Registered No. 05792242

# ROWANMOOR EXECUTIVE PENSIONS LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2018

# ROWANMOOR EXECUTIVE PENSIONS LIMITED

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# ROWANMOOR EXECUTIVE PENSIONS LIMITED

## Company Information

| | |
|---|---|
| **Directors** | P Smith<br>L V Matthews<br>D J Etherington<br>V P F Cambonie<br>D Downie<br>D King |
| **Company secretary** | V P F Cambonie |
| **Registered office** | Rowanmoor House<br>46-50 Castle Street<br>Salisbury<br>Wiltshire<br>SP1 3TS |
| **Company registration** | 05792242 |
| **Advisors** | Burges Salmon LLP<br>One Glass Wharf<br>Bristol<br>BS2 0ZX |
| **Independent auditor** | KPMG LLP<br>1 Sovereign Square<br>Sovereign Street<br>Leeds<br>LS1 4DA |

# ROWANMOOR EXECUTIVE PENSIONS LIMITED

## Strategic Report

### Principal activities

Rowanmoor Executive Pensions Limited ("the Company") is a pension scheme administrator which provides administration services to Small Self-Administered Schemes ("SSAS"). There have been no changes to the principal activities of the Company throughout the year. The Directors are not aware of any planned major changes in the Company's activity in the next year.

### Results for the period

The key financial performance indicators for the Company are revenue and profit before tax. Financial performance indicators are presented throughout these financial statements and summarised below. The key non-financial performance indicator is scheme numbers, these are also presented below.

The resulting profit before tax for the year ended 31 December 2018 has increased to £1,161k (2017: £819k), with total revenue for the year of £8,232k (2017: £7,827k). Revenue in the year benefitted from additional services provided to other entities within the Embark Group alongside the impact of increases in UK base rates in both 2017 and 2018.

Scheme numbers represent the number of schemes served by Rowanmoor Executive Pensions Limited. As at 31 December 2018 and 2017, these balances were:

| **Scheme Numbers at Period End** | **2018** | **Net Change** | **2017** |
|---|---|---|---|
| SSAS | 3,418 | (23) | 3,441 |
| **Total** | **3,418** | **(23)** | **3,441** |

### Business review

The business performed ahead of plan in 2018, generating new business sales to help minimise back book attrition and maintaining a broadly flat client base in line with low growth in the overall SSAS market, whilst at the same time delivering increased profitability through operational efficiencies and increased revenue from new fee opportunities.

Following continued investments in both the Company and the Embark Group Limited ("the Group") as a whole, the business has seen continued improvement in both profitability and total equity. This financial performance has confirmed the Company's financial strength rating by the leading market research provider AKG, as B (Strong), one of only two privately owned businesses to achieve this rating in the sector.

2018 saw relatively little change for the pensions industry with regard to legislation, tax and regulation although increased information requirements for registering new SSAS has adversely affected HMRC's registration turnaround times. Whilst operating models vary within the market, the Company prides itself on operating its SSAS portfolio with robust safeguards through being the registered scheme administrator with control over scheme bank accounts and with its trustee company being appointed as independent trustee. This position and the Company's recognised position as a SSAS market leader, coupled with having won the prestigious Investment Life and Pensions Moneyfacts Award for Best SSAS Provider for an unprecedented eleventh consecutive year in 2018 has provided financial advisers with continued confidence to utilise the Company's services.

The SSAS proposition itself has continued to offer an unparalleled combination of personal and corporate tax planning opportunities primarily for directors of small to medium sized businesses. The pension freedoms and revised death benefit rules have added further to those opportunities by introducing succession planning options.

Following the acquisition of the Company by Embark Group Limited in 2016, the Company has benefitted from access to the broader experience of a larger group. It has also been instrumental in supporting other parts of the Group through the provision of SSAS administration services to other Group SSAS portfolios.

Ongoing re-organisation and integration activity has continued post acquisition by Embark Group Limited and the Company has since embedded itself as a core part of the Group. During 2018, incumbent support teams have been functionally aligned under common management and oversight into a single shared service entity, Embark Corporate Services Limited. This has been a positive change with a clear focus on enhancing output quality, standardising process, creating opportunities for people and reducing cost.

The Directors are satisfied that the Company has an acceptable risk profile, with appropriate capital and liquidity to manage its ongoing operations.

### Future developments

The Directors believe the SSAS market will continue to grow during 2019 and for the foreseeable future due to the unique corporate tax planning opportunities it can deliver alongside provision of retirement income. The Directors anticipate compound annual growth rates of 2-3% p.a. in this specialist sector of SSAS administration.

The Directors see a gradual trend across the regulatory authorities (HMRC, TPR, FCA) towards alignment of SSAS services with those of the rapidly growing SIPP market. Such an outcome would be positively received by the Company, and would be likely to enhance its market position and capabilities relative to other SSAS service providers.

A SSAS remains the most effective business planning tool, offering flexibility and tax efficiency regardless of the economic and tax landscape. With the outlook for interest rates to continue to rise, the ability for a business to borrow from its SSAS at a minimum rate of 1% above base is likely to become more attractive. Similarly, contributions are commonly paid by the business which are relievable against corporation tax. Importantly the level of contribution can be varied from year to year so can be adjusted to reflect a business's profits and this flexibility is critical to allow a business to plan on a year on year basis.

The Directors are optimistic about the future for the Company looking into 2019 and beyond.

