating profit	2,476,250	1,465,328
Consolidated profit after tax	2,478,200	1,719,382
Net assets	7,382,218	4,319,829

The Directors also monitor the regulatory capital position of the Group on an ongoing basis.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Group and Company for the year ended 31 December 2014.

Future Developments

Details on future developments are included in the Strategic Report.

RISK MANAGEMENT FRAMEWORK

The Board's objective with regard to risk management is to deliver the Nucleus strategy and business plan supported by a robust, scalable and enterprise-wide governance, risk management and control framework. Consequently, Nucleus operates an approach to risk management in assigning risk management responsibilities which 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 managing their identified risks through a sound set of processes and controls.

- **Second line of defence**

The risk, compliance and finance functions constitute the major part of the second line of defence and are predominantly oversight functions.

The role of the second line functions is to develop and maintain the risk management policies and framework, review the effectiveness of the operation of the risk management practices by operational management and to provide support and advice to the business risk owners in reporting risk related information within the Group, including management information on risk matters to the Audit and Risk Committee and the Board.

- **Third line of defence**

Nucleus utilises Grant Thornton as an appointed internal audit function to serve as its third line of defence and to obtain independent assurance on the effectiveness of its control environment. Internal audit, through a risk based approach, provides assurance to the Audit and Risk Committee and the Board on how effectively risks are assessed and managed. Findings arising from these audit processes are reported to both the Audit and Risk Committee and the Board.

**NUCLEUS FINANCIAL GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

FINANCIAL RISK MANAGEMENT

Included in the Strategic Report above are details of the principal risks and uncertainties that the Company and Group are exposed to. Outlined below are the specific principal financial risks and uncertainties faced by the Company and the Group.

Exposure to securities markets

Nucleus' income is derived from a tiered basis point fee applied to client assets under management. As such, income is exposed to the value of the underlying investment assets which can be affected by market movements. Whilst there is some mitigation of this risk within aspects of the cost base, the Group is ultimately exposed to volatility in its financial results due to market movements outside of its control.

Liquidity risk

Liquidity risk is the risk that a company will fail or incur losses because it is unable to secure the necessary funds or is forced to obtain funds at higher interest rates than under normal conditions due to a mismatch between the maturity profile of its assets and its liabilities. The Group manages its liquidity risk through an ongoing evaluation of its working capital requirements against available cash balances and credit facilities.

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 as a consequence of errors or omissions for which the Group is ultimately liable. The Group operates a risk framework through which it is able to systematically identify actual and potential risk events and seeks to put in place appropriate policies and controls as safeguards. Additional disclosures are contained in our Pillar 3 document.

Credit risk

The Group holds the surplus of corporate cash balances over and above its working capital requirements on deposit with its operational banking services provider, Royal Bank of Scotland plc. The Group is therefore exposed to counterparty credit risk and a failure of the bank would impact the Group's resources and its ability to meet its solvency and liquidity requirements.

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; and
- known and anticipated changes in the regulatory environment impacting platform operators; and
- the results of the Company's ICAAP which is formally reviewed annually and approved by the Directors

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.

**NUCLEUS FINANCIAL GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

DIRECTORS

The Directors of the Company who were in office during the year and up to the date of signing the financial statements unless otherwise stated were:

A C D Bloch
P R Bradshaw (Chairman)
D R Ferguson
S J Geard
J P Gibson
A J Mathieson – resigned 6 August 2014
J A A Samuels
M D Seddon – appointed 16 April 2014
S J Tucker – appointed 20 November 2014
L van der Walt
N B Wilson – resigned 30 June 2014

COMPANY SECRETARY

N C Megaw

PROVISION OF INFORMATION TO INDEPENDENT AUDITORS

Each of the persons who are Directors at the time when these Strategic and Directors' Reports are approved has confirmed that:

- so far as they are aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- they have taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company and the Group's auditors in connection with preparing its report and to establish that the Company and the Group's auditors are aware of that information.

**NUCLEUS FINANCIAL GROUP LIMITED
STRATEGIC AND DIRECTORS' REPORTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

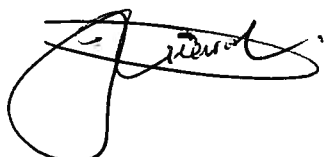
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply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

The Directors are also responsible for the maintenance and integrity of the Group's corporate website. The Directors understand that uncertainty regarding legal requirements is compounded as information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements.

The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This report was approved by the Board on 2 April 2015 and signed on its behalf.



