

True Potential Group Limited
Report and financial statements
for the year ended 31 December 2018

Registered number 09917444

True Potential Group Limited
Report and financial statements
for the year ended 31 December 2018
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True Potential Group Limited

Directors and advisers for the year ended 31 December 2018

Directors

David Harrison

Neil Johnson

Mark Henderson

Daniel Harrison

Earl Glasgow

Bradford Bernstein (Non-executive)

Kyle Griswold (Non-executive)

George Peebles (Non-executive)

Peter Coward (Non-executive)

Registered office

Newburn House

Gateway West

Newburn Riverside

Newcastle upon Tyne

NE15 8NX

Bankers

The Royal Bank of Scotland plc

1 Trinity Gardens

2nd Floor Broadchare

Newcastle upon Tyne

NE1 2HF

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Central Square South

Orchard Street

Newcastle upon Tyne

NE1 3AZ

True Potential Group Limited

Strategic report for the year ended 31 December 2018

True Potential Group Limited has a 100% interest in True Potential LLP and its subsidiaries, and True Potential Associate Partners Limited.

2018 was our best year yet at True Potential with a 21% increase in our turnover to £121 million and a 68% increase in operating profits to £28 million. The net assets of the group as at the year end was £136 million (2017: £139 million). It also saw us undertake some key developments within the group.

We bolstered our Management Team through the internal promotion of Jamie Sexton, Laura Robinson and Gregg Lang to the Senior Partner team. All three individuals add a collective 30 years of True Potential experience to the team and each adds their own valuable insights into how best to serve our proposition to our clients. Steve Hutton has joined as head of True Potential Wealth Management, bringing a wealth of knowledge with funds and adviser distribution to the team.

The Investment Management team have further bolstered their True Potential Portfolio proposition with the addition of their Growth Aligned Funds. Uniquely positioned, these new funds have introduced a 'share of growth' mechanism, meaning that if we outperform, then we share a higher fee from clients. A true 'win-win' approach, that very much resonates with one of our founding principles of always putting the client first.

Our True Potential Portfolios provide Advanced Diversification for investors against market volatility. As part of our proposition, we manage over 9,000 investment experts in 200 locations to ensure our Portfolios help clients do more with their money. Since their launch in October 2015, we've seen significant investment in our Portfolios, with £5.2 billion invested at the end of 2018. Now in the first quarter of 2019, we already have close to £6 billion invested.

Another of our founding principles has been one of innovation and how it can transform our proposition for the benefit of all involved. Bucking the industry trend of outsourcing our Investment Platform technology (and thus paying the heavy financial and delay costs that seem to be affecting our peers), we decided to design and build our True Potential Platform in-house.

This has allowed us to innovate at speed and have complete control, making our proposition more powerful than ever before and I'm proud to say we finished the year with £7.7 billion on the Platform, which has already risen to £8.2 billion at the time of writing, having seamlessly migrated all assets over.

We would like to place on the record a big 'well done' to the team who have overseen this successful piece of work and also a thank you to all of our advisers who have helped us through this process.

2018 has seen the markets at their most volatile and difficult since the financial crisis. A mixture of political hypocrisy ranging from Trump, to the European Technocrats, to our own dismal political performance, where political dithering and opportunism seems to trump (definitely no pun intended) national common sense, created a volatile scenario for stock and currency markets worldwide.

Many firms say they like chaos and disruption, as they think it makes them sound interesting and trendy, but as can be seen by their share price and business results, that is not the case for the vast majority, especially those entrenched in rigid corporate structures and yet to grasp true digital integration. It was also not the case for the funds that consumers invest in, with huge amounts of clients being frightened or guided into cash, exactly the opposite of what True Potential recommended. The results of those decisions can now be clearly seen; those who remembered and were advised that they were in long term funds and held or even bought more, are now hugely better off than those who tried to play the markets. The bulk of upward share and currency movements happen in seconds, at most days and defy experts to get their timing right.

Conversely True Potential enjoyed its best year yet, its funds did exactly as they said they would, and we continued to attract large amounts of net investment throughout, feeding through into our business, the detail of which is in these accounts.