# ROWANMOOR EXECUTIVE PENSIONS LIMITED

## Strategic Report (Continued)

**Principal risks and uncertainties**

The management of the Company and the execution of the Company's strategy are subject to Board governance against a comprehensive risk management framework defined at Group level. There is a formal structure for monitoring and managing risks throughout the Group comprising a risk appetite agreed by the Board, detailed risk management policies, independent governance and risk oversight.

The Board is committed to a continual process of improvement and embedding of the risk management framework within the Group. This ensures that all businesses identify both existing and emerging risks and continue to develop appropriate mitigation strategies.

The Directors actively monitor and manage potential risks to the Company that could hinder the successful implementation of its strategy. These risks may arise from internal and external events, acts and omissions. The Directors are proactive in identifying, assessing and managing all risks facing the Company, including the likelihood of each risk materialising in the short or longer term.

Further details of the risk management framework in place across the Group can be observed in the consolidated financial statements of Embark Group Limited, the Company's ultimate parent undertaking.

This framework considers at a detailed level risks against shareholders' appetite for risk in the following areas:

- Strategic Risk
- People Risk
- Financial Risk
- Operational Risk
- Legal & Regulatory Risk
- Proposition Risk
- Distribution Risk
- Asset Concentration Risk

The Directors have also considered the possible impact Brexit could have on the Company. It has been our Board risk assessment for some time that Brexit, either in a 'deal' or 'no deal' scenario, would have minimal impact on the Company. The nature of the Company's activities is such that all revenue is earned within the UK, all trade is in GBP and all suppliers are UK based.

As at the end of 2018, the Directors are comfortable that all risks are well managed, monitored and under control as far as is possible and that they should not hamper the Company's ability to operate and grow safely.

The Strategic Report has been approved by the Board of Directors and signed on its behalf by:

P Smith
Director
For and on behalf of the Board of Directors
25 April 2019

# ROWANMOOR EXECUTIVE PENSIONS LIMITED

## Directors' Report

The Directors submit their report together with the accounts for the year to 31 December 2018.

### Business review

A review for the Company is set out in the Strategic Report on page 4.

### Financial risk management

Details of the Company's financial risk management objectives are given in note 22.

### Results for the year and dividends

The profit after taxation for the year ended 31 December 2018 was £939k (2017: £694k). The Directors do not recommend the payment of a dividend (2017: £nil).

The results of the Company are included in the accounts on pages 10 to 13.

### Directors and Professional Advisors

The Directors who served in the year and up to the date of this report, except as noted, were:

| | |
|---|---|
| P Smith | |
| L V Matthews | |
| D J Etherington | |
| V P F Cambonie | |
| D Downie | (Appointed 5 March 2018) |
| D King | (Appointed 10 September 2018) |
| S V Hylands | (Resigned 31 March 2018) |

### Employees

It is the Company's policy that employees are kept informed of business performance including quarterly presentations by the senior management team and regular departmental and team meetings. Employee surveys are carried out to ascertain the views of employees which can be taken into account when making decisions that affect their interests. Involvement is encouraged through an employee suggestion scheme.

The Company is committed to employment policies which follow best practice, based on equal opportunities for all employees. We aim for our workforce to reflect the diverse communities in which we operate and recognise that diversity is a key part of a responsible business strategy and also supports a strong customer experience. The Company gives full and fair consideration to all applications for employment.

Applications for employment by disabled persons are always fully considered bearing in mind the abilities of the applicant concerned. In the event of employees becoming disabled every effort is made to ensure their employment within the Company continues and that appropriate training and support is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 4. The financial position of the Company, its cash flows, liquidity and financial position have been reviewed by the Directors for the next 12 months.

The liquidity and financial position of the Company's immediate and ultimate parent undertaking, Embark Group Limited ("the parent"), and the wider Embark Group ("the Group") have also been considered as part of the review.

Based on this review, the Directors are comfortable that the Company has adequate resources available to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

### Subsequent events

There were no events subsequent to the reporting date for disclosure in this report.

## Directors' Report (Continued)

**Statement of Directors' Responsibilities in respect of the Strategic Report, The Directors' Report and the Financial Statements**

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to the auditor**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

The Directors' Report has been approved by the Board of Directors and signed on its behalf by:

P Smith
Director
For and on behalf of the Board of Directors
25 April 2019

# ROWANMOOR EXECUTIVE PENSIONS LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROWANMOOR EXECUTIVE PENSIONS LIMITED

### Opinion

We have audited the financial statements of Rowanmoor Executive Pensions Limited ("the Company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Directors, such as the valuation of the investments and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

### Strategic Report and Directors' Report

The Directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROWANMOOR EXECUTIVE PENSIONS LIMITED (Continued)

**Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

AdeBu

**Alain de Braekeleer (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

25 April 2019

## ROWANMOOR EXECUTIVE PENSIONS LIMITED

**Statement of Comprehensive Income**
For the year ended 31 December 2018

| | Notes | 2018 £'000 | 2017 £'000 |
|---|---|---|---|
| Continuing operations | | | |
| Revenue | 2 | 8,232 | 7,827 |
| Administrative expenses | | (7,097) | (7,021) |
| Profit from operations | 3 | 1,135 | 806 |
| Investment income | 7 | 26 | 13 |
| Profit before tax | | 1,161 | 819 |
| Tax | 8 | (222) | (125) |
| **Total comprehensive income for the year** | | 939 | 694 |

The notes on pages 14 to 27 form an integral part of the financial statements.

