True Potential Group Limited

Annual Report and Financial Statements

For the year ended 31 December 2023

Registered number: 09917444

True Potential Group Limited

Annual Report and Financial Statements for the year ended 31 December 2023

Table of Contents

Directors and advisers for the year ended 31 December 2023

Directors

Andrew Sibbald	(Chairman)	(Appointed 14 March 2023)
David Harrison		(Resigned 26 October 2023)
Daniel Harrison	(Chief Executive Officer)	
Ben Thorpe	(Chief Financial Officer)	(Appointed 4 July 2023)
Neil Johnson		(Resigned 28 February 2023)
George Peebles	(Non-executive)	
Rebecca Hunter		
Jodi Balfe		
Caspar Berendsen		(Resigned 28 September 2023)
Samy Jazaerli		(Resigned 24 January 2024)
Stephanie Bruce	(Non-executive)	(Appointed 16 November 2023)
Maxim Crewe		(Appointed 28 September 2023)
Karina McTeague	(Non-executive)	(Appointed 28 September 2023)

Registered office
Newburn House
Gateway West
Newburn Riverside
Newcastle upon Tyne
NE15 8NX

Bankers
The Royal Bank of Scotland plc
Bishopsgate
Threadneedle Street
London
EC2R 8AH

Independent auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Chairman's Report for the year ended 31 December 2023

It is with great pleasure that I present my first Chairman's statement for True Potential Group, having transitioned from Deputy Chair to Chair in October 2023 when Sir David Harrison stepped down from the role.

Sir David is surely among the most impressive innovators and entrepreneurs in the UK wealth management sector in living memory and his impact on True Potential's success has been enormous. It is therefore a great privilege to have taken over from him at this important moment in the Group's development.

Everyone reading this report will understand that 2023 was a challenging year for the UK economy and investment markets. Inflation remained high throughout most of the year and the Bank of England raised interest rates to a level not seen since 2008 with a consequential impact on the cost of living and savings rates. Encouragingly, we started to witness a decline in inflation towards the end of the year although interest rates are yet to adjust materially.

Despite these significant macro headwinds, I'm pleased to say that in 2023 True Potential achieved its 16th consecutive year of strong growth. Assets under management at the end of the year had increased to £28.5bn, up 22.3% from £23.3bn in 2022. As the UK's leading digitally-led fully integrated wealth management firm, we continue to help more people across the UK do more with their money.

Our clients are and always have been at the heart of our business, and we continually strive to deliver good outcomes to enable them to achieve their goals. We remain focused on our regulatory obligations including Consumer Duty and look forward later in 2024 to publishing our inaugural Task Force on Climate-Related Financial Disclosures (TCFD) report.

During 2023, we made several changes to our Board. Ben Thorpe joined the Group as Chief Financial Officer, having previously served as Chief Financial Officer at Brooks Macdonald, and was appointed to the Board in July.

Maxim Crewe from our majority shareholder Cinven was appointed as a Director in September, replacing Caspar Berendsen, Neil Johnson departed in February, and post the year-end in January 2024 Samy Jazaerli also stepped down from the Board. I would like to thank Caspar, Neil and Samy for their significant contributions to True Potential and the Board during their tenures.

Our Board has been further strengthened by the appointment of independent Non-executive Directors Karina McTeague and Stephanie Bruce, in September and November 2023 respectively.

Karina previously served as Chief Risk Officer at Visa Europe and Lloyds Banking Group North America, and has held senior roles at the Financial Conduct Authority, while Stephanie was most recently Chief Financial Officer at Abrdn and previously Head of Financial Services Assurance at PwC UK. Together they bring extensive commercial experience covering financial services, banking and payments, regulation, risk, governance and strategy.

I am confident that all of our new Directors will make a very valuable contribution to the Board as we seek to build upon True Potential's success into the future.

The future promises significant macro-economic and political uncertainty that as a Board and Management team we will need to navigate carefully, including UK and US elections towards the end of 2024. Always at the front of our minds is our unwavering commitment to serve our clients to the best of our ability as we seek to protect and grow their wealth for the long term.

Andrew Sibbald
Chairman
27 March 2024

Strategic Report for the year ended 31 December 2023
Chief Executive's Report

I'd like to start this annual report by thanking you, our clients, for placing your trust in us to do more with your money. It is a huge privilege to look after your money and to help you realise your goals to provide financial security for you and your loved ones.

While there is much that we can control, there are many elements that we cannot. 2023 was a difficult year for financial markets around the world, with continued overseas conflict and political instability. In spite of all this, our strategy proved once again to be successful. All of our True Potential Portfolios reported positive performance for 2023 and our message to clients throughout the year was to stay the course. Those that did, reaped the rewards.

The underlying strength in our business is clear for all to see within the numbers contained in this annual report. We have broken through £400 million of group turnover, and as I write this note, more than £30 billion of assets are held on our platform, a 22% increase year on year. This comes against a backdrop of a widening financial advice gap and an industry that is haemorrhaging assets as firms pay the price for poor client service.

The secret to our success is really no secret at all because we've been doing it for 18 years. We were founded on client-first principles, which means personalised ongoing advice supported by technology that is simple, effective and unique. Using that technology, clients logged into their True Potential accounts 8.3 million times last year and this is part of the reason why the 2023 Consumer Duty regulations proved to be no barrier to us at all. Instead, they validated our approach that puts the client first and the business performance reported in this document is evidence that this is the correct strategy.

Of course, much has changed since True Potential was founded in 2007, which is why constant innovation is required to deliver sustained growth. In 2023, we continued to develop our products and services to meet the demands of our clients, with digital annual suitability reviews and a new beneficiary service ensuring wealth can be passed seamlessly between generations. We further explored the possibilities offered by artificial intelligence, successfully integrating it into our customer service.

The business growth figures in this report do not happen by accident. They are the product of an excellent strategy and on that note, I would like to pay tribute to our former chairman, Sir David Harrison, who stood down from that role in 2023. Sir David is a founding partner of True Potential and with over four decades in this industry, I am delighted to say that this business will continue to benefit from his expertise in his new role as Strategic Advisor to the Board.

We have translated a great strategy into a business that grows profit each year by having a committed team of people driving it forward. Therefore, I would like to personally thank all of my colleagues at True Potential and our hard working financial adviser partners. Thank you all for making 2023 another year of success.

With the right people in place and products that performed as intended in volatile markets, I know that we are positioned perfectly to continue delivering an exceptional service for our clients today, tomorrow and beyond.

We have a lot to look forward to in 2024 and I am excited to see what we will deliver for our clients.

Daniel Harrison
Chief Executive Officer
27 March 2024

Our Mission

As the UK's leading digitally-led firm, our mission is to overcome the UK Advice Gap. We aim to help people across the UK do more with their money, by providing expert financial advice, exclusive investments, dedicated support and award-winning technology.

Today

Our blend of regulated financial advice and fully-integrated technology puts our clients firmly in control of their money. We work with 20% of UK financial advisers and provide products and technology to over 510,000 clients. We look after £28.5 billion of assets invested on our True Potential Platform and by giving clients 24/7 access to their investments, they're empowered to take action throughout their journey.

Tomorrow

The need for expert financial advice and planning remains imperative for building long-term wealth, and it's our aim to help clients understand their own situation and retirement goals. Our use of industry-leading technology has allowed us to innovate and enabled clients to seamlessly track their investments as they progress towards their goals, accessing personal advice whenever they need to.

Beyond

Our role in looking after our clients doesn't just stop at retirement. We offer financial advice to help shape their family future and pass real wealth to the next generation. Our Inheritance Tax and Estate planning service links seamlessly with personal accounts for beneficiaries, as well as Junior ISA and Pensions to help clients secure their legacy.

Strategic Report for the year ended 31 December 2023 *(continued)*

Portfolio performance

Our True Potential Portfolios are a suite of fully-diversified, discretionary-managed investment solutions. With wide exposure to world-class investment managers, as well as diversifying their investment by asset class and geographic region, our clients benefit from having more potential to grow their money and manage volatility, all in one Portfolio.

And, as we're committed to helping our clients reach their financial goals, we continually monitor our Portfolios to make sure they perform as expected and remain within the chosen risk profile. We also rebalance for the future, rather than the past, taking an active approach to allocating client money where we see the greatest potential for growth.

The results of this strategy are shown below across our True Potential Portfolio range, 10 discretionary-managed investment solutions across the five risk categories.

True Potential Portfolio	2023 performance	Annualised Cumulative growth Since Launch
True Potential Defensive Portfolio	4.39%	2.24%
True Potential Cautious Portfolio	6.02%	3.64%
True Potential Cautious + Portfolio	6.95%	3.77%
True Potential Cautious Income Portfolio	7.18%	4.39%
True Potential Balanced Portfolio	7.97%	4.98%
True Potential Balanced + Portfolio	8.07%	5.50%
True Potential Balanced Income Portfolio	8.27%	4.88%
True Potential Growth Portfolio	8.73%	6.60%
True Potential Growth + Portfolio	9.77%	6.58%
True Potential Aggressive Portfolio	9.64%	7.61%

True Potential funds launched on 1 October 2015

Financial Review

Summary

The Board monitors the financial performance of the Group by reference to the following key performance indicators ("KPIs") in addition to the statutory financial metrics reported in these financial statements to review against the Groups strategy of deployment of our hybrid advice model to UK investors. A reconciliation of Earnings before interest, tax, depreciation and amortisation ("EBITDA") has been included in Note 9 Alternate Performance Measures (APMs) of these financial statements.

	Type	2023	2022	Variance
Gross inflows (£bn)	KPI – APM	6.2	6.7	(8.1)%
Assets under management (£bn)	KPI – APM	28.5	23.3	22.3%
Gross revenue (£'000)	Statutory	406,451	337,854	20.3%
Net revenue (£'000)	Statutory	278,722	225,855	23.4%
EBITDA (£'000)	APM	220,172	176,169	25.0%
Profit before tax (£'000)	Statutory	175,450	115,267	52.2%
Cash and cash equivalents (£'000)	Statutory	129,644	61,125	112.1%

Strategic Report for the year ended 31 December 2023 *(continued)*

Gross inflows

The Group defines gross inflows as client assets introduced and invested in the True Potential platform in the year and is not a statutory financial measure. Gross inflows for the year to 31 December 2023 were £6.2bn, 8.1% lower compared to 2022 against a backdrop of challenging market conditions. The board are satisfied with the performance despite these conditions.

Assets under management

The Group defines assets under management ("AuM") as True Potential client assets invested on the True Potential platform and investment funds. AuM at the year ended 31 December 2023 were £28.5bn, up 22.3% from £23.3bn in 2022. The gross inflows underpin the growth in assets under management, despite significant market headwinds.

Gross revenue

The Group recorded its highest ever gross revenue at £406.5m, up 20.3% on the prior year. Advice fees reaching £146.8m up 18.6% from £123.8m in 2022. Platform fees were also up 23.9% to £102.5m from £82.7m, along with Investment management fees up 20.6% to £153.4m from £127.2m, all directly linking to the increased AuM in the year.

Net revenue

Net revenue increased 23.4% in 2023 to £278.7m, giving a net revenue margin of 68.6% up from 66.9% in 2022.

EBITDA

EBITDA for the year to 31 December 2023 was £220.2m up 25.0% from £176.2m in 2022 in line with the increase in net revenue.

Profit before tax

Statutory Profit before tax has increased 52.2% to £175.5m in 2023. The increase is driven by the performance of the Group as outlined above.

