Investment Funds Direct Limited

Annual report and financial statements

For the year ended 31 December 2020

Registered Number 01610781

Investment Funds Direct Limited
Annual report and financial statements
for the year ended 31 December 2020

Contents

Investment Funds Direct Limited

Officers and independent auditors

Directors

T F Bischler (Appointed 26 February 2021)
C J Bousfield (Appointed 1 September 2020)
F J Clutterbuck – Independent Non-Executive Director (Appointed 25 November 2020)
P D Cooper (Appointed 1 September 2020)
D R Macmillan (Appointed 1 September 2020)
J A Owens – Non-Executive Director (Appointed 1 September 2020)
C E Thompson – (Appointed 26 March 2021)
R Thomson (Appointed 1 September 2020)
T Graham – Non-Executive Director (Resigned 1 September 2020)
H E Johnson (Resigned 14 July 2020)
I M Langton – Non-Executive Director (Resigned 1 September 2020)
R A Regan (Resigned 31 December 2020)
R A D Williams - Non-Executive Director (Resigned 1 September 2020)

Company Secretary

Royal London Management Services Limited (Resigned 1 September 2020)
M&G Management Services Limited (Appointed 1 September 2020)

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Registered Office

Trimbridge House
Trim Street
Bath
England
BA1 1HB

Registered in England & Wales
Company limited by shares

Registered Number

01610781

Strategic Report
for the year ended 31 December 2020

The Directors present their Strategic report for the year ended 31 December 2020.

Business review and principal activities

Investment Funds Direct Limited is a private company limited by shares domiciled and incorporated in the United Kingdom.

The principal activity of Investment Funds Direct Limited ("IFDL" or the "company") is the management of a platform, providing investment administration services to financial advisers and their clients, including on-line dealing, valuation and custody together with related decision support tools. The Company is regulated by the Financial Conduct Authority.

On 1 September 2020 the Company became a wholly owned subsidiary of M&G plc ("Group") following the acquisition of the Company from Royal London Mutual Insurance Society Limited. M&G plc is a public limited company, incorporated and registered in England and Wales and became the ultimate parent of the Company. The Group is an international financial services group, with significant operations in the United Kingdom and overseas.

The strategy of the business continues to be an investment platform providing access to products for advisers and Discretionary Fund Managers (DFMs). The Company aims to have a best of market investment offering.

Business review and financial results

Gross flows throughout 2020 were £1.4bn during the year (2019: £1.7bn). Assets under administration increased from £16.2bn to £16.3bn. Growth throughout the year led to assets under administration increasing by 1% year on year. The number of clients grew from 93,000 to 97,000.

The Company reports a loss of £19.0m for 2020 (2019: £26.5m). Included within this loss are administration expenses of £47.8m (2019: £68.0m). Administration expenses have significantly decreased from prior year following a reduction in costs associated with residual migration and defect resolution following the platform migration at the end of 2018. Further details of the results for the year are set out in the statement of comprehensive income shown on page 16.

At 31 December 2020, the Company had net assets of £74.9m (2019: £68.8m). The increase in net assets reflects a capital injection of £25m following the issue of 1.25m shares, as outlined on page 11 of the Directors' report, partially offset by the losses incurred in the year. Further details of the results for the year are set out in the statement of financial position shown on page 17.

The Company continues to monitor the effects of the coronavirus (COVID 19) outbreak which was declared as a pandemic by the World Health Organisation in 2020.

The outbreak has not only promoted widespread health concerns, but has caused deteriorations in global market conditions during the year. The changed market conditions emanating from the steps being taken to counter coronavirus have had an adverse effect on business profitability in 2020. Our fees are largely dependent on the value of the securities administered, and whilst assets under administration recovered to pre coronavirus levels by year end, securities administered were lower on average in 2020 than in 2019.

The Company's response to the COVID 19 outbreak also included the transition of the majority of the business to remote working over a 10 day period culminating on 23rd March, including all customer service and telephony. The Company adapted its processes and controls to operate effectively in this model and had these approved by the compliance teams. We maintained strong customer service performance and received positive feedback from advisers and customers to the efforts we had made.