## ROWANMOOR EXECUTIVE PENSIONS LIMITED

**Statement of Changes in Equity**
For the year ended 31 December 2018

| | Share capital £'000 | Share premium £'000 | Retained earnings £'000 | Capital Contribution Reserve £'000 | Total equity £'000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2017** | 320 | 869 | 1,439 | - | 2,628 |
| Total comprehensive income for the year | - | - | 694 | - | 694 |
| Equity-settled share based payment transactions | - | - | - | 15 | 15 |
| **Balance at 31 December 2017** | 320 | 869 | 2,133 | 15 | 3,337 |
| Adjustment on initial application of IFRS 15 (net of tax) (note 26) | - | - | 404 | - | 404 |
| **Balance at 1 January 2018** | 320 | 869 | 2,537 | 15 | 3,741 |
| Total comprehensive income for the year | - | - | 939 | - | 939 |
| Equity-settled share based payment transactions | - | - | - | 13 | 13 |
| **Balance at 31 December 2018** | 320 | 869 | 3,476 | 28 | 4,693 |

The notes on pages 14 to 27 form an integral part of the financial statements.

# ROWANMOOR EXECUTIVE PENSIONS LIMITED

**Statement of Financial Position**
At 31 December 2018

| | Notes | 2018 £'000 | 2017 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 9 | 1,622 | 1,622 |
| Property, plant and equipment | 10 | 155 | 225 |
| | | 1,777 | 1,847 |
| **Current assets** | | | |
| Trade and other receivables | 11 | 5,769 | 6,858 |
| Cash and cash equivalents | 12 | 1,157 | 231 |
| | | 6,926 | 7,089 |
| **Total assets** | | 8,703 | 8,936 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | (2,124) | (3,431) |
| Deferred income | 14 | (1,751) | (2,087) |
| Deferred tax liability | 15 | (135) | (81) |
| **Total Liabilities** | | (4,010) | (5,599) |
| **Net current assets** | | 2,916 | 1,490 |
| **Net assets** | | 4,693 | 3,337 |
| **Equity** | | | |
| **Capital and reserves** | | | |
| Share capital | 16 | 320 | 320 |
| Share premium | 17 | 869 | 869 |
| Capital contribution | 18 | 28 | 15 |
| Retained earnings | 18 | 3,476 | 2,133 |
| **Total equity** | | 4,693 | 3,337 |

Registered No. 05792242

The notes on pages 14 to 27 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 25 April 2019. They were signed on its behalf by:

P Smith
Director

**Statement of Cash Flows**
*For the year ended 31 December 2018*

| | Notes | 2018 £'000 | 2017 £'000 |
|---|---|---|---|
| Net cash from operating activities | 19 | 901 | 248 |
| **Investing activities** | | | |
| Payment to acquire property, plant and equipment | | (1) | (94) |
| Interest received | | 26 | 13 |
| Net cash provided by/(used in) investing activities | | 25 | (81) |
| **Financing activities** | | | |
| Net cash inflow from financing activities | | - | - |
| Net increase in cash and cash equivalents | | 926 | 167 |
| Cash and cash equivalents at beginning of year | | 231 | 64 |
| **Cash and cash equivalents at end of year** | 12 | 1,157 | 231 |

The notes on pages 14 to 27 form an integral part of the financial statements.

# ROWANMOOR EXECUTIVE PENSIONS LIMITED
## Notes to the financial statements

### 1. Accounting policies

Rowanmoor Executive Pensions Limited (the 'Company') is a Company limited by shares and incorporated and domiciled in the UK. The registered number is 05792242 and the registered address is Rowanmoor House, 46-50 Castle Street, Salisbury, Wiltshire, SP1 3TS.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

**Basis of preparation**

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union applied in accordance with the provisions of the Companies Act 2006.

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Group and the Company have resources to continue in business for the foreseeable future.

The financial statements have been prepared under the historical cost convention and are exempt from preparation of consolidated financial statements. The financial statements have been prepared in pounds sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

**Cash Flow Statement**

The Statement of Cash Flows shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities.

The cash flows from operating activities are determined by using the indirect method. Net income is therefore adjusted by non-cash items, such as measurement gains or losses, changes in provisions, impairment of property, plant and equipment and intangible assets, as well as changes from receivables and liabilities. In addition, all income and expenses from cash transactions that are attributable to investing of financing activities are eliminated. Interest received or paid is classed as investing cash flows.

**Changes in significant accounting policies**

The Company has adopted the following 'new' IFRS for the first time in these financial statements:

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers (see note 26)

The Company has adopted IFRS 9 with a date of initial application of 1 January 2018. IFRS 9 eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale and replaces these with amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The Company has assessed the classification and measurement of its financial instruments against the requirements of the standard and the classification of financial assets has been updated as follows:

| | Original classification under IAS 39 | New classification under IFRS 9 |
|---|---|---|
| Trade and other receivables | Loans and receivables | Amortised cost |
| Cash and cash equivalents | Loans and receivables | Amortised cost |

There have been no material changes in carrying values of financial assets as a result of these reclassifications and therefore no transitional adjustments have been applied to opening retained earnings.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

**New standards and interpretations**

At the date of authorisation of the financial statements the following accounting standards were in issue but not yet effective and have not been adopted early in these financial statements and are considered by management to have some impact on the Company:

IFRS 16 'Leases' provides guidance on the classification, recognition and measurement of leases to help to provide useful information to the users of financial statements. IFRS 16 requires contracts that IAS 17 classifies as operating leases to be brought onto the Statement of Financial Position, using the finance lease approach already applied under IAS 17. The new standard will replace IAS 17 "Leases" and is effective for annual periods beginning on or after 1 January 2019 unless adopted early.