Client onboarding costs

The Group has added £185.6m to client onboarding costs in 2023, representing Management's best estimate of expected and actual payments for the onboarding of revenue contracts. There are initiatives in place to introduce new clients onto the True Potential platform and investment funds. There is significant judgement in estimating the carrying value of client onboarding costs. Customer fee rates, market growth assumptions, attrition of customers from the Group investments and services, the amortisation period on client onboarding costs and the discount rate applied to obtain a Net Present Value ("NPV") of expected cashflows, form the important forward looking estimates. Management has concluded that no impairment exists at 31 December 2023.

Cash and cash equivalents

At 31 December 2023 the Group held £129.6m cash and cash equivalents, an increase of 112.1% compared to 2022, primarily to support FCA regulatory capital requirements. To ensure adequate returns on this cash, Management implemented a policy in the year to hold surplus funds in highly liquid money market funds, generating £2.3m of finance income in 2023.

Interest income

The Group's business model is based on clients being fully invested. Any funds held by clients that have a cash allocation generating interest income will be paid back to the fund in full and then represent part of the investment returns received by clients. Other client cash balances held by the Group represent less than 1.0% of client assets and it is mainly cash in transit. Cash in transit is where funds are in the process of being invested or being held for payment out. These in transit balances are usually in client accounts for a short period of time. In line with our terms and conditions, the appropriate diversification of these balances, and the high level of bank base rates in 2023, the Group earned a small amount of interest income in the year, representing less than 1.0% of total gross income. The Group does not and has never seen making money on client cash balances as part of its business model. In 2024 the Group plans to enhance its approach to interest income in accordance with Consumer Duty and recent regulatory developments.

Exceptional items

Exceptional items are recognised in the Consolidated Income Statement and are considered to be non-recurring and unusual in nature. In the year, costs of £4.3m were recognised in relation to the onboarding of Directors and settlement costs of the former Chairman. All exceptional costs were settled in the year and no further costs relating to this are expected in 2024.

Going concern

The Group consolidated financial statements for 2023 show a net asset position of £1,027.7m (2022: net assets £724.7m). In 2023 the Group received £160.6m of equity funding. This additional investment, cash and cash equivalents at 31 December 2023 and the underlying cash generation of the business, gives the Board confidence that there are sufficient resources available to meet ongoing operation and capital requirements.

Management has carried out a going concern assessment taking into account a number of scenarios that could occur, including a material decrease in sales, a material increase in attrition rates, a material decrease in asset values and a general change to the sentiment and appetite of the UK market for investment products and pension savings. The Group considers the possibility of these scenarios to be remote and the analysis confirmed the Group's current and forecast liquidity position would enable the Group to operate for at least 12 months from the date of signing the consolidated financial statements. Having due regard to these matters and after making appropriate enquiries, Management has a reasonable expectation that the Group has adequate resources to remain in operation for at least 12 months after the approval of these financial statements. The Board have therefore continued to adopt the going concern basis in preparing the consolidated financial statements.

The Group's business model, which saw success and growth last year has enabled the Group to continue strongly over the period ended 31 December 2023 with record-breaking results across the Group. Focus now turns to 2024 as the Group continues to service and support its financial advisers and every one of its clients.

Principal risks and uncertainties

The key business risks and uncertainties affecting the Group are regulatory risks and market risks, with FCA regulated subsidiaries of the Group offering wealth management advice, investment management and fund administration to the UK market. Regulatory risk is managed in the regulated subsidiaries through robust systems and controls to ensure full compliance with all regulatory requirements. Market risk is managed through our Investment Management approach based on advanced diversification, which helps to protect our clients and our business.

Principal risks and uncertainties *(continued)*

Risk of reputational damage is a potential consequence of any of our principal risks arising, which could impact the carrying value of assets on the Group Statement of Financial Position.

The Group is exposed to financial risks. In 2023, the Group has limited exposure to credit risk as significant receivables are expected to be converted into cash within a short period of time. The Group is highly cash generative which is used for investment in client onboarding costs. The Group retains sufficient cash balances to reduce the exposure to liquidity risk/cash flow risk. The Group manages exposure to price risk, credit risk, liquidity risk and cash flow risk by completing detailed forecasting and by continuous examination of both the trading marketplace and current economic climate.

Another risk that the Group faces is cyber risk, as a platform with £28.5bn (as at 31 December 2023) of client assets under management. This risk is monitored on a daily basis. There are multiple layers of protection in place including ongoing awareness training for all staff.

Operational risks arise through human error and are mitigated through internal controls and regular staff training.

The Group is exposed to inflationary risk in its cost base. The Group has mitigated this risk by fixing its energy costs and premises costs where possible.

A sharp outflow of client assets from the True Potential platform would impact the expected recoverability of client onboarding cost. Management have considered this risk as part of the impairment assessment of client onboarding costs and determined that it is remote.

Section 172 statement

The Directors of the Group are required to act in accordance with a set of duties as detailed in section 172 of the Companies Act 2006 (“the Act”). The Act provides that a Director must act in the way that he or she considers, in good faith, would be most likely to promote the success of the Group for the benefit of its members, having regard to the matters set out in s172 of the Act. Details of how the Directors had regard to s172 are set out below.

At appointment Directors are briefed on Directors’ duties, including s172, with regular reminders throughout the year, particularly when making key or strategic decisions.

The Board has determined the Group’s key stakeholder groups to be: Customers, Regulators, Shareholders and the Community (together, the “Stakeholder Groups”). Each Stakeholder Group plays an important role in the ability of the Group to execute its strategy and deliver on our unwavering purpose; to protect what matters most in accordance with True Potential’s core values.

The Group has processes in place to capture and consider the views of its Stakeholder Groups and share their views at relevant levels within the business, including with the Board, to ensure that regard is had to these views in decision-making processes. Examples are provided below of typical methods of engagement with the Stakeholder Groups and how the Board stays appraised of their views to inform its decision-making.

Customers

The Group prides itself on anticipating the needs of the customers it serves so that it can deliver a differentiated customer experience. Various methods are utilised to understand customer needs and feedback including online surveys and customer care calls. We also gather feedback from financial advisers, employers and accountants using our systems. This feedback is collated and reviewed at Management and Board level to agree actions to improve our service.

The Group operates a robust compliance framework to ensure high-quality service is maintained, providing the best possible client outcomes. This includes reviewing the client's value for money, through engagement with technology, service provided and product pricing. The Group further discusses its interaction via expert financial advice and investment management solutions with customers in the Strategic Report pages 5 to 7.

Regulators

The Group proactively participates in periodic meetings and interactions with its regulators as appropriate to fully understand regulatory views and feedback, including full and active participation in industry thematic reviews and application of any resulting learnings to drive business improvements. Management operates a horizon-scanning process to ensure that upcoming regulatory change, consultations, guidance and "hot topics" are known and understood by the business, enabling any resulting internal actions to be taken.

The Group was one of 20 Wealth Management firms the regulator wrote to in February 2024 requesting information regarding ongoing servicing. As a technology-focused business, the Group was able to supply data to the regulator in response to their queries. Management are confident in the historic and future delivery of our ongoing advice due to our strong technological processes and automated monitoring by our in-house compliance team.

Shareholders

The Directors understand their duty to act fairly between different shareholders as required by UK Group law. Shareholder contact is the responsibility of the executive Directors who manage and develop the Group's shareholder relationships with all shareholders. They conduct a comprehensive programme of update meetings, particularly following the release of annual results, and trading updates. The Board aim to create value for shareholders by generating strong and sustainable results.

Community & charity

One of our core values is helping our local charities and communities do more for those that rely on them for support.

Our charity partner, The Harrison Foundation, is a shareholder in the business, so the more we succeed, the more our communities can benefit. Charities around the UK and overseas benefited from £1 million of donations from True Potential and The Harrison Foundation in 2023.

This included additional support for St Oswald's Hospice, where the Foundation's donation enabled the charity to purchase vital new equipment for its patients.

Alongside six established Harrison Centres for Social Mobility, a variety of other charities and good causes also received donations to enable them to continue having a positive impact in local communities.

There was continued support for Sunderland's Foundation of Light and the Newcastle United Foundation, where two further Harrison Centres are based. These partnerships, first established in

2017, have now seen hundreds of people aged 13-17 progress with qualifications and confidence into employment.

Last year also saw a £220,000 donation to Mowden Hall in Northumberland to create ‘The Harrison Theatre’, providing students and the local community with a versatile space for artistic expression and skills development. The project includes installing flexible seating, new lighting, and a complete facelift for the theatre, creating an inspiring and multi-purpose venue that will instil pride and confidence in all those who use it.

In 2023, against the backdrop of rising prices and pressure on charity budgets, The Harrison Foundation was proud to step up once again and support our long-standing partners as well as building new partnerships.

Sustainability

We understand that clients want to maximise returns in a way that is sustainable over the long-term, not only for their investments but for the world and communities around them.

Through our investment management team, we’ve partnered with fund managers who share our values. Our partners score A or higher under the UN-supported Principles for Responsible Investment, including many founding signatories.

The UNPRI has six principles against which fund managers are reviewed, each with the overall aim of creating a long-term economically efficient and sustainable global financial system.

A key part of our own investment approach is investing in areas we believe will produce sustainable long-term returns.

As a large and growing company, we’re also conscious of our direct impact on the environment.

We proactively review and seek to improve our energy and water usage, as well as how we recycle and dispose of waste.

Employees

The Group considers the interest of its employees in decision making. The Group continues to provide employees with developmental opportunities and a motivated workplace culture. We engage with our employees throughout the year with communication through team meetings and access to our social media content on what is happening in the industry. The Group also provides regular all-staff meetings where Senior Management update employees on business performance, new initiatives and progress against business objectives.

The strategic report was approved by the Board of Directors and signed on its behalf on 27 March 2024 by:

Daniel Harrison
Director
27 March 2024

Directors' report for the year ended 31 December 2023

The Directors present their Report and audited Financial Statements of the Group for the year ended 31 December 2023.

Directors

The following Directors have held office during the year and to the date of signing of the financial statements, unless otherwise indicated:

Andrew Sibbald	(Chairman)	(Appointed 14 March 2023)
David Harrison		(Resigned 26 October 2023)
Daniel Harrison	(Chief Executive Officer)	
Ben Thorpe	(Chief Financial Officer)	(Appointed 4 July 2023)
Neil Johnson		(Resigned 28 February 2023)
George Peebles	(Non-executive)	
Rebecca Hunter		
Jodi Balfe		
Caspar Berendsen		(Resigned 28 September 2023)
Samy Jazaerli		(Resigned 24 January 2024)
Stephanie Bruce	(Non-executive)	(Appointed 16 November 2023)
Maxim Crewe		(Appointed 28 September 2023)
Karina McTeague	(Non-executive)	(Appointed 28 September 2023)

Principal activities

The principal activities of the Group are the provision of financial advisory and investment management services, and support services to retail investors and financial advisers.

Future developments

The Group's future developments are set out in the Strategic Report.

Dividends

Dividends paid during the year amounted to £nil (2022: £9.2m). No final dividends are proposed.

Review of business

£6.2bn of new client money was invested onto the True Potential Platform, an 8.1% decrease from 2022. As at 31 December 2023, the Group administered £28.5bn of client money, and invested and managed £26.3bn of this in True Potential Funds.

Continued favourable sales has ensured a strong growth in revenue and profit. Revenue jumped £68.7m to £406.5m, profit before taxation increased to £175.5m (2022: £115.3m) and EBITDA grew by 25.0% to £220.2m. The Board is highly satisfied with the performance of the business.

Directors' indemnities

As permitted by the Companies Act 2006, the Group has indemnified the Directors in respect of proceedings brought by third parties and qualifying third party indemnity insurance was in place throughout the year and up to the date of approval of the financial statements.

Financial instruments

The financial risk management objectives and policies of the Group, including exposure to capital risk, credit risk, market risk, interest rate risk and liquidity risk are set out in Note 25 to the financial statements.

