

Company registration number: 05522098

NUCLEUS FINANCIAL LIMITED
(Formerly Nucleus Financial Group plc)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021



NUCLEUS FINANCIAL LIMITED

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STRATEGIC REPORT

Strategic report

The directors present their strategic report and audited financial statements for the year ended 31 December 2021 for Nucleus Financial Limited (formerly Nucleus Financial Group plc) (NFL).

NFL is the parent company of a group of companies comprising Nucleus Financial Limited and its subsidiaries, Nucleus Financial Services Limited ('NFS'), and Nucleus IFA Services Limited ('NIFAS') and together they form the group ('the group').

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

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

NFS is authorised and regulated by the Financial Conduct Authority (FCA) as a significant IFPRU limited licence investment firm. The group also remains in the enhanced SMCR firm category, having been required to be enhanced-compliant by August 2021.

The 'significant IFPRU firm' designation was replaced by 'significant SYSC firm' with effect from 1 January 2022, as per provisions captured in SYSC 1.5. We understand there are no substantive changes as a result of the practical application of this change beyond the integration of the new investment firm regime regulations.

NIFAS is not regulated by the FCA and has ceased trading.

Business review

Acquisition of the group

The most significant development during the year from a strategic perspective was the acquisition of the group by James Hay Holdings Limited (James Hay Holdings), which is indirectly owned by private equity funds managed by Epiris LLP. The acquisition was implemented by way of a recommended takeover offer for an aggregate consideration of £144.6m, which was declared unconditional as to acceptances on 4 May 2021. Following FCA approval on 5 August 2021, and the offer being declared wholly unconditional, James Hay Holdings exercised its rights to acquire compulsorily the remaining shares in NFL in respect of which its offer had not been validly accepted, NFL's admission to trading on AIM was cancelled and it was reregistered as a private company.

The acquisition of the group also resulted in the realisation of the company's long-term incentive plan (LTIP) and share incentive plan (SIP) share schemes. To fulfil the obligations of the LTIP, and in line with expectations, NFL issued 452,543 ordinary shares to the NFG Limited Employee Benefit Trust 2010. All share awards that vested were exercised in full.

As NFL is no longer the ultimate parent of the group there is no longer the requirement for it to prepare consolidated financial statements. However, as the group was managed on a consolidated basis for the majority of the year, the annual report and financial statements contain information that relates to both the company and the group.

The acquisition combines the James Hay group, a specialist pensions innovator with a 40-year track record of helping larger financial adviser firms make retirement more rewarding, with the group's reputation as an award-winning, adviser-led financial planning and investment platform for small to medium-sized adviser firms. The combined group, which has adopted the corporate brand 'Nucleus' and has the ambition of creating a leading financial planning and retirement-focused adviser platform with the Nucleus name ('Nucleus'), had £48.4bn of assets under administration ("AUA") as at 31 December 2021 across its various platforms and other constituent parts, in a market where scale is

increasingly important in order to generate the profitability necessary to make greater investments in technology, service and pricing to meet the needs of advisers and their clients.

Integration of the management, operations and support services of the two businesses has commenced under the leadership of a single executive team. In this regard, considerable progress has been made on a number of fronts, including development of an integrated business plan that was approved in December 2021, development of an agreed target operating model (which includes the extension of James Hay's long-term strategic relationship with FNZ, the global wealth management platform provider, to include the group) and determination of the combined business' brand, pricing and service strategy.

Operational performance

Since last year's report, Covid-19 has continued to have a significant impact on our lives, financial markets and our business. Pleasingly, the group has continued to prove resilient to the pressures introduced by Covid-19, with our people maintaining our high standards of online and offline service throughout the period under review. With the world appearing to be moving into a new phase of 'living with the virus', we are looking forward to adopting a hybrid (working from home and office) model, whilst continuing to support our people and remaining vigilant to the threats posed by existing and future variants of Covid-19.

Following the acquisition in December 2020 of the business and assets of Genpact OpenWealth as they pertained to our business, we placed particular emphasis on the integration of our new colleagues into the group, delivering the efficiencies expected in our product development process and the improved control over our operations, and managing the transitional services agreement with Genpact in relation to the remaining services provided by them. All of this has served to confirm the soundness of the rationale for the acquisition, even if the limited cost savings anticipated in the year proved more difficult to achieve than expected as a result of the corporate uncertainty and the delay in completing certain system upgrades.

The OpenWealth acquisition also supported the successful completion, in December 2021, of the migration of the hosting of the platform from a physical data centre to AWS. This, done in conjunction with the upgrade to the latest version of Sonata, represented the biggest change project of the year and, together, they provide a springboard for accelerated proposition development together with increased flexibility, resilience and scalability.

Finally, operations and service levels have been maintained throughout the period, with the business well-positioned to achieve the benefits of scale, particularly after the OpenWealth acquisition and, more recently, the acquisition of the group by James Hay Holdings.

Financial performance

During 2021 until 6 August 2021, when James Hay Holdings' offer to acquire the company was declared unconditional in all respects, the board assessed the financial position and prospects of the business predominantly at a consolidated group level, and thereafter continued to do so, albeit as part of a larger consolidation group. As a result, we have presented KPIs for the group as well as the company.

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Financial key performance indicators

	Year ended December 2021	Year ended December 2020	Year ended December 2019	Year ended December 2018	Year ended December 2017
Group	£'000	£'000	£'000	£'000	£'000
AUA ¹	19,827,555	17,415,185	16,141,279	13,883,713	13,576,703
Gross inflows ¹	2,322,819	1,829,389	1,941,712	2,290,236	2,607,759
Net inflows ¹	848,874	722,765	509,444	1,193,502	1,668,237
Revenue	56,732	51,809	51,517	49,405	45,462
Net revenue ¹	50,633	45,974	45,234	43,154	39,361
Number of customers	104,098	101,029	96,857	93,715	87,556
Number of active advisers	1,398	1,426	1,442	1,396	1,317
Company					
(Loss)/profit for the financial year	(517)	1,713	5,095	563	917
Dividend paid	-	760	3,873	3,933	4,813

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

Inflow performance for the group remained relatively strong throughout the year, with full year gross inflows of £2.3bn finishing 27% up on the prior year. Similarly, net inflows of £0.85bn were 17% higher than the prior year equivalent, despite the corporate uncertainty prevalent during much of the year. Meanwhile, AUA, which started the year ahead of expectations at £17.4bn, continued to increase across the year as sentiment and markets recovered, and finished the year 13.9% higher at £19.8bn.

The benefit from higher AUA was largely offset by a lower blended revenue yield, a function both of increased pricing pressure, particularly from larger firms, and rising customer portfolio levels increasing the proportion of total assets under administration in higher tiers. Costs, meanwhile, remained well-managed and within expectations, noting too that the OpenWealth acquisition resulted in a material shift in costs (after December 2020) from cost of sales (by way of AUA-related costs payable to Genpact) in NFS to administrative expenses (mainly in the form of staff and overhead costs) in NFL and consequently NFS.

At a company level, NFL's revenue increased from £24.3m in 2020 to £37.4m in 2021 as a result of additional services recharged to NFS post the OpenWealth acquisition. Administrative costs increased from £22.3m in 2020 to £37.7m in 2021, with the increase primarily due to the additional staff and overhead costs relating to the OpenWealth acquisition (as reported above), along with £5.5m of transaction and staff related costs connected to the acquisition of the company by James Hay Holdings.

The group's profit before tax (£2.8m) (company: loss £0.4m) and profit after tax (£1.7m) (company: loss £0.5m) were both lower than expectation and the prior year, as a result primarily of the transaction costs in relation to the acquisition by James Hay Holdings and the retention bonus scheme put in place pursuant to the transaction.

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Financial position

Group	31 December 2021	31 December 2020
	£'000	£'000
Cash and cash equivalents	19,504	17,546
Net assets	25,083	22,731
Capital adequacy ratio	16.9%	15.1%
Excess capital - above 8% regulatory requirement	12,046	9,621
Company		
Cash and cash equivalents	2,440	2,025
Net assets	10,793	10,665

The group continues to be funded entirely by equity capital and has no borrowings save for in respect of the lease of our Edinburgh and Glasgow premises, which are recognised as lease liabilities under IFRS16 Leases.

All surplus capital not required for working capital purposes continues to be held in cash and is governed by an embedded capital management policy. At the end of the financial year, the group had £19.5m of cash and cash equivalents, representing 77.8% (2020: 77.2%) of the group's net assets. In addition, the group has retained access to a £5.0m uncommitted overdraft facility from RBS International that remains undrawn and has not been accessed for the last five years.

At the end of the financial year, the group had a pillar I statutory capital ratio of 16.9% (2020 15.1%), amounting to £12.0m of capital in excess of the 8% minimum regulatory capital requirement.

At a company level, NFL's cash and cash equivalents increased from £2.0m to £2.4m over the year and net assets increased by from £10.7m to £10.8m. As it is not regulated, NFL is not required to hold a prescribed level of capital – however, its qualifying capital is included in the assessment of the solvency position of the regulatory consolidation group comprising it and NFS.

The group's access to shareholder capital, its robust capital structure, solvency position, high conversion rate of profit to cash, low borrowings and available liquidity mean that it remains well positioned to absorb the impact of a sustained collapse in equity markets. In consideration of the ongoing uncertainty in relation to Covid-19 and, more recently, as a result of Russia's invasion of Ukraine, the group will consider and implement identified mitigating actions should these be required (including in respect of expense management and dividend payments) but will seek to not take actions that might constrain the strategic development of the business unless conditions deteriorate to the extent that this is required.