True Potential Group Limited

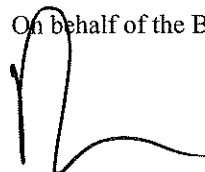
Strategic report for the year ended 31 December 2018 (continued)

The key business risks and uncertainties affecting the group are regulatory risk and market risk. 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 protects our clients and our business.

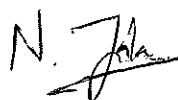
The group is exposed to limited financial risks. The group has limited exposure to credit risk as all debtors are converted into cash within a short period of time. The group is highly cash generative and retains sufficient cash balances in order to reduce the exposure to liquidity risk/cash flow risk. 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 market place and current economic climate.

We are proud of our growth to date, but the future is an exciting opportunity to add to our story and the Management Team believe that there is a lot more work to be done yet to help achieve our aim of revolutionising how wealth management is delivered.

On behalf of the Board



Daniel Harrison
Director



Neil Johnson
Director

2 May 2019

True Potential Group Limited

Registered number 09917444

True Potential Group Limited

Directors' report for the year ended 31 December 2018

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2018.

Directors

The following directors have held office during the year and to the date of signing of the financial statements:

David Harrison
Neil Johnson
Mark Henderson
Daniel Harrison
Earl Glasgow
Bradford Bernstein
Kyle Griswold
George Peebles
Peter Coward

Principal activities

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

Review of Business

The Directors are satisfied with the progress of the business. On 13 December 2018 True Potential Wealth Management LLP acquired 100% of share capital of Trem Holdings Ltd.

Future developments

The group will continue to trade with no changes to the group.

Dividends

Dividends payable are determined by the Managing Board. Interim dividends payable for the year are £10,033,845 (2017: £1,651,550). No final dividends will be paid.

Employee policies

It is the policy of the group to ensure that there is no discrimination regarding the employment, training, career development and promotion of employees who are disabled.

Within the bounds of commercial confidentiality, information is disseminated to all levels of employees about matters that affect the progress of the group and are of interest and concern to them as employees, thereby encouraging their involvement in the group's performance.

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

True Potential Group Limited

Directors' report for the year ended 31 December 2018 (continued)

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company 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 United Kingdom Accounting Standards, comprising FRS 102, 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 also 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group 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.

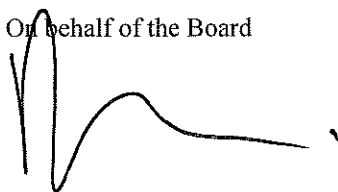
Statement of disclosure of information to auditors

The directors confirm that so far as each director is aware, there is no relevant audit information of which the group's auditors are unaware; and that each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

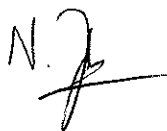
Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the annual general meeting.

On behalf of the Board



Daniel Harrison
Director



Neil Johnson
Director

2 May 2019

True Potential Group Limited

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 company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and financial statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 December 2018; the consolidated profit and loss account, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; the statement of accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

We remained independent of the 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

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

True Potential Group Limited

Independent auditors' report to the members 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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and 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 Directors' Responsibilities Statement set out on page 5, 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 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 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

True Potential Group Limited

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

accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Gary Shaw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
2 May 2019

True Potential Group Limited

Consolidated profit and loss account for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	1	121,199	99,832
Cost of sales		(63,035)	(55,713)
Gross profit		58,164	44,119
Administrative expenses		(29,970)	(27,041)
Operating profit before goodwill amortisation		28,194	17,078
Goodwill and brand amortisation	3	(15,427)	(15,427)
Operating profit	3	12,767	1,651
Interest payable and similar charges	4	(77)	(32)
Profit before taxation		12,690	1,619
Tax on profit	6	(5,444)	(2,970)
Profit/(Loss) for the financial year		7,246	(1,351)

All operations are continuing.

The company has no recognised gains and losses other than the loss shown above and therefore no separate statement of total recognised gains and losses has been presented.

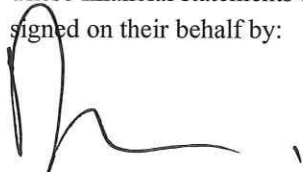
There is no difference between the loss for the financial year above and the historic cost equivalent.