Employees

The Group has a recruitment policy to ensure that all applications for employment, including those made by disabled persons, are given full and fair consideration in light of the applicants' aptitudes and abilities. There is also an equal opportunities policy to ensure that all employees are treated equally in terms of employment, training, career development and promotion. Where employees develop a disability during their employment, every effort is made to continue their employment and arrange for appropriate training as far as is reasonably practicable.

Employee engagement

Details on employee engagement can be found within the Group's Section 172 statement in the Strategic Report.

Exceptional items

Exceptional items are disclosed in the Strategic Report and in the Notes to the Financial Statements.

Subsequent events

No material events have occurred between the reporting date and the date of signing the financial statements.

Streamlined Energy and Carbon Reporting (SECR)

This provides environmental impact information in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. This report aligns with the financial reporting years for the Group covering the calendar years 2023 and 2022.

All the energy data used in production of this report was taken from utility billing from suppliers and data for fuel used for transport taken from expense logs for the Group. Where necessary, data has been converted to energy (kWh) and converted to tons of Carbon Dioxide equivalent (tCO2e) using Government published greenhouse gas conversion factors applicable to 2023.

Application

We have followed the principles of Relevance, Completeness, Consistency, Transparency and Accuracy as described in the GHG Protocol Corporate Standard, whilst following the HM Government Environmental Reporting Guidelines.

Determining the organisation boundaries

A number of different boundary types are listed in the SECR guidance; we selected the financial control boundary as being most fitting – the definition is:

"Your organisation reports on all sources of environmental impact over which it has financial control. Your organisation has financial control over an operation if your organisation has the ability to direct the financial and operating policies of the operation with a view to gaining economic benefits from its activities."

Using this definition, only the emissions from activities managed from the site at Gateway West, Newburn Riverside, Newcastle upon Tyne in are included in the report.

Directors' report for the year ended 31 December 2023 *(continued)*

Determining key environmental impacts

The mandated reporting for the Group is not complex, the greenhouse gas emissions from energy supplies and fuel used for transport must be reported. The emissions will be reported as tons of Carbon Dioxide equivalent (tCO2e) as directed in the regulations.

Measuring energy Consumption

This is concerned with data collection and aggregation for the key environmental impacts reported.
For electricity and gas, copies of invoices were used to calculate annual electricity and gas usage, no estimated data was used.

Fuel used for transport energy was derived from aggregated miles covered on company business in company vehicles, use of employee-owned vehicles (grey fleet) and fuel receipts for hire cars.

Fuel type and vehicle information was not provided for any vehicles so a calculation was made to pro rata mileage based on market share for petrol, diesel hybrid and electric vehicles. All mileage data was converted to energy and emissions using government published conversion factors for the average car.

Emissions Reporting

The emissions reported are calculated using Greenhouse Gas conversion factors for the UK that take account of the mix of technologies used to produce that energy. These are termed 'location based' conversion factors because they are for energy supplies located in the UK.

Energy and GHG Emissions

The table below shows the total energy use and emissions by Scope for the Group for 2023 and 2022.

		2023		2022	
	Fuel type	Total kWh	Emissions tCO2e	Total kWh	Emissions tCO2e
Scope 1	Natural Gas	135,761	24.80	270,631	49.40
	Fuel used for transport (company + hire cars)	4,097	0.93	37,384	9.34
Scope 2	Grid Supplied Electricity – contracted supplies	531,640	107.99	564,493	109.16
Scope 3	Business miles in employee owned cars only	106,734	27.16	74,517	18.42
	Total Global Energy use and emissions	**778,232**	**160.88**	**947,025**	**186.32**

Intensity ratios	2023		2022	
By number of employees	Employees	tCO2e/employee	Employees	tCO2e/employee
	555	0.29	447	0.42

	2023	2022
	Emissions tCO2e	Emissions tCO2e
Scope 1	25.74	58.74
Scope 2	107.99	109.16
Scope 3	27.16	18.42
Total	**160.89**	**186.32**

As a large and fast-growing business, we must be conscious of our impact on the environment. We have an appointed Chartered Energy Assessor as our Energy Consultant, who works with us to identify possible areas of energy and water usage reduction. They also help us to recognise any energy generation opportunities, all of which will assist the Group to develop a realistic NetZero pathway.

Our work includes re-using materials in the office wherever possible, during our office renovations we re-purposed 70.0% of materials. We use energy saving materials, low-energy lighting and maintain the office living walls to increase indoor air quality.

The energy usage figures show total kWh decreased to 778,232 in 2023, from 947,025 in 2022. One intensity ratio has been selected, this is the annual headcount for the Group to demonstrate the energy use and emissions per employee. As head count increased in 2023 the intensity ratio has decreased to 0.29 tCO2e per employee from 0.42 tCO2e per employee in 2022. We continue to see a positive impact from the low-energy lighting installed within the office.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report for the year ended 31 December 2023 *(continued)*

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and

- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

On behalf of the Board

Daniel Harrison
Director
27 March 2024

True Potential Group Limited
Registered number: 09917444

Independent auditors' report to the members of True Potential Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, True Potential Group Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit and the group's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; 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, which comprise: the Consolidated and Company Statement of Financial Position as at 31 December 2023; the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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 group 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 group's and the parent 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 group's and the parent 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.

Independent auditors' report to the Directors of True Potential Group Limited (continued)

Reporting on other information

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

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

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

Based on 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 2023 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 group and parent company and their 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 Statement of Directors' responsibilities, 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 group's and the parent 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 group or the parent 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 group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct

Independent auditors' report to the Directors of True Potential Group Limited (continued)

Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. 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 posting of inappropriate journals entries to increase revenue and management bias in the valuation and impairment of client onboarding costs and impairment of goodwill. Audit procedures performed by the engagement team included:

- Discussions with management, and review of relevant meeting minutes, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations against revenue accounts;
- Challenging assumptions made by management in their significant accounting estimates, including ensuring there is no management bias, in particular in relation to the valuation and impairment of client onboarding costs and impairment of goodwill;
- Designing audit procedures to incorporate unpredictability around the nature, timing and extent of our testing; and
- Reviewing any regulatory correspondence with the Financial Conduct Authority.

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

We have no exceptions to report arising from this responsibility.

Natasha McMillan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 March 2024

True Potential Group Limited

Consolidated Income Statement for the year ended 31 December 2023

	Note(s)	2023 £'000	2022 £'000
Revenue	4	**406,451**	**337,854**
Fee expenses	5	(127,729)	(111,999)
Net revenue		**278,722**	**225,855**
Administrative expenses:			
Employee costs	14	(28,169)	(21,803)
Amortisation – client onboarding costs	4	(34,339)	(22,453)
Amortisation – intangible assets	15	(6,758)	(6,166)
Other administrative expenses	6	(31,856)	(29,320)
		(101,122)	**(79,742)**
Exceptional items	7	(4,275)	(11,864)
Operating profit		**173,325**	**134,249**
Finance income	10	2,266	200
Finance costs	10	(141)	(19,182)
Profit before income tax		**175,450**	**115,267**
Income tax expense	13	(33,075)	(18,768)
Profit for the year		**142,375**	**96,499**

The Group has recognised no other comprehensive income so there is no statement of other comprehensive income presented within these financial statements.

The notes on pages 23 to 56 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position as at 31 December 2023
Registered number: 09917444

	Note(s)	2023 £'000	2022 £'000
ASSETS			
Non-current assets			
Goodwill	15	68,315	68,315
Intangible assets	15	17,540	24,297
Property, plant and equipment	16	3,404	4,569
Client onboarding costs	4	783,828	632,601
		873,087	**729,782**
Current assets			
Trade and other receivables	18	99,312	72,837
Cash and cash equivalents	19	129,644	61,125
		228,956	**133,962**
Total assets		**1,102,043**	**863,744**
LIABILITIES			
Current liabilities			
Trade and other payables	20	(27,005)	(23,772)
Financial liabilities	21	(40,757)	(96,950)
Deferred tax	13	(960)	(997)
Provisions	22	(1,457)	(3,137)
Current tax liability		(835)	(1,580)
		(71,014)	**(126,436)**
Non-current liabilities			
Financial liabilities	21	(730)	(8,109)
Deferred tax	13	(2,618)	(4,493)
		(3,348)	**(12,602)**
Total liabilities		**(74,362)**	**(139,038)**
Net assets		**1,027,681**	**724,706**
EQUITY			
Share capital	23	26	26
Share premium	23	924,531	763,931
Other reserves		18	18
Retained earnings / (Accumulated losses)		103,106	(39,269)
Total equity		**1,027,681**	**724,706**

The notes on pages 23 to 56 are an integral part of these financial statements.
The financial statements on pages 19 to 56 were authorised for issue by the Board of Directors on 27 March 2024 and were signed on its behalf by:

Daniel Harrison
Director

Ben Thorpe
Director

Consolidated Statement of Changes in Equity for the year ended 31 December 2023

	Note(s)	Share capital £'000	Share premium £'000	Revaluation reserves £'000	(Accumulated Losses) / Retained earnings £'000	Total £'000
Balance as at 1 January 2022		**26**	**-**	**18**	**(126,585)**	**(126,541)**
Profit for the year		-	-	-	96,499	96,499
Total comprehensive income for the year		-	-	-	96,499	96,499
Transactions with owners in their capacity as owners:						
Issue of shares	23	-	763,931	-	-	763,931
Dividends	12	-	-	-	(9,183)	(9,183)
Total transactions with owners, recognised directly in equity		-	763,931	-	(9,183)	754,748
Balance as at 31 December 2022 and 1 January 2023		**26**	**763,931**	**18**	**(39,269)**	**724,706**
Comprehensive income for the year:						
Profit for the year		-	-	-	142,375	142,375
Total comprehensive income for the year		-	-	-	142,375	142,375
Transactions with owners in their capacity as owners:						
Issue of shares	23	-	160,600	-	-	160,600
Total transactions with owners, recognised directly in equity		-	160,600	-	-	160,600
Balance as at 31 December 2023		**26**	**924,531**	**18**	**103,106**	**1,027,681**

The notes on pages 23 to 56 are an integral part of these financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2023

	Note(s)	2023 £'000	2022 £'000
Net cash outflow from operating activities	11	**(95,228)**	**(101,296)**
Cashflows from investing activities			
Purchase of property, plant and equipment	16	(310)	(608)
Purchase of intangible assets	15	-	(683)
Interest received		2,266	77
Net cashflows from investing activities		**1,956**	**(1,214)**
Cashflows from financing activities			
Proceeds from issue of shares	23	160,600	763,931
Dividends paid	12	-	(9,183)
Issuance of credit agreement	21	1,963	-
Repayment of finance loans	21	(57)	(591,436)
Interest paid	21	(141)	(27,650)
Lease principal payments	21	(574)	(496)
Net cashflows from financing activities		**161,791**	**135,166**
Net increase in cash and cash equivalents		**68,519**	**32,656**
Cash and cash equivalents at the beginning of the year		61,125	28,469
Cash and cash equivalents at the end of the year		**129,644**	**61,125**

The notes on pages 23 to 56 are an integral part of these financial statements.

1 General information

True Potential Group Limited (the “Company”) and its subsidiaries (together the “Group’’, “TP Group”) provide financial advisory and investment management services, and support services to retail investors and financial advisers. The Company is a private company limited by shares and is incorporated in England, UK. The address of its registered office is Newburn House, Gateway West, Newburn Riverside, Newcastle upon Tyne, NE15 8NX. The immediate parent undertaking is Kane Bidco Limited, a Jersey registered company. The intermediate parent undertaking is Kane Topco Limited, a Jersey registered company, which is the parent of the smallest Group which prepares consolidated financial statements. There is no single ultimate parent undertaking. Cinven Capital Management (VII) General Partner Limited exercises its power on behalf of various funds, none of which control True Potential Group Limited.