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Strategic development and outlook

Being part of an enlarged group with almost £50bn AUA gives the group a key role in a much bigger story where we can create a leading independent platform of scale with a high tech, high touch proposition and philosophy. The increased profitability afforded by the scale of the new group, together with our strategic partnership with platform technology and outsourced services provider, FNZ, should allow us to compete more effectively in terms of price, proposition development and service, while the skills and depth of resource across the combined group should give us access to industry-leading talent. Integration of the activities of the company with those of the rest of the combined group is expected to continue,

The macro-economic environment, meanwhile, remains very uncertain. The impacts of Covid-19 will continue to be felt for a long time, not only through the impact on public health of existing and future variants of the virus but also as a result of the impact on the domestic and global economy, government finances and working practices. In addition, and much more recently, the unfolding situation in Ukraine (and the risk of the war spreading to the rest of Europe and beyond) is of extreme concern. Whilst the company and wider group have negligible exposure to Russian clients and companies, the consequences of materially lower market levels, economic contraction and negative sentiment directly impact Nucleus' AUA, net inflows and profitability and will therefore be kept under close review.

Notwithstanding the above, the long-term outlook for the sector remains positive with the need for advice remaining as strong as ever.

We believe we remain well-positioned for growth and look forward to the challenges in front of us.

Climate change

We recognise the threat posed by climate change and our responsibility to help the UK transition to a low-carbon economy. We also believe that action in this area is an important consideration for our people and our attractiveness as an employer. It is our intention to address these challenges by adopting and promoting low-energy technologies and working practices, and to help hold other organisations to account through more transparent reporting.

As part of the integration of our combined group, we are reviewing our approach and framework for ESG so as to set ourselves up consistently and make sure we build on the work our businesses have done to date. This activity has involved engaging with stakeholders across Nucleus to validate what we do today and reset our priorities for 2022 and the future. As part of this, we are building a combined group view of our climate risk exposure and driving climate and ESG insights across our expanded business.

In addition, we have recently introduced 'sustainability' as a dedicated risk within our risk universe, reflecting the importance we put on this area of our business, and also to drive increased measurement and assessment of this important area. This has been an important development as we continue to modernise and evolve our risk management framework.

Shareholders

Epiris GP Limited ('Epiris'), controlling general partner of the funds that hold the majority shareholding in MonteCarloCo Limited, the ultimate parent of NFL and the group, initiated a process prior to the year-end to investigate the opportunity to introduce one or more additional shareholders to co-invest in the Nucleus group, including the company, alongside it and the management team.

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On 29 March 2022, Nucleus announced that HPS Investment Partners LLC ('HPS'), a major American private equity investment firm, had – through certain funds and accounts managed, advised or controlled by it - acquired a majority stake in Nucleus. Epiris GP Limited will retain a minority shareholding.

The transaction, which is subject to regulatory approval, is not expected to result in a change in Nucleus' strategy and ambitions, and we believe this represents a vote of confidence in the business, its strategy, management team and people.

Dividend

The company did not pay or recommend any dividends during the year (2020 £0.8m).

Principal risks and uncertainties

The following principal risks relate to Nucleus (i.e. the new combined group post acquisition by James Hay Holdings), the group and company's business and the wider sector in which they operate. Although the occurrence of any of these risks is most likely to directly impact the reputation, performance, solvency and/or liquidity of the regulated entities within the combined group, it would also impact other entities such as NFL, through inter alia reduced ability to recover management costs, valuation of investments in subsidiaries, goodwill and intangible assets, and reduced dividend income. The risks and uncertainties described below are not intended to be exhaustive. Additional risks and uncertainties not presently known to the directors or that the directors currently deem to be immaterial could also have an adverse effect on Nucleus', the group's and the company's business and financial performance.

Following the corporate transaction, the new group has been coming together and both legacy businesses operate a risk management framework through which they systematically identify actual and potential risks and seek to put in place appropriate mitigants through our processes, policies and controls. Over 2022 the risk management framework of the new group will come together, and the business will operate a single framework which will drive consistency in approach and taxonomy.

Our key risks are set out below and these are managed within the risk appetites set by the board on an annual basis.

The risks below are grouped under Culture risk, Strategic and business model risks, Operational and regulatory risks, and Financial and liquidity risks.

Culture risk

Conduct risk is an intrinsic risk to our business as our behaviour and organisational structures have the ability to impact customer outcomes, market integrity and competition in our chosen markets. Our values are embedded in our business strategy and, to mitigate our conduct risks, our internal systems and controls are focused on delivering our business plan while meeting our culture, behaviour and customer expectations. The business has established management information to oversee conduct risk and act where needed.

Culture risk extends to our role in society and, over the last twelve months, we have developed our thinking on climate, ESG and sustainability risks. In 2022, this will be incorporated more formally into our risk universe with the introduction of a sustainability risk that will drive increased measurement and assessment of this important area.

Similarly, governance risk is intrinsic to our business model. We believe good governance provides assurance to our stakeholders that we are focused on what matters most, our conduct and customer outcomes. These areas are of particular importance and prominence currently as our business goes through a significant period of integration and change. We have implemented formal governance arrangements and established ownership for decisions.

Strategic and business model risks

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

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

Economic, political and market factors can also affect the level of inflows and outflows and the performance of investment assets. For example, a general deterioration in the global economy, and the UK economy in particular, may have a negative impact on customers' disposable income and assets, and the value of savings and investments on the platform. During 2021 there was continued market volatility as the world navigated the Covid-19 pandemic and, more recently, Russia's invasion of Ukraine has brought about significant uncertainty that could have wide-ranging impacts on economic growth, market levels and investor sentiment.

Although it does not yet apply to the group, Nucleus is also exposed to movements in interest rates as this impacts the margin on cash retained by the wider group. We are currently in a low interest rate environment so the downside risk of this is currently low relative to our business plan that assumes a period of rising interest rates).

The above risks are managed through close monitoring of AUA levels, business flows and deviations from plan, with regular reforecasting and business planning taking into account market levels and macro-economic conditions. From time to time, the group may use hedging to mitigate interest rate and market risk.

Competition

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

Competition may also increase in response to demand dynamics, further consolidation (including vertical integration) in the wider financial services sector, new entrants to the market or the introduction of new regulatory requirements (including those targeted at financial advisers or other market participants). In addition, pricing pressure across the investment lifecycle is prevalent as competitors invest in new technologies and new blends of products and services to deliver value and compelling propositions for their customers and other stakeholders. To mitigate this risk, Nucleus monitors this competitive environment and takes action where required to maintain a competitive position.

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This risk is of key significance currently as our new group scale creates competitive opportunity, as does our proposed future operating model with FNZ. We are however in a period of transition and consequently are in a period of transformation and change which brings competition risk if not managed well.

Relationship with financial advisers

While Nucleus has been able to maintain strong, longstanding relationships with its customers and adviser users, there can be no assurance that this will continue. The group could lose or impair relationships as a consequence of, among other things, operational failures, uncompetitive functionality or pricing, reputational damage, consolidation and vertical integration in the financial advice market or the closure of firms of financial advisers. The loss of, or deterioration in, Nucleus' relationships with its financial adviser base, particularly those responsible for directing significant inflows to the platform, could have a material adverse effect on AUA and revenues. This risk is part mitigated by our adviser relationship model and also by directly involving advisers in the propositional development of the platform, for example through the platform development group and the advisory board.

Reliance on key suppliers

Nucleus operates a business model that outsources significant components of its operations and technology services and enters into agreements with selected product providers to distribute and administer their products as part of the Nucleus platform. As a result, Nucleus has a reliance on its key suppliers and performance issues affecting these products and services may have an adverse impact on Nucleus' strategy and business performance. To manage these key relationships and mitigate the associated risks, we have outsourcing policies in place and a framework for vendor management and oversight.

The company and group's key suppliers are Bravura Solutions Limited, who provides the group with platform technology services, and AWS, who provides IT infrastructure and cloud hosting services.

In addition, we use suppliers for product services, such as Scottish Friendly Assurance Society Limited and Sanlam Life & Pensions UK Limited, and also suppliers for stockbroking services, such as Winterflood Securities Ltd (a division of Winterflood Business Services).

Strategic transformation

From time to time Nucleus undertakes major strategic merger and acquisition activity. There is an inherent risk within these transactions that material matters that may impact the future performance of the group are not identified as part of the process. In order to mitigate this risk, the group makes extensive use of specialist external advisers from an early stage.

Transformation risk also exists as a result of the potential failure to integrate services under a common model. Risks in this area are mitigated by maintaining strong oversight frameworks and by establishing dedicated project and change teams to deliver. Monitoring of business capacity and execution is also in place to ensure transformational projects remain on track for completion.

Operational and regulatory risks

Operational

The nature of the activities performed by Nucleus is such that a degree of operational risk is unavoidable. Operational risk may have a number of consequences, including deficient service delivery, poor customer outcomes, an inability to scale effectively, reputational damage and financial loss. This could occur directly within our retained organisation, or through our outsourced services. As the business outsources additional services, the nature of the operational risk changes - however the accountability for ensuring service delivery and operational stability remains with the retained organisation.

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

- People
 - Failure to attract, train, motivate and retain core skills and knowledge in Nucleus.
 - people-related errors in core processes.
- Operational process and controls
 - Failure in core processes and controls (whether preventative or detective), either by Nucleus or by third parties.
 - Failure in systems and controls in place to meet the requirements of taxation and other regulations in respect of the suitability of certain investments to be held within certain tax wrappers and accounts.
 - Failure to implement platform and business change and deliver transformation.
 - Failure to maintain adequate controls around fraud and other forms of financial crime, compliance, and client money.
- Operational resilience and technology
 - Failure of, or disruption to, the sophisticated technology and advanced information systems (including those of Nucleus and its third-party service providers) upon which Nucleus is dependent. This could be from an external threat (cyber-attack) or internal causes (failure to maintain systems or licences).
 - Inability to respond to the need for technological change as a result of the failure to continue to improve new technologies, through lack of appropriate investment in new technologies or through such investment proving unsuccessful.
 - Failure to maintain existing technologies or to invest appropriately in continuing improvements to those technologies.
 - Vulnerability of Nucleus' networks and platforms (and those of its third-party service providers) to security risks, cyber-attack or other leakage of sensitive or personal data.
 - Vulnerability of Nucleus' networks and platforms (and those of its third-party service providers) to security risks or cyber-attack leading to direct theft of monies or assets.