The Company has reviewed the impact of IFRS 16. The impact is restricted to three property leases held by the Company, currently treated as operating leases and disclosed in the notes to the accounts. The present value of the maximum amount payable under the current lease terms is £1,693k, and reflects a reasonable estimate of the amount that would be brought onto the Statement of Financial Position on adoption of IFRS 16, impacting non-current assets, current liabilities and non-current liabilities.

Other than to expand certain disclosures within the financial statements, the Directors do not expect the adoption of the other proposed amendments to accounting standards and interpretations not listed above to have a material impact on the financial statements of the Company in future periods.

**1. Accounting policies (continued)**

**Segmental reporting**

IFRS 8 requires operating segments to be identified on the basis of internal reports and components of the Company which are regularly reviewed by the Chief Operating Decision Maker to allocate resources to segments and to assess their performance. For this purpose, the Chief Operating Decision Maker is the Board of Directors.

The Board of Directors considers the results of the Company as a whole when assessing the performance of the Company and allocating resources. Accordingly, the Company has a single operating segment.

The Company operates solely within the UK and, as such, no geographical analysis is required. The Company is not reliant on any one single customer.

**Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the Statement of Financial Position date and the reported revenue and expenses during the reporting year.

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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below:

*Allowances for non-recoverability of trade receivables*

An allowance for non-recoverability of trade receivables is made where, in the opinion of the Directors, trade receivables are not recoverable at their book value. Any trade receivables where it is felt that recovery of the debt is uncertain are provided against in full as per the Group policy. Trade receivables are stated net of related allowances for non-recoverable debts.

The Directors consider that the carrying amount of loans and receivables, after taking account of related allowances, approximates to their fair value.

Trade receivables that are neither past due nor impaired are considered by the Directors to be credit worthy on the basis that they have been subject to the Company's credit check procedures.

*Impairment of goodwill*

The Company tests goodwill annually for impairment. The recoverable amount is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and selling costs in the period. Sensitivity analysis on key assumptions has been performed. We have looked at a movement in discount rate of +-10% and determined this would not result in an impairment.

*Determining deferred income under IFRS 15*

Management have applied judgement when determining the way in which performance obligations for delivery of services to customers are satisfied over time. These judgements are a fundamental element in dictating the way in which revenue is released to the Statement of Comprehensive Income. When building these judgements management have assessed all available data and resources to ensure the judgements accurately reflect the delivery of service related performance obligations.

**Profit from operations**

Profit from operations is stated after the inclusion of all operating items, but before financing costs and income from investments.

**Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activity. Revenue is shown net of value added tax ("VAT"), returns, rebates and discounts.

The Company recognises revenue when the amount of the revenue can be reliably measured, it is probable that the future economic benefits will flow to the Company and when specific criteria have been met as described below:

- Routine activity fees are recognised at a point in time as incurred, net of VAT.
- Initial set up and transaction fees are recognised at a point in time as incurred, net of VAT.
- Annual fees are deferred on the Statement of Financial Position recognised over time in line with the provision of the service, net of VAT.
- Interest received on cash balances that is in excess of that payable to customers is retained by the Company and is included within revenue, calculated and recognised on an accruals basis.

**1. Accounting policies (continued)**

**Employee benefits**

The Company operates a defined contribution pension scheme. The Company pays contributions to employees' individual pension plans on a contractual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an expense when they fall due.

**Income tax**

*Current income tax*

Current income tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Where the Company has tax losses that can be relieved only by carried-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the Statement of Financial Position.

*Deferred income tax*

Deferred income tax is recognised in respect of temporary timing differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the Statement of Financial Position and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

The principal differences arise from trading losses, depreciation of property, plant and equipment and relief on research and development expenditure.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used and deferred tax liabilities are provided on taxable temporary differences. Deferred tax assets and liabilities are reviewed at each reporting date and are reduced to the extent that it's no longer probable that the related tax benefit will be realised, or the deferred tax liability settled.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle on a net basis.

**Goodwill**

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Company are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and is not larger than a segment based on the Company's reporting format determined in accordance with IFRS 8 Operating Segments.

If a cash generating unit was to be sold, the difference between the selling price and the net assets and amortised goodwill would be recognised in the Statement of Comprehensive Income. Where the Company reorganises its reporting structure in a way that changes the composition of one or more cash-generating units to which goodwill has been allocated, the goodwill is reallocated to the units affected.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the estimated recoverable amount of the cash-generating unit or group of cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised immediately as an expense and cannot subsequently be reversed.

**Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment loss. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

| | |
|---|---|
| Fixtures and equipment | 5 years |

Depreciation rates, methods and the residual values underlying the calculations of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances.

All items of property, plant and equipment are reviewed annually for impairment.

# ROWANMOOR EXECUTIVE PENSIONS LIMITED
## Notes to the financial statements

**1. Accounting policies (continued)**

**Financial instruments**

*(i) Classification*

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). Financial assets (unless it is a trade receivable without a significant financing component) and financial liabilities are measured at FVTPL. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

*(ii) Recognition and initial measurement*

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

*(iii) Subsequent measurement and gains and losses*

Financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial liabilities are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

*(iv) Impairment*

The Company recognises loss allowances for expected credit losses ("ECLs") on financial assets. The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

*Write-offs*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

**Operating lease payments**

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income as an integral part of the total lease expense.

**1. Accounting policies (continued)**

**Share based payments**

Embark Group Limited, the ultimate parent undertaking, operates long term incentive arrangements in which Company employees have participated. These long-term incentives include share based employee compensation arrangements. The cost of share based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, are recognised as an employee benefit expense in the Statement of Comprehensive Income in the year to which the award relates.