The Board continues to review the Company's exposure to the direct and indirect impact of coronavirus and will take action to protect our capital position as appropriate. With limited balance sheet exposure to this market volatility, the Company is mostly exposed to slow or depressed trading conditions. Notwithstanding our robust capital and liquidity position and the operational and financial actions that we are taking, deterioration in the situation would have adverse implications for our business arising from the potential impacts on financial markets and our operations.

Investment Funds Direct Limited

Strategic Report (continued)

Key performance indicators (KPIs)

The Directors review a range of key performance indicators ("KPIs") on a monthly basis to monitor the performance of the Company and the assets the Company administers. These are included as part of the pack prepared for each Executive Management Committee and Board meeting. Income, costs, net new business flows and total assets under administration are regarded as KPIs.

	2020	2019
	£m	£m
Loss before tax	**(13.3)**	(33.1)
	£bn	£bn
Gross new business flows for the year	**1.4**	1.7
Assets under administration at the end of the year	**16.3**	16.2

Growth throughout the year led to assets under administration increasing by 0.8% year on year, with net outflows of £0.1bn (2019: net outflows of £0.2bn).

Risk and risk management

Overview

A strong risk management focus assists the Board in understanding its current and future risks and provides appropriate risk management information that is incorporated into its strategic decision-making and business planning processes. Risk management activities encompass all financial, strategic and operational risks that may prevent the Company from fulfilling its business objectives. Given the nature of the activities undertaken by the Company, the key risks that the Company faces are regulatory risk and operational risk. Following the Company becoming a wholly owned subsidiary of M&G plc, it will be transitioning from its existing risk management framework to the M&G Risk Management Framework and M&G Group Governance Framework in 2021. Details of the existing risk management framework can be found in the 2019 annual report and financial statements.

How risks are managed

The Risk Management Policy provides general guidelines for the design and implementation of the Risk Management Framework with the Board, via the Board Risk Committee, responsible for establishing the risk strategy and senior management responsible for its implementation. The Risk Management Policy is reviewed at least on an annual basis and all material changes to this policy are considered by the IFDL Executive Risk Committee and approved by the Board.

Risk culture

Risk culture is defined by the following statements:

- The Company adopts a risk culture that has risk management informing its strategic decision making and business planning process.
- The Company pro-actively seeks to identify risks through its risk horizon scanning process.
- The Board Risk Committee assists the Board in fostering a culture within the Company that encourages good stewardship of risk and emphasises and demonstrates the benefits of a risk-based approach to internal control and management of the Company.
- The Company manages its risks within a robust and embedded risk culture. This is achieved by:
    - *Continuous risk management training and communication at all levels;*
    - *Close relationship and coaching from the second line Risk Management function to all areas of the business; and*
    - *Incorporating risk management objectives in the job description, roles and responsibilities.*
- We believe training is essential to integrate the risk management culture into the business.

Strategic Report (continued)

Risk and risk management (continued)

Risk appetite

The Company's risk appetite statements are reviewed and approved at least annually by the Board. These appetites define the degree of risk the Company is prepared to accept in pursuit of its strategic and operational objectives subject to meeting regulatory capital requirements.

The Company has generally adopted a conservative approach which is reflected in its risk appetite values and in the overall approach to risk management. The Company's actual risk exposures are assessed against risk appetite using a set of indicators and reported to the Board Risk Committee. Risk assessments are addressed within this body and reported to the Board, to ensure the Company remains within its agreed risk appetite as defined by the Board.

The Company's risk preferences are articulated as follows:

- The Company ensures risks that are taken are aligned with our strategic aims and provide an acceptable level of return;
- The Company accepts certain business risks (e.g. outflow, market, expense, operational and new business) and ensures these are appropriately managed and mitigated as required; and
- The Company has a very low risk appetite for material regulatory breaches.

Risk governance

The Risk Management Framework defines risk governance as the combination of processes and structures implemented by the Board in order to inform, direct, manage and monitor the activities of the Company towards the achievement of its objectives.

The Board Risk Committee is made up of a mix of Executive and Non-Executive Directors and is responsible for reviewing the manner in which IFDL implement, and monitor the adequacy of the Risk Management Framework.

The Board Risk Committee assists in fostering a culture that encourages good stewardship of risk and emphasises and demonstrates the benefits or a risk-based approach to management of IFDL.

The Company implements a comprehensive 'top down' and 'bottom up' approach to managing risks through regular assessments, monitoring and reporting in conjunction with senior management and risk owners. Risk Management reports to the Board Risk Committee, on at least a quarterly basis, information and analysis on the key risks the Company faces (including forward looking risks), capital requirements and comparison against risk appetite.