These areas of operational risk are managed and mitigated through a strong risk and control framework, a suite of operational risk policies and oversight through an embedded governance model.

Regulatory

Regulatory risk includes the risk of non-compliance with existing regulatory requirements as well as the risk relating to changes in government policy and applicable regulations. To mitigate the risks in this area, we have a compliance-aware culture, with clear risk appetites for regulatory compliance, and provide compliance consultancy and advisory services. In addition, compliance monitoring and assurance is carried out as part of our three lines of defence model.

The regulated entities within the combined group are enhanced firms under SMCR and subject to the associated standards and expectations. If they, and/or any of their key suppliers, were to commit a serious breach of any of the regulations that apply to them (not least the applicable regulatory regime relating to Nucleus' FCA authorisations and its

FCA regulated activities), there could be both regulatory and financial consequences (including, without limitation, sanctions, fines, censures, loss of permissions and/or the cost of being required to take remedial action).

Having met the threshold criteria, NFS became an enhanced firm under SMCR in 2021 and subsequently the wider group elected to opt up to this level.

Looking ahead to 2022, there are some material regulatory changes, notably the implementation of the Investment Firms Prudential Regime (IFPRI), the implementation of Operational Resilience requirements, and development work required for Consumer Duty. Nucleus' readiness for these is being overseen by the risk committee and board.

Financial and liquidity risks

Solvency (including access to capital)

Nucleus is required to maintain and have available to it a sufficient level of capital and maintain appropriate coverage throughout the year in line with regulatory requirements, risk appetite and our policy framework. Nucleus may require access to additional capital for a number of reasons, including increased regulatory capital requirements, and as a consequence reviews its capital requirements on a quarterly basis, with periodic stress testing of the results to evidence that its regulatory capital requirements can continue to be met in a range of stressed scenarios. In addition, the combined group's capital management policy requires setting capital requirements significantly in excess of the minimum regulatory requirement.

Nucleus operates a dividend policy, with the intention that it will pay regular dividends - however its ability to pay dividends is dependent on a number of factors including, among other things, the results of its operations, its financial condition, anticipated cash requirements, capital requirements, future prospects and its profits available for distribution, and there can be no assurance that Nucleus will pay dividends or, if a dividend is paid, of the amount that any dividend will be. To mitigate this risk, profitability, solvency and liquidity are monitored on an ongoing basis by management and the board.

Liquidity

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

Credit

Nucleus is exposed to credit risk through our outsourced partners, trade and other receivables and our banking relationships. Exposure is mitigated through due diligence processes and by setting minimum policy standards for credit exposure.

Risk management framework

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

Our framework is concerned with:

- Demonstrating it is proportionate and effective in the governance and performance of risk management for an authorised and regulated investment firm.
- Evidencing our business strategy and business planning process are aligned with the risk management framework.
- Supporting the board set and monitor risk appetite.
- Demonstrating we manage our risk appetite tolerances and limits across agreed risk categories.
- Demonstrating we meet all applicable regulatory principles and requirements on an ongoing basis and do so based on strong and effective risk management culture and structures.
- Embedding a risk aware culture with risk management recognised as a management competence, critical to the delivery of our business strategy and performance targets.
- Demonstrating that we treat our customers fairly at all times.

We use a clearly defined risk framework to effectively identify, assess, manage and report Nucleus' risks. The framework is set out in our internal policies and process documentation and is subject to annual review and challenge by the risk committee.

In assigning risk management responsibilities, Nucleus operates an approach to risk management that is commonly referred to as the "three lines of defence" model. The activities within each of the three lines are:

First line of defence

Business lines have responsibility for identifying, assessing and managing their risks through a sound set of policies, processes and controls. Business lines are also responsible for the development and deployment of appropriate mitigating actions and embedding of systems and controls. Activity in the first line of defence extends to the relationships and management of our outsourced partners.

Second line of defence

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

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Nucleus, including management information on risk and assurance matters to the audit and risk committees and the board. The risk committee receives regular reporting from the second line on business performance against risk appetites across the risk universe.

Third line of defence

Nucleus has an external partner as an appointed internal audit function to serve as its third line of defence on a fully outsourced basis. Through the model Nucleus obtains independent assurance on the effectiveness of its control environment for material processes. Internal audit, through a risk-based approach, provides assurance to the audit committee and the board on how effectively risks are assessed and managed, and the effectiveness of the risk management framework. Findings arising from these audit processes are reported to the audit committee. As at 31 December 2021, BDO are appointed as internal auditors for Nucleus and were auditors for the James Hay Partnership entities throughout 2021. Prior to the Change in Control, Deloitte LLP were the appointed internal auditors for the group.

Nucleus also engages other third parties to provide independent assurance.

Corporate Social Responsibility

Corporate Social Responsibility is embedded into our policies and practices for the benefit of our stakeholders and the wider community. Nucleus is committed to integrating sustainable social, ethical, and environmental considerations into our operations with a long-term view of managing the wider environment and social footprint.

Investing in our community

The company and group have a strong social conscience and encourage our people to give something back through charitable and voluntary activities. The company and group support our people through paid time off for volunteering and through a matched fundraising programme.

Investing in our environment

The company and group recognise their responsibility to conserve and protect the environment as far as possible. As a financial services business, Nucleus' main environmental impacts are primarily through consumption of resources and emissions at our business premises together with employee travel. We are looking into reducing waste where possible and to minimise the environmental impact through sensible policies and initiatives.

S172 statement

Our strategic decision making is driven by a desire to fulfil our purpose, aligned to our values, our policies and our attitude to risk. A key input to any strategic decision is its impact on our stakeholders. As the company employs all of the staff who provide services to NFS, and because the company's success is so closely linked to that of NFS, this statement extends to the stakeholders of both the company and NFS.

The work of our board

As directors, we are obliged to fulfil our duties under section 172(1) (a)-(f) of the Companies Act 2006, and in taking decisions, ensure that we promote the long term success of the company for the benefit of its members as a whole. We acknowledge that this involves both judgment and process. We have created a number of forums to engage the views of our stakeholders and seek to ensure we can demonstrate how their views, as well as long term consequences, are taken into account in our strategic decision making. During the year, there were two key strategic projects that drew the focus of

the board. One was an upgrade of the core Sonata software we use to power our platform, and the other (referred to elsewhere in the strategic report) was the acquisition of the company by James Hay Holdings.

Case study one

The programme of work to upgrade Sonata and migrate the hosting of the platform to the cloud took on a formal process of analysis, software build, test, model office and sign off across impacted stakeholders. Communications and, where applicable, training aides were also provided to support all end users of our platform with any changes. The board received frequent updates on the preparation for the upgrade and prior to its sign off reviewed a comprehensive set of internal and external reports on the process followed and operational readiness for the upgrade. This infrastructure change will enable us to resolve open issues and release new functionality more efficiently and flexibly. This aligns with our business plan to further enhance our proposition and facilitate our scalability and resilience, as well as promoting our purpose of creating value through the greater alignment of adviser and customer interests.

Case study two

The acquisition of NFL by James Hay Holdings was announced to shareholders via an RNS on 6 August 2021. Stakeholder engagement was paramount during the acquisition process and frequent dialogue was had by NFL with its shareholders, platform users and their clients, employees and the regulator through various formal shareholder communications and wider communication campaigns. The outcome is a key strategic component of business activity and success in the longer term and, since the acquisition, the board has maintained particular focus on our people and regulatory engagement and adviser and customer sentiment as we work to create a leading financial planning and retirement-focused adviser platform for the benefit of all our stakeholders.

Our stakeholders

We consider our key stakeholders to be our end customers, our platform users, our people, our shareholders, our suppliers, our regulators, our community, the environment and wider society. We have captured what matters most to each group, how we engage with them and how we have responded to their needs on the following pages.

With regard to Covid-19 specifically, we would recognise that, although restrictions have now eased and we have moved into a new phase of 'living with the virus', the Covid-19 pandemic has continued to impact the way we live and work throughout 2021. We have therefore retained our focus on the health and wellbeing of our people, users and customers and on maintaining our service levels throughout this time.