2 Material accounting policies

2.1 Basis of preparation

The accounting policies which follow set out those material policies which apply in preparing the consolidated financial statements for the year ended 31 December 2023. The policies have been applied consistently to all years presented. The financial statements are presented in pound sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The financial statements have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

These financial statements have been prepared on a going concern basis and on a historical cost basis, except for certain debt and equity financial assets that have been measured at fair value.

The Directors have considered the Group’s current and future prospects, risks and uncertainties set out in the risk management objectives and policies, and its availability of financing, and are satisfied that the Group can continue to pay its liabilities as they fall due for at least 12 months from the date of signing. For this reason, the Directors continue to adopt the going concern basis of preparation for these financial statements. Further detailed information is provided in the going concern statement.

2.1.1 Going concern

These consolidated and separate Company financial statements are prepared on a going concern basis. This is appropriate due the cash generative nature of the Group and expectations of future levels of activity and profit. There is a net asset position with sufficient cash resources and other financing facilities available. Management has prepared detailed cash flow forecasts which demonstrate that the Group and Company will be able to continue as a going concern for a period of at least twelve months from the date of signing these financial statements.

Throughout the year Management monitored cashflow and compliance to the covenant held by the Group’s parent, running daily forward-looking modelling on both cashflow and leverage given the market volatility experienced. The forecasts positively show significant headroom to capital requirements both throughout the year and at the year-end. The financial position of the Group continues to be monitored to ensure there are sufficient funds in order to meet liabilities as they fall due and sufficient headroom on covenants on debt held by the parent entity.

2 Material accounting policies *(continued)*

2.2 Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries as on 31 December each year. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the Income Statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between Group companies are eliminated on consolidation.

2.3 Segment reporting

It is the view of Management that the Group has a single operating segment, being the True Potential Group. This is due to the Group completing wealth management services to customers, with interlinked revenue generation across Group entities. Details of the Group's revenue, results, assets and liabilities for the reportable segment are shown within the Consolidated Income Statement and Consolidated Statement of Financial Position on pages 19 and 20 respectively.

The Group operates in one geographical segment, being the United Kingdom.

The nature of the Group's activities is such that it is not reliant on any one customer or Group of customers for the generation of revenue.

2 Material accounting policies *(continued)*

2.4 Revenue recognition

The Group recognises revenue from the following major sources:

- Fees earned from the provision of back-office intermediation services to financial advice companies (“Adviser services”)
- Fees earned from restricted wealth management advice proposition (“Wealth management advice”)
- Fees earned from provision of a wealth platform (“Platform fees”)
- Fees earned from investment funds management (“Investment management fees”) and performance fees

Revenue is measured based on the consideration to which the Group expects to be entitled from a contract with a customer and excludes amounts collected on behalf of third parties, under IFRS 15. The Group recognises revenue when it transfers control of a product or service to a customer.

<u>Provision of back-office intermediation services (“Adviser Services”)</u>

Our contracts with customers include the licensing of True Potential web-based intermediary services and providing compliance services using the web-based platform. We use judgement to assess whether these promises are distinct performance obligations that should be accounted for separately. The ongoing support services are highly interdependent on, and interrelated with, the intermediary service. Customers have a right to access for an initial contractual three-year period, which is accounted for as a single performance obligation. The Group satisfies these performance obligations over time as the services are rendered and the customer simultaneously receives and consumes the benefits of the services as they are performed.

The fees for both performance obligations are calculated by applying a percentage to the value of the customer’s daily revenue; some contracts are subject to an annual cap. As the Group is unable to accurately predict the customer’s annual revenue (and thus the associated annual fee), the fees are subject to factors outside the Group’s control and, therefore, the Group cannot conclude that it is probable a significant reversal would not occur until the fee is known at the end of each day when the constraint is resolved.

Revenue is recognised on a daily basis and collected via the customer daily cash receipts which is when control of the promised services is transferred to customers. Revenue is recognised for the amount of the transaction price that is known and occurred for that day which is the amount that reflects the consideration the Group expects to receive in exchange for those services.

<u>Wealth management advice</u>

We derive our revenue through our contracts with customers by providing customers restricted financial advice. Revenue is recognised on an accruals basis and arises fully within the UK. Fees earned and generated through the advice proposition include both initial advice and recurring advice, offered by self-employed advisers (commission revenue) and through the central advice team. Management have used judgement to determine that initial and recurring advice services are distinct performance obligations which should be accounted for separately. The nature of each of the services is separate in the context of the contract with customers.

The consideration for the initial advice is calculated as a percentage of the customer’s initial investment. The investment strategy is agreed upon at a point in time upon execution of the contract, which establishes the satisfaction of the initial advice performance obligation. The fee is charged to the customer and recognised as revenue when the initial advice is delivered and agreed upon. The cash consideration is received upon settlement of the investment.

2 Material accounting policies *(continued)*

2.4 Revenue recognition *(continued)*

The consideration for ongoing advice is variable as it is based on the customer's average annual invested assets, which can change throughout the year, and is calculated on a monthly basis. The variability is not able to be accurately estimated. At the end of each month, when the average investment is known, a monthly fee is calculated and charged to the customer. Therefore, the monthly fee charged is recognised as revenue over time. Cash consideration is received monthly in arrears based on the daily average value of the customer's investment.

<u>Wealth platform ("Platform fees")</u>

The Group earns platform service fees from services provided to its investor clients. Platform service arrangements are contractual arrangements involving an investment administration agreement between the Group and a single client. The Group satisfies this performance obligation over time as the services are rendered and the client simultaneously receives and consumes the benefits of the services as they are performed.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the client. Platform service fees from this performance obligation are calculated by applying a percentage to the value of the client's investments held in their portfolio on a daily basis with cash collected monthly.

Under IFRS 15, in determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised would not occur when the uncertainty associated with the variable consideration is resolved. The platform service fees are subject to factors outside the Group's control, being the movement in asset values. Therefore, the Group cannot conclude it is probable a significant reversal would not occur until the; fee is known at the end of each day when the asset values are known.

<u>Fund investment management ("Investment management fees")</u>

The Group earns management fees from investment management services provided to its funds. The funds have multiple investors, none of whom exercise significant influence over the fund individually, and where the fund can act with autonomy from investors in regards to operational matters. Each fund has a separate governance structure independent of the Group and fee arrangements are set by the fund through the contractual arrangement between the fund and the Group. The Group determined that the fund is considered to be the customer. Based upon the services promised in the contract, the Group considers its performance obligations in its customer contracts to be investment management services.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer. Investment management fees are calculated by applying a percentage to invested capital under management in the fund on a daily basis and billed monthly. The investment management fees are subject to factors outside the Group's control and are considered variable consideration. Therefore, estimates of future period fees are not included in the transaction price, as those estimates would be considered constrained. Cash consideration is received monthly in arrears.

2 Material accounting policies *(continued)*

2.4 Revenue recognition *(continued)*

<u>Performance fee</u>

A performance fee is recognised where the unit price of individual funds (the True Potential Growth Aligned Funds) exceeds the high watermark annually at 30 April. Revenue is recognised when control of the services are transferred to customers whose funds are held by the Group, in an amount that reflects the consideration the Group expects to receive in exchange for those services. The Group satisfies this performance obligation over time as the services are rendered and the customer fund simultaneously receives and consumes the benefits of the services as they are performed. Performance fees are not recognised as revenue until it is probable that a significant reversal will not occur in the future. The Group recognises revenue when it becomes highly probable a significant reversal will not occur. This is taken to be the crystallisation date at 30 April each year. The fee is based on the difference between unit price at the high watermark date. Performance fees are received one month in arrears. No performance fee was recognised in 2023 (2022: £nil)

2.5 Goodwill

Goodwill is initially recognised and measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is reviewed for impairment annually at the annual reporting date. Goodwill is allocated to the True Potential Group as a single cash-generating unit ("CGU"), which is the smallest identifiable group of assets that generates cash inflows that are largely independent from the cash inflows from other assets of the Group. This is due to the interlinked nature of income generation within the Group. The cash-generating unit is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit, determined as the higher of its fair value less costs of disposal and its value in use, is less than the carrying amount of the unit, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.6 Intangible assets other than goodwill

<u>Intangible assets acquired separately</u>

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are:

- Brand: 10 years

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. The Group has no intangible assets with indefinite useful lives.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the Income Statement when the asset is derecognised.

2 Material accounting policies *(continued)*

2.6 Intangible assets other than goodwill *(continued)*

Internally generated intangible assets

There are a number of factors taken into account when considering whether internally developed intangible assets meet the recognition criteria in IAS 38 Intangible Assets. Where they are capitalised, internally developed intangible assets are held at cost less accumulated amortisation and impairment losses. Such items are recognised in the statement of financial position if, and only if, it is probable that the relevant future economic benefits attributable to them will flow to the Group and its cost can be measured reliably. Costs incurred in the research phase are expensed, whereas costs incurred in the development phase are capitalised, subject to meeting specific criteria, as set out in the relevant accounting standards and guidance, the main one being that future economic benefits can be identified as a result of the development expenditure. Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of the relevant intangible asset, which are:

- Platform and other Projects: up to 10 years
- Software licenses: 3-5 years

2.7 Client onboarding costs

Client onboarding costs represent the incremental costs to obtain a revenue contract under IFRS 15. An asset can be capitalised constituting the incremental costs of obtaining a contract if the entity expects to recover those costs. The incremental costs to obtain a revenue contract are those that would not have been incurred if the contract had not been obtained.

Agreements are entered into with financial advisers to onboard customer assets. The costs associated with these agreements are deemed to be the incremental cost of obtaining a revenue contract, “client onboarding costs”, which are recognised as an asset. The revenue contract obtained is with individual customers. The asset is only recognised when it is expected that the Group will recover the costs through revenue generation with customers. The Group considers that the costs payable to financial advisers would not have been incurred if customer assets had not been onboarded, meaning the revenue contract with customers had not been obtained. The Group has determined that these arrangements do not fall under the scope of another Standard.

Client onboarding costs are recognised on the date an agreement is entered into with financial advisers. From this point, customer assets can be onboarded and revenue contracts with those customers are obtained. It is expected that the costs will be recovered from this point through revenue generation on customer assets. The costs associated with this, payable to financial advisers, are recognised at a proportion of the customer assets expected to be transferred.

Subsequent to their initial recognition, the expected costs payable to financial advisers are adjusted to reflect the most up to date information. Initial payments are made to financial advisers, repayment of which is settled by offsetting further amounts payable to advisers as customer assets are onboarded. The client onboarding cost assets fully crystallise at the point that agreements with financial advisers end.

Recognition of the client onboarding costs give rise to client onboarding liabilities on the Statement of Financial Position. These are amounts payable to financial advisers, for the expected future payments representing a proportion of client assets expected to be transferred to the Group. Liabilities to financial advisers are offset by any balances already paid as an incremental cost to obtain customer revenue contracts

2 Material accounting policies *(continued)*

2.7 Client onboarding costs *(continued)*

Client onboarding costs are amortised on a systematic basis over the expected transfer of the services to the customer, which is currently estimated to be:

- Client onboarding costs: 20 years

The amortisation period adopted is reviewed at the end of each reporting period, with the effect of any changes in estimate accounted on a prospective basis in line with IAS 8. Any updates to amortisation would be made to reflect a significant change in the expected timing of transfer to the customer of services to which the asset relates.

The Group performs impairment reviews on the carrying amount of the client onboarding costs and recognises any impairment in the Income Statement.