True Potential Group Limited

Consolidated balance sheet as at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Goodwill	8	78,687	89,069
Intangible assets	8	48,138	47,639
Tangible assets	9	2,418	2,538
		129,243	139,246
Current assets			
Debtors	11	18,913	11,018
Cash at bank and in hand		18,143	10,682
Current assets		37,056	21,700
Creditors: amounts falling due within one year	12	(16,127)	(14,213)
Net current assets		20,929	7,487
Creditors: amounts falling due after one year	13	(14,114)	(7,887)
Net assets attributable to members		136,058	138,846
Capital and reserves			
Called up share capital	14	44	44
Share Premium		144,715	144,715
Accumulated losses		(8,701)	(5,913)
Total shareholders' funds		136,058	138,846

These financial statements on pages 9 to 30 were approved by the board of directors on 2 May 2019 and are signed on their behalf by:



Daniel Harrison
Director



Neil Johnson
Director

2 May 2019

Registered number 09917444

True Potential Group Limited

Consolidated statement of changes in equity for the year ended 31 December 2018

	Called up share capital £'000	Share Premium £'000	Accumulated Losses £'000	Total equity £'000
Balance as at 1 January 2018	44	144,715	(5,913)	138,846
Profit for the year	-	-	7,246	7,246
Dividend paid	-	-	(10,034)	(10,034)
Balance as at 31 December 2018	44	144,715	(8,701)	136,058
	Called up share capital £'000	Share Premium £'000	Accumulated Losses £'000	Total equity £'000
Balance as at 1 January 2017	44	144,715	(2,910)	141,849
Loss for the year	-	-	(1,351)	(1,351)
Dividend paid	-	-	(1,652)	(1,652)
Balance as at 31 December 2017	44	144,715	(5,913)	138,846

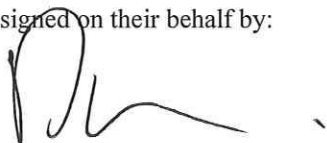
True Potential Group Limited

Company balance sheet as at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Investment in subsidiary undertakings	10	216,627	174,680
Current assets			
Debtors	11	48	-
Cash at bank and in hand		271	-
Current assets		319	-
Creditors: amounts falling due within one year	12	(37,965)	(15,318)
Net current liabilities		(37,646)	(15,318)
Creditors: amounts falling due after one year	13	(6,802)	-
Net assets		172,179	159,362
Capital and reserves			
Called up share capital	14	44	44
Share Premium		144,715	144,715
Retained earnings		27,420	14,603
Total shareholders' funds		172,179	159,362

As permitted by Section 408 of the Companies Act 2006, the parent company profit and loss account has not been included in these financial statements. The parent company loss for the financial year 2018 was £12,565,381 (2017: £10,226,371).

These financial statements on pages 9 to 30 were approved by the board of directors on 2 May 2019 and are signed on their behalf by:



Daniel Harrison
Director



Neil Johnson
Director

2 May 2019

Registered number 09917444

True Potential Group Limited

Company statement of changes in equity for the year ended 31 December 2018

	Called up share capital £'000	Share Premium £'000	Retained Earnings £'000	Total equity £'000
Balance as at 1 January 2018	44	144,715	14,603	159,362
Loss for the year	-	-	(12,565)	(12,565)
Partnership profits	-	-	35,416	35,416
Dividend paid	-	-	(10,034)	(10,034)
Balance as at 31 December 2018	44	144,715	27,420	172,179
	Called up share capital £'000	Share Premium £'000	Retained Earnings £'000	Total equity £'000
Balance as at 1 January 2017	44	144,715	(3,049)	141,710
Loss for the year	-	-	(10,227)	(10,227)
Partnership profits	-	-	29,531	29,531
Dividend paid	-	-	(1,652)	(1,652)
Balance as at 31 December 2017	44	144,715	14,603	159,362

True Potential Group Limited

Consolidated statement of cash flows for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Net cash from operating activities	15	22,202	13,321
Taxation paid		(4,329)	(2,975)
Net cash generated from operating activities		17,873	10,346
Cash flow on investing activities			
Purchase of tangible assets		(394)	(951)
Purchase of intangible assets		(6,370)	(2,649)
Net cash used in investing activities		(6,764)	(3,600)
Cash flow from financing activities			
Finance Loan		6,802	-
Interest on Finance Loan		(54)	(32)
Increase in Finance Loan & Loan		(362)	218
Dividends paid		(10,034)	(1,652)
Net cash used in financing activities		(3,648)	(1,466)
Net increase in cash and cash equivalents in the year	16	7,461	5,280
Cash and cash equivalents at the beginning of the year		10,682	5,402
Cash and cash equivalents at the end of the year		18,143	10,682

True Potential Group Limited

Statement of accounting policies

General Information

True Potential Group Limited ('the Company') and its subsidiaries (together 'the Group') provide financial advisory and investment management services, and support services to 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.