S J Geard
Director

NUCLEUS FINANCIAL GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NUCLEUS FINANCIAL GROUP LIMITED

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2014 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Nucleus Financial Group Limited's financial statements comprise:

- the Consolidated Balance Sheet and Company Balance Sheet as at 31 December 2014;
- the Consolidated Profit and Loss Account for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated Statement of Total Recognised Gains and Losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

NUCLEUS FINANCIAL GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NUCLEUS FINANCIAL GROUP LIMITED

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Consolidated Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Catrin Thomas (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
2 April 2015

NUCLEUS FINANCIAL GROUP LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 £	2013 £
TURNOVER	2	23,604,193	18,764,827
Cost of sales		<u>(10,032,416)</u>	<u>(8,370,101)</u>
GROSS PROFIT		13,571,777	10,394,726
Administrative expenses		(11,123,851)	(9,142,431)
Other operating income		<u>28,324</u>	<u>213,033</u>
OPERATING PROFIT	3	2,476,250	1,465,328
Loss on disposal of fixed assets		-	(252)
Interest receivable and similar income		12,678	11,812
Interest payable and similar charges	7	<u>(10,728)</u>	<u>(3,947)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,478,200	1,472,941
Tax on profit on ordinary activities	8	<u>-</u>	<u>246,441</u>
PROFIT FOR THE FINANCIAL YEAR	18	<u>2,478,200</u>	<u>1,719,382</u>

All amounts relate to continuing operations.

The notes on pages 19 to 36 form part of these financial statements.

NUCLEUS FINANCIAL GROUP LIMITED

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2014**

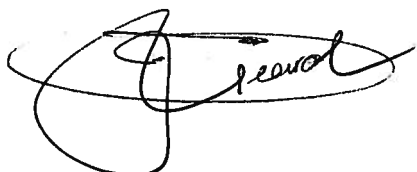
	Note	2014 £	2013 £
PROFIT FOR THE YEAR		2,478,200	1,719,382
Unrealised gain on investments	18	<u>87,628</u>	<u>-</u>
TOTAL RECOGNISED GAIN FOR THE YEAR		<u>2,565,828</u>	<u>1,719,382</u>

NUCLEUS FINANCIAL GROUP LIMITED

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2014**

	Note	£	2014 £	£	2013 £
FIXED ASSETS					
Tangible assets	9		344,971		218,718
CURRENT ASSETS					
Current asset investments	12	117,384			
DEBTORS: amounts falling due within one year	13	6,629,274		4,077,941	
DEBTORS: amounts falling due after more than one year	14	47,832		25,650	
Cash at bank and in hand		<u>6,812,402</u>		<u>4,755,087</u>	
		13,606,892		8,858,678	
CREDITORS: amounts falling due within one year	15	<u>(6,569,645)</u>		<u>(4,748,660)</u>	
NET CURRENT ASSETS			7,037,247		4,110,018
CREDITORS: amounts falling due after more than one year	16		-		(8,907)
NET ASSETS			<u>7,382,218</u>		<u>4,319,829</u>
CAPITAL AND RESERVES					
Called up share capital	17		20,885		20,879
Share premium account	18		15,744,226		15,744,202
Share-based payments reserve	18, 23		750,733		254,202
Profit and loss account	18		(9,221,254)		(11,699,454)
Fair value reserve	18		<u>87,628</u>		-
TOTAL SHAREHOLDERS' FUNDS	19		<u>7,382,218</u>		<u>4,319,829</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 2 April 2015.



S J Geard
Director

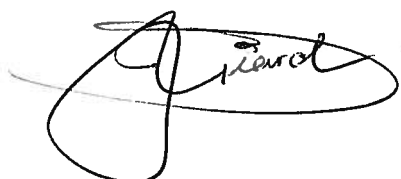
The notes on pages 19 to 36 form part of these financial statements.

NUCLEUS FINANCIAL GROUP LIMITED

**COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2014**

	Note	£	2014 £	2013 £
FIXED ASSETS				
Tangible assets	9	22,772	10,255	
Investments	10, 11	<u>2,645,002</u>	<u>2,645,002</u>	
			2,667,774	2,655,257
CURRENT ASSETS				
DEBTORS: amounts falling due within one year	13	839,782	875,469	
DEBTORS: amounts falling due after more than one year	14	8,664,409	12,518,768	
Cash at bank and in hand		<u>3,893,387</u>	<u>940,234</u>	
		13,397,578	14,334,471	
CREDITORS: amounts falling due within one year	15	<u>(1,345,501)</u>	<u>(1,528,938)</u>	
NET CURRENT ASSETS			12,052,077	12,805,533
NET ASSETS			14,719,851	15,460,790
CAPITAL AND RESERVES				
Called up share capital	17	20,885	20,879	
Share premium account	18	15,744,226	15,744,202	
Share-based payment reserve	18, 23	750,733	254,202	
Profit and loss account	18	<u>(1,795,993)</u>	<u>(558,493)</u>	
TOTAL SHAREHOLDERS' FUNDS	19	14,719,851	15,460,790	

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 2 April 2015.



S J Geard
Director

The notes on pages 19 to 36 form part of these financial statements.