2.8 Impairment assessment of client onboarding costs

At each reporting date, Management reviews the carrying amounts of client onboarding costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any), per the requirements of IFRS 15.

An impairment loss should be recognised in the Income Statement where the carrying amount of the asset exceeds the remaining amount of consideration expected to be received in exchange for services to which the assets relate, less direct costs to provide the services. In assessing the remaining consideration expected to be received, the estimated future cash flows created by customer asset revenue generation are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Significant judgement is used to estimate the future revenues expected on customer assets, as discussed in Note 3.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss could occur where impairment conditions no longer exist or have improved. A reversal of an impairment loss is recognised immediately in the Income Statement to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

After applying the impairment test under IFRS 15, the Group applies the carrying amount of any remaining asset to the cash-generating unit to which it belongs to apply an impairment test under IAS 36.

2.9 Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss, if any.

Depreciation is recognised so as to write off the cost or valuation of assets, less their residual value over the useful lives of each asset on a straight-line method, as follows:

- Leasehold improvements: Shorter of the expected lease term or the estimated useful life of the asset

- Fixtures and fittings: Between 3 and 5 years

2 Material accounting policies *(continued)*

2.9 Property, plant and equipment *(continued)*

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

2.10 Impairment of property, plant and equipment and intangible assets excluding goodwill

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the cash-generating unit.

For remaining assets, the recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income Statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss could occur where impairment conditions no longer exist or have improved. A reversal of an impairment loss is recognised immediately in the Income Statement to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

2.11 Leases

The Group determines if an arrangement is, or contains, a lease at inception and classifies its leases at commencement. Where the Group is a lessee, leases are included in right-of-use (“ROU”) assets and current and noncurrent lease liabilities on the Group’s consolidated Statement of Financial Positions. ROU assets represent the Group’s right to use an underlying asset for the lease term. The corresponding lease liabilities represent the Group’s obligation to make lease payments arising from the lease.

2 Material accounting policies *(continued)*

2.11 Leases *(continued)*

Lease liabilities are presented in Financial Liabilities and are recognised based on the present value of the future minimum lease payments over the lease term at commencement. The Group has lease agreements which contain both lease and non-lease components. The Group makes an election on an asset class basis to determine if it elects the practical expedient allowed to not separate lease and non-lease components. Periods beyond the non-cancellable term of the lease are included in the measurement of the lease liability when it is reasonably certain that the Group will exercise the associated extension option or waive the termination option. The Group reassesses the lease term if and when a significant event or change in circumstances occurs within the control of the Group. The net present value of future minimum lease payments is determined using the implicit interest rate in the lease. If the implicit interest rate is not included in the lease, the discount rate is determined by the Group’s incremental borrowing rate. The Group’s incremental borrowing rate is an estimate of the interest rate the Group would have to pay to borrow on a collateralized basis with similar terms and payments, in the economic environment where the leased asset is located. Lease liabilities are adjusted each period for interest on the leased asset and lease payments during the period.

The lease ROU asset is presented in Property Plant and equipment. It is initially recognised at cost which is based on the lease liability, adjusted for any rent payments or initial direct costs incurred or lease incentives received prior to commencement or restoration costs due at end of the lease. ROU assets are depreciated based on the shorter of the asset’s useful life under IAS 16 or the lease term.

2.12 Financial instruments

Financial assets and financial liabilities are recognised in the Group’s statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at the amount of consideration that is unconditional. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through the Income Statement) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through the Income Statement are recognised immediately in the Income Statement.

(i) Financial assets

Trade and other receivables are measured at amortised cost less impairment.

Prepayments include expenditures related to future financial periods and are measured at amortised cost.

Cash and cash equivalents include cash at bank and deposits held in highly liquid money market funds that can be accessed instantly and are not considered to be subject to the risk of significant changes in value.

2 Material accounting policies *(continued)*

2.12 Financial instruments *(continued)*

<u>Impairment of financial assets</u>

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The expected credit losses on these financial assets are estimated using Management's historical experience, adjusted for factors that are specific to the receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For all other financial instruments, the Group recognises lifetime expected credit loss ("ECL") when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group considers that default has occurred when a financial asset is more than 90 days past due. A financial asset is credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that financial asset have occurred such as significant financial difficulty of the borrower, a breach of contract or it is becoming probable the borrower will enter bankruptcy.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the Income Statement.

(ii) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss ("FVTPL").

<u>Financial liabilities measured subsequently at amortised cost</u>

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial liabilities include finance loan, a credit facility agreement and lease liabilities and are carried at amortised cost using the effective interest method.

2 Material accounting policies *(continued)*

2.13 Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2 Material accounting policies *(continued)*

2.13 Taxation *(continued)*

<u>Current tax and deferred tax for the year</u>

Current and deferred tax are recognised in the Income Statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.14 Contingent liabilities

The Group recognises a contingent liability where it is identified that there is a possible obligation that could lead to an outflow of economic resources. The possible obligation must have occurred as a result of past events and whose existence will be confirmed by the circumstances of uncertain future events. The Group will also disclose a contingent liability where there exists a present obligation resulting from past events and the recognition criteria for a liability is not met. In this case, a contingent liability will be recognised as it is either, not probable that economic resources will be required to settle the obligation, or the amount of the obligation cannot be reliably measured.

2.15 Accounting standards not yet in force

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group or Company in the current or future reporting periods and on foreseeable future transactions.

2.16 Exceptional items

An exceptional item is considered to be non-recurring and unusual in nature. These items are highlighted separately on the face of the Consolidated Income Statement and are also disclosed within Note 7. Due to the nature and expected infrequency of these items, separate presentation helps provide a better indication of the Group's underlying business performance to facilitate comparison with prior periods.

3 Critical accounting estimates and judgements

The preparation of the financial statements requires Management to make judgements, estimates and assumptions in applying the Group's accounting policies to determine the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions to accounting estimates applied prospectively.

<u>Value of client onboarding costs</u>

Client onboarding costs are recognised as assets representing the incremental cost to obtain a revenue contract with customers. Client onboarding cost asset balances are stated at cost less accumulated amortisation and any impairment.

3 Critical accounting estimates and judgements *(continued)*

Value of client onboarding costs (*continued)*

Client onboarding costs are recognised on the date an agreement is made with financial advisers to transfer customer assets to the Group. Revenue contracts are obtained with the customers onboarded. The costs associated with this, payable to financial advisers, are recognised at a proportion of the customer assets expected to be transferred. This is the incremental cost to the Group which would not be incurred if the customer assets were not onboarded. This cost is expected be recovered through revenue generation on onboarded customer assets. As customers are onboarded the expected onboarding costs are adjusted to reflect the most up to date available information. There is significant estimation in determining the settled customer assets onboarded, which forms the basis of the client onboarding asset cost. A judgement made in this estimation is that customer asset settlement follows the historic trend of onboarding rates.

Expected life of client onboarding costs

Client onboarding costs are amortised over the expected transfer of services to the customer. The future performance of the Group is impacted by the amortisation periods adopted, and potentially, may differ between expected and actual circumstances. Sensitivity to the amortisation period changing by one year has been performed and the results are presented below:

	2023 £'000	2022 £'000
One year reduction in amortisation period		
Annual amortisation charge increase	2,231	1,182

The revenue contracts with customers have no specified end date. As such, the critical judgement in the assessment of the estimated life of client onboarding costs is the expected attrition of customer assets and the expected term a customer will hold assets with the Group.

Management monitor attrition closely including customer drawdowns, fees taken, other fees and charges payable and customers exiting revenue contracts.

Management continues to assess the term over which a customer continues to be advised by the Group. This considers the age profile of customers serviced by the Group, life expectancy in the UK, experience of customer practices including drawdown patterns and historic experience with respect to the term a customer remains invested. An expected term of 20 years has been identified based on this assessment.

Impairment of client onboarding costs

Significant judgement is used to estimate the future revenues expected to be earned on client onboarding assets. When assessing future revenues, Management have considered various scenarios in concluding the appropriateness of fee rates and timing of the associated revenues used to support the recoverable value of client onboarding assets. This assessment includes a review of the commercial arrangements of the Group including, but not limited to, changes to future fee structures and the associated business model.

3 Critical accounting estimates and judgements *(continued)*

Impairment of client onboarding costs (*continued*)

The carrying value of client onboarding costs is presented after any impairment loss recognised within the income statement under IFRS 15. The Group recognises an impairment loss to the extent that the carrying value of client onboarding cost assets exceed the remaining consideration expected to be received in exchange for services to which the assets relate, less the direct costs of providing those services. Significant estimation is used to estimate the remaining consideration expected to be earned on client onboarding assets. Key areas of judgement include the discount rate on future cashflows, the remaining life of the asset and expected recovery period for future consideration, market growth expectations and attrition of customer assets which are serviced by the Group.

Management has concluded that the carrying value of client onboarding costs is supported by the expected revenue to be generated from the contracts with customers. Note 4 sets out the estimates and judgments used in the impairment of client onboarding costs and the sensitivity changes in the key assumptions.

4 Revenue from contracts with customers

(i) Disaggregation of Revenue

	Adviser services	Wealth management advice	Platform fees	Investment manage-ment fees	Total
	£'000	£'000	£'000	£'000	£'000
Year ended 31 December 2023					
Timing of revenue recognition					
Services transferred over time	3,892	128,823	102,515	153,351	388,581
Services transferred at a point in time	-	17,990	-	-	17,990
Total revenue from contracts with customers	**3,892**	**146,813**	**102,515**	**153,351**	**406,451**
Year ended 31 December 2022					
Timing of revenue recognition					
Services transferred over time	4,213	105,437	82,715	127,157	319,522
Services transferred at a point in time	-	18,332	-	-	18,332
Total revenue from contracts with customers	**4,213**	**123,769**	**82,715**	**127,157**	**337,854**

Services transferred at a point in time relate to fees earned and generated through initial advice, offered by self-employed advisers and the central advice team.

4 Revenue from contracts with customers *(continued)*

(ii) Contract balances

Client onboarding costs

	2023 £'000	2022 £'000
As at 1 January	**632,601**	**419,212**
Additions	185,566	235,842
Amortisation	(34,339)	(22,453)
As at 31 December	**783,828**	**632,601**

In the current year £185.6m of client onboarding costs have been added to the Statement of Financial Position (2022: £235.8m). This represents Management's best estimate of expected and actual payments for the onboarding of revenue contracts.

Cash paid in the year relating to onboarding costs has been recognised through movements in working capital in the statement of cash flows (Note 11).

A reconciliation to the figures presented in Note 11 has been performed below:

	2023 £'000	2022 £'000
Client onboarding cost additions	185,566	235,842
Movement in client onboarding liability	64,904	(19,623)
Increase in client onboarding costs per cashflow	**250,470**	**216,219**

Assessment of the carrying value of client onboarding costs contains significant judgement, including the value and expected life of capitalised assets.

Impairment review

Impairment reviews on the carrying amount of the client onboarding costs are undertaken with any impairment expensed in the Income Statement. Impairment assessments consider the remaining amount of consideration that the Group expects to receive in exchange for customer services, less costs which relate directly to providing those services. Key areas of judgement used in this assessment include the discount rate on future cashflows, the expected recovery or amortisation period, market growth expectations, attrition of customers receiving services and future fee income.

Discount rate on future cashflows

In order to assess the present value of the future revenues expected from the client onboarding costs, Management have used a weighted average cost of capital to apply as a pre-tax discount rate, which includes judgement in the assessment of appropriate equity beta and non-listed premium. The pre-tax discount rate applied in 2023 was 13.72%.