The cost of the incentive scheme is based on the fair value of awards on the date of grant. The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The assumptions underlying the number of awards expected to vest are subsequently adjusted for the effects of non-market-based vesting to reflect the conditions prevailing at the Statement of Financial Position date. Fair value is measured by the use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of the non-transferability, exercise restrictions and behavioural considerations.

The total expense is charged to the Statement of Comprehensive Income with the associated credit taken to a share option reserve in equity. At the end of the vesting period, upon lapse or forfeit if earlier, this credit is transferred to retained earnings from the share option reserve.

**2. Revenue**

**(i) Disaggregation of revenue**

An analysis of the Company's revenue is as follows:

| Continuing operations | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Rendering of services, in the UK | 8,232 | 7,827 |

All revenue arises from the Company's principal activity and represents fees charged and associated revenue earned on the single class of business being pension administration services. Turnover arises entirely in the UK.

Timing of transfer of goods or services:

| | 2018 £'000 |
|---|---|
| Products and services transferred at a point in time | 3,157 |
| Products and services transferred over time | 5,075 |
| | 8,232 |

The Company has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated.

**(ii) Contract balances**

The following table provides information about opening and closing receivables, contract assets and contract liabilities from contracts with customers. The Company recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balances at 1 January 2018.

| | Notes | 31 December 2018 £'000 | 1 January 2018 £'000 |
|---|---|---|---|
| Receivables | 11 | 1,285 | 1,171 |
| Contract assets | | - | - |
| Contract liabilities | 14 | 1,751 | 1,683 |

The contract liabilities primarily relate to the advance consideration received from customers for the rendering of services over an annual period.

The amount of revenue recognised in current period that was included in the contract liability balance at the beginning of the period was £1,683k.

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

| 2018 | Contract assets £'000 | Contract liabilities £'000 |
|---|---|---|
| Revenue recognised that was included in the contract liability balance at the beginning of the period | - | (1,683) |
| Increases due to billing in the period, excluding amounts recognised as revenue | - | 1,751 |
| | - | 68 |

All of the Company's contracts have an expected duration of one year or less and the Company therefore applies the practical expedient in IFRS 15.121 and does not disclose information about its remaining performance obligations.

### 3. *Profit from operations*

Profit from operations of the Company has been arrived at after charging:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Depreciation of property, plant and equipment (see note 10) | 71 | 98 |
| Operating lease rentals | 194 | 263 |
| *Auditors' remuneration (see note 4)* | 26 | 25 |
| Staff costs (see note 5) | 4,812 | 5,816 |

### 4. Auditors' remuneration

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| ***Fees payable to the Company's auditors*** | | |
| Statutory audit of these financial statements | 20 | 20 |
| Tax compliance services | 6 | 5 |
| | 26 | 25 |

### 5. Staff costs

The average monthly number of employees (including executive Directors) employed by the Company was:

| | 2018 No. | 2017 No. |
|---|---|---|
| Sales | 9 | 13 |
| Administration | 123 | 147 |
| | 132 | 160 |

Their aggregate *remuneration comprised:*

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Wages and salaries | 4,013 | 4,921 |
| Social security costs | 407 | 473 |
| Other pension costs | 379 | 407 |
| Share based compensation costs | 13 | 15 |
| | 4,812 | 5,816 |

### 6. Directors' emoluments

The Directors' aggregate emoluments in respect of qualifying services were:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Salaries and fees | 319 | 345 |
| Pension contributions | 30 | 37 |
| Benefits | 3 | 2 |
| | 352 | 384 |

Emoluments of highest paid Director:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Total emoluments (excluding pension contributions) | 141 | 109 |
| Pension contributions | 17 | 13 |
| Benefits | 2 | 1 |
| | 160 | 123 |

The number of Directors that accrued benefits under Group pension schemes was 6 (2017: 6).

### 7. Investment income

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Interest on bank deposits | 26 | 13 |

## ROWANMOOR EXECUTIVE PENSIONS LIMITED
## Notes to the financial statements

**8. Tax**

Analysis of tax charge for the year:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| **Current tax:** | | |
| Group relief payable/(receivable) | 164 | - |
| Adjustment in respect of prior periods | 4 | - |
| Total current tax charge | 168 | - |
| **Deferred tax (note 15):** | | |
| Origination and reversal of temporary differences | 54 | 142 |
| Adjustment in respect of prior periods | - | (17) |
| Total deferred tax charge/(credit) | 54 | 125 |
| Total tax charge/(credit) | 222 | 125 |

The effective tax rate for the year is greater than (2017: less than) the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). This is explained below:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Profit before tax: | 1,161 | 819 |
| Tax at the UK corporation tax rate of 19.00% (2017: 19.25%) | 221 | 158 |
| Tax effects of: | | |
| Expenses not deductible for tax purposes | 3 | 4 |
| Group relief surrendered/(claimed) | (164) | (4) |
| Payment/(receipt) for group relief | 164 | - |
| Adjustment in relation to share scheme | - | 3 |
| Adjustment to tax charge in respect of previous periods | 4 | - |
| Adjustment to tax charge in respect of previous periods – deferred tax | - | (17) |
| Adjustments to deferred tax value | (6) | (19) |
| Total tax charge/(credit) | 222 | 125 |

**9. Goodwill**

| | £'000 |
|---|---|
| **Cost** | |
| At 1 January 2018 | 1,622 |
| At 31 December 2018 | 1,622 |
| **Impairment** | |
| At 1 January 2018 | - |
| At 31 December 2018 | - |
| **Net book value** | |
| At 31 December 2018 | 1,622 |
| At 31 December 2017 | 1,622 |

The goodwill relates to the acquisition of the trade and assets of the SSAS portfolio on original incorporation of the Company. The applicable cash generating unit associated to this Goodwill is the SSAS portfolio which is reflected entirely by the trading results of the Company.