NUCLEUS FINANCIAL GROUP LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 £	2013 £
Net cash inflow from operating activities	24	1,301,607	1,570,335
Returns on investments and servicing of finance	25	2,145	4,714
Taxation paid	25	-	(3,742)
Capital expenditure and financial investments	25	(313,882)	(138,972)
		<hr/>	<hr/>
CASH INFLOW BEFORE FINANCING		989,870	1,432,335
Financing	25	(21,347)	(11,115)
		<hr/>	<hr/>
INCREASE IN CASH IN THE YEAR		968,523	1,421,220

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 £	2013 £
Increase in cash in the year		968,523	1,421,220
Cash inflow from decrease in debt		21,377	21,375
		<hr/>	<hr/>
CHANGE IN NET FUNDS RESULTING FROM CASH FLOWS	26	989,900	1,442,595
Other non – cash changes		-	(1,781)
		<hr/>	<hr/>
MOVEMENT IN NET FUNDS IN THE YEAR		989,900	1,440,814
Net funds at 1 January 2014	26	4,679,657	3,238,843
		<hr/>	<hr/>
NET FUNDS AT 31 DECEMBER 2014	26	5,669,557	4,679,657

The notes on pages 19 to 36 form part of these financial statements.

NUCLEUS FINANCIAL GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****1. ACCOUNTING POLICIES****1.1 Basis of preparation of financial statements**

The Company's and the Group's financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and the applicable accounting standards in the United Kingdom. The principal accounting policies have been applied consistently other than where new policies have been adopted, and are set out below.

1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary undertakings. As a consolidated profit and loss account is published, the Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account. All profits or losses on intra-group transactions have been eliminated on consolidation. Uniform accounting policies have been applied across the Group.

1.3 Turnover

Turnover comprises fees earned by the Group from the provision of wrap platform services to UK financial advisers and their clients. Fees are recognised net of Value Added Tax, rebates and discounts and are recorded in the period to which they relate and can be reliably measured. Fees are calculated based on a basis point rate applied daily to assets under administration on the platform.

1.4 Interest income

Interest income is recognised in the profit and loss account as it is earned

1.5 Expenses recognition

Expenditure incurred by the Group is recognised in the period to which it relates. Any expenses relating to a period that have not yet been invoiced are accrued and expenses paid but which relate to future periods are classified as prepayments within the balance sheet.

1.6 Finance costs

Interest expense is recognised in the profit and loss account in the period to which it relates

1.7 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 when there has been an indication of potential impairment. There was no impairment of fixed assets in the year. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Short-term leasehold costs	Over 5 years straight line
Furniture and fittings	Over 4 years straight line
Office equipment	Over 3 years straight line

NUCLEUS FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. ACCOUNTING POLICIES (continued)

1.8 Fixed asset investments

Investments in subsidiaries are valued at cost less any provision for impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment. There was no impairment during the year.

1.9 Current asset investments

The company has deemed investments held on the platform for operational purposes as assets available for sale. These are recognised and measured at fair value with gains and losses recognised immediately in the statement of total recognised gains and losses.

1.10 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.11 Leased assets

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 present value of the minimum lease payments payable during the lease term. Assets acquired under hire purchase contracts are depreciated over their useful lives on the following basis:

Office Equipment	Over 3 years straight line
------------------	----------------------------

Depreciation on the relevant assets is charged to the profit and loss account. There is no interest on the finance lease.

1.12 Pensions

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the scheme in respect of the year. The assets of the scheme are held separately from those of the Company in an independently administered fund.

1.13 Share-based payments

(a) Share options

The Company operates two equity-settled share based payment compensation plans, under which the Group receives services from Directors and senior managers as consideration for equity instruments (options) of the Company. These are accounted for in accordance with FRS 20 "Share-based payments". The fair value of services received in exchange for the grant of options is recognised as an expense over the vesting period of these options.

NUCLEUS FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. ACCOUNTING POLICIES (continued)

1.13 Share-based payments (continued)

The total amount to be expensed is determined by reference to the fair value of the options at the grant date and the number of options expected to vest. Service conditions are included in the assumptions about the number of options expected to vest. The relevant charge to the profit and loss account is recognised over the vesting period on a straight line basis.

At the end of each reporting period, the Company revises its estimates of the number of options 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 scheme. The Company recognises the impact of any revision to the prior year's estimates in the profit and loss account, with a corresponding adjustment to equity. When the options are exercised the proceeds received net of any directly attributable transaction costs are credited to share capital and share premium account.

(b) Growth Shares

The Company also operates a growth share scheme under which the Company receives services from Directors and staff as consideration for Unrealised G Ordinary Shares. This scheme is accounted for as an equity-settled share based payment in accordance with FRS 20 "Share-based payments". Consequently, the fair value of services received in exchange for the grant of growth shares is recognised as an expense in the profit and loss account during the vesting period.

