

Registered number: 05629686

NUCLEUS FINANCIAL SERVICES LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

NUCLEUS FINANCIAL SERVICES LIMITED

COMPANY INFORMATION

DIRECTORS	A C D Bloch P R Bradshaw D R Ferguson S J Geard J P Gibson A J Mathieson J A A Samuels L van der Walt N B Wilson
COMPANY SECRETARY	A J Mathieson
REGISTERED NUMBER	05629686
REGISTERED OFFICE	One London Wall London United Kingdom EC2Y 5AB
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Erskine House 68-73 Queen Street Edinburgh EH2 4NH
BANKERS	The Royal Bank of Scotland Aldgate Union 7 th Floor 10 Whitechapel High Street London E1 8DX

NUCLEUS FINANCIAL SERVICES LIMITED

CONTENTS

	Page
Directors' report	4 - 10
Independent auditors' report	11 – 12
Profit and Loss Account	13
Balance Sheet	14
Notes to the financial statements	15 - 22

NUCLEUS FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors present their report and the financial statements for the year ended 31 December 2012.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' 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 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 Company and of the profit or loss of the Company 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;
- 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. They 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 are responsible for the maintenance and integrity of the Company'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 maintenance and integrity of the Group's website is the responsibility of the Directors. 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.

PRINCIPAL ACTIVITY

The Company's principal activity is the provision of a "wrap" investment administration service to selected Financial Advisers in the UK.

NUCLEUS FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

PRINCIPAL ACTIVITY (continued)

Nucleus Financial Services Limited ("NFS") is regulated by the Financial Conduct Authority ("FCA"). The FCA was formed as a result of the separation of the Financial Services Authority ("FSA") into two parts and this separation was enacted recently in the Financial Services Act 2012. The FCA regulated activities of the Company are predominantly those relating to a Limited Licence Investment Firm. In addition, NFS has additional obligations to both the FCA and Her Majesty's Revenue and Customs ("HMRC") with regard to its activities as operator of a Self Invested Personal Pension scheme ("Sipp Operator") and also those relating to the management of Individual Savings Accounts ("Isa Manager"). Finally, NFS is required to hold and control client money as part of its activities and is therefore subject to the FCA's client money rules.

BUSINESS REVIEW AND FUTURE OUTLOOK

NFS is a wholly owned subsidiary of Nucleus Financial Group Limited ("Nucleus" or "the Group"). This business review incorporates aspects relating to the Group and NFS.

Nucleus provides an online environment where financial advisers can manage their clients' assets and provide a service consistent with the evolving demands of retail customers and which is compatible with the requirements of the FSA's Retail Distribution Review ("RDR"). Nucleus operates in the wrap platform segment of the UK platform market. Clients can invest directly or via various "tax wrappers" including an Isa, Sipp and onshore and offshore life assurance bonds, into a broad range of underlying assets including cash, unit trusts, Oeics, ETFs, investment trusts and other securities. Beyond that, Nucleus has delivered a business model in which financial advisers retain greater influence through direct or indirect ownership in Nucleus and the client enjoys transparency of charges and fees. NFS enters into agreements with retail clients and financial advisers to provide wrap platform services. This service is subject to a basis point fee that is charged to retail clients applied to assets under administration

In 2012 much of the focus within the broader retail financial services market was to implement the changes necessary to meet the requirements of RDR.

While wrap platforms and most Nucleus users have been operating in accordance with the RDR principles in 2012, wrap platform sector growth was slower than had been expected, as advisers invested in ensuring their business models were fully compliant with the detail of the new regulations. However, Nucleus outperformed its sector, achieving 39% growth in assets under administration against sector growth of 32.4% (source: Fundscape Platform Report Feb 2013). In addition, the number of adviser firms using the platform increased to 438 (2011: 369), the number of adviser users increased to 1,394 (2011: 897) and we closed the year with 42,877 (2011: 33,853) retail clients. Our pricing remained unchanged and consistent with prior years and the 39% growth in assets generated a 40% increase in revenue to £13,642k (2011: £9,723k).