<p>Customers</p> <p>What matters most:</p> <ul style="list-style-type: none"> • Transparency and simplicity • Fair pricing • Quality of service • Security of assets • Positive outcomes <p>How do we engage:</p> <ul style="list-style-type: none"> • Bi-annual investors in customers surveys • Clear communications <p>How did we respond:</p> <ul style="list-style-type: none"> • Continued emphasis on our conduct framework to ensure continued focus on creating good customer outcomes • Maintained service levels throughout the year, evidenced by being awarded a 5-star service rating at the 2021 Financial Adviser Awards for the third consecutive year 	<p>Platform users</p> <p>What matters most:</p> <ul style="list-style-type: none"> • Connection to customers' needs • Continuous platform development • Dependable and consistent service standards • Effective relationship management • Cost-effective platform • Clear guidance and thought leadership <p>How do we engage:</p> <ul style="list-style-type: none"> • User sessions and illuminate events • Dedicated client relations and business development teams • Stakeholder forums such as the practice development group and our advisory board • Thought leadership platform <p>How did we respond:</p> <ul style="list-style-type: none"> • Delivered a major upgrade to our platform software and migrated the hosting of the platform into the cloud • Introduced next day faster payments for customer withdrawals • Introduced adviser login for Nucleus Go • Released our first set of APIs for discretionary fund managers to allow them to manage and rebalance model portfolios • Added a range of new benchmarks to Narrate and the investment analysis tool • Continued with our live online events programme. Events were also recorded to enable users to access content post-event on demand
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<p>Our people</p> <p>What matters most:</p> <ul style="list-style-type: none"> • Making a difference for our customers • Autonomy, coupled with clear expectations and boundaries • Having opportunities to grow and progress • Being fairly rewarded for their contributions • Knowing that their voice is heard • Feeling alignment between company and personal values <p>How do we engage:</p> <ul style="list-style-type: none"> • Regular surveys (including onboarding, pulse, census and leaving) • Culture Amp tools to facilitate goal setting, 1-in-1's and feedback • Fortnightly all company briefing and Q&A session led by our CEO and his executive team • Culture leaders • Staff social events <p>How did we respond:</p> <ul style="list-style-type: none"> • Sustained support, safety, productivity and engagement during working from home • Created a new version of our progression framework • Held an online quiz night for staff when face-to-face socialising was not possible • Hosted an outdoor summer party for all staff once restrictions eased • Created an employee representative group during the acquisition process 	<p>Suppliers</p> <p>What matters most:</p> <ul style="list-style-type: none"> • Trusted partnerships • Strong governance • Clear communications • Our input into their service delivery <p>How do we engage:</p> <ul style="list-style-type: none"> • Regular service reviews • Clearly documented vendor management onboarding and maintenance policies and practices • Annual due diligence reviews • Collaborative engagement • Governance schedules <p>How did we respond:</p> <ul style="list-style-type: none"> • Identified relationship managers across all key suppliers • Performed an ongoing review of our vendor management suite of policies • Managed the exit from Genpact via a transitional services agreement and regular contract owner meetings
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<p>Shareholders</p> <p>What matters most:</p> <ul style="list-style-type: none"> • Compelling business model and growth story • Stability, resilience and ability to scale • Reliable returns • Investing in our talent and succession <p>How do we engage:</p> <ul style="list-style-type: none"> • AGM and regular disclosures (as appropriate) • Shareholder communications in respect of any specific corporate actions • Board and shareholder meetings (post the company's acquisition) <p>How did we respond:</p> <ul style="list-style-type: none"> • Reported Q1 and Q2 trading and AUA updates (prior to the company's acquisition) • Released shareholder circulars relevant to the offer for the company by James Hay Holdings • Held detailed meetings with our new shareholder 	<p>Regulators</p> <p>What matters most:</p> <ul style="list-style-type: none"> • Understanding and adopting the principles and rules of the FCA Handbook • Open and transparent communication • Demonstrating good conduct • Acting in our customers' best interests <p>How do we engage:</p> <ul style="list-style-type: none"> • Members of the UK platform development group • Direct communication via our chief risk officer and our regulatory and external engagement lead • Responding to consultations where appropriate <p>How did we respond:</p> <ul style="list-style-type: none"> • Maintained direct engagement on quarterly platform data requests, Covid-19 financial resilience surveys and specific corporate projects • Provided a response to the FCA Consumer Duty consultation and worked on a response to the FCA consultation on sustainability disclosure requirements (submitted January 2022) • Operated our conduct group as an established part of our governance framework
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<p>Community, the environment and wider society</p> <p>What matters most:</p> <ul style="list-style-type: none"> • Supporting local communities • Supporting the UK transition to a low-carbon economy • Providing jobs and investment <p>How do we engage:</p> <ul style="list-style-type: none"> • Support employment and apprenticeship schemes with graduate coding schemes • Engage in charitable activities <p>How did we respond:</p> <ul style="list-style-type: none"> • Sponsored and attended Lean Agile Edinburgh meet-ups • Retained a staff run charity committee running monthly fundraising and wellbeing events. Raised over £20k for our chosen annual charity partner, Scottish Association for Mental Health • Established a staff run sustainability working group to support the design of a group wide ESG framework and promote the development of internal ESG initiatives 	
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This report was approved by the board on 6 April 2022 and signed on its behalf.



Stuart Geard

Director

NUCLEUS FINANCIAL LIMITED

DIRECTORS' REPORT

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2021 for Nucleus Financial Limited (formerly Nucleus Financial Group plc). All content within the strategic report is applicable to the directors' report.

Introduction

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

Business review and strategic report

The strategic report includes a detailed business review. Within the strategic report we set out information relating to:

- How we fulfil our duties under s172 of the Companies Act 2006, and in taking decisions, ensure that we promote the success of the company as a whole.
- The development and performance of the business during the year.
- The financial position of the company at the end of the year.
- Key performance indicators, which are regularly assessed in relation to the development, performance, solvency and liquidity of the business.
- Information relating to likely future developments of the business.

The strategic report also includes commentary on the strategic development of, and outlook for, the business.

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

The group continues to research and develop new financial services products and to improve existing ones, where applicable.

Results and dividends

The loss for the year was £0.5m (2020: profit £1.7m). Revenue increased to £37.4m (2020: £24.3m) with operating profit decreasing to a loss of £0.3m (2020: profit £2.0m). The full results are set out in the accompanying financial statements and notes.

Cash and cash equivalents increased from £2.0m to £2.4m over the year and net assets increased to £10.8m (2020: £10.7m).

The company did not pay or recommend any dividends during the year (2020 £0.8m).

NUCLEUS FINANCIAL LIMITED

DIRECTORS' REPORT

Employees

The company is committed to equality of access and quality of service for disabled people and embraces the UK Disability Discrimination Acts 1995 and 2005 and the Disability and Equality Act 2010 throughout its business operations. The company has processes in place to help recruit, train, develop, retain and promote employees with disabilities and is committed to giving full and fair consideration to applications for employment made by disabled persons and for continuing the employment of, and arranging appropriate training for, existing employees who have become disabled.

The company believes in inclusion, which will in turn drive diversity. Inclusion is about the culture and workplace we build, how we work together, how well we understand each other and the opportunities we create. Building an inclusive workplace that our people are all proud to be part of is our goal. The company is a signatory of the Women in Finance Charter as well as the Tech Talent Charter, meaning we hold ourselves accountable by setting targets and timescales for change.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through online systems and tools, regular company-wide meetings and other briefings.

Directors

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

A M Dearsley (appointed 6 August 2021)
T Dunley-Owen (resigned 6 August 2021)
D R Ferguson (resigned 6 September 2021)
S J Geard
M G Hassall (resigned 6 August 2021)
J A Levin (resigned 6 August 2021)
D V Paige (appointed 23 August 2021)
J C Polin (resigned 6 August 2021)
W Priestley (appointed 24 September 2021)
K E Purves (appointed 23 August 2021)
R A Rowney (appointed 6 August 2021)
J A Samuels (resigned 6 August 2021)
A Tagliabue (resigned 6 August 2021)
O H Wilson (appointed 6 August 2021)

Qualifying indemnity provisions

As permitted by the company's articles of association, directors' professional indemnity insurance has been provided to all directors and this arrangement was in place throughout the year.

NUCLEUS FINANCIAL LIMITED

DIRECTORS' REPORT

Company registration

As part of the offer by James Hay Holdings to acquire NFL, NFL was to de-list and re-register as a private company. The re-registration from a public to private company was approved by our board and NFL's sole shareholder on 22 November 2021. The re-registration application was accepted by Companies House on 4 January 2022, and thus the company is now a private company limited by shares and is registered with the registrar of companies for England and Wales with company number 05522098.

Political donations

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

Share capital structure

There were no changes to the share capital structure during the year.

Authority to purchase own shares

The company's articles of association grant the authority to make market purchases of its own shares. The directors confirm that, with the exception of matching shares relating to employee share schemes, the company has not purchased any of its own shares during the year.

Post balance sheet events

Epiris, manager of the private equity funds that are the ultimate owners of 100% of the issued share capital of NFL and the group, initiated a process prior to the year-end to investigate the opportunity to introduce one or more additional shareholders to co-invest in Nucleus alongside it and the management team.

On 29 March 2022, Nucleus announced that HPS, a major American private equity investment firm, had – through certain funds and accounts managed, advised or controlled by it - acquired a majority stake in the combined group. Epiris will retain a minority shareholding.

The transaction, which is subject to regulatory approval, is not expected to result in a change in Nucleus' strategy and ambitions and is considered to be a non-adjusting post balance sheet event.

Russia's invasion of Ukraine on 24 February 2022 has brought about significant uncertainty that could have wide-ranging impacts on economic growth, market levels and investor sentiment, with a resulting impact on the group's flows AUA and revenue.

There were no other subsequent events that required adjustment to or disclosure in the financial statements for the period from 31 December 2021 to the date upon which the financial statements were available to be issued.

NUCLEUS FINANCIAL LIMITED

DIRECTORS' REPORT

Going concern

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

- The latest business plan projections, stressed for severe but plausible events that would have a material impact on the company's profitability, liquidity, solvency and regulatory capital position.
- Actual performance to date.
- The current operating and trading environment.
- The current financial position, adequacy of liquidity and capital to meet operational and regulatory requirements.
- Known risks and uncertainties, with consideration of the impact of these on company's solvency and liquidity position.
- Known and expected changes in the regulatory environment impacting platform operators.

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 (FRC) 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 have a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months from the date of this report. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Disclosures to the external auditor statement

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

Directors' responsibilities statement

The directors are responsible for preparing the annual report and 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 UK-adopted international accounting standards. In preparing the financial statements, the directors have also elected to comply with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs as issued by IASB).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true

NUCLEUS FINANCIAL LIMITED

DIRECTORS' REPORT

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 judgments and accounting estimates that are reasonable and prudent.
- State whether applicable UK-adopted international accounting standards and IFRSs issued by IASB 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 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 keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

This report was approved by the board on 6 April 2022 and signed on its behalf.