Unrealised G Ordinary Shares form part of the share capital of the Company, are not transferable, are eligible to receive dividends and do not have any voting rights. Holders of Unrealised G Ordinary Shares are subject to good and bad leaver provisions and enter into individual subscription agreements that specify certain performance targets that are to be achieved during the period to 31 December 2017. If these performance targets are met these shares can be deemed by the Company's Remuneration and Nomination Committee to be realised. In addition, a proportion of existing and new Unrealised G Ordinary Shares will not be subject to the requirement to achieve performance targets during the vesting period. The Remuneration and Nomination Committee also has the right to exercise discretion in determining if any awards are due under the Growth Share scheme.

Unrealised G Ordinary Shares are issued in tranches, each tranche determined by the date of issue and the applicable performance conditions attached. As at the date of signing, four tranches of shares have been issued. Realised G Ordinary Shares have the right to participate in any proceeds of a capital distribution amongst shareholders or participate in the proceeds of a sale of the Company should either occur before 31 December 2017. In the event of a listing of the Company on a recognised stock exchange or on 31 December 2017, whichever is the earlier, any G Ordinary Shares that are deemed to have become Realised are converted into Ordinary Shares at a rate determined by the relative open market values of G Ordinary Shares and Ordinary Shares. In the event of a listing, the Company also has the option to settle the value of the Realised G Ordinary Shares in cash rather than issue Ordinary shares before the listing occurs. The Realised G Ordinary Shares only participate in any capital distribution or sale of the Company to the extent that the value generated exceeds a specified hurdle. This valuation hurdle is also taken into consideration in determining the open market value of a Realised G Ordinary Share.

NUCLEUS FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. ACCOUNTING POLICIES (continued)

1.13 Share-based payments (continued)

During 2014 the Company obtained Shareholder consent to issue a further 547 Unrealised G2 Ordinary Shares. The vesting period associated with the existing Unrealised G Ordinary Shares and the new issue is 31 December 2017.

The total amount to be recognised in the financial statements in respect of the Growth Share scheme is determined by reference to the fair value of the Unrealised G Ordinary Shares at the date of grant, calculated using the Black-Scholes methodology. Details of the assumptions used are included in Note 23. At the end of each reporting period, the Company reviews its estimate of the number of Unrealised G Ordinary Shares that is expected to become realised at 31 December 2017 and then recognises the associated charge in the profit and loss account throughout the remainder of the vesting period, with a corresponding adjustment to equity.

1.14 Deferred tax

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 balance sheet date.

Deferred tax assets and liabilities are not discounted.

1.15 Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

1.16 Bad and doubtful debt provision

Full provision is made for debts that are considered to be irrecoverable or unlikely to be recovered within twelve months of the balance sheet date.

2. TURNOVER

The whole of turnover is attributable to the principal activity of the Group.

All turnover arose within the United Kingdom (2013: *United Kingdom*).

NUCLEUS FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

3. OPERATING PROFIT

The operating profit is stated after charging:

	2014 £	2013 £
Depreciation of tangible fixed assets:		
- owned by the Group	136,448	120,624
- leased by the Group	21,425	21,425
Operating lease rentals:		
- land and buildings	205,891	133,487
Provision for bad and doubtful debts	<u>(23,161)</u>	<u>175,000</u>

4. AUDITORS' REMUNERATION

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

	2014 £	2013 £
Fees payable to the Group's auditors for the audit of the Company's and subsidiaries' financial statements	88,400	60,720
Fees payable to the Group's auditors in respect of:		
Client assets audit	53,573	31,386
All other services	<u>54,000</u>	<u>18,300</u>

5. STAFF COSTS

Group

Staff costs, including Directors' remuneration, were as follows:

	2014 £	2013 £
Wages and salaries	5,982,811	5,070,883
Costs of employee share schemes	496,531	213,354
Social security costs	665,231	626,976
Other pension costs	<u>464,131</u>	<u>369,388</u>
	<u>7,608,704</u>	<u>6,280,601</u>

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

	2014 Number	2013 Number
Wrap administration services	<u>111</u>	<u>92</u>

NUCLEUS FINANCIAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

6. DIRECTORS' REMUNERATION (continued)

Group	2014 £	2013 £
Aggregated emoluments	1,135,574	855,251
Costs of Directors' participation in share schemes	<u>339,237</u>	<u>123,755</u>
	<u>1,474,811</u>	<u>979,006</u>
Company pension contributions to defined contribution pension Schemes	<u>57,080</u>	<u>54,140</u>

During the year retirement benefits were accruing to 3 Directors (2013: 3) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £409,025 (2013: £361,148).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £22,464 (2013: £21,620).