The first line of defence consists of the business departments which have responsibility for managing and controlling their risks in accordance with agreed risk appetites through the implementation of a sound set of processes and controls.

Responsibility for risk management resides at all levels within the Company, from the senior management team to department and team managers. All staff members are accountable for managing risks within the business areas for which they are responsible, ensuring compliance with prescribed company plans, policies and prevailing regulatory and legislative requirements.

The business lines are also responsible for complying with the policies and standards which comprise the Risk Management Framework. Current key risks and issues facing the Company are considered by the management team, with each key risk owned by the member of the management team who is responsible for the strategic management of that risk.

The second line of defence comprises two functions: the Risk Management function and the Compliance function. IFDL has dedicated staff in relation to each function, with further support provided by wider second line functions from Group. This was also the case whilst IFDL was part of the Royal London Group.

The Risk Management function is responsible for co-ordinating all the risk management activities within the business. This includes the development, maintenance and enhancement of the Risk Management Policy and Framework, as well as Risk Management reporting. The Risk Management function provides regular risk reports to the Board Risk Committee.

The Compliance function is primarily responsible for supporting the Company to ensure that its activities are conducted in accordance with all applicable regulatory requirements.

The third line of defence is the Group Internal Audit department, which provides independent assurance on the adequacy and effectiveness of the Company's risk management and major business process control arrangements.

Strategic Report (continued)

Risk and risk management (continued)

Risk governance (continued)

The accountable IFDL SMF reports to the Group Audit Director, who in turn reports directly to the Chairman of the Group Audit Committee. This Committee is composed solely of NEDs.

Internal Audit conducts regular audits on the implementation and effectiveness of the Risk Management Policy and Framework across the business. The results of these audits are reported to the Group Audit Committee and the IFDL Board. The IFDL Board is satisfied that Internal Audit provides sufficient assurances about the effectiveness of the Risk Management Policy and Framework.

Stress and scenario testing

Risk models are used as part of stress testing and scenario testing to determine the financial stability of the Company. This involves testing beyond normal operational capacity, often to a breaking point, in order to observe the outcomes and evaluate available management accounts. The stress testing outcomes provide additional information to adjust the Company's risk appetite.

The Company carries out different types of stress testing:

- Sensitivity testing, where one risk factor is assumed to vary mildly and others are assumed to remain unchanged;
- Stress testing, where one risk factor is assumed to vary more severely and others are assumed to remain unchanged;
- Scenario testing, where a combination of risk factors are assumed to vary to generate an extreme but plausible event; and
- Reverse stress testing, where risk factors are assumed to be stressed to such an extent as to break the business model of the Company.

Capital management

The Company maintains a sound and appropriate system of capital management in order to meet its strategic capital objectives. The Company has a preference for a simple system of capital management which reflects the nature of the business. At a legal entity level, IFDL is capitalised at the required regulatory minimum plus an adequate buffer defined as part of the Company's capital management and risk appetite.

Principal risk and uncertainties

There have been no significant changes in the principal risks for the Company in the past year. Due to the nature of the business written by the Company its profitability arises primarily from charges on the assets held under administration less expenses. As a consequence the predominant risks to which the Company is exposed are market risk, outflow risk, liquidity risk, regulatory risk and operational risk. The Company seeks to limit its exposure to these and any other applicable financial and non-financial risks.

Financial risks	**Management and control**
Market risk - Heightened geopolitical risk (e.g. Brexit) creating uncertainty in markets having a negative impact on stock markets impacting our Assets under Administration (AuA) and revenue. The continued prevalence of coronavirus and the steps being taken to mitigate its impact on public health will slow global growth rates, and impact markets and investment values. Coronavirus has also led to decline and volatility in financial markets, with the potential to have a significant impact on platform and investment administration fees.	This risk is mitigated through a wide asset offering that ensures IFDL are not wholly correlated against one market, and which enables clients to switch assets in times of uncertainty. Clients are also able to switch into cash assets. We also hold cash and liquid resources to meet our Internal Capital Adequacy Assessment Process ("ICAAP") requirement and provide resilience against market shocks, including the recent volatility seen in the markets.