The Company tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and selling costs in the period.

Management are confident the value in use for these cash generating units exceeds the carrying value of goodwill, as such no impairment is recognised.

## 10. Property, plant and equipment

| | Fixtures and equipment £'000 |
|---|---|
| **Cost** | |
| At 1 January 2018 | 789 |
| Additions | 1 |
| Disposals | - |
| At 31 December 2018 | 790 |
| | |
| **Accumulated Depreciation** | |
| At 1 January 2018 | 564 |
| Charge for the year | 71 |
| Disposals | - |
| At 31 December 2018 | 635 |
| | |
| **Net book value** | |
| At 31 December 2018 | 155 |
| At 31 December 2017 | 225 |

## 11. Trade and other receivables

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Trade receivables | 1,285 | 1,171 |
| Other debtors | 381 | 315 |
| Prepayments | 171 | 356 |
| Amounts owed from Group Companies | 3,932 | 5,016 |
| | 5,769 | 6,858 |

An allowance for non-recoverability of trade receivables has been made where, in the opinion of the Directors, trade receivables are not recoverable at their book value. Any trade receivables where it is felt that recovery of the debt is uncertain are provided against in full as per the Group policy. Trade receivables are stated net of related allowances for non-recoverable debts.

Trade receivables are non-interest bearing and generally have a 30 day term. Trade receivables that are neither past due nor impaired are considered by the Directors to be credit worthy on the basis that they have been subject to the Company credit check procedures.

As at 31 December 2018 trade receivables of £691k (2017: £613k) were past due but not impaired for the Company. The ageing analysis of these trade receivables is as follows:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Up to 3 months past due | 451 | 463 |
| 3 to 6 months past due | 118 | 45 |
| Over 6 months past due | 122 | 105 |
| | 691 | 613 |

*Expected credit loss assessment*

The Company uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a large number of small balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018.

| 31 December 2018 | Weighted-average loss rate | Gross carrying amount £'000 | Loss allowance £'000 | Credit-impaired |
|---|---|---|---|---|
| < 9 months past due | 1.05% | 1,237 | (13) | No |
| 9 – 12 months past due | 42.86% | 56 | (24) | No |
| > 12 months past due | 83.80% | 179 | (150) | Yes |
| | | 1,472 | (187) | |

Loss rates are based on actual historic credit loss experience. These rates are multiplied by scalar factors to reflect current economic conditions and the Company's view of economic conditions over the expected lives of the receivables.

The movement in the provision for impairment of receivables was as follows:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| At 1 January | 111 | 128 |
| Increase/(Decrease) for the year | 77 | (17) |
| At 31 December | 188 | 111 |

## 12. Cash and cash equivalents

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Cash at bank and in hand | 1,157 | 231 |

The Directors consider that the carrying amount of these assets approximates to their fair value. The credit risk on liquid funds is limited because the counter-parties are large, established UK banks with a minimum 'A' credit rating.

## 13. Trade and other payables

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Trade payables | 133 | 325 |
| Other payables | 44 | 180 |
| Accruals | 464 | 388 |
| Other tax and social security | 384 | 228 |
| Amounts owed to Group Companies | 1,099 | 2,310 |
| | 2,124 | 3,431 |

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. No interest is charged on trade and other payables.

## 14. Deferred income

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Deferred income | 1,751 | 2,087 |

Deferred income relates to income charged to clients in advance of the period to which the service relates. The related income charged to clients does not become repayable if a contract is terminated before its due date.

## 15. Deferred tax

Deferred tax (liabilities)/assets recognised by the Company and the movements thereon during the current and prior reporting periods were:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| At 1 January | (81) | 44 |
| Credit/(Charge) | (54) | (125) |
| At 31 December | (135) | (81) |

The deferred tax (liabilities)/assets are made up as follows:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Accelerated capital allowances | (146) | (144) |
| Short term temporary differences | 11 | - |
| Tax losses carried forward | - | 63 |
| Balance at 31 December | (135) | (81) |

Deferred tax assets are recognised only to the extent that realisation of the related tax benefit is probable. Deferred tax liabilities are recognised in full.

## 16. Share capital

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| **Issued and fully paid:** | | |
| 82,501 (2017: 82,501) voting ordinary 'A' shares of £1 each | 82 | 82 |
| 93,750 (2017: 93,750) non-voting ordinary 'B' shares of £1 each | 94 | 94 |
| 123,500 (2017: 123,500) non-voting ordinary 'C' shares of £1 each | 124 | 124 |
| 20,000 (2017: 20,000) voting ordinary 'D' shares of £1 each | 20 | 20 |
| Total | 320 | 320 |

All classes of shares were owned 100% by the Company's parent Embark Group Limited.