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £	2013 £
Other interest	<u>10,728</u>	<u>3,947</u>
	<u>10,728</u>	<u>3,947</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Group	2014 £	2013 £
Analysis of tax charge in the year:		
UK corporation tax on profit for the year	-	(10,000)
Total current tax charge	-	(10,000)
	2014 £	2013 £
Deferred tax:		
Origination and reversal of timing differences	-	(236,441)
Total deferred tax credit	-	(236,441)
Tax on profit on ordinary activities	-	(246,441)

NUCLEUS FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

	2014 £	2013 £
Factors affecting tax charge for the year:		
Profit on ordinary activities before tax	2,478,200	1,472,941
Profit on ordinary activities multiplied by small companies' rate of corporation tax in the UK of 20.00% (2013: 20.00%)	495,640	294,588
Effects of:		
Fixed asset timing differences	2,379	-
Expenses not deductible for tax purposes	174,004	81,572
Income not deductible for tax purposes	(70)	-
Accelerated capital allowances/other timing differences	-	79,230
Transfer pricing adjustments	(54,327)	-
Depreciation in excess of capital allowances	25,703	-
Utilisation of tax losses and other deductions	(766,078)	(465,390)
Unrelieved tax losses and other deductions	122,604	-
Other short term timing differences	145	-
Current tax charge/(credit) for the year	-	(10,000)

Factors that may affect future tax charges:

The potential deferred tax asset that has been fully provided in accordance with FRS 19 "Deferred tax" comprises:

	2014 £	2013 £
Deferred tax asset at beginning of the year	355,526	119,085
Deferred tax charge in the profit and loss account for the year	-	236,441
Deferred tax asset at end of the year	355,526	355,526

	2014 £	2013 £
Unrecognised deferred tax assets comprise:		
Accelerated capital allowances	4,714	4,422
Short term timing differences	12,249	-
Losses	930,506	1,557,397
	947,469	1,561,819

The total potential deferred tax asset arising in respect of unutilised tax losses and timing differences at 31 December 2014 is £1,302,995 (2013: £1,917,345). As a result of the uncertainty in the opinion of the Directors regarding the timing and extent of future profit generation by the Company, a deferred tax asset of £947,469 (2013: £1,561,819) has not been recognised.

NUCLEUS FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Company

Analysis of tax charge in the year

There was no tax charge for the year (2013: £nil)

	2014 £	2013 £
Factors affecting tax charge for the year:		
Loss on ordinary activities before tax	(1,237,500)	(632,445)
Loss on ordinary activities multiplied by small companies' rate of corporation tax in the UK of 20.00% (2013: 20.00%)	(247,500)	(126,489)
Effects of:		
Fixed asset differences	1,896	-
Expenses not deductible for tax purposes	119,399	71,272
Income note deductible for tax purposes	(70)	-
Non-taxable income	-	(2,460)
Transfer pricing adjustments	(54,327)	(67,702)
Group relief surrendered	50,998	84,580
Depreciation in excess of capital allowances	292	-
Accelerated capital allowances/other timing differences	-	(1,039)
Unrelieved tax losses and other deductions arising in the period	122,604	41,838
Other short term timing differences	6,708	-
Current tax charge for the year	-	-

	2014 £	2013 £
Factors that may affect future tax charges:		
Unrecognised deferred tax assets comprise:		
Accelerated capital allowances	4,714	4,422
Short term timing differences	12,249	-
Losses	337,512	217,173
	354,475	221,595

The deferred tax asset has not been recognised due to uncertainty, in the opinion of the Directors, regarding the timing and extent of future profits of the Company.

NUCLEUS FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

9. TANGIBLE FIXED ASSETS

Group	Short-term leasehold costs £	Furniture and fittings £	Office Equipment £	Total £
Cost				
At 1 January 2014	33,584	115,163	480,165	628,912
Additions	23,459	55,174	205,493	284,126
At 31 December 2014	<u>57,043</u>	<u>170,337</u>	<u>685,658</u>	<u>913,038</u>
Accumulated depreciation				
At 1 January 2014	23,329	78,684	308,181	410,194
Charge for the year	10,942	27,541	119,390	157,873
At 31 December 2014	<u>34,271</u>	<u>106,225</u>	<u>427,571</u>	<u>568,067</u>
Net book value				
At 31 December 2014	<u>22,772</u>	<u>64,112</u>	<u>258,087</u>	<u>344,971</u>
At 31 December 2013	<u>10,255</u>	<u>36,479</u>	<u>171,984</u>	<u>218,718</u>

The net book value of office equipment includes assets held under finance leases or hire purchase contracts with a net book value amounting to £7,142 (2013: £28,502).