Strategic Report (continued)

Principal risk and uncertainties (continued)

Financial risks (continued)	**Management and control (continued)**
Reduced investment - To maintain our quality and relevance requires ongoing investment in our proposition and service. In addition, there are a number of significant change and transformation programmes underway to deliver the Company's strategy for growth, improve customer experiences and outcomes, strengthen resilience and the control environment and support scalable growth. A failure to deliver these programmes within timelines, scope and cost, or any reduction in investment levels generally, may impact the business model and the Company's ability to deliver its strategy.	The risk of reduced propositional investment in the platform is managed through a disciplined prioritisation approach and through the "Plan", the forms part of the Group planning / forecasting. We horizon scan for upcoming regulatory and taxation regime changes and maintain contingency to allow for the unexpected expenses.
Expense risk - Higher direct and / or recharge costs than expected and budgeted for adversely impact profit.	All expenditure requests that deviate from plan are rigorously challenged and must be approved before incurred.
Capital strain - Unexpected, additional capital requirements imposed by Regulators may negatively impact our solvency coverage ratio.	We conduct a robust Internal Capital Adequacy Assessment Process ("ICAAP") annually, which includes assessing the capital required for the unlikely event of regulatory failure. We also have the benefit of cash diversification. To mitigate this risk our approach is to maintain a capital buffer over and above the regulatory minimum solvency capital requirements.
Liquidity risk - this is the risk of the Company not having sufficient liquid financial resources to enable it to meet its obligations as they fall due.	IFDL maintains sufficient liquidity in line with the UK's regulatory requirements. There are robust controls in place to mitigate liquidity risk, for example, holding corporate cash in multiple banks, in order to mitigate the risk of a single point of counterparty default failure. The Treasury Credit and Liquidity Committee meet regularly to monitor risk.
Credit risk – this is the risk of the Company facing a loss resulting from a borrower or lender failing to meet contractual obligations. The Company has a number of debtor balances which relate largely to client fees and the risk in relation to this is mainly non-payment of the fees.	The Company maintains operating balances with 2 major UK clearing banks and consequently the risk of counterparty default is considered low. Fees and other balances due from clients are regularly reviewed and the potential impact considered. IFDL does not have significant aged debt balances as the majority of balances are deducted from client portfolios in accordance with the terms and conditions agreed with the client.

Strategic Report (continued)

Principal risk and uncertainties (continued)

Non-financial risks	Management and control
Increased competition - Increased levels of competition for clients and advisers; improvements in offerings from other investment platforms; and consolidation in the adviser market may make it more challenging to attract and retain business.	We mitigate this risk by regularly reviewing competitor activity and behaviour and the market in general, as well as continuing to focus on providing good levels of service and being responsive to client and financial adviser demands, from an efficient expense base.
Reputational risk - defined as the risk of damage to the firm's reputation that could lead to negative publicity, costly litigation, a decline in the customer base or the exit of key employees and therefore directly or indirectly to a loss of revenue.	IFDL mitigates this risk by ensuring that potential reputational impacts are taken in to consideration when prioritising its delivery route map and/or providing operational services.
Operational risk - loss/negative impact to IFDL resulting from inadequate or failed internal processes, people and systems or from external events and includes legal and financial crime risks.	We mitigate this risk by ensuring that any actions or activities that have the potential to impair the investment administration operations of the entity or adversely impact customers are appropriately minimised. IFDL recognises the importance of IT infrastructure, data security and technology in delivering its service and is investing in this to continue to meet operational demands. Key operational risks are assessed and managed through the ongoing risk management activity of the business. We also keep our operational resilience under regular review, with contingency plans in place around any potential operational impacts relating to coronavirus.
Regulatory risk - the risk of new regulatory requirements having adverse impacts on the business model, or failing to comply with existing or new regulations resulting in a fine or regulatory censure.	Regulatory risk is mitigated through regular monitoring of regulatory developments and maintaining open and transparent dialogue with the regulators. On-going compliance with existing rules is monitored by the Compliance function with additional assurance provided by the Internal Audit function for the key regulatory risks on a regular basis.
The COVID 19 pandemic led to a rapid scaling up in remote working capacity and capability has placed significantly greater reliance on virtual environments and introduced changes in working practices. This has heightened risks in areas including staff morale and well-being.	This, along with any associated risks, are being monitored and managed through bespoke incident management procedures with staff safety and wellbeing at the forefront of the Company's response to the pandemic

Investment Funds Direct Limited

Strategic Report (continued)

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct, and
- need to act fairly as between members of the company.