Stuart Geard
Director

Independent auditors' report to the members of Nucleus Financial Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2021; the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

INDEPENDENT AUDITORS' REPORT

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to but were not limited to; any breaches of UK regulatory principles, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manual elements of the control environment including manual journal entries, and areas of significant estimation and judgement. Audit procedures performed by the engagement team included:

NUCLEUS FINANCIAL LIMITED
INDEPENDENT AUDITORS' REPORT

- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of minutes of meetings of those charged with governance;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Testing, and challenging where appropriate, estimates and judgements made by management; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Neil Riches (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
6 April 2022

NUCLEUS FINANCIAL LIMITED
STATEMENT OF COMPREHENSIVE INCOME

		2021	2020
	Note	£'000	£'000
Continuing operations			
Revenue	3	37,447	24,337
Other operating income	4	7	14
Administrative expenses		<u>(37,727)</u>	<u>(22,375)</u>
Operating (loss)/profit		(273)	1,976
Finance income		-	-
Finance costs	5	<u>(160)</u>	<u>(168)</u>
(Loss)/profit before income tax	6	(433)	1,808
Income tax	10	<u>(84)</u>	<u>(95)</u>
(Loss)/profit for the financial year		<u>(517)</u>	<u>1,713</u>
Items that may be subsequently reclassified to profit and loss		<u>-</u>	<u>-</u>
Total comprehensive income attributable to equity holders		<u><u>(517)</u></u>	<u><u>1,713</u></u>

The notes on pages 32 to 57 form part of these financial statements.

NUCLEUS FINANCIAL LIMITED
STATEMENT OF FINANCIAL POSITION

	Note	31 December 2021 £'000	31 December 2020 £'000
Assets			
Non-current assets			
Intangible assets	12	1,955	1,955
Right of use lease assets	13	2,995	3,026
Property, plant and equipment	14	716	834
Investments	15	7,645	7,645
Deferred tax	23	103	229
		<u>13,414</u>	<u>13,689</u>
Current assets			
Trade and other receivables	16	3,912	3,179
Cash and cash equivalents	17	2,440	2,025
		<u>6,352</u>	<u>5,204</u>
Total assets		<u><u>19,766</u></u>	<u><u>18,893</u></u>
Equity			
Shareholders' equity			
Called up share capital	20	77	76
Share premium	21	23	-
Capital redemption reserve	21	53	53
Share-based payment reserve	21	-	1,174
Treasury shares	21	-	(223)
Retained earnings	21	10,640	9,585
		<u>10,793</u>	<u>10,665</u>
Liabilities			
Non-current liabilities			
Lease liabilities	19	2,954	3,243
Provisions	25	134	223
		<u>3,088</u>	<u>3,466</u>
Current liabilities			
Lease liabilities	19	684	494
Trade and other payables	18	5,049	3,581
Tax payable		(42)	217
Provisions	25	194	470
		<u>5,885</u>	<u>4,762</u>
Total liabilities		<u><u>8,973</u></u>	<u><u>8,228</u></u>
Total equity and liabilities		<u><u>19,766</u></u>	<u><u>18,893</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 6 April 2022.



Stuart Geard
Director

The notes on pages 32 to 57 form part of these financial statements.

NUCLEUS FINANCIAL LIMITED
STATEMENT OF CHANGES IN EQUITY

		Called up share capital £'000	Share premium £'000	Retained earnings £'000	Treasury shares £'000	Capital redemption reserve £'000	Share- based payment reserve £'000	Total equity £'000
Balance at 1 January 2021		76	-	9,585	(223)	53	1,174	10,665
Changes in equity								
Other movements		-	-	-	-	-	-	-
Loss for the year		-	-	(517)	-	-	-	(517)
Dividend paid		-	-	-	-	-	-	-
Purchase of own shares		-	-	-	(44)	-	-	(44)
LTIP and SIP completion		1	23	1,572	267	-	(1,839)	24
Share-based payments charge (excl NIC)	24	-	-	-	-	-	665	665
Balance at 31 December 2021		77	23	10,640	-	53	-	10,793
		Called up share capital £'000	Share premium £'000	Retained earnings £'000	Treasury shares £'000	Capital redemption reserve £'000	Share- based payment reserve £'000	Total equity £'000
Balance at 1 January 2020		76	-	8,632	(120)	53	465	9,106
Changes in equity								
Profit for the year		-	-	1,713	-	-	-	1,713
Dividend paid		-	-	(760)	-	-	-	(760)
Purchase of own shares		-	-	-	(103)	-	-	(103)
Share-based payments charge (excl NIC)	24	-	-	-	-	-	709	709
Balance at 31 December 2020		76	-	9,585	(223)	53	1,174	10,665

The notes on pages 32 to 57 form part of these financial statements.

NUCLEUS FINANCIAL LIMITED

STATEMENT OF CASH FLOWS

		2021 £'000	2020 £'000
Cash flows from operating activities			
(Cash outflows)/cash inflows from operations	26	(297)	2,342
Income tax paid		(217)	(30)
		<u>(514)</u>	<u>2,312</u>
Net cash (outflow)/inflow from operations			
Cash flows from investing activities			
Purchase of intangible fixed assets		-	(1,500)
Purchase of tangible fixed assets	14	(2)	(15)
Dividend received		1,757	1,729
		<u>1,755</u>	<u>214</u>
Net cash inflow from investing activities			
Cash flows from financial activities			
Interest paid		(160)	(168)
Issue of share		24	-
Dividend paid		-	(760)
Purchase of Treasury shares		(44)	(103)
Lease payments - principal	19	(641)	(475)
		<u>(821)</u>	<u>(1,506)</u>
Net cash outflows from financing activities			
Increase in cash and cash equivalents		420	1,020
Cash and cash equivalents at beginning of year		2,025	1,007
Effects of exchange rate changes		(5)	(2)
		<u>2,440</u>	<u>2,025</u>
Cash and cash equivalents at end of year			

The notes on pages 32 to 57 form part of these financial statements.

NUCLEUS FINANCIAL LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

The financial statements comply with International Financial Reporting Standards (IFRS) as adopted by the United Kingdom (UK) and have been prepared on a going concern basis, under the historical cost convention as modified by the recognition of certain financial assets measured at fair value. Unless otherwise stated, the accounting policies set out below have been applied consistently in both years presented in these financial statements.

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

Going concern

After reviewing the company's forecasts and projections, together with the results of modelled severe but plausible stress tests on both the liquidity and regulatory capital adequacy of the group, the current operating and trading environment and the intentions of HPS as the incoming majority shareholder in Nucleus (including that it has no intentions of not continuing to support the company or group or of seeking to materially change their activities in the 12 months from the date of these financial statements being signed), the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months from the date of signing of the financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements. Further information relevant to the directors' assessment of going concern is set out in the directors' report on page 23.

Revenue

Revenue comprises fees earned by the company from the provision of management services to its subsidiary NFS and dividend income from subsidiaries.

Fees are recognised exclusive of Value Added Tax and are recorded in the year to which they relate and can be reliably measured. Performance obligations are satisfied as the service is provided to NFS over time. Accrued income represents fees that are collected in the following month.

Dividend income is recognised when the right to receive payment is established.

Interest income

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

Finance costs

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

Expense recognition

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

NUCLEUS FINANCIAL LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Foreign currency

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

Dividends

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

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a business combination comprises the fair values of the assets transferred, liabilities incurred to the former owners of the acquired business, and fair value of any asset or liability resulting from contingent consideration.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the consideration and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as a financial liability. Amounts are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

Goodwill

Goodwill represents the excess of the purchase consideration for a business over the fair value of any identifiable assets and liabilities acquired. Goodwill is not amortised but is tested annually for impairment or more frequently where impairment indicators exist. Impairment losses are recorded in the statement of comprehensive income, and any recorded losses are not subsequently reversed.

NUCLEUS FINANCIAL LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Investments in subsidiaries

Investments in subsidiaries are valued at cost less any impairment. At each reporting date, the directors assess whether there is any indication that an asset may be impaired. If any such indication exists, the directors will assess the asset for impairment.

Property, plant and equipment

Tangible fixed assets are stated at historic cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Impairment reviews are carried out where there are indicators of impairment.

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

The estimated useful lives range as follows:

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

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

Impairment of assets

The company tests goodwill at least annually for impairment, or more frequently where impairment indicators are identified. For other assets these are tested for impairment where impairment indicators are identified. Impairment tests assess whether the carrying amount of the asset is greater than the estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of impairment testing, assets are grouped at the lowest level where separate cash flows can be identified (cash-generating unit). Where the carrying amount of the cash generating unit exceeds the recoverable amount, an impairment loss is recognised. With the exception of impairments relating to goodwill, for impaired assets, to the extent that the recoverable amount exceeds the carrying amount, then the previously recognised impairment is reversed.

Leases

Contracts entered into are assessed for the existence of a lease. At commencement leases are recognised as a right-of-use asset, measured at the present value of future lease payments, and a corresponding lease liability, measured at the present value of future lease payments using an incremental borrowing rate specific to that lease. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Finance costs are expensed using a constant periodic rate over the life of the lease. Short term and low value leases are expensed.

Cash and cash equivalents

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

NUCLEUS FINANCIAL LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Defined contribution pension scheme

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

Share-based payments

The company operated a number of equity settled share-based payment compensation plans, under which the group received services from directors and senior managers as consideration for equity instruments (options or shares) of the company. As a result of the acquisition of the company by James Hay Holdings Limited the plans vested and are no longer in existence. The accounting policy that related to these plans is as follows:

The plans are accounted for in accordance with IFRS 2 Share-based payments. The fair value of services received by the group in exchange for the grant of equity instruments is recognised as an expense over their vesting period.