Statement of compliance

The Group and individual financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard' applicable in the United Kingdom and the Companies Act 2006. The accounting policies have been applied consistently.

Basis of preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

Going Concern

These consolidated and separate financial statements are prepared on a going concern basis. This is appropriate due to a healthy balance sheet position and expectations of future levels of activity and profit. Management have prepared detailed cash flow forecasts which demonstrate that the entity 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.

Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings up to 31 December.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity it accounts for that entity as a subsidiary.

True Potential Group Limited

Statement of accounting policies (continued)

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders. The Company has taken advantage of the following exemptions:

- (i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;

Critical accounting judgements and estimation uncertainty

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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Turnover

Turnover represents fees receiving for the provision of financial advisory, investment managed and support services to financial advisers.

Turnover is recognised on a receivable basis and arises fully within the UK.

Goodwill

Positive goodwill arising on acquisition is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life, which is deemed to be ten years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or charges in circumstances indicate that the carrying value may not be recoverable. When it is determined that the carrying value exceeds the recoverable amount, the excess is written-off to the profit and loss account.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at rates calculated to write off the cost of tangible fixed assets less estimated realisable value by annual instalments over their expected useful lives. The rates applicable on a straight line basis are as follows:

Fixtures, fittings and equipment	10% - 33.3%
Short leasehold buildings	length of lease

Pension scheme

The company operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

True Potential Group Limited

Statement of accounting policies (continued)

Intangible fixed assets and amortisation

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is eliminated by amortisation through the profit and loss account over 10 years on a straight-line basis, which is the presumed useful economic life of goodwill under FRS 102.

The brand value recognised at acquisition is held at an initial fair value at acquisition, which has been calculated using the royalty relief method. In line with the requirements of FRS 102 this fair value is accounted for as the deemed cost of the brand. The True Potential brand is considered to have a useful life of ten years and is being amortised over this period.

Other intangible fixed assets are stated at cost less accumulated amortisation. Cost includes the original purchase price of the asset. Amortisation is provided at rates calculated to write off the cost of intangible fixed assets less estimated realisable value by annual instalments over their expected useful lives. The rates applicable on a straight line basis are as follows:

Deferred Acquisition Costs	10%
Software Licences	10%

Other intangibles - Amortisation is charged on an annual straight line basis over a period 10 years. Regular impairment reviews are carried out on the realisable value.

Financial instruments

(i) Financial assets

Basic financial assets, including other debtors, 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 profit or loss.

Financial assets are derecognised when (a) 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.

True Potential Group Limited

Statement of accounting policies (continued)

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

True Potential Group Limited

Notes to the financial statements for the year ended 31 December 2018

1 Turnover

Turnover represents fees earned in respect of the financial services activities of the group. Turnover is attributable to the group's continuing principal activity and arose wholly within the United Kingdom. The turnover recognised in the year splits by class as follows:

	2018	2017
	£'000	£'000
Provision of financial services	121,199	99,832

2 Staff costs

The monthly average number of employees during the year was:

	2018	2017
	Number	Number
Management and administration	253	247

	2018	2017
Staff costs:	£'000	£'000
Wages and salaries	7,846	8,299
Social security costs	771	892
Other pension costs	80	46
	8,697	9,237

Amounts paid to directors of the group during the year were as follows:

	2018	2017
	£'000	£'000
Aggregate emoluments	1,699	1,623

No emoluments were paid by the Company.