In discharging the Board's section 172 duties, regard has been given to the factors set out above. The Board also recognises the matters it considers can often have unique characteristics. This can require the Board to consider additional factors, which are relevant to the specific matter under consideration. There is an acknowledgement from the Board that the relative importance of each factor they consider will vary depending on the decision being taken across all the Board's decisions and that they are mindful of the Company's purpose, regulatory obligations, strategic priorities and alignment with the Group's overarching culture, vision and values. As is normal for large companies, authority for day-to-day management is delegated to the Chief Executive who in turn charges management with execution of the business strategy and related policies. The Directors review at each regular Board meeting: financial and operational performance; risk, compliance and regulatory reporting. The Board also reviews other areas over the course of the financial year including the Company's business strategy; financial reporting; key risks; stakeholder-related matters; and governance, compliance and legal matters. This is done through the consideration and discussion of reports which are sent in advance of each Board meeting and through presentations to the Board.

The Company's key stakeholders are its ultimate beneficial owner M&G plc (and before that Royal London), its customers, colleagues, communities and regulators. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the Directors when making relevant decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, for example, interaction with regulators, the size and spread of both the Company's stakeholders and the Group means that other stakeholder engagement takes place at Group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company.

During the period the Board received information to help them understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on the Company's financial and operational performance, non-financial key performance indicators, risk and the outcomes of specific pieces of engagement (for example, the results of employee surveys). As a result of this, the Board has had an overview of engagement with stakeholders and other relevant factors which allows it to understand the nature of the stakeholders' concerns and to comply with the section 172 duty to promote success of the Company.

Principal Decisions

The Board sets out below, some examples of how they have had regard to the matters set out in section 172(1)(a)-(f) when discharging their section 172 duty and the effect of that on decisions taken. The Board defines principal decisions as both those that are material to the Company, but also those that are significant to any of the Company's key stakeholders. In making the following principal decisions the Board considered relevant impact on stakeholders as well as the need to maintain a reputation for high standards of business conduct:

Principal decision 1 - Annual Strategy Review and Business Plan Approval

The Board carries out a review of the Company's strategy on an annual basis. This includes approving the business plan where the summary financials, headlines of the delivery plan, key themes, key dependencies and key risks are considered. The Board also receives an update on progress through the CEO Report and discusses business performance, development and implementation of strategy, objectives and business plans. In addition, appropriate management actions are taken to ensure that the Company continues to operate within risk appetite. In 2020, the Board discussed the Company's strategy taking into consideration the market dynamics, current plans and strategic and commercial options. The Business Plan also focused on the ongoing transformation in the business, the separation from Royal London and the integration into M&G, the key deliverables and dependencies to ensure that it was well-positioned for long-term success.

Investment Funds Direct Limited

Strategic Report (continued)

Section 172(1) Statement (continued)

The business plan has taken a strategic review of the company to optimise efficiencies in the platform whilst understanding discretionary fund manager needs, this allows the company to be more effective in managing relationships. Continued integration into M&G will give employees more opportunities within the Group.

Principal decision 2 - Transformation and Change

There has been a significant amount of ongoing strategic transformation within the Company following the platform migration in late 2018. Ongoing changes to the platform continue to increase efficiencies and optimise flows within the platform.

Principal decision 3 - Engagement with key stakeholder groups

Customers

Working with our partners through supporting their business, investment philosophy and their client relationships is at the heart of what IFDL does. We provide access to a market leading range of assets, tax wrappers and DFM's, and support them to build a client-centric proposition that is based on individual suitability. IFDL works in a way that builds longstanding meaningful relationships, getting to know what activities are vital for each of our partners, and offering a dedicated point of contact to manage a seamless end-to-end service to build that strong relationship. Feedback is constantly gathered to inform and influence our decision making and future developments, an example is through our quarterly satisfaction survey, which provides metrics to inform on our performance and also brings together strong feedback across our service and proposition and views on future focus.

Workforce

There is regular formal and informal engagement with the employees through company-wide employee surveys and regular team meetings so they can provide their views on our strategic direction, and confidence in our leaders. The performance of the business, vision, and strategic direction are communicated to employees alongside regular updates and discussions held within business unit teams.