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

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

National insurance contribution (NIC) obligations arising from HMRC unapproved equity-settled schemes are treated as if they are cash-settled, regardless of the equity determination of the scheme itself. The company LTIP scheme is a HMRC unapproved equity-settled scheme. The NIC cost is recognised over the vesting period of the options and is measured with reference to the employers' NIC rate applied to the number of options expected to vest, valued at the share price at the reporting date. Until the NIC obligation is settled it is remeasured at the end of each reporting period and at the date of settlement, with any changes in value being recognised in the statement of comprehensive income.

Employee benefits trusts

The company had established an Employee Share Ownership Trust (ESOT) and a Share Incentive Plan (SIP) trust for the purposes of satisfying awards under share-based incentive and all employees share ownership plans. Shares held by the trusts were recorded as treasury shares and deducted from equity until the shares were cancelled, reissued or disposed. As a result of the acquisition of the company by James Hay Holdings Limited the plans vested and were exercised in full and subsequently the ESOT and SIP have been closed.

NUCLEUS FINANCIAL LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Taxation

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

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

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

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

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

Provisions

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

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

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

Financial instruments

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

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

NUCLEUS FINANCIAL LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Financial assets at amortised cost

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

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

Impairment of trade and other receivables

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

Financial liabilities at amortised cost

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

New standards effective for the first time in the 2021 financial statements

Standard	Effective from:
Covid-19-Related Rent Concessions – amendment to IFRS 16	1 June 2020
Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 Jan 2021

No changes in existing accounting policy were required to adopt these standards.

Future standards, amendments to standards and interpretations not early-adopted in the 2021 financial statements

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the company.

Standard	Effective from:
Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 April 2021
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Amendments to IFRS 17: Insurance Contracts	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023

NUCLEUS FINANCIAL LIMITED
NOTES TO THE COMPANY FINANCIAL STATEMENTS

Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - amendments to IAS 12	1 January 2023

The adoption of these standards, amendments or interpretations are not expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions.

Exemption from requirement to produce group accounts

The company is a wholly owned subsidiary of James Hay Holdings Limited and is included within the consolidated financial statements of Nucleus Financial Platforms Limited whose registered office is Dunn's House, St Paul's Road, Salisbury, Wiltshire, SP2 7BF. As such the company is exempt under s400 of the Companies Act 2006 from the requirement to prepare consolidated accounts.

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical accounting judgements and the key sources of estimation uncertainty are as follows:

Income taxes

The group is subject to income taxes. Judgement is required in determining the extent to which it is probable that taxable profits and the exercise of share options under the LTIP scheme will result in the utilisation of deferred tax assets in future. As all eligible share options relating to the LTIP vested and were exercised on the acquisition of the company by James Hay Holdings Limited the company recovered in full the corresponding deferred tax assets.

Share-based payments

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

Provisions

The company has recognised provisions in respect of dilapidations and share incentive plans. Further detail on these provisions, the rationale behind their recognition and the timing of future cash flow is included in note 25.

NUCLEUS FINANCIAL LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Business combinations

As part of the business combination recognition, estimates and judgements are required to establish the fair value of assets and liabilities, contingent considerations and goodwill at acquisition date. Judgement is also required in determining which parts of the agreement relate to the resolution of historical contractual arrangements and are therefore outside the scope of IFRS 3 business combinations.

The goodwill that arises from business combinations is tested for impairment on an annual basis. The recoverable amount of the cash generating unit was determined by reference to its estimated fair value less costs of disposal. The fair value was determined with reference to the purchase consideration of James Hay Holdings Limited to acquire the group.

3. Revenue

	2021	2020
	£'000	£'000
Management fees	35,690	22,608
Dividend income	1,757	1,729
	<u>37,447</u>	<u>24,337</u>

Revenue comprises fees earned by the company from the provision of management services to NFS and dividends earned from investments in subsidiaries. All revenue arose within the United Kingdom (2020: all United Kingdom).

4. Other operating income

	2021	2020
	£'000	£'000
Other operating income	7	14

Other operating income comprises reclaims under the employee cycle to work scheme.

5. Finance costs

	2021	2020
	£'000	£'000
Finance costs		
Lease interest	(160)	(168)
	<u>(160)</u>	<u>(168)</u>

NUCLEUS FINANCIAL LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

6. (Loss)/profit before income tax

The (loss)/ profit before income tax is stated after charging:

	2021	2020
	£'000	£'000
Depreciation of tangible fixed assets	119	115
Depreciation of right of use assets	573	437
Lease interest on right of use assets	160	168
James Hay acquisition related costs	3,289	113
James Hay acquisition staff retention costs	1,754	-
James Hay acquisition compensation for loss of office	463	-
Openwealth acquisition fees	-	217
Foreign exchange differences	5	2
Share based payment charge	805	800

7. Employees

	2021	2020
	£'000	£'000
Wages and salaries	20,420	13,908
Social security costs	2,170	1,602
Other pension costs	1,512	1,083
Cost of employee share schemes	805	800
	<u>24,907</u>	<u>17,393</u>

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

	2021	2020
Employees	<u>382</u>	<u>245</u>

8. Directors' remuneration

Remuneration of directors employed and remunerated by the company:

	2021	2020
	£'000	£'000
Wages and salaries	1,010	1,139
Social security costs	68	85
Other pension costs	9	10
Share incentive schemes	778	-
Compensation for loss of office	119	-
	<u>1,984</u>	<u>1,234</u>

NUCLEUS FINANCIAL LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

8. Directors' remuneration (continued)

The highest paid director's remuneration comprised:

	2021	2020
	£'000	£'000
Wages and salaries	389	453
Social security costs	28	38
Other pension costs	4	5
Share incentive schemes	460	-
Compensation for loss of office	119	-
	<u>1,000</u>	<u>496</u>

Two directors exercised share options under the Long Term Incentive Plan, and one participated in the Share Incentive Plan. Certain directors are employed and remunerated by other companies of the James Hay Group and disclosed in the respective financial statements, none of which is attributable to the company.

9. Auditors' remuneration

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

	2021	2020
	£'000	£'000
Audit of the company financial statements	99	99
Audit related assurance services	8	20
	<u>107</u>	<u>119</u>

10. Income tax

Analysis of tax expense

	2021	2020
	£'000	£'000
Current tax:		
Tax on profits for the year	-	225
Adjustments in respect of prior periods	(42)	(8)
Deferred tax:		
Origination and reversal of timing differences	198	(109)
Effect of tax rate on opening balances	(72)	(13)
	<u>84</u>	<u>95</u>
Total expense in statement of comprehensive income		

NUCLEUS FINANCIAL LIMITED
NOTES TO THE COMPANY FINANCIAL STATEMENTS

Factors affecting the tax expense

The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK of 19.00 per cent (2020: 19.00 per cent).

The differences are reconciled below:

	2021 £'000	2020 £'000
(Loss)/profit before taxation	(433)	1,807
(Loss) / profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.00 per cent (2020: 19.00 per cent)	(82)	343
Effects of:		
Expenses not deductible for tax purposes	806	216
Change in unrecognised deferred tax asset	(264)	(61)
Exempt ABGH distributions	(334)	(329)
Adjustments to tax charge in respect of prior period	(42)	(74)
	84	95

11. Dividends

	2021 £'000	2020 £'000
£0.001 ordinary share dividends* 0p (2020: 1p per share)	-	760

* The ESOT waived its right to receive dividends during the prior year

12. Intangible Assets

	Goodwill £'000	Total £'000
Cost		
At 1 January 2021	1,955	1,955
Additions	-	-
Impairments	-	-
At 31 December 2021	1,955	1,955

NUCLEUS FINANCIAL LIMITED
NOTES TO THE COMPANY FINANCIAL STATEMENTS

	Goodwill £'000	Total £'000
Cost		
At 1 January 2020	-	-
Additions	1,955	1,955
Impairments	-	-
	<hr/>	<hr/>
At 31 December 2020	1,955	1,955
	<hr/>	<hr/>

Goodwill represents the excess of the purchase consideration for a business over the fair value of any identifiable assets and liabilities acquired. The carrying amount of goodwill is tested annually for impairment. For the purposes of the impairment test the goodwill was allocated to a single cash generating unit (CGU) and the recoverable amount of the CGU was determined based on fair value less costs of disposal (2020 value in use). No sensitivity analysis is presented as the effect of changes in assumptions used for impairment testing is not significant to the conclusion that no impairment is required.

13. Right of use lease assets

	Property Leases £'000	Total £'000
Cost		
At 1 January 2021	3,901	3,901
Additions	542	542
Disposals	-	-
	<hr/>	<hr/>
At 31 December 2021	4,443	4,443
	<hr/>	<hr/>
Accumulated depreciation		
At 1 January 2021	875	875
Charge for the year	573	573
Eliminated on disposals	-	-
	<hr/>	<hr/>
At 31 December 2021	1,448	1,448
	<hr/>	<hr/>
Net book value		
At 31 December 2021	2,995	2,995
	<hr/>	<hr/>

NUCLEUS FINANCIAL LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

	Property Leases £'000	Total £'000
Cost		
At 1 January 2020	3,901	3,901
Additions	-	-
Disposals	-	-
At 31 December 2020	3,901	3,901
Accumulated depreciation		
At 1 January 2020	438	438
Charge for the year	437	437
Eliminated on disposals	-	-
At 31 December 2020	875	875
Net book value		
At 31 December 2020	3,026	3,026

No impairment indicators were identified during the year.