We undertook significant projects to become providers of the Isa and Sipp tax wrappers that are available on the platform, and to launch a new onshore bond. This also required NFS to purchase the dormant trustee company from Scottish Friendly Assurance Society. The purchase price was £1k representing the nominal share value of the company. Although these projects resulted in a total of £340k of non-recurring costs we now have much greater control over our proposition and this will allow us to generate better client outcomes and operate more profitably in future.

Aside from this transitional work our service delivery remained good and Nucleus retained a top 3 position throughout 2012 in the Platform rankings and was second overall in the CoreData Investment Platform Survey dated July 2012.

We consider functionality, service, price and culture to be critical success factors in our sector and we will continue to invest to ensure we remain at the forefront in each of these areas. We are particularly interested in exploring those areas where we can offer users a wider range of products and services and we are working on several initiatives that will further extend the capability and reach of the Nucleus wrap.

NUCLEUS FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

BUSINESS REVIEW AND FUTURE OUTLOOK (continued)

These initiatives will complement the milestone achieved in November 2012 when Nucleus became the first company to offer life insurance protection on a UK platform. In 2013 we have already launched a comprehensive suite of trusts to encourage better tax planning and we are currently running a pilot project that allows clients to seamlessly purchase from a range of annuities.

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 second line of defence.

The second line function 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 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 both the internal and external audit functions as its third line of defence and obtains 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. External audit provides assurance on risks associated with Nucleus' financial reporting and control environment.

Findings arising from these audit processes are reported to both the Audit and Risk Committee and the Board. During 2012 the Board strengthened the Group's third line by appointing Grant Thornton LLP to provide internal audit services to the Group.

The Company is required to prepare a Pillar 3 statement. This includes additional information on the firm's capital, risk exposures and risk assessment processes. The Pillar 3 statement is available on the Group's website – www.nucleusfinancial.com.

NUCLEUS FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

KEY RISKS AND UNCERTAINTIES

The following key risks relate to the Company's business and the sector in which it operates. The risks and uncertainties described below are not intended to be exhaustive and are not the only ones that may face the Company. Additional risks and uncertainties not presently known to the Directors or that the Directors currently deem immaterial, may also have an adverse effect on the Company's business and financial condition.

NFS operates in a heavily regulated industry

Any change in the laws or regulations affecting platform operators could have a material adverse effect on the Company's ability to carry on its activities.

Furthermore if NFS was to commit a serious breach of any of the regulations that apply to it there could be both financial (including, without limitation, fines and/or the cost of being required to take remedial action) and regulatory consequences which could adversely impact the Company's business, operations and financial condition.

NFS is required to have available to it, and to maintain, a sufficient level of capital as determined by the requirements applicable to a Limited Licence Investment Firm and a non-insured Sipp Operator.

With regard to developments in the platform sector, the implementation in January 2013 of the Financial Service Authority's Retail Distribution Review and how this impacts platform operators and NFS' target audience continues to be a focus as the regulator considers the effectiveness of the industry's adoption of the new requirements. Additionally, the regulator is currently in consultation with relevant participants with regard to aspects of regulation that impact the Company's operations, such as client money and Sipp. Any changes to these could have an impact on the operational and regulatory capital requirements that the Company is required to adhere to.

Reliance on financial advisers

As with all platform operators in the financial adviser market, the recruitment and retention of financial advisers is an important part of the Company's growth plans. Changes in either of the regulatory or competitive environment may render the Company's service offerings unattractive to financial advisers and have an adverse effect on the Company's revenues.

The Company also provides a platform solution to Paradigm Partners LLP and approximately one third of new business arises through this arrangement which is fixed until 2016.

Reliance on key suppliers

The Company relies on the following key suppliers: Citibank International plc. ("Citi"), to which platform administration services are outsourced; Scottish Friendly Assurance Society and Sanlam UK Limited which provide the onshore bonds and Royal London 360 which provides the offshore bond. Bravura Solutions Limited provides the technology underpinning the platform via a sub license from Citi. Operational and corporate banking facilities are provided by Royal Bank of Scotland plc. The Company also relies on its Parent for the provision of staff to enable it to provide its services.