4 Revenue from contracts with customers *(continued)*

Amortisation period

The underlying contracts with customers are ongoing and have no end date. Management has therefore used judgement to ascertain the recovery period, including the expected length of the relationship with the customer within the Group and in the wider market. Assessments of recovery have been performed over 20 years by the stated amounts below. The recoverable value represents the remaining consideration expected to be received on customer revenue contracts.

Market growth expectations

Management has included in its 20-year recovery period assessment average annual market growth of 5.0%, based on historic trends of a True Potential balanced portfolio.

Customer attrition

Management have used 8.2% as the attrition rate for its assessment of the carrying value of client onboarding costs. This is the closing attrition rate for the year ended 31 December 2023 taking into account customer drawdowns, account closures and other applicable withdrawals.

Future fees receivable

Fees charged are at the discretion of Management based on the services provided to customers.

Sensitivity analysis

The table below details the impact of adjusting the key judgements. The percentage change in the surplus of recoverable value over the carrying value of the client onboarding cost asset is shown, by adjusting the variables by the stated amounts below. The base case surplus of recoverable value over the carrying value is £321m:

	Percentage change
Discount rate – 1.0% increase	(14.5)%
Amortisation period – 1 year reduction	(3.4)%
Market growth – 1.0% decrease	(17.1)%
Client attrition – 1.0% increase	(17.1)%
Fees receivable – 10 basis point decrease	(24.1)%

5 Fee expenses

Fee expenses mainly comprises fees paid to financial advisers which amounted to £88.2m in 2023 (2022: £77.5m) and sub fund manager fees which amounted to £35.2m in 2023 (2022: £30.7m).

6 Other administrative expenses

Other administrative expenses reported in the Income Statement includes:

	2023 £'000	2022 £'000
Depreciation	1,475	1,438
Marketing	3,960	3,091
Regulatory fees and levies	2,546	3,832
Insurance	3,576	3,219
Platform and technology running costs	7,705	6,032
Other expenses	12,594	11,708
	31,856	**29,320**

7 Exceptional items

	2023 £'000	2022 £'000
Exceptional items	**4,275**	**11,864**

Exceptional costs of £4.3m related to the recruitment and onboarding of Directors and settlement costs for the former Chairman. In the cash flow statement and Note 11, operating cash-flows have been reduced by £4.3m. All exceptional costs recognised in the year have been settled and no further costs relating to this are expected in 2024.

Exceptional costs incurred in 2022 were professional fees and employee costs relating to the acquisition of the Group by the immediate parent, Kane Bidco Limited. All exceptional costs recognised in 2022 were settled in the year.

8 Auditors' remuneration

	2023 £'000	2022 £'000
Fees payable to the Company's auditors for the audit of the parent Company and consolidated financial statements	95	127
Audit of the financial statements of the Company's subsidiaries	358	225
Total audit	**452**	**352**
Non-audit fees payable to the Company's auditors for client money reporting	254	214
Fees payable to the auditors for interim profit verifications	175	318
Total auditors' remuneration	**882**	**884**

9 Alternative performance measures

	2023 £'000	2022 £'000
Operating profit	173,325	134,249
Add back: Exceptional items	4,275	11,864
Add back: Amortisation	41,097	28,619
Add back: Depreciation	1,475	1,438
EBITDA	**220,172**	**176,169**

Earnings before interest, depreciation and amortisation (EBITDA) as an APM is used by Management as an industry comparator by removing Group specific accounting estimates, financing arrangements and tax laws applicable to the jurisdiction in which the Group operates. The closest relevant metric under International Financial Reporting Standards to start with is operating profit as per the Income Statement adding back amortisation (Note 4 and 15), exceptional items (Note 7) and depreciation (Note 16).

10 Finance income and costs

(i) Finance income

	2023 £'000	2022 £'000
Interest on liquidity funds	1,931	24
Other interest income	335	176
Total finance income	**2,266**	**200**

Investments in liquidity funds are money market funds which are short-term and highly liquid. Interest is accrued on these funds daily and is recognised as finance income.

(ii) Finance costs

	2023 £'000	2022 £'000
Finance charges payable on borrowings	58	19,099
Interest on lease liabilities	83	83
Total finance costs	**141**	**19,182**

In January 2022 the Group repaid all of its long-term borrowings incurring early repayment fees of £17.5m. This has been included in finance charges payable on borrowings for the year ended 31 December 2022. No such charges were incurred in the year ended 31 December 2023.

Notes to Consolidated Financial Statements for the year ended 31 December 2023 *(continued)*

11 Cash generated from operating activities

	2023 £'000	2022 £'000
Net cashflows from operating activities:		
Profit before tax	175,450	115,267
Adjustments for:		
Depreciation of property, plant and equipment and right of use assets	1,475	1,438
Amortisation of intangible assets	6,757	6,166
Amortisation of client onboarding costs	34,339	22,453
Interest income	(2,266)	(200)
Interest expense	141	19,182
Operating cashflows before movements in working capital	215,896	164,306
Movements in working capital		
Increase in trade and other receivables	(26,475)	(35,913)
Increase in trade and other payables	1,553	5,023
Increase in client onboarding costs	(250,470)	(216,219)
Total movements in working capital	(275,392)	(247,109)
Operating cashflows after movements in working capital	(59,496)	(82,803)
Corporation tax paid	(35,732)	(18,493)
Net cash outflow from operating activities	**(95,228)**	**(101,296)**

12 Dividends paid and proposed

	2023 £'000	2022 £'000
Amounts recognised as distributions to equity holders in the year:		
Dividend for the year ended 31 December 2022 of £0.00199 pence per share.	**-**	**9,183**

There were no dividends payable in the year ended 31 December 2023.

13 Taxation

(i) Analysis of charge in the year

	2023 £'000	2022 £'000
Tax on profit on ordinary activities	**33,075**	**18,768**
The tax charge is made up as follows:		
Current tax:		
UK corporation tax	34,848	20,068
Adjustment in respect of prior periods	139	-
Total current tax charge	34,987	20,068
Deferred tax:		
Origination and reversal of timing differences	(1,492)	(1,027)
Adjustments in respect of prior periods	(325)	51
Change in tax rates or laws	(95)	(324)
Total deferred tax (credit)	(1,912)	(1,300)
Tax on profit	**33,075**	**18,768**

(ii) Reconciliation of tax charge

The tax assessed on the profit for the year is the standard rate of corporation tax in the UK of 23.5% (2022: 19.0%). The differences are reconciled below:

	2023 £'000	2022 £'000
Profit before taxation	175,450	115,267
Profit before taxation multiplied by standard rate of corporation tax in the UK of 23.5% (2022: 19.0%)	41,231	21,901
Effect of:		
Disallowed expenses and non-taxable income	1	2,551
Adjustments in respect of prior periods	(185)	(104)
Change in tax rates or laws	(95)	(324)
Movement on intangible assets	8,070	4,396
Group relief	(15,947)	(9,650)
Total tax charge for the year	**33,075**	**18,770**

The effective tax rate for the year was 18.9% (2022: 16.3%).

On 1 April 2023 the corporation tax rate increased from 19.0% to 25.0%. The blended rate of Corporation Tax for the year has therefore been calculated at 23.5%. Deferred tax balances have been measured at a rate of 25.0%.

Notes to Consolidated Financial Statements for the year ended 31 December 2023 *(continued)*

13 Taxation (continued)

(iii) Deferred tax

	2023 £'000	2022 £'000
Movement in deferred tax liability during the year		
At 1 January	5,490	6,790
Deferred tax credited to the Income Statement	(1,912)	(1,300)
At 31 December	**3,578**	**5,490**
Current deferred tax liability	960	997
Non-current deferred tax liability	2,618	4,493
Total deferred tax liability	**3,578**	**5,490**

14 Directors and employees

(i) Remuneration of Directors

	2023 £'000	2022 £'000
Directors' remuneration	**6,609**	**5,283**

Included within this amount is accrued bonuses of £0.1m (2022: £1.97m). Bonuses accrued at the year end will be paid in the first quarter of the following year. Amounts included within Directors' remuneration are also included in Exceptional costs, totalling £3.75m in 2023.

The amounts in respect of the highest paid Director were:

	2023 £'000	2022 £'000
Remuneration of the highest paid Director	**3,216**	**1,444**

(ii) Employee numbers and costs

The average monthly full-time equivalent staff numbers including Directors during the year were:

	2023 Number	2022 Number
Management and administration	**508**	**429**

	2023 £'000	2022 £'000
Staff costs:		
Wages and salaries	24,936	19,212
Social security costs	2,771	2,198
Other pension costs	462	393
	28,169	**21,803**

15 Goodwill and intangible assets

The cost and carrying value of Goodwill was £68.3m (2022: £68.3m) with no impairments recognised in the year (2022: nil).

(i) Recoverable amount of the cash generating unit

The carrying amount of goodwill has been allocated to the True Potential Group as the sole reportable operating segment of the Group. The Group has been identified as the smallest group of assets which generate cash flows that are independent, due to the interlinked nature of income generation within the Group. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. There was no impairment recorded for the years ended 31 December 2023 and 2022.

The recoverable amount of True Potential Group is determined based on a value in use calculation which uses cash flow projections based on financial budgets seen and approved by the Board and a pre-tax discount rate of 13.72%. Cashflows beyond 5 years are extrapolated using a 2.0% growth rate applied to the net operating cashflows to perpetuity (2022: 2.0%). The recoverable value is £2.2bn greater than the carrying value of the related assets.

(ii) Key assumptions used in the value in use calculation

The calculation of value in use for the Group is most sensitive to the discount rate and expected future cashflows.

The discount rate reflects Management’s estimate of the weighted average cost of capital of the Group pre-tax. This is the benchmark used by Management to assess the Group’s operating performance and evaluate proposals.

The expected cashflows reflect how Management believes the Group will perform over the business plan period and is used to calculate the value in use of the CGU, including growth of assets under management year-on-year as a result of market growth and onboarding of customers.

(iii) Sensitivities to assumptions

The table below details the impact of adjusting the key judgements. The percentage change in the excess of recoverable value over the carrying value of the CGU, by adjusting the variables by the stated amounts below. The base case excess of recoverable value over the carrying value is £2.2bn:

	Percentage change
Discount rate – 1.0% increase	(12.7)%
Annual cash flows – 1.0% reduction	(1.5)%
Long-term growth rate – 1.0% reduction	(7.0)%

15 Goodwill and intangible assets *(continued)*

(iv) Intangible assets:

	Brand	Internally generated assets	Other intangibles	Total
	£'000	**£'000**	**£'000**	**£'000**
At 31 December 2022 and 1 January 2023				
Cost	50,500	10,369	936	61,805
Accumulated amortisation	(32,404)	(4,409)	(695)	(37,508)
Net book value	**18,096**	**5,960**	**241**	**24,297**
Year ended 31 December 2023				
Opening net book value	18,096	5,960	241	24,297
Amortisation charge for the year	(5,050)	(1,602)	(105)	(6,758)
Closing net book value	**13,046**	**4,358**	**136**	**17,540**
At 31 December 2023				
Cost	50,500	10,369	936	61,805
Accumulated amortisation	(37,454)	(6,011)	(800)	(44,265)
Net book value	**13,046**	**4,358**	**136**	**17,540**

Brand includes the True Potential brand which was recognised at fair value on transition to IFRS in 2022. Internally generated assets are primarily capitalised staff costs allocated to development projects, including costs allocated to the development of the True Potential platform and fund set up costs. Staff costs are capitalised from the point the asset is likely to be completed. Amortisation commences from the point the asset is in full use over a period of 10 years.

Other intangibles assets represent software licences acquired by the Group. Software licences are amortised over the terms specified in the licence which currently range from 3-5 years.