14. Property, plant and equipment

	Short-term leasehold property £'000	Fixtures and fittings £'000	Office equipment £'000s	Total £'000
Cost				
At 1 January 2021	1,147	8	7	1,162
Additions	2	-	-	2
Disposals	-	-	-	-
At 31 December 2021	1,149	8	7	1,164
Accumulated depreciation				
At 1 January 2021	328	-	-	328
Charge for the year	116	2	2	120
Eliminated on disposals	-	-	-	-
At 31 December 2021	444	2	2	448
Net book value				
At 31 December 2021	705	6	5	716

NUCLEUS FINANCIAL LIMITED
NOTES TO THE COMPANY FINANCIAL STATEMENTS

	Short-term leasehold property £'000	Fixtures and fittings £'000	Office equipment £'000s	Total £'000
Cost				
At 1 January 2020	1,147	-	-	1,147
Additions	-	8	7	15
Disposals	-	-	-	-
At 31 December 2020	1,147	8	7	1,162
Accumulated depreciation				
At 1 January 2020	213	-	-	213
Charge for the year	115	-	-	115
Eliminated on disposals	-	-	-	-
At 31 December 2020	328	-	-	328
Net book value				
At 31 December 2020	819	8	7	834

No impairment indicators were identified during year.

15. Investment in subsidiary companies

	2021 £'000	2020 £'000
Cost		
At 1 January and 31 December	7,645	7,645

Subsidiary undertakings

The following are subsidiary undertakings of the company:

Nucleus Financial Services Limited

Registered office: Dunn's House, St. Paul's Road, Salisbury, Wiltshire, United Kingdom, SP2 7BF

Class of shares: Ordinary

Holding: 100%

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

	2021 £'000	2020 £'000
Aggregate capital and reserves	21,924	19,587
Profit for the financial year	4,092	3,196

NUCLEUS FINANCIAL LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Nucleus IFA services Limited

Registered office: Greenside, 12 Blenheim Place, Edinburgh, Scotland, EH7 5JH

Class of shares: Ordinary

Holding: 100%

Principal activity: Provision of platform technology, sales, marketing and platform development services to NFS. Trade

	2021	2020
	£'000	£'000
Aggregate capital and reserves	-	99
Profit for the financial year	-	1

Nucleus IMX Limited

Registered office: Dunn's House, St. Paul's Road, Salisbury, Wiltshire, United Kingdom, SP2 7BF

Class of shares: Ordinary

Holding: 100%

Principal activity: Non-trading subsidiary

	2021	2020
	£	£
Aggregate capital and reserves	1	1
Profit for the financial year	-	-

16. Trade and other receivables

	2021	2020
	£'000	£'000
Amounts owed by group undertakings	2,718	1,828
Other debtors	170	105
Prepayments	1,024	1,246
	<u>3,912</u>	<u>3,179</u>

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

17. Cash and cash equivalents

	2021	2020
	£'000	£'000
Cash at bank and in hand	<u>2,440</u>	<u>2,025</u>

The company is a guarantor to NFS for a £5,000,000 uncommitted overdraft facility that it has with The Royal Bank of Scotland International Limited. Interest is charged on this facility at 3 per cent plus base rate up to an overdrawn amount of £5,000,000 and 15 per cent plus base rate on any amount over £5,000,000. The overdraft is secured by a fixed and floating charge over all the company's assets. The overdraft was undrawn as at 31 December 2021.

NUCLEUS FINANCIAL LIMITED
NOTES TO THE COMPANY FINANCIAL STATEMENTS

18. Trade and other payables

	2021 £'000	2020 £'000
Trade creditors	570	441
Social security and other taxes	494	496
Other creditors	1	258
Accruals	3,984	2,386
	<u>5,049</u>	<u>3,581</u>

19. Lease liabilities

	2021 £'000	2020 £'000
Non-current: Lease liabilities	<u>2,954</u>	<u>3,243</u>
Current: Lease liabilities	<u>684</u>	<u>494</u>

	1 year or less £'000	1 - 2 years £'000	3-5 years £'000	> 5 years £'000	Total £'000
2021 Lease liabilities	<u>684</u>	<u>1,312</u>	<u>1,642</u>	<u>-</u>	<u>3,638</u>
2020 Lease liabilities	<u>494</u>	<u>513</u>	<u>1,666</u>	<u>1,064</u>	<u>3,737</u>

During the year the company entered into a three year office lease for premises in Glasgow. A liability of £542k was measured at the present value of future lease payments, discounted using an estimated incremental borrowing rate of 3.1 per cent. The associated right-of-use asset was also recognised. All lease liabilities relate to office property leases.

20. Called up share capital

	2021 £'000	2020 £'000
Allotted and fully paid ordinary shares of £0.001 each: 76,925,903 (2020: 76,473,360)	<u>77</u>	<u>76</u>

To fulfil the obligations of the LTIP scheme, and in line with expectations, on 6 August 2021 the company issued 452,543 ordinary shares to the NFG Limited Employee Benefit Trust 2010.

NUCLEUS FINANCIAL LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

21. Reserves

Share premium

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Capital redemption reserve

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

Share-based payment reserve

The fair value of services received in exchange for the grant of options and other share awards is recognised over their vesting period. Upon conversion the fair value of services received is transferred to retained earnings. Following the completion of the share-based incentive and all employee share ownership plans during the year this reserve no longer exists.

Treasury shares

Shares of Nucleus Financial Group plc that are held in the Employee benefits trust and SIP trust for the purposes of satisfying awards under share-based incentive and all employee share ownership plans. As part of the completion of the share-based incentive and all employee share ownership plans during the year all treasury shares were distributed to beneficiaries of the plans.

Retained earnings

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

22. Financial instruments

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

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

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

NUCLEUS FINANCIAL LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

	Financial liabilities at amortised £'000	Financial assets at amortised cost £'000	Total £'000
2021			
Financial assets			
Investments in securities	-	-	-
Cash and cash equivalents	-	2,440	2,440
Trade and other receivables	-	2,888	2,888
Total financial assets	-	5,328	5,328
Non-financial assets			14,438
Total assets			19,766
Financial liabilities			
Finance lease obligations	3,638	-	3,638
Trade and other payables	4,555	-	4,555
Total financial liabilities	8,193	-	8,193
Non-financial liabilities			780
Total liabilities			8,973

	Financial liabilities at amortised £'000	Financial assets at amortised cost £'000	Total £'000
2020			
Financial assets			
Investments in securities	-	-	-
Cash and cash equivalents	-	2,025	2,025
Trade and other receivables	-	1,933	1,933
Total financial assets	-	3,958	3,958
Non-financial assets			14,935
Total assets			18,893
Financial liabilities			
Finance lease obligations	3,737	-	3,737
Trade and other payables	3,085	-	3,085
Total financial liabilities	6,822	-	6,822
Non-financial liabilities			1,406
Total liabilities			8,228

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Credit risk

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

Liquidity risk

The company's liquidity position is subject to a range of factors that may generate liquidity strain in the short or medium term. The company maintains actual liquid resources above the minimum cash buffers prescribed in the liquidity management policy for foreseeable funding requirements (including under stressed conditions) and reserve liquidity for unforeseen events, unless a different amount is agreed by the board. Detailed risk appetite limits are prescribed in the liquidity management framework and reviewed annually by the board.

Operational risk

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

Particular operational risks for the group are considered to be:

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

The business was proven to be operationally resilient with very limited impact to service as a result of the move to working arrangements in response to Covid-19. The significant majority of our staff were able to work from home whilst maintaining business operations and delivering the group's change programme. However, as noted across the industry, the company and group has monitored and mitigated increased potential risks from unsophisticated cyber-attack attempts, attempted financial crime and failure to manage core business processes.

NUCLEUS FINANCIAL LIMITED

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

2021					
Financial assets	< 3 months	3-12 months	1-5 years	>5 years	Total
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	2,440	-	-	-	2,440
Investments					
Trade and other receivables	2,864	24	-	-	2,888
	5,304	24	-	-	5,328

2020					
Financial assets	< 3 months	3-12 months	1-5 years	>5 years	Total
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	2,025	-	-	-	2,025
Trade and other receivables	1,852	81	-	-	1,933
	3,877	81	-	-	3,958

2021					
Financial liabilities	< 3 months	3-12 months	1-5 years	>5 years	Total
	£'000	£'000	£'000	£'000	£'000
Trade and other payables	4,541	14	-	-	4,555
Lease liabilities	171	513	2,954	-	3,638
	4,712	527	2,954	-	8,193

2020					
Financial liabilities	< 3 months	3-12 months	1-5 years	>5 years	Total
	£'000	£'000	£'000	£'000	£'000
Trade and other payables	2,888	197	-	-	3,085
Lease liabilities	123	369	2,179	1,064	3,735
	3,011	566	2,179	1,064	6,820

23. Deferred tax

	Accelerated allowances	Short term differences	Losses and other deductions	Total
	£'000	£'000	£'000	£'000
At 1 January 2020	7	98	2	107
(Charge)/credit to statement of comprehensive	(1)	125	(2)	122
At 31 December 2020	6	223	-	229
(Charge)/credit to statement of comprehensive	5	(131)	-	(126)
At 31 December 2021	11	92	-	103

There is no potential deferred tax asset arising in respect of unutilised tax losses and timing differences (2020: nil)

NUCLEUS FINANCIAL LIMITED
NOTES TO THE COMPANY FINANCIAL STATEMENTS

24. Share-based payments

Total cost of share-based payments:

	2021 £'000	2020 £'000
Long term incentive plan	488	654
Employers NIC on long term incentive plan	140	90
Share incentive plan	177	55
	<u>805</u>	<u>799</u>

National insurance contribution (NIC) obligations arising from HMRC unapproved equity-settled schemes are treated as if they are cash-settled, regardless of the equity determination of the scheme itself.

Long Term Incentive Plan (LTIP)

As a result of the acquisition of the group by James Hay Holdings Limited, and in line with the LTIP scheme rules, on 6 August 2021 all eligible LTIP share awards vested and were exercised at 188p per share, and the plan was discontinued. As the vesting of the awards occurred as a result of a change of control event, discretion and judgement were exercised by the remuneration and nomination committee to determine the number of awarded shares eligible to vest. Factors that were taken into consideration included the performance to date of the LTIP scheme against the specified targets, the offer price of 188p per share (for the total shareholder return) and the percentage of completion of each of the annual award plans.