True Potential Group Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Staff costs (continued)

The amounts in respect of the highest paid director are as follows:

	2018	2017
	£'000	£'000
Emoluments	773	596

3 Operating profit

This is stated after charging:

	2018	2017
	£'000	£'000
Depreciation of owned fixed assets	513	485
Amortisation of intangible assets	821	459
Amortisation of goodwill and brand	15,427	15,427
Auditors' remuneration - audit of group financial statements	45	44
- non-audit – taxation services	17	17
- other assurance services	20	-
Operating lease rentals - land and buildings	1,031	1,054

4 Interest payable and similar charges

	2018	2017
	£'000	£'000
Interest payable on borrowings	77	32

True Potential Group Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

5 Profit and loss account

As permitted by Section 408 of the Companies Act 2006, the parent company profit and loss account has not been included in these financial statements. The parent company loss for the financial year 2018 was £12,565,381 (2017: £10,226,371).

6 Tax on profit

(a) Analysis of charge in year

	2018	2017
	£'000	£'000
<hr/>		
<i>Current tax:</i>		
UK corporation tax	5,604	3,444
<hr/>		
Total current tax (note 6(b))		
<i>Deferred tax</i>		
Origination and reversal of timing differences	82	(508)
Adjustments in respect of previous periods	(2)	73
Change in tax rates or laws	(240)	(39)
<hr/>		
Total deferred tax	(160)	(474)
<hr/>		
Tax on profit	5,444	2,970
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True Potential Group Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

6 Tax on profit (continued)

(b) Reconciliation of tax charge

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

	2018	2017
	£'000	£'000
Profit before tax	12,690	1,619
Profit multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	2,411	311
Effects of:		
Disallowed expenses and non-taxable income	187	54
Goodwill amortisation	1,973	1,995
Adjustments in respect of prior periods	(2)	155
Tax rate changes	(241)	(39)
Movement on intangibles	156	(478)
Brand amortisation	960	972
Total tax charge for the year (note 6(a))	5,444	2,970

(c) Factors affecting future tax charge

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements.

True Potential Group Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

7 Deferred tax

Deferred taxation liability in respect of timing differences are as follows:

	2018	2017
	£'000	£'000
Fixed asset timing difference	7,931	8,091
Total	7,931	8,091

Movement in deferred tax liability during the year	£'000
At 1 January 2018	8,091
Deferred tax charged to profit and loss account (note 6)	(160)
At 31 December 2018	7,931

True Potential Group Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

8 Intangible assets

Group	Goodwill £'000	Brand £'000	Other intangibles £'000	Total £'000
Cost				
At 1 January 2018	103,397	50,500	4,975	158,872
Additions	-	-	6,370	6,370
At 31 December 2018	103,397	50,500	11,345	165,242
Accumulated amortisation				
At 1 January 2018	14,328	7,154	682	22,164
Charge for the year	10,382	5,050	821	16,253
At 31 December 2018	24,710	12,204	1,503	38,417
Net book value				
At 31 December 2018	78,687	38,296	9,842	126,825
At 31 December 2017	89,069	43,346	4,293	136,708

True Potential Group Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

9 Tangible assets

Group	Fixtures, fittings and equipment £'000	Short Leasehold Buildings £'000	Total £'000
Cost			
At 1 January 2018	4,480	77	4,557
Additions	393	-	393
At 31 December 2018	4,873	77	4,950
Accumulated depreciation			
At 1 January 2018	1,971	48	2,019
Charged during the year	504	9	513
At 31 December 2018	2,475	57	2,532
Net book value			
At 31 December 2018	2,398	20	2,418
At 31 December 2017	2,509	29	2,538

True Potential Group Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

10 Investment

Company	Subsidiary undertakings £'000
Cost and net book value	
At 1 January 2018	174,680
Capital contribution	41,947
31 December 2018	216,627

All profits for True Potential LLP for the year are allocated to True Potential Group Limited. A capital contribution has been made to reinvest the profits back into the subsidiaries. The directors believe the carrying value of the investments is supported by their underlying future cashflows.