### 17. Share premium

| | £'000 |
|---|---|
| At 1 January 2018 & 31 December 2018 | 869 |

### 18. Reserves

| | Capital Contribution Reserve £'000 | Retained Earnings £'000 |
|---|---|---|
| **Balance at 1 January 2017** | **-** | **1,439** |
| Total comprehensive income for the year | - | 694 |
| Charge for share issue under EMI scheme | 15 | - |
| **Balance at 31 December 2017** | **15** | **2,133** |
| Adjustment on initial application of IFRS 15 (net of tax) | - | 404 |
| **Balance at 1 January 2018** | **15** | **2,537** |
| Total comprehensive income for the year | - | 939 |
| Charge for share issue under EMI scheme | 13 | - |
| **Balance at 31 December 2018** | **28** | **3,476** |

### 19. Notes to the Statement of Cash Flows

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Profit from operations | 1,135 | 806 |
| Adjustments for: | | |
| Movement in provisions | 77 | (17) |
| Depreciation on property, plant and equipment | 71 | 98 |
| Adjustments for EMI scheme | 13 | 15 |
| Operating cash flows before movements in working capital | 1,296 | 902 |
| Decrease/(Increase) in receivables | 1,012 | (2,234) |
| (Decrease)/Increase in payables | (1,239) | 1,581 |
| Taxation | (168) | - |
| Cash generated from operations | 901 | 249 |
| Income tax Paid | - | (1) |
| **Net cash flow from operating activities** | 901 | 248 |

### 20. Retirement benefit scheme

The Company operates a defined contribution pension scheme which is open to all staff.

An amount of £379k (2017: £407k) was recognised as an expense for defined contribution plans. The amount is included in staff costs in the Statement of Comprehensive Income.

### 21. Operating lease commitments

At the year-end date the lease arrangements for which the payments extend over a number of years is as follows:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| **Due:** | | |
| Within one year | 256 | 279 |
| Within two to five years | 1,169 | 625 |
| After five years | 864 | 702 |
| | 2,289 | 1,606 |

## 22. Financial risk management

The Company's financial instruments primarily comprise cash and cash equivalents, trade payables, loans and trade receivables. All of these arise as a result of the Company's normal operations. The Company does not enter into transactions for speculative purposes and there are no instruments held for trading.

The Company's operations expose it to a variety of financial risks that include the effects of the changes in credit risk, liquidity risk, market risk and capital risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company through proactive oversight and monitoring of key financial risks.

The Directors believe the main financial risks arising from the Company's financial instruments are credit risk, liquidity risk, market risk and capital risk. These are further discussed below;

*Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's recoverability of fees billed to customers and counterparties.

The Chief Financial Officer is responsible for managing the Company's credit risks through the following:

- Limiting the amount of exposure to any one party;
- Only dealing with creditworthy counterparties;
- Embedding suitable processes to recover debt when it becomes overdue; and
- Ensuring a suitable provision for bad and doubtful debt is maintained.

A summary of the current position on Company receivables is included in the trade and receivables note.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk. The maximum credit exposure to credit risk at the reporting date was:

| | 2018<br>£'000 | 2017<br>£'000 |
|---|---|---|
| Cash and cash equivalents | 1,157 | 231 |
| Trade & other receivables | 5,769 | 6,858 |
| | 6,926 | 7,089 |

*Market risk*

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income. The objective of the Company's market risk management strategy is to manage and control the market risk exposures within acceptable parameters to ensure the Company's solvency while optimising the return.

The Company is exposed to interest rate risk as a result of positive holding of corporate cash balances which earn interest at a variable rate.

The Company has interest bearing assets and liabilities on its Statement of Financial Position. These assets include cash and borrowings and loans which earn or charge interest at a variable rate.

Given the size of the Company, there is no requirement for a separate treasury department; therefore the finance department review the level of cash balances within the business on a daily basis and ensure the utilisation of its cash balances is optimised.

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's Board of Directors sets the Company's risk appetite and policy for managing liquidity risk. The Finance function manages the Company's liquidity position on a day to day basis under the oversight of the Chief Financial Officer. The Company's approach is to ensure that it can meet payments as they fall due, both in normal conditions and in the case of a severe liquidity stress, and that it can survive a severe liquidity stress event and continue as a going concern. The key elements of the Company's liquidity strategy are as follows:

- Building a business that is cash generative;
- Maintaining at all times a stock of liquid assets that are of sufficient quality and quantity so as to be able to withstand the Company's liquidity stress scenarios;
- Monitoring liquidity risk exposures on an ongoing basis under a variety of market-wide and idiosyncratic liquidity stress scenarios; and
- Maintaining a diversified funding base.

The following table shows the contractual maturities of the Company's financial liabilities, all of which are measured at amortised cost:

| | At 31 December 2018 | | At 31 December 2017 | |
|---|---|---|---|---|
| | Trade payables<br>£'000 | Other Payables<br>£'000 | Trade payables<br>£'000 | Other Payables<br>£'000 |
| < 6 months | 133 | 892 | 325 | 796 |
| Carrying value of liabilities | 133 | 892 | 325 | 796 |

### 22. Financial risk management (continued)

*Capital risk management*

Capital is held by the Company to protect its customers, cover its inherent risks, provide a cushion for stress events and to support its business strategy. In assessing the adequacy of its capital resources, the Company considers its risk appetite, the material risks to which it is exposed, and the appropriate strategies required to manage those risks.

The Company objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, continuity of service to customers and maintain an optimal capital structure to reduce the cost of capital.

The Company defines capital as being share capital plus reserves. These are reported monthly to the Board. The Company has complied with all the relevant rules and requirements throughout the year.

The Company prepares regular reports on the current and forecasted levels of capital, as well as the results of stress scenarios, to the Board and executive leadership team (Chaired by the Chief Executive Officer). The key assumptions and risk drivers used to create the stress tests are regularly monitored and reported.