Company	Short-term leasehold £
Cost	
At 1 January 2014	33,584
Additions	23,459
At 31 December 2014	<u>57,043</u>
Accumulated Depreciation	
At 1 January 2014	23,329
Charge for the year	10,942
As at 31 December 2014	<u>34,271</u>
Net book value	
At 31 December 2014	<u>22,772</u>
At 31 December 2013	<u>10,255</u>

NUCLEUS FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

10. FIXED ASSET INVESTMENTS

Company	Shares in Group undertakings £
Cost	
At 1 January 2014	2,645,002
Additions	-
At 31 December 2014	<u>2,645,002</u>

Details of the subsidiary undertakings are shown in note 11 below and the trading activities of these subsidiaries are described in the Directors' Report. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

11. SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Company name	Percentage Shareholding
Nucleus Financial Services Limited	100% ordinary shares
Nucleus IFA Services Limited	100% ordinary shares

Nucleus Financial Services Limited is incorporated in England and Wales. Nucleus IFA Services Limited is incorporated in Scotland.

Nucleus Financial Services Limited has a 100% shareholding in NFS (Nominees) Ltd and a 100% shareholding in Nucleus Trustee Company Limited. Nucleus Financial Group Limited is the only entity to produce consolidated financial statements.

12. CURRENT ASSET INVESTMENTS

Group	Other investments £
Cost	
At 1 January 2014	-
Additions	29,756
Unrealised gain on investments	<u>87,628</u>
At 31 December 2014	<u>117,384</u>

NUCLEUS FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

13. DEBTORS

Amounts falling due within one year:

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Amounts owed by Group undertakings	-	-	285,329	502,355
Other debtors	1,518,035	1,339,243	332,368	228,483
Less: bad debt provision	(151,839)	(175,000)	-	-
	1,336,196	1,164,243	617,697	730,838
Amounts owed by HMRC	2,116,306	281,247	-	-
Prepayments and accrued income	2,791,246	2,276,925	222,085	144,631
Deferred tax	355,526	355,526	-	-
	<u>6,629,274</u>	<u>4,077,941</u>	<u>839,782</u>	<u>875,469</u>

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.

Bad debt provision for Offshore Bond Withholding Tax reclaim

The RL360 offshore bond wrapper was launched on the Nucleus platform in 2008. This product is registered in the Isle of Man and, as such, clients invested in this product are entitled to receive interest distributions gross of tax from UK funds. However between 2008 and 2013 some distributions were paid by fund managers net of UK income tax. Nucleus has applied the tax incorrectly withheld at source to clients' accounts and is currently liaising with fund managers to process reclaims of this tax. There is a possibility that some fund managers will not process the reclaim of tax and therefore the debtor due has been impaired to the extent that these reclaims have not been refunded or agreed to be refunded as at the date of signing of these financial statements.

14. DEBTORS

Amounts falling due after more than one year:

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Amounts owed by Group undertakings	-	-	8,616,577	12,493,118
Other debtors	47,832	25,650	47,832	25,650
	<u>47,832</u>	<u>25,650</u>	<u>8,664,409</u>	<u>12,518,768</u>

NUCLEUS FINANCIAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

15. CREDITORS

Amounts falling due within one year:

	<u>Group</u>		<u>Company</u>	
	2014 £	2013 £	2014 £	2013 £
Bank overdrafts	1,133,939	45,147	-	-
Trade creditors	2,574,900	1,930,618	196,058	85,776
Amounts owed to HMRC	213,682	245,961	-	-
Taxation and social security	162,914	154,261	162,914	154,261
Other creditors	112,769	25,971	72,729	4,195
Accruals	2,371,441	2,346,702	913,800	1,284,706
	<u>6,569,645</u>	<u>4,748,660</u>	<u>1,345,501</u>	<u>1,528,938</u>

Included within other creditors is a lease agreement which is unsecured and has agreed repayment terms. There is no interest on the lease agreement.

16. CREDITORS

Amounts falling due after more than one year:

	<u>Group</u>		<u>Company</u>	
	2014 £	2013 £	2014 £	2013 £
Other creditors	-	8,907	-	-
	<u>-</u>	<u>8,907</u>	<u>-</u>	<u>-</u>

17. CALLED UP SHARE CAPITAL

	2014 £	2013 £
Company and Group		
Allotted, called up and fully paid		
1,000,000 (2013: 1,000,000) Ordinary Shares of 1p each	10,000	10,000
761,028 (2013: 761,028) B Ordinary Shares of 1p each	7,610	7,610
202,304 (2013: 202,304) G1 Ordinary Shares of 1p each	2,023	2,023
125,187 (2013: 124,600) G2 Ordinary Shares of 1p each	1,252	1,246
	<u>20,885</u>	<u>20,879</u>

In 2014, 587 (2013: 124,600) G2 Ordinary Shares were issued at 5p each (2013: 5p).

Of the G1 and G2 Ordinary Shares 144,600 (2013: 144,600) are held by Directors of the Company.