NUCLEUS FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

KEY RISKS AND UNCERTANTIES (continued)

Access to capital

NFS' parent Nucleus is an unlisted private company limited by shares. As an unlisted company the ability of the company to raise additional capital is ordinarily restricted to its existing shareholders. However where additional capital is required in order to meet its regulatory obligations the Directors are empowered to utilise other sources of capital outside of the immediate shareholder community.

Exposure to securities markets

The Company's income is currently derived from a fully variable basis point fee applied to client assets under administration and, as such, the Company's income is exposed to variations in this fee due to external market movements. Whilst there is some mitigation of this risk within aspects of its cost base, NFS is ultimately exposed to variations in its financial results due to market movements outside of its control.

Competition risk

There can be no assurance that other companies will not compete more aggressively than at present with the Company. This may be in terms of winning new clients, attracting advisers and sourcing acquisition targets. Competition may come from companies which have greater development, marketing, financial and personnel resources than the Company or its Parent. Competitors may develop products and services that are more effective or economically viable than those developed by NFS.

Liquidity risk

Liquidity risk is the risk that a company will 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 maturities of its assets and liabilities. The Company manages its liquidity risk through an evaluation of its working capital requirements supported by reviewing its cash and cash facilities on an ongoing basis.

RESULTS AND KEY PERFORMANCE INDICATORS

The profit for the year, after taxation was £295,389 (2011: £43,395). The key performance indicators which the Board use to assess financial performance are:

	2012	2011
	£	£
Assets under administration	4,502,079,419	3,236,419,994
Turnover	13,641,555	9,723,373
Operating profit	302,403	46,665
Profit after taxation	295,389	43,395
Net assets	2,932,134	2,636,745

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

NUCLEUS FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

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 three year business plan projections of the Group and its subsidiaries, stressed for significant events that would have a material impact on the profitability, liquidity, solvency and regulatory capital adequacy;
- actual performance to date;
- access to capital to meet operational and regulatory requirements;
- the financial position of other Group companies on which NFS relies for services;
- known risks and uncertainties with consideration of the impact of these on solvency and liquidity; and
- known and anticipated changes in the regulatory environment impacting platform operators.

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

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

The Directors of the company who were in office during the year were:

A C D Bloch
P R Bradshaw
D R Ferguson
S J Geard
A J Mathieson
J C Moore - resigned 20 January 2013
J A A Samuels
L van der Walt
N B Wilson

J P Gibson was appointed as a Director on 6 February 2013.

COMPANY SECRETARY

The name of the current Company Secretary is listed on page 2. Changes in Company Secretary during the year were as follows:

A J Mathieson – resigned 1 May 2012, re-appointed 10 August 2012.
J McNeil – appointed 1 May 2012, resigned 10 August 2012.

NUCLEUS FINANCIAL SERVICES LIMITED

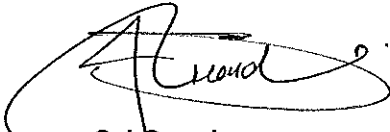
**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012**

PROVISION OF INFORMATION TO AUDITOR

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

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

This report was approved by the Board on 11 April 2013 and signed on its behalf.



S J Geard
Director

NUCLEUS FINANCIAL SERVICES LIMITED

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

We have audited the financial statements of Nucleus Financial Services Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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). 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.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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 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. In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit 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 Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

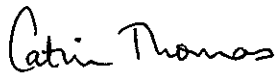
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

NUCLEUS FINANCIAL SERVICES LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NUCLEUS FINANCIAL SERVICES LIMITED
MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Catrin Thomas (Senior Statutory Auditor)

for and on behalf of
PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Edinburgh

11 April 2013

NUCLEUS FINANCIAL SERVICES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £	2011 £
TURNOVER	2	13,641,555	9,723,373
Cost of sales		<u>(10,692,648)</u>	<u>(7,555,111)</u>
GROSS PROFIT		2,948,907	2,168,262
Administrative expenses		(2,646,504)	(2,122,233)
Other operating income		<u>-</u>	<u>636</u>
OPERATING PROFIT		302,403	46,665
Interest receivable and similar income		11,970	1,765
Interest payable and similar charges	6	<u>(5,242)</u>	<u>(2,238)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		309,131	46,192
Tax on profit on ordinary activities	7	<u>(13,742)</u>	<u>(2,797)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>295,389</u>	<u>43,395</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and Loss Account above.