16 Property, plant and equipment

	Fixtures, fittings, and equipment £'000	Short leasehold buildings £'000	Total £'000
At 31 December 2022 and 1 January 2023			
Cost	7,960	2,511	10,471
Accumulated depreciation	(4,819)	(1,083)	(5,902)
Net book value	**3,141**	**1,428**	**4,569**
Year ended 31 December 2023			
Opening net book value	3,141	1,428	4,569
Additions	310	-	310
Lease adjustment	(70)	70	-
Depreciation	(1,139)	(336)	(1,475)
Closing net book value	**2,242**	**1,162**	**3,404**
At 31 December 2023			
Cost	8,200	2,581	10,781
Accumulated depreciation	(5,958)	(1,419)	(7,377)
Net book value	**2,242**	**1,162**	**3,404**

17 Leases

The Group has lease contracts for offices, equipment and tools used in the operations. The amounts recognised in the consolidated financial statements in relation to the leases, included within Property, plant and equipment, are as follows:

(i) Right-of-use assets

	Equipment £'000	Property £'000	Total £'000
At 31 December 2022 and 1 January 2023			
Cost	870	2,434	3,304
Accumulated depreciation	(468)	(1,008)	(1,476)
Net book value	**402**	**1,426**	**1,828**
Year ended 31 December 2023			
Opening net book value	402	1,426	1,828
Lease adjustment	(70)	70	-
Depreciation	(220)	(336)	(556)
Closing net book value	**112**	**1,160**	**1,272**
At 31 December 2023			
Cost	800	2,504	3,304
Accumulated depreciation	(688)	(1,344)	(2,032)
Net book value	**112**	**1,160**	**1,272**

17 Leases *(continued)*

(ii) Lease liabilities

	2023 £'000	2022 £'000
Current	630	690
Non-current	730	1,244
	1,360	**1,934**

Maturity Analysis

	2023 £'000	2022 £'000
Within one year	630	690
Greater than one year but less than two years	465	509
Greater than two years but less than five years	265	797
Greater than five years	-	-
Total undiscounted lease payments	**1,360**	**1,997**

Reconciliation of the opening to closing lease liabilities

	2023 £'000	2022 £'000
Carrying value at 1 January	**1,934**	**2,441**
Interest expense	83	83
Repayment of lease liabilities	(608)	(614)
Lease adjustments	(49)	24
Carrying value at 31 December	**1,360**	**1,934**

(iii) Amounts recognised in the consolidated income statement

	2023 £'000	2022 £'000
Depreciation charge of right-of-use assets:		
Equipment	220	234
Property	336	336
	556	**570**
Interest expense (included in finance cost)	83	83

17 Leases *(continued)*

(iv) Amounts recognised in the consolidated cash flow statement

The consolidated cash flow statement shows the following amounts relating to leases:

	2023 £'000	2022 £'000
Total cash outflow for leases	**(608)**	**(614)**

18 Trade and other receivables

	2023 £'000	2022 £'000
Prepayments	4,537	5,121
Platform fees	8,639	7,187
Fund management fees	15,212	11,714
Advice fees	12,610	10,601
Receivables from parent undertaking - Kane Bidco Limited	51,403	34,882
Other receivables	6,911	3,332
	99,312	**72,837**

Trade receivables is made up of platform fees, investment management fees and advice fees which are satisfied in the month following the reporting date.

Loans to advisers included within other receivables are recognised in line with IFRS 9, at amortised cost less any provision for expected credit loss. Management has concluded that the assets transferred generate adequate revenues to support the repayment of the loans and the expected credit loss to be materially close to nil for 2023 and 2022. This will continue to be reviewed in line with IFRS 9.

19 Cash and cash equivalents

	2023 £'000	2022 £'000
Cash held at bank	21,396	49,350
Investments in liquidity funds	108,248	11,775
	129,644	**61,125**

Investments in liquidity funds are money market funds which are short-term and highly liquid. They are readily convertible to known amounts of cash.

20 Trade and other payables

	2023 £'000	2022 £'000
Trade payables	788	211
Other taxes and social security	2,431	812
Accruals	4,263	5,998
Sub fund manager fees	7,479	7,295
Adviser fees	7,693	7,235
Other payables	4,351	2,221
	27,005	**23,772**

Trade payables represents payments on all overhead expenditure with settlement being made within 30 days.

Sub fund manager fees represents payments to sub fund managers for the investment management of the True Potential funds with settlement being made between 30 – 120 days.

Adviser fees represents payments to wealth management partners for the servicing of customer advice with settlement being made within 30 days.

21 Financial liabilities

	2023 £'000	2022 £'000
Current:		
Lease liabilities	630	690
Client onboarding liabilities	38,106	96,200
Credit agreement	1,963	-
Finance loan	58	60
	40,757	**96,950**

The credit agreement is a short term financing arrangement entered into during the year, for professional indemnity insurance costs.

	2023 £'000	2022 £'000
Non-current:		
Lease liabilities	730	1,244
Client onboarding liabilities	-	6,810
Finance loan	-	55
	730	**8,109**

21 Financial liabilities *(continued)*

(i) Client onboarding liabilities

Client onboarding cost liabilities represent amounts outstanding to financial advisers where a corresponding client onboarding cost has been capitalised as an asset. All client onboarding cost liabilities at the end of 2023 are falling due within one year.

Cashflows from financing activities

	Short term liabilities £'000	Long term liabilities £'000	Total £'000
At 1 January 2023	**750**	**1,298**	**2,048**
Cashflows – credit agreement	1,963	-	1,963
Cashflows – loans	2	(55)	(57)
Cashflows – lease payments	(60)	(514)	(574)
Cashflows – interest payments	-	(141)	(141)
Lease liability movements	-	142	142
At 31 December 2023	**2,651**	**730**	**3,381**

Both short term and long term liabilities relate to lease liabilities, a credit facility agreement, finance loans and accrued interest.

22 Provisions

	Complaints provision £'000	Total £'000
At 1 January 2022	**76**	**76**
Provided for in the year	3,076	3,076
Utilised during the year	(15)	(15)
Released in the year	-	-
At 31 December 2022 and 1 January 2023	**3,137**	**3,137**
Provided for in the year	479	479
Utilised during the year	(1,532)	(1,532)
Released in the year	(627)	(627)
At 31 December 2023	**1,457**	**1,457**

Complaints provisions held within the Group relate to the expected cost of correcting deficiencies, compensation and redress associated with investment advice given. The provision represents Management's best estimate of expected outcomes based on previous experience and a review of the details of each case. Management maintains Professional Indemnity Insurance with an FCA compliant limit of indemnity to mitigate this risk and in the event of complaints payments, would anticipate full recovery up to the limit of indemnity after application of the Group's excess. Due to the nature of the provision, the timing of the expected cash outflows is uncertain. The best estimate of the timing of outflows is that the majority of the balance is expected to be settled within 12 months. No potential professional indemnity recoveries are recognised within these accounts.

23 Share capital

	2023 No. of shares	£'000	2022 No. of shares	£'000
Authorised				
At 1 January	5,090,005,426	26	4,656,202,956	26
Issued	160,600	-	763,930	-
Subdivision of shares	-	-	433,038,540	-
At 31 December	**5,090,166,026**	**26**	**5,090,005,426**	**26**
Allotted				
At 1 January	5,090,005,426	26	4,656,202,956	26
Issued	160,600	-	763,930	-
Subdivision of shares	-	-	433,038,540	-
At 31 December	**5,090,166,026**	**26**	**5,090,005,426**	**26**

During the year the Company issued 160,600 (2022: 763,930) ordinary shares in the capital of £0.000005 each to its Parent entity, Kane Bidco Limited. The subscription price paid for these shares was £160,600,000 (2022: £763,930,878), resulting in an increase in share capital of £1 (2022: £4) and an increase in the share premium reserve of £160,599,999 (2022: £763,930,874).

24 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

Assets and liabilities measurement grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

At 31 December 2023 £108.2m of money market funds held within cash and cash equivalents were held at FVTPL using level 1 valuation (2022: £11.8m).

The carrying amounts of financial instruments such as cash, current trade and other receivables and trade payables approximate their fair values due to their short-term nature and limited fluctuations in value.

25 Financial risk management

The Group has various financial assets and liabilities such as receivables, cash and trade payables, which arise directly from its operations.

The Group is exposed through its operations to the following financial risks:

i. Liquidity risk
ii. Capital risk management
iii. Credit risk
iv. Market risk

(i) Liquidity risk

Ultimate responsibility for liquidity management rests with the Board, which has established a liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities. The Group has access to further financing if required in the form of additional funding via share capital from its direct parent Kane Bidco Limited.

Cash at bank earns interest at floating rates based on daily bank overnight deposit rates. The fair value of cash and cash equivalents at 31 December 2023 is £129.6m (2022: £61.1m).

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2023 based on contractual undiscounted payments.

	<3 months	**3-12 months**	**1 to 5 years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 31 December 2023				
Trade payables	788	-	-	788
Sub fund manager fees	7,479	-	-	7,479
Adviser fees	7,693	-	-	7,693
Other payables	4,351	-	-	4,351
Lease liabilities	158	473	730	1,360
Client onboarding liabilities	9,527	28,580	-	38,106
Credit agreement	491	1,472	-	1,963
Finance loan	17	41	-	58
Net book value	**30,503**	**30,565**	**730**	**61,798**
At 31 December 2022				
Trade payables	211	-	-	211
Sub fund manager fees	7,295	-	-	7,295
Adviser fees	7,235	-	-	7,235
Other payables	2,221	-	-	2,221
Lease liabilities	173	517	1,307	1,997
Client onboarding liabilities	16,220	79,980	6,810	103,010
Finance loan	60	-	55	115
Net book value	**33,415**	**80,497**	**8,172**	**122,084**

Balances due within 12 months in the tables above equal their carrying balances, because the impact of discounting is not significant.

25 Financial risk management *(continued)*

(ii) Capital risk management

The Group manages its capital with a focus on maintaining its ability to continue as a going concern while optimising return relative to risks. The Group ensures it can always meet its expected capital and financial needs having regard to the Group's business plans, forecasts, strategic initiatives and regulatory requirements in all businesses in the Group.

The primary source of capital used by the Group are equity shareholders' funds of £1,027.7m (2022: 724.7m).

The Group is subject to regulatory capital requirements supervision by the Financial Conduct Authority. The Group is required to measure and monitor its capital resources under the MIFIDPRU requirements at a Group level and under IPRU-INV and IFPR requirements in its individually regulated subsidiaries and has complied with this requirement at year-end.

(iii) Credit risk

Credit risk is the risk of adverse movements in credit spreads, credit ratings or default rates leading to a deterioration in the level or volatility of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency. This includes counterparty default risk, concentration risk and spread risk.

The Group is exposed to a credit risk in the form of non-return of cash on deposit and recovery of amounts paid to advisers which are capitalised as client onboarding cost assets. This is managed by the Group by only placing funds with minimum BBB rated leading UK banks for non-return of cash on deposit. For recovery of loans to advisers, the repayment of the receivable is settled by fees generated from the client assets transferred. Management has concluded that the assets transferred generate adequate revenues to support the repayment of the receivables. Management has assessed the expected credit loss to be materially close to nil for 2023 and 2022 for all financial assets.

Due to the limited exposure that the Group has to credit risk, credit risk does not have any impact on the fair value movement of financial instruments for the year under review.