NUCLEUS FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

18. RESERVES

Group	Share-based payment reserve £	Share premium account £	Profit and loss account £	Fair value reserve £
At 1 January 2014	254,202	15,744,202	(11,699,454)	-
Share-based payments charge for the financial year	496,531	-	-	-
Shares issued during 2014	-	24	-	-
Profit after tax for the financial year	-	-	2,478,200	-
Unrealised gain on investments	-	-	-	87,628
At 31 December 2014	<u>750,733</u>	<u>15,744,226</u>	<u>(9,221,254)</u>	<u>87,628</u>

Company	£	£	£
At 1 January 2014	254,202	15,744,202	(558,493)
Share-based payments charge for the financial year	496,531	-	-
Shares issued during 2014	-	24	-
Loss after tax for the financial year	-	-	(1,237,500)
At 31 December 2014	<u>750,733</u>	<u>15,744,226</u>	<u>(1,795,993)</u>

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Group	2014 £	2013 £
Opening shareholders' funds	4,319,829	2,378,613
Costs of employee shares schemes charge for the financial year	496,531	213,354
Profit after tax for the financial year	2,478,200	1,719,382
Net proceeds of issue of G2 Ordinary Shares	30	8,480
Unrealised gain on investments	87,628	-
Closing shareholders' funds	<u>7,382,218</u>	<u>4,319,829</u>

20. OPERATING LEASE COMMITMENTS

At 31 December 2014 the Group and Company had annual commitments under non-cancellable operating leases as follows:

Land and buildings	2014 £	2013 £
Group and Company		
Expiry date:		
Within 1 year	171,883	88,452
Within 2 to 5 years	616,658	317,134
After more than 5 years	<u>90,415</u>	<u>127,335</u>

NUCLEUS FINANCIAL GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****21. RELATED PARTY TRANSACTIONS**

Nucleus IFA Company Limited has a significant interest in the shareholding of Nucleus Financial Group Limited. During the year Nucleus Financial Group Limited provided additional loans of £92,576 (2013: £110,917) to Nucleus IFA Company Limited. This subordinated loan facility is capped at £390,000 (2013: £390,000). Interest of £2,014 (2013: £2,174) was charged on amounts due from Nucleus IFA Company Limited during the year at an interest rate of 2.5% (2013: 2.5%) and £4,289 (2013: £977) on loans at 3.0% (2013: 3.0%). At the balance sheet date, Nucleus IFA Company Limited owed Nucleus Financial Group Limited £281,889 (2013: £189,313). During the year, Nucleus Financial Group Limited paid board fees totalling £6,772 (2013: £nil) on behalf of Nucleus IFA Company Limited and at the balance sheet date was due to pay fees of £6,750, £3,600 of which was due to Sanlam UK Limited (2013: £nil). These fees will not be recovered from Nucleus IFA Company Limited.

Sanlam UK Limited also has a significant interest in the shareholding of Nucleus Financial Group Limited. At the balance sheet date, Sanlam UK Limited owed Nucleus Financial Group Limited £5,112 (2013: £19,350 creditor) in respect of Board fees. Nucleus Financial Services Limited owed Sanlam UK £13,430 (2013: £12,984) in respect of fees for the Onshore Bond and £19,223 (2013: £268) in respect of tax collected from the Onshore Bond investment. During the year Sanlam UK Limited charged Nucleus Financial Services Limited fees of £130,189 (2013: £41,754) in respect of the Onshore Bond.

22. CONTROLLING PARTY

The Company's significant shareholders are Sanlam UK Limited, a company registered in England and Wales, and Nucleus IFA Company Limited, a company registered in Scotland.

23. SHARE-BASED PAYMENTS**Employee Share Ownership Trust**

An Employee Share Ownership Trust (ESOT) was established on 2 December 2010. At inception the ESOT purchased 23,500 Ordinary shares from former employees and consultants that had become "bad leavers" under the terms of the Company's shareholder agreement. The Company gifted £235 to facilitate this initial purchase. Thereafter, the ESOT has disposed of 3,475 shares to employees exercising options under the 2008 Share Option Scheme. The Company has agreed to provide a loan facility to the ESOT to enable the ESOT to meet its external expenses. As at the balance sheet date £42,065 (2013: 35,526) was due to the Company from the ESOT and this is included in external debtors on the Company and Group balance sheets. The Company has not consolidated the results of the ESOT on the grounds of materiality.

Share options

Certain Directors and senior management hold options that entitle them to purchase 11,500 Ordinary Shares provided they remain in full-time employment and subject to satisfactory performance appraisals when the options are due to vest. The options vest in tranches between 31 December 2012 and 2015 and have a last expiry date of 28 February 2017.