There is no difference between the profit on ordinary activities before taxation and the retained profit and their historical cost equivalents.

The notes on pages 15 to 22 form part of these financial statements.

NUCLEUS FINANCIAL SERVICES LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	£	2012	£	£	2011	£
FIXED ASSETS							
Investments	8		1,001			1	
CURRENT ASSETS							
Debtors	10	1,916,975			1,555,554		
Cash at bank and in hand		<u>3,706,376</u>			<u>3,422,933</u>		
		5,623,351			4,978,487		
CREDITORS: amounts falling due within one year	11	<u>(2,642,218)</u>			<u>(2,291,743)</u>		
NET CURRENT ASSETS			<u>2,981,133</u>			<u>2,686,744</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			2,982,134			2,686,745	
CREDITORS: amounts falling due after more than one year	12		<u>(50,000)</u>			<u>(50,000)</u>	
NET ASSETS			<u>2,932,134</u>			<u>2,636,745</u>	
CAPITAL AND RESERVES							
Called up share capital	13		2,595,000			2,595,000	
Profit and Loss account	14		<u>337,134</u>			<u>41,745</u>	
TOTAL SHAREHOLDERS' FUNDS	15		<u>2,932,134</u>			<u>2,636,745</u>	

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 11 April 2013.



D R Ferguson
Director

The notes on pages 15 to 22 form part of these financial statements.

NUCLEUS FINANCIAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The Company'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 are set out below.

1.2 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the Group and whose Group consolidated financial statements being publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Turnover

Turnover comprises fees earned by the Company from the provision of a "wrap" investment administration service. 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 basis point rate applied on a daily basis 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 Expense recognition

Expenditure incurred by the Company 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 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Profit and Loss Account as it excludes items of income or expense that are deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet 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.

NUCLEUS FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES (continued)

1.7 Taxation (continued)

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 average 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.

1.8 Pensions

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

1.9 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.

2. TURNOVER

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

All turnover arose within the United Kingdom (2011: *all United Kingdom*).

3. AUDITORS' REMUNERATION

During the year the Company obtained the following services from the Company's auditor and its associate:

	2012 £	2011 £
Fees payable to the Company's auditor for the audit of the Company's financial statements	18,720	22,050
Fees payable to the Company's auditor in respect of:		
Other services relating to taxation:	-	5,880
Client assets audit:	36,000	18,600
All other services:	-	33,648
	<u> </u>	<u> </u>

NUCLEUS FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

4. STAFF COSTS

The staff who manage the affairs of the Company are employed by Nucleus Financial Group Limited.

Staff costs, including Directors' remuneration, recharged to the Company were as follows:

	2012 £	2011 £
Wages and salaries	1,221,419	1,026,130
Social security costs	128,234	100,403
Other pension costs	104,293	87,376
	<u>1,453,946</u>	<u>1,213,909</u>

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

	2012 Number	2011 Number
Office and management	<u>30</u>	<u>24</u>

5. DIRECTORS' REMUNERATION

	2012 £	2011 £
Aggregated emoluments	<u>271,019</u>	<u>232,561</u>
Company pension contributions to money purchase pension schemes	<u>15,443</u>	<u>12,700</u>

During the year retirement benefits were accruing to 3 Directors (2011: 2) in respect of money purchase pension schemes.

The highest paid Director received remuneration of £113,823 (2011: £106,497).

The value of the Company's contributions paid to a money purchase pension scheme in respect of the highest paid Director amounted to £7,776 (2011: £7,200).