The LTIP comprised conditional awards of nil cost options over ordinary shares to selected members of the senior management team (including the executive directors) and certain other employees, which vested on the achievement of specified performance targets and continuous employment over a certain period of time (the vesting period), or discontinuance of the plan.

The company granted long-term incentive awards in the form of nil-cost options over its ordinary shares to the executive directors and other persons discharging managerial responsibility under its long-term incentive plan. The vesting of each of the awards was subject to the satisfaction of performance conditions set by the remuneration and HR committee that related to the achievement of specific targets in relation to earnings per share, net inflow of assets under administration and total shareholder return.

LTIP	LTIP 2020	LTIP 2019	LTIP 2018
At 1 January 2020	-	803,416	914,536
Shares awarded during the year	1,530,147	-	-
Lapsed during the year	(14,248)	(54,564)	(56,481)
At 31 December 2020	1,515,899	748,852	858,055
Lapsed during the year	(1,075,995)	(487,354)	(566,914)
Vested during the year	(439,904)	(261,498)	(291,141)
At 31 December 2021	-	-	-

Awards lapsed during the year include shares forfeited by employees on exit from the scheme and are as follows: LTIP 2020: 16,287 (2020: 14,248), LTIP 2019: nil (2020: 54,564), LTIP 2020: 16,287 (2020: 14,248), LTIP 2018: 5,340 (2020: 56,481)

NUCLEUS FINANCIAL LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

	LTIP 2020 TSR condition	LTIP 2020 Other conditions	LTIP 2019 TSR condition	LTIP 2019 Other conditions	LTIP 2018 TSR condition	LTIP 2018 Other conditions
Option pricing model	Monte Carlo	Black Scholes	Monte Carlo	Black Scholes	Monte Carlo	Black Scholes
Date granted	06/10/2020	06/10/2020	03/04/2019	03/04/2019	26/07/2018	26/07/2018
Share price on grant date (p)*	128p	128p	176p	176p	183p	183p
Vesting period (years)	2.6	2.6	3	3	3	3
Exercise price	0p	0p	0p	0p	0p	0p
Expected volatility	44%	44%	40%	40%	34%	34%
Risk-free rate	0.10%	0.10%	0.72%	0.72%	0.84%	0.84%
Dividend yield	nil	nil	nil	nil	nil	nil
Fair value per option at grant date	70p	128p	89p	176p	85p	183p
Remaining vesting period (years)	-	-	-	-	-	-

* Note that LTIP 2020 options were granted on a 30 day moving average share price. The share price on 06/10/2020 (target setting date) was 127.50p

Expected volatility was determined by comparing Nucleus to other companies that provide software services to the financial services sector as these were deemed to be the closest comparative with a long enough share history to give an indicative relative valuation and volatility measure. In estimating a volatility range for the company we have excluded companies that have an enterprise value greater than £500m, as we consider that they would not typically be reflective of the risks, size and growth profile of a company such as Nucleus. Expected volatility of the companies was determined by reference to their historical volatility over a period consistent with the vesting period of the options.

Share incentive plan (SIP)

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

SIP	2021	2020
Brought forward at the beginning of the year	134,704	74,267
Matching shares awarded	32,129	71,503
Matching shares forfeited	(3,518)	(3,734)
Matching shares released	(163,315)	(7,332)
Outstanding matching shares at the end of the year	-	134,704

NUCLEUS FINANCIAL LIMITED

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25. Provisions

	2021 £'000	2020 £'000
Dilapidations	134	99
Share incentive plans	-	124
Business combination	194	470
	<u>328</u>	<u>693</u>
Analysed as follows:		
Current	194	470
Non-current	<u>134</u>	<u>223</u>
	<u>328</u>	<u>693</u>

	Business combination £'000	Share incentive plans £'000	Dilapidations £'000	Total £'000
At 1 January 2020	-	34	65	99
Provided during year	-	90	34	124
Provided during year - business combination	470	-	-	470
Utilised during year	-	-	-	-
At 31 December 2020	470	124	99	693
Provided during year	-	131	35	166
Provided during year - business combination	-	-	-	-
Utilised during year	(276)	(255)	-	(531)
At 31 December 2021	<u>194</u>	<u>-</u>	<u>134</u>	<u>328</u>

Dilapidations

The dilapidations provision relates to the group's office premises at Greenside, Edinburgh. This is calculated using the Building Cost Information Service survey (part of the Royal Institution of Chartered Surveyors) of average settlement figures for offices, adjusted for inflation, and the square footage of the company's leasehold premises. The provision has been classified as non-current due to the likelihood of its utilisation at the end of the lease in 2027.

Share incentive plans

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

NUCLEUS FINANCIAL LIMITED

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Business combination

As part of the agreement to acquire OpenWealth, Nucleus is required to pay additional consideration in relation to certain contracts. The final amount due will be determined on actual costs incurred by OpenWealth. The fair value of the consideration as at 31 December 2020 has been based on the value of the costs expected to be incurred.

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

	2021	2020
	£'000	£'000
(Loss)/ profit before income tax	(433)	1,808
Depreciation	693	552
Share based payments charge	665	709
Increase in trade and other receivables	(733)	(5)
Increase in trade and other payables	1,468	698
(Decrease)/increase in other provisions	(365)	139
Net exchange differences	5	2
Interest paid	160	168
Dividend received	(1,757)	(1,729)
	<u>(297)</u>	<u>2,342</u>
(Cash outflows)/cash inflows from operations	<u>(297)</u>	<u>2,342</u>

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

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

27. Reconciliation of liabilities arising from financing activities

	At 1 January 2021	Non-cash changes	Cash flows	At 31 December 2021
	£'000	£'000	£'000	£'000
Lease liabilities	3,737	542	(641)	3,638

	At 1 January 2020	Non-cash changes	Cash flows	At 31 December 2020
	£'000	£'000	£'000	£'000
Lease liabilities	4,212	-	(475)	3,737

NUCLEUS FINANCIAL LIMITED

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28. Employee share ownership trust

The two share ownership trusts that operated on behalf of the company and the employees were the NFG Limited Employee Benefit Trust 2010 which incurred a loss for the period to 16 December 2021 of £3,043 (31 December 2020 - £3,601) and the Nucleus Financial Group plc Share Incentive Plan whose costs were borne by the company.

On completion of the realisation of the LTIP scheme the Trustee of the NFG Limited Employee Benefit Trust 2010 received a Letter of Wishes from the company recommending the termination of the Trust. On 16 December 2021, in accordance with the Letter of Wishes the trust was terminated by deed.

As part of the transaction of the acquisition of the company all Plan Shares held in the SIP were removed from the Plan and acquired by James Hay Holdings. Subsequent to this the board resolved that the SIP would be terminated in accordance with the rules set out in the Trust Deed. Termination of the SIP completed on 30 December 2021.

29. Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £1,082,533 (2019: £997,401). Contributions totalling £107,317 (2019: £90,009) were payable to the fund at the balance sheet date.

30. Ultimate controlling party

NFL is a company incorporated in England and Wales. The immediate parent undertaking is James Hay Holdings Limited, a company incorporated in England and Wales. The ultimate parent undertaking of the group is MonteCarloCo Limited, a company incorporated and registered in Jersey. Nucleus Financial Platforms Limited is the parent undertaking of the smallest group of undertakings for which group financial statements are drawn up and of which the company is a member. Epiris GP Limited, a company incorporated and registered in Jersey, controls as general partner the following partnerships, Epiris Fund II LP, Epiris Fund II (B) LP, Epiris Fund II FFP LP and Epiris TC LP, which hold the shares in MonteCarloCo Limited.

Copies of the group financial statements, which include results of the company, are available from the company secretary, Nucleus Financial Platforms Limited. Registered office: Dunn's House, St Paul's Road, Salisbury, Wiltshire, United Kingdom, SP2 7BF

31. Related party transactions

Entities with significant influence over the company

Sanlam was a related party of NFL until 6 August 2021 when it sold its shares in NFL. Transactions with Sanlam were as follows:

	2021	2020
	£'000	£'000
Sanlam		
Amounts charged by Sanlam to NFL in respect of board fees	53	89
Dividend paid to Sanlam by NFL	-	2,036

NUCLEUS FINANCIAL LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Subsidiaries

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

All transactions with subsidiaries are conducted on an arm's length basis

	2021	2020
	£'000	£'000
NFS		
Amounts charged by NFL to NFS	35,690	22,608
Amounts owed to NFL by NFS	2,718	1,828

Other related parties

During the year the company was charged and settled £1,256,063 (2020 £nil) for services provided by Craven Street Capital Limited of which former director J A A Samuels (resigned: 6 August 2021) is a director.

Key management personnel

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

	2021	2020
	£'000	£'000
Short-term employee benefits	1,632	1,859
Post-employment benefits	39	51
Share-based payments	264	465
Compensation for loss of office	204	-
	<u>2,139</u>	<u>2,375</u>

32. Events after the reporting period

On 29 March 2022, Nucleus announced that HPS, a major American private equity firm, had – through certain funds and accounts managed, advised or controlled by it - acquired a majority stake in the combined group/it. Epiris will retain a minority shareholding.

The transaction, which is subject to regulatory approval, is not expected to result in a change in Nucleus' strategy and ambitions and is considered to be a non-adjusting post balance sheet event.

Russia's invasion of Ukraine on 24 February 2022 has brought about significant uncertainty that could have wide-ranging impacts on economic growth, market levels and investor sentiment, with a resulting impact on the company's flows AUA and revenue. This is considered to be a non-adjusting post balance sheet event.

There were no other subsequent events that required adjustment to or disclosure in the financial statements for the period from 31 December 2020 to the date upon which the financial statements were available to be issued.

NUCLEUS FINANCIAL LIMITED

COMPANY INFORMATION

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W Priestley
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R A Rowney
O H Wilson

Company secretary

M Bruce

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