NUCLEUS FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

23. SHARE-BASED PAYMENTS (continued)

Details of the share options are as follows:

	Date granted	Exercise price £	Exercisable from	Exercisable to	Equity based share options outstanding 31/12/2014	Equity based share options outstanding 31/12/2013
Directors' Scheme						
	27/07/2010	13.20	28/02/2013	28/02/2017	2,400	2,400
	27/07/2010	13.20	28/02/2014	28/02/2017	800	800
	27/07/2010	13.20	28/02/2015	28/02/2017	800	800
					<u>4,000</u>	<u>4,000</u>
Senior Management Scheme						
	25/01/2010	13.20	31/12/2012	31/12/2016	3,000	3,000
	25/01/2010	13.20	31/12/2013	31/12/2016	2,250	2,250
	25/01/2010	13.20	31/12/2014	31/12/2016	2,250	2,250
					<u>7,500</u>	<u>7,500</u>

The share options granted were valued at date of grant using the Black-Scholes model. The significant assumptions used are shown in the table below:

Grant date	27/07/2010	25/01/2010
Price of the underlying Ordinary share	£13.20	£13.20
Effective strike price of the option	£13.20	£13.20
Expected volatility of the share price	50%	50%
Risk-free rate interest rate over the life of the option	1.72%	2.35%
Dividend yield	Nil	Nil
Fair value per option at grant date	£1.37	£1.41

The volatility measured is based on historical volatility of similar listed entities over 2008, 2009 and 2010.

During the year £7,413 was credited (2013: £7,256 charged) to the profit and loss account in respect of this scheme.

NUCLEUS FINANCIAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

23. SHARE-BASED PAYMENTS (continued)**Growth shares**

G1 and G2 Ordinary Shares are granted to Directors and employees. Details of the rights and the conditions attached to these shares are included in note 1.12(b) Share-based payments.

Details of the G Ordinary Shares are as follows:

	Date granted	Par value £	Realisable	G Ordinary Shares in issue 31/12/2014	G Ordinary Shares in issue 31/12/2013
Growth share scheme					
G1 Shares	15/10/2012	0.05	31/12/2017	45,000	45,000
G1 Shares	19/09/2013	0.05	31/12/2017	157,304	157,304
				<u>202,304</u>	<u>202,304</u>
G2 Shares	19/07/2013	0.05	31/12/2017	124,600	124,600
G2 Shares	14/03/2014	0.05	31/12/2017	587	-
Total Growth Shares				<u>327,491</u>	<u>326,904</u>

The G1 and G2 Ordinary Shares granted were valued as at the date of grant or entitlement using the Black-Scholes model. The significant assumptions used are shown in the table below:

	G1 Shares	G1 Shares	G2 Shares	G2 Shares
Grant date	15/10/2012	19/09/2013	19/07/2013	14/03/2014
Price of the underlying Ordinary share	£28.22	£28.43	£28.43	£28.43
Effective strike price of the G Ordinary Share	£24.10	£24.10	£31.24	£31.24
Expected volatility of the share price	40%	40%	40%	25%
Risk-free rate interest rate over the life of the G Ordinary Share	0.79%	1.47%	1.08%	1.36%
Dividend yield	Nil	Nil	Nil	Nil
Fair value per G Ordinary Share at grant date	£11.82	£11.44	£8.91	£4.95

The volatility measured is based on historical volatility of similar listed entities between 2008 and 2014.

During the year £503,944 (2013: £206,098) was charged to the profit and loss account in respect of these shares.

NUCLEUS FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

24. NET CASH FLOW FROM OPERATING ACTIVITIES

	2014 £	2013 £
Operating profit	2,476,250	1,465,328
Employee shares schemes charge	496,531	213,354
Depreciation of tangible fixed assets	157,873	142,049
Bad debt provision	(23,161)	175,000
Increase in debtors	(2,550,355)	(1,706,658)
Increase in creditors	744,469	1,281,262
Net cash inflow from operating activities	1,301,607	1,570,335

25. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2014 £	2013 £
Returns on investments and servicing of finance		
Interest received	12,678	8,661
Interest paid	(10,533)	(3,947)
Net cash inflow from returns on investments and servicing of finance	2,145	4,714
	2014 £	2013 £
Taxation		
Taxation paid in the year	-	(3,742)
	2014 £	2013 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(284,126)	(138,972)
Purchase of investments	(29,756)	-
Net cash outflow from capital expenditure	(313,882)	(138,972)
	2014 £	2013 £
Financing		
Issue of Ordinary Share capital	30	8,480
Capital element of repayments under finance leases and hire purchase agreements	(21,377)	(19,595)
Net cash outflow from financing	(21,347)	(11,115)

NUCLEUS FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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26. ANALYSIS OF CHANGES IN NET FUNDS

	1 January 2014 £	Cash flow £	Other non-cash changes £	31 December 2014 £
Cash at bank and in hand	4,755,087	2,057,315	-	6,812,402
Bank overdraft	(45,147)	(1,088,792)	-	(1,133,939)
Lease agreement	(21,377)	21,377	(8,906)	(8,906)
	<u>4,688,563</u>	<u>989,900</u>	<u>(8,906)</u>	<u>5,669,557</u>
Debt:				
Debts falling due after more than one year	(8,906)	-	8,906	-
Net funds	<u>4,679,657</u>	<u>989,900</u>	<u>-</u>	<u>5,669,557</u>