NUCLEUS FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £	2011 £
Other interest payable	<u>5,242</u>	<u>2,238</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012 £	2011 £
Analysis of tax charge in the year		
UK corporation tax on profits for the year	<u>13,742</u>	-
Total current tax charge	<u>13,742</u>	-
Deferred tax:		
Origination and reversal of timing differences	-	<u>2,797</u>
Total deferred tax charge	-	<u>2,797</u>
Tax on profit on ordinary activities	<u>13,742</u>	<u>2,797</u>

Factors affecting tax charge for the year

The tax assessed for the year is different from the small companies' rate of corporation tax in the UK of 20.00% (2011: 20.25%). The differences are explained below:

	2012 £	2011 £
Profit on ordinary activities before tax	309,131	46,192
Profit on ordinary activities multiplied by small companies' rate of corporation tax in the UK of 20.00% (2011: 20.25%)	61,826	9,354
Effects of:		
Expenses not deductible for tax purposes	1,140	304
Group relief not paid for	(49,224)	(6,825)
Accelerated capital allowances / other timing differences	-	(2,833)
Current tax charge for the year	<u>13,742</u>	<u>-</u>

NUCLEUS FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors that may affect future tax charges

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

	2012 £	2011 £
Losses	-	-
Deferred tax asset at beginning of the year	-	2,797
Deferred tax charge in the Profit and Loss account for the year	-	(2,797)
Deferred tax asset at end of the year	-	-

8. FIXED ASSET INVESTMENTS

	Shares in Group undertakings £
Cost	
At 1 January 2012	1
Additions	1,000
At 31 December 2012	1,001

Details of the subsidiary undertaking are shown in note 9 below.

9. SUBSIDIARY UNDERTAKING

The following were subsidiary undertakings of the Company:

Company name	Percentage Shareholding
NFS (Nominees) Limited	100% ordinary shares
Nucleus Trustee Company Limited	100% ordinary shares

NFS (Nominees) Limited is incorporated in England and Wales. Nucleus Trustee Company Limited is incorporated in Scotland.

NFS has taken advantage of the exemption under section 400 of the Companies Act 2006 whereby an intermediate parent company is not required to prepare group financial statements.

NUCLEUS FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

10. DEBTORS

	2012 £	2011 £
Other debtors	149,065	469,002
Due from HMRC	245,220	-
Prepayments and accrued income	<u>1,522,690</u>	<u>1,086,552</u>
	<u>1,916,975</u>	<u>1,555,554</u>

11. CREDITORS

Amounts falling due within one year

	2012 £	2011 £
Bank overdraft	81,839	-
Trade creditors	905,364	913,190
Amounts owed to Group undertakings	718,117	540,479
Due to HMRC	28,882	-
Taxation and social security	13,742	-
Sundry creditors	4,987	52,154
Accruals	889,287	785,920
	<u>2,642,218</u>	<u>2,291,743</u>

12. CREDITORS

Amounts falling due after more than one year

	2012 £	2011 £
50,000 (2011: 50,000) Preference shares of £1 each	<u>50,000</u>	<u>50,000</u>

Preference share dividends due in the year are included within amounts owed to Group undertakings (note 11). £1,500 share dividends have been declared in respect of 2012 (2011: £1,500).

The holder of preference shares, Nucleus Financial Group Limited, 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 equally with every other preference share and ahead of all other shares in sharing the Company's assets. The holder of a preference share 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.

NUCLEUS FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

12. CREDITORS

Amounts falling due after more than one year (continued)

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.

13. CALLED UP SHARE CAPITAL

	2012 £	2011 £
Allotted, called up and fully paid		
2,595,000 (2011: 2,595,000) Ordinary shares of £1 each	<u>2,595,000</u>	<u>2,595,000</u>

14. RESERVES

	Profit and Loss Account £
At 1 January 2012	41,745
Profit for the financial year	<u>295,389</u>
At 31 December 2012	<u>337,134</u>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Opening shareholders' funds as previously stated	2,636,745	2,593,350
Profit for the financial year	<u>295,389</u>	<u>43,395</u>
Closing shareholders' funds	<u>2,932,134</u>	<u>2,636,745</u>

16. RELATED PARTY TRANSACTIONS

As a 100% subsidiary of Nucleus Financial Group Limited, the Company is exempt from disclosing transactions with entities that are part of the Group, in accordance with the requirements of Financial Reporting Standard 8 paragraph 3(c).

NUCLEUS FINANCIAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company is a wholly owned subsidiary of Nucleus Financial Group Limited, a company registered in England and Wales. A copy of the Group's latest financial statements can be obtained from the Registrar of Companies or the Company Secretary. These are also available on the Group's website www.nucleusfinancial.com.

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