### 23. Share based payments

Embark Group Limited, the ultimate parent undertaking, operates long term incentive arrangements in which Company employees have participated. These long-term incentives include share based employee compensation arrangements. The cost of share based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in the Statement of Comprehensive Income in the year to which the award relates.

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. It is measured at grant date and spread over the period which is expected to pass before the employees become unconditionally entitled to the shares. The total expense is charged to the Statement of Comprehensive Income with the associated credit taken to a share option reserve in equity. At the end of the vesting period, upon lapse or forfeit if earlier, this credit is transferred to retained earnings from the share option reserve.

The cost of the incentive scheme is based on the fair value of awards on the date of grant. The value is arrived at using an option pricing model taking into account the terms and conditions upon which the options were granted. No options have yet vested.

The terms and conditions of grants are as follows:

| Grant Date | Employees | Granted By | Accounting Method | Number of instruments | Vesting Conditions | Expiry Date |
|---|---|---|---|---|---|---|
| 5th April 2017 | Key Staff | Embark Group Limited | Equity | 6,075 | Sale or listing of business | 7 years of vesting |
| 31st March 2018 | Key Staff | Embark Group Limited | Equity | 4,050 | Sale or listing of business | 7 years of vesting |

The number and weighted average exercise price of share options is as follows:

| | 2017 | | 2018 | |
|---|---|---|---|---|
| | Share options No. | Weighted average exercise price (£) | Share options No. | Weighted average exercise price (£) |
| Outstanding at the beginning of the year | 5,275 | 5.63 | - | 5.32 |
| Exercised during the year | - | 5.63 | - | 5.32 |
| Lapsed during the year | 900 | 5.63 | 200 | 5.32 |
| Granted during the year | - | 5.63 | 4,050 | 5.32 |
| Outstanding at the end of the year | 4,375 | 5.63 | 3,850 | 5.32 |

The net expense recognised in the year arising from equity-settled share based payments is £12,773 (2017: £14,917).

### 23. Share based payments (continued)

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The fair value of the services received is measured using a Black-Scholes model. Measurement inputs and assumptions applied in determining the fair value of the share options are as follows:

| | 2017 | 2018 |
|---|---|---|
| Share price at grant date | £44.76 | £36.77 |
| Exercise price | £59.68 | £45.97 |
| Expected volatility | 30.7% | 30.5% |
| Expected dividend yield | 0% | 0% |
| Risk free interest rate | 1.60% | 1.60% |
| Expected option life to exercise | 3 years | 3 years |
| Estimated vesting period | 3 years | 3 years |
| Fair value per option | £1.00 | £1.00 |

The expected life of the options is based on the Directors' review of the market situation and their expectations regarding a future sale of the business. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not be the case. The expected volatility used in calculations is the average of the historical volatilities for a range of similar companies where data is available. As the Company is a private company and its shares are not quoted on any recognised Stock Exchange, no reference price exists for the share price at the date of exercise of the options.

### 24. Related party transactions

During the period, the Company entered into the following transactions with related parties:

The Company has charged its fellow subsidiary, Embark Services Limited, £400k (2017: £140k) for administration of its SSAS portfolio. At the year-end there was a balance owing to Embark Services Limited of £16k (2017: £1k).

The Company has been charged by its fellow subsidiary, Embark Corporate Services Limited £2,084k (2017: £1,118k) for finance, marketing, facilities, HR, compliance & legal and senior management costs. At the year-end there was a balance owing to Embark Corporate Services Limited of £170k (2017: balance owing from Embark Corporate Services Limited of £89k).

The Company has been charged by its fellow subsidiary, The Adviser Centre Limited £53k (2017: £50k) for due diligence services. At the year-end there was a balance owing to The Adviser Centre Limited of £80k (2017: £4k).

The Company has recharged its fellow subsidiary, Rowanmoor Personal Pensions Limited £nil (2017: £16k) for plant, property and equipment usage, £229k (2017: £390k) for senior management & office costs and £1,540k (2017: £2,117k) for sales and administration services. At the year-end there was a balance owing from Rowanmoor Personal Pensions Limited of £266k (2017: £2,281k).

At the year-end £25k (2017: £25k) was owed to Rowanmoor Trustees Limited and is included in 'amounts owed to Group Companies'.

During the year, close family members of key management personnel were employed by the Company and paid salaries for services provided to the Company totalling £nil (2017: £24k). No amounts were outstanding at the year-end (2017: £nil).

### 25. Parent undertaking and controlling party

The Company's ultimate parent undertaking and controlling party is Embark Group Limited, a company incorporated in the United Kingdom. The Registered Office Address of Embark Group Limited is 7th Floor, 100 Cannon Street, London, England, EC4N 6EU.

### 26. Change in significant accounting policies

The Company has applied IFRS 15: Revenue from Contracts with Customers using the retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

The following tables summarise the quantitative impact of adopting IFRS 15 on the Company's financial statements for the year ended 31 December 2018.

| Statement of Financial Position | As reported £'000 | Adjustments £'000 | Balances without adoption of IFRS 15 £'000 |
|---|---|---|---|
| Deferred income | 1,751 | (412) | 2,163 |

| Statement of Comprehensive Income | | | |
|---|---|---|---|
| Revenue | 8,232 | 3 | 8,229 |

The following table summarises the impact, net of tax, of transition to IFRS 15 on retained earnings at 1 January 2018.

| Retained earnings | Impact of adopting IFRS 15 £'000 |
|---|---|
| Balance before adopting IFRS 15 at 31 December 2017 | 2,133 |
| Adjustment on initial application of IFRS 15 | 404 |
| **Balance under IFRS 15 at 1 January 2018** | 2,537 |