The table below represents the Groups exposure to credit risk from cash and cash equivalents:

	AAA £'000	A £'000	BBB £'000	Total £'000
As at 31 December 2023				
Cash at amortised cost	-	2,721	18,675	21,396
Money market funds at FVTPL	108,248	-	-	108,248
	108,248	**2,721**	**18,675**	**129,644**
As at ended 31 December 2022				
Cash at amortised cost	-	-	49,350	49,350
Money market funds at FVTPL	11,775	-	-	11,775
	11,775	**-**	**49,350**	**61,125**

The expected credit loss of the Group has been assessed as nil for the year ended 31 December 2023 (2022: nil) as materially all the fees due to the Group are settled via the funds under management, with minimal settlements directly via invoicing. As a result, the Group has relative certainty over the collection of fees due.

25 Financial risk management *(continued)*

(iv) Market Risk

Market risk is the risk of an adverse change in the level or volatility of market prices of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency. Market risk arises from changes in equity, bond and property prices, interest rates and foreign exchange rates. Market risk arises differently across the Group's businesses depending on the types of financial assets and liabilities held. The Group recognises that climate change and other environmental risks can contribute to market risk. The Group has no direct material exposure to interest rate risk or foreign exchange risk.

The Group has a market risk policy which sets out the risk management framework, permitted and prohibited market risk exposures, maximum limits on market risk exposures, management information and stress testing requirements which are used to monitor and manage market risk. The policy is cascaded to the businesses across the Group, and Group-level governance and monitoring processes provide oversight of the management of market risk by the individual businesses.

The Group does not undertake any principal trading for its own account. The Group's revenue is however affected by the value of assets under management and consequently it has exposure to equity market levels and economic conditions. Scenario testing is undertaken to test the resilience of the business to severe but plausible events, including assessment of the potential implications of climate-related risks and opportunities, and to assist in the identification of management actions. The key sensitivity to market risk is the carrying value of the client onboarding costs. Sensitivity analysis has been disclosed to this in Note 4.

26 Related party transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not presented in this note. Transactions with key Management personnel have been disclosed in Note 14.

Other related parties

During the year ended 31 December 2023, the Group entered into transactions with its parent company, Kane Bidco Limited as follows.

	Loans to Kane Bidco during the year		Amounts owed by related parties	
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Receivables from parent undertaking - Kane Bidco	51,403	34,882	51,403	34,882

Receivables from the parent undertaking are intragroup transactions which are repayable on demand.

27 Subsidiaries

Subsidiary undertakings	Proportion of ordinary shares held	Nature of business
Directly held:		
True Potential LLP	100.0%	Holding firm
True Potential Holdings Limited	100.0%	Holding company (dormant)
Indirectly held (True Potential LLP is the Holding Member):		
True Potential Adviser Services LLP	100.0%	Provision of services to financial services distribution firms
True Potential Investments LLP	100.0%	Provision of a wealth platform
True Potential Wealth Management LLP	100.0%	Wealth management firm
True Potential Administration LLP	100.0%	Authorised corporate Director
True Potential Nominees Limited	100.0%	Platform custodian (dormant)
True Potential Trustee Company Limited	100.0%	Pension trustee (dormant)

During the year, two 100.0% indirect subsidiaries of the Group, Trem Holdings Limited and C&S Wealth Management Limited, were put in to voluntary liquidation. The liquidation was completed on 15 February 2024.

The registered address for these subsidiary undertakings is the same as the Company.

The Directors believe the carrying value of the investments is supported by their underlying net assets.

28 Contingent liabilities

Through its normal trading activities, the Group is exposed to certain legal issues that could become disputes and which could develop into litigious proceedings, resulting in contingent liabilities.

A contingent liability may also arise in the event of findings in respect of the Group's tax affairs which could result in a financial outflow to the tax authorities.

The Group works in a changing and complex regulatory environment. As part of its' normal course of business, there is communication with the regulator from time to time on a variety of matters relevant to the business. Interactions in Group subsidiaries with the regulator could lead to the identification of issues that could develop into contingent liabilities.

All such matters are periodically reassessed and as at 31 December 2023 it is too early to anticipate the range of possible outcomes or make a reasonable estimate of any financial impact of these above matters.

29 Interest in unconsolidated structured entities

Structured entities are those entities that have been designed so that voting or similar rights are not the dominant factor in deciding who has control, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements. The Group's interests in consolidated and unconsolidated structured entities are described below. The Group does not hold any consolidated structured entities. The Group has interests in structured entities because of contractual arrangements arising from the management of assets on behalf of its clients. The Group's interests are considered standard for a financial advisory and investment management Group. Assets under management include those managed within structured entities. These structured entities consist of unitised vehicles such as OEICs, which entitle investors to a percentage of the vehicle's net asset value. The structured entities are financed by the purchase of units or shares by investors. As fund manager, the Group does not guarantee returns on its funds or commit to financially support its funds. Where external finance is raised, the Group does not provide a guarantee for the repayment of any borrowings. The business activity of all structured entities, in which the Group has an interest, is the management of assets to maximise investment returns for investors from capital appreciation and/or investment income. The Group earns a management fee from its structured entities, based on a percentage of the entity's net asset value. The funds under management of unconsolidated structured entities total £26.3bn (2022: £21.2bn). Included in the revenue on the Consolidated Income Statement is management fee income of £153.4m (2022: £127.2m) from unconsolidated structured entities managed by the Group.

30 Ultimate controlling party

The immediate parent undertaking is Kane Bidco Limited, a Jersey registered company. There is no single ultimate parent undertaking. Cinven Capital Management (VII) General Partner Limited exercises its power on behalf of various funds, none of which control True Potential Group Limited.

31 Events after the reporting period

On 15 February 2024, the liquidation of two 100.0% indirect subsidiaries of the Group, Trem Holdings Limited and C&S Wealth Management Limited, was completed.

Company Statement of Financial Position as at 31 December 2023
Registered number: 09917444

	Note(s)	2023 £'000	2022 £'000
ASSETS			
Non-current assets			
Investments in subsidiaries	3	1,123,904	1,044,354
Total non-current assets		**1,123,904**	**1,044,354**
Current assets			
Trade and other receivables	4	627,754	512,471
Cash and cash equivalents	5	5,404	544
Total current assets		**633,158**	**513,015**
Total assets		**1,757,062**	**1,557,369**
LIABILITIES			
Current liabilities			
Trade and other payables	6	(2,831)	(63,590)
Current tax liability		(835)	(283)
Total current liabilities		**(3,666)**	**(63,873)**
Total liabilities		**(3,666)**	**(63,873)**
Net assets		**1,753,396**	**1,493,496**
EQUITY			
Share capital		26	26
Share premium		924,531	763,931
Retained earnings		828,839	729,539
Total equity		**1,753,396**	**1,493,496**

The notes on pages 59 to 62 are an integral part of these financial statements.

The financial statements on pages 57 to 62 were authorised for issue by the Board of Directors on 27 March 2024 and were signed on its behalf by:

Daniel Harrison
Director

Ben Thorpe
Director

Company Statement of Changes in Equity for the year ended 31 December 2023

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2022	**26**	**-**	**633,476**	**633,502**
Profit for the year	-	-	105,246	105,246
Total comprehensive income for the year	-	-	105,246	105,246
Transactions with owners in their capacity as owners:				
Issue of shares	-	763,931	-	763,931
Dividends	-	-	(9,183)	(9,183)
Total transactions with owners, recognised directly in equity	-	763,931	(9,183)	754,748
Balance as at 31 December 2022 and 1 January 2023	**26**	**763,931**	**729,539**	**1,493,496**
Comprehensive income for the year:				
Profit for the year	-	-	99,300	99,300
Total comprehensive income for the year	-	-	99,300	99,300
Transactions with owners in their capacity as owners:				
Issue of shares	-	160,600	-	160,600
Total transactions with owners, recognised directly in equity	-	160,600	-	160,600
Balance as at 31 December 2023	**26**	**924,531**	**828,839**	**1,753,396**

The notes on pages 59 to 62 are an integral part of these financial statements.

Notes to Company Financial Statements for the year ended 31 December 2023

1 Material accounting policies

1.1 Financial instruments

(i) Financial assets

Basic financial assets, including other receivables, cash and bank balances are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Income Statement.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are settled, or substantially all the risks and rewards of the ownership of the asset are transferred to another party.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables are initially recognised at transaction price. Debt instruments are subsequently measured at amortised cost, using the effective interest rate method. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

1.2 Administrative expenses

All administrative expenses in True Potential Group Limited are recognised on an accruals basis.

1.3 Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less any provision for impairment in value.

Notes to Company Financial Statements for the year ended 31 December 2023 *(continued)*

1 Material accounting policies *(continued)*

1.4 Accounting judgements and estimates

The preparation of the financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities. The estimates and judgements are based on historical experience and contracted rates, including expectation of future events that are believed to be reasonable. Management has not identified any critical accounting judgements or estimates used in the preparation of the financial statements of the parent company.

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 key estimates in preparing the Company financial statements are:

(i) Carrying value of investments in subsidiaries

Investments are reviewed annually for impairment by the Company. The investment value is recognised at cost less accumulated impairment losses. Management are comfortable with the carrying value of investments supported by the future revenue flows of the subsidiaries.

2 Staff costs

No emoluments were paid by the Company in the year. The aggregate emoluments paid to Directors of the Company and the remuneration of the highest paid Director, settled by a subsidiary of the Company can be found in Note 14 of the Consolidated Financial Statements.

3 Investments in subsidiaries

	£'000
At 1 January 2022	**1,044,354**
At 31 December 2022	**1,044,354**
Additions	79,550
At 31 December 2023	**1,123,904**

Management assesses annually for impairment the carrying value of investment in subsidiaries. No impairment has been recognised in 2023.

Additions represent the investment of £79,550,000 of Members capital in the subsidiary entity True Potential LLP to support regulatory capital requirements in the Group’s regulated entities.

Details of the subsidiaries held directly and indirectly by the Company are shown in Note 27 of the Consolidated Financial Statements.

Notes to Company Financial Statements for the year ended 31 December 2023 *(continued)*

4 Trade and other receivables

	2023 £'000	2022 £'000
Prepayments	60	4
Amounts owed by Group undertakings	627,685	512,097
Other receivables	9	370
	627,754	**512,471**

Amounts owed by Group undertakings are unsecured, non-interest bearing and are repayable on demand.

5 Cash and cash equivalents

	2023 £'000	2022 £'000
Cash held at bank	2,254	384
Investment in liquidity funds	3,150	160
	5,404	**544**

Investments in liquidity funds are held in funds, which invest these amounts in a broad range of money market instruments. These funds are highly liquid and provide daily instant access to cash.

6 Trade and other payables

	2023 £'000	2022 £'000
Trade payables	4	29
Amounts owed to Group undertakings	2,501	63,099
Accruals	326	462
	2,831	**63,590**

Amounts owed to Group undertakings are unsecured, non-interest bearing and are repayable on demand.

7 Company Income Statement

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own Income Statement for the year ended 31 December 2023.

True Potential Group Limited reported profit after tax for the year ended 31 December 2023 of £99.3m (2022: £105.2m).

8 Risk management

Risk management in the context of the Company and Group is considered in the Consolidated Financial Statements Note 25. The business of the Company is managing its investments in subsidiaries. Its risks are considered to be the same as those in the operations themselves, and full details of the major risks and the Company and Group's approach to managing these are given in the Consolidated Financial Statements. There are no material assets or liabilities other than investment in subsidiaries and corresponding intercompany balances which require further risk management by the Company specifically.

9 Related party transactions

The Directors and key Management of the Company are considered to be the same as for the Group. Information on both the Company and the Group key Management compensation can be found in Notes 14 and 26 to the Consolidated Financial Statements. Transactions between the Company and related parties are detailed in Note 26 to the Consolidated Financial Statements.

10 Events after the reporting period

On 15 February 2024, the liquidation of two 100.0% indirect subsidiaries of the Company, Trem Holdings Limited and C&S Wealth Management Limited, was completed.