Details of investments in which the company holds 20% or more of the nominal value of any class of share or partnership capital are as follows. Unless stated otherwise the registered address of each company is the same as that of the parent company:

Subsidiary undertakings	Country of registration	Proportion of ordinary shares held	Nature of business
True Potential LLP	England and Wales	100%	Holding firm
True Potential Holdings Limited	England and Wales	100%	Dormant company
True Potential Adviser Services LLP	England and Wales	100%	Provision of services to financial services distribution firms
True Potential Investments LLP	England and Wales	100%	Investment management firm
True Potential Wealth Management LLP	England and Wales	100%	Wealth Management Firm
True Potential Trustee Company Limited	England and Wales	100%	Pension Trustee
True Potential Associate Partners Limited (Shelf 786 Ltd)	England and Wales	100%	Financial advisory firm
Trem Holdings Limited	England and Wales	100%	Holding Firm

True Potential Group Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

11 Debtors

	Group 2018	Group 2017	Company 2018	Company 2017
	£'000	£'000	£'000	£'000
Other debtors	17,214	9,769	-	-
Prepayments and accrued income	1,699	1,249	48	-
	18,913	11,018	48	-

12 Creditors: amounts falling due within one year

	Group 2018	Group 2017	Company 2018	Company 2017
	£'000	£'000	£'000	£'000
Trade creditors	1,705	1,450	-	-
Amounts due to group undertakings	-	-	35,335	14,039
Taxation and social security	2,839	1,687	2,545	1,279
Deferred tax	950	950	-	-
Pension contributions	22	24	-	-
Other creditors	7,716	6,905	-	-
Accruals and deferred income	2,531	2,886	85	-
Finance loan	364	311	-	-
	16,127	14,213	37,965	15,318

True Potential Group Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

13 Creditors: amounts falling due after more than one year

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Finance loan	331	746	-	-
Revolving Credit Facility	6,802	-	6,802	-
Deferred tax liability	6,981	7,141	-	-
	14,114	7,887	6,802	-

The finance loan is repayable in quarterly instalments over a period of 4 years.

The Revolving Credit Facility is unsecured and agreed for a period of 2 years.

14 Called up share capital

Group and Company

	2018 £'000	2017 £'000
Authorised		
Ordinary shares of £0.00001 each	28	28
A preferred shares of £0.00001 each	16	16
Total	44	44
Allotted, called up and fully paid		
Ordinary shares of £0.00001 each	28	28
A preferred shares of £0.00001 each	16	16
Total	44	44

The A preferred shares have been treated as equity as the holders of the shares do not have rights to demand redemption under the Articles, this is at the Company's discretion. The shareholders have a right to an interest in the residual capital of the Company, but the shares are subordinated to any other creditor of the Company. The shareholders have no absolute right to dividend payments, and the shareholders do not see any accumulated but unpaid dividends as forming part of the liabilities of the Company, rather as requiring a priority treatment when it comes to any return to shareholders.

True Potential Group Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

15 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2018	2017
	£'000	£'000
Profit/(loss) for the year	7,246	(1,351)
Tax on profit/(loss)	5,444	2,970
Net interest expense	77	32
Operating profit	12,767	1,651
Depreciation	513	485
Amortisation	16,248	15,886
Increase in debtors	(7,895)	(4,461)
Increase / (Decrease) in creditors	569	(240)
Net cash flow from operating activities	22,202	13,321

16 Analysis of net funds

Analysis of changes in net funds

	At 1 January 2018	Cash flow	At 31 December 2018
	£'000	£'000	£'000
Cash at bank and in hand	10,682	7,461	18,143
Net funds	10,682	7,461	18,143

True Potential Group Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

17 Operating lease commitments

At 31 December the group had total annual commitments under non-cancellable operating leases expiring as follows:

	2018	2017
	£'000	£'000
Within one year	589	599
Within two to five years	1,692	1,897
After five years	1,247	1,631

18 Dividends

Dividends paid during the year

	2018	2017
	£'000	£'000
Equity – ordinary		
Interim paid £0.00358 pence (2017: £0.00059) per £0.00001 share	10,034	1,652

19 Related party transactions

The company has taken advantage of the exemption in FRS 102 para 33 'Related party disclosures' not to disclose transactions with other members of the Group headed by True Potential Group Limited. There were no other related party transactions in the year.

The group has total outstanding loan amounts to previous partners of True Potential LLP, who are now shareholders of this statutory entity, amounting to £nil (2017: £nil).

20 Ultimate controlling party

In the opinion of the board there is no single controlling party of the company.