By understanding the sentiment of its workforce through these means, the Company factors in their needs and concerns in management and Board meetings, and in developing its change initiatives.

From 1 January 2021 employees are invited to participate in the M&G plc Savings Related Share Option Scheme and can also participate in the M&G plc Share Incentive Plan.

Regulators

There is regular dialogue with the regulator through the Company's Client Assets Sourcebook ("CASS") Team to provide key business updates. Maintaining strong regulatory relations, communicating openly, working collaboratively and providing the Financial Conduct Authority with timely notifications of issues are of vital importance to the Company. The Company aims to ensure it approaches its relationships with regulators in an open and constructive manner at all times.

On behalf of the Board

T F Bischler
Director
26 March 2021

Investment Funds Direct Limited

Directors' Report
for the year ended 31 December 2020

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2020. As permitted by section 414C(11) of the Companies Act 2006, certain required disclosures have been included in the Strategic Report instead of the Directors' Report.

Directors

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

T F Bischler (Appointment date 26 February 2021)
C J Bousfield (Appointed 1 September 2020)
F J Clutterbuck – Independent Non-Executive Director (Appointed 25 November 2020)
P D Cooper (Appointed 1 September 2020)
D R Macmillan (Appointed 1 September 2020)
J A Owens – Non-Executive Director (Appointed 1 September 2020)
C E Thompson – (Appointed 26 March 2021)
R Thomson (Appointed 1 September 2020)

The Company remains focused on the principles of good governance: accountability, transparency, probity and the sustainable success of an entity over the longer term. We work for our members, taking account of our responsibilities to our stakeholders, in accordance with the Directors' statutory duties under Section 172 of the Companies Act 2006. Please refer to the Strategic report on pages 8 and 9 for how the Directors have performed their duty under section 172 of the Companies Act 2006.

Directors' indemnities

The Directors have the benefit of a qualifying third party indemnity provision (as defined in section 234 of the Companies Act 2006). This provision was in force throughout the financial year and as at the date of approval of the financial statements. The Company's ultimate parent undertaking, M&G plc also maintains Directors' and Officers' liability insurance in respect of the Company and its Directors. Prior to the acquisition of the Company by M&G plc on 1st September 2020, the Company's ultimate parent undertaking, Royal London Mutual Insurance Society Limited, also maintained Directors' and Officers' liability insurance in respect of the Company and its Directors.

Going concern

The directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements. This conclusion has been based upon the following: the Company is a subsidiary within M&G plc, and its ultimate parent company is continuing to trade and there are no plans for liquidation. The Company has a satisfactory capital adequacy, in excess of the capital requirements stipulated by the FCA.

In addition consideration has also been given to the Company's performance, the market in which it operates, its strategy and risks and uncertainties, as set out in the Strategic Report on pages 2 to 9. The key method for assessing going concern is through the business planning process which considers profitability, liquidity and solvency. The business planning process considers the Company's business activities, together with factors likely to affect its future development, successful performance and position, and key risks in the current economic climate.

Future costs in association with the integration of the Company into the Group may require future financing, and accordingly, a letter of support has been obtained from M&G Group Regulated Entity Holding Company Limited, committing to continue to support the company should this be required within one year of the date of approval of these financial statements.

On the basis of the assessment described, the Directors have adopted the going concern basis of accounting in preparing the Company's financial statements for the year ended 31 December 2020.

Inclusion

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Directors' Report
for the year ended 31 December 2020 (continued)

Employee Involvement

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Company plays a major role in enabling the Company to realise its goals and the employees to reach their potential. The Company encourages the involvement of employees via regular cascades of information from its ultimate parent company, M&G plc, regular company meetings at which the executive management team provide updates on matters of importance and the ongoing existence of an Employee Engagement Committee made up of employees from across the Company.

Shares Issued

During the year the Company authorised and issued 1.25 million ordinary shares of aggregated nominal value £1,250,000 for consideration of £25,000,000, to its immediate parent undertaking, Investment Funds Direct Group Limited.

Dividend

The Directors do not propose the payment of a dividend (2019: £nil).

Future outlook

Notwithstanding the continued disruption caused by COVID 19, the Company sees continued opportunity for growth in the platform market. Having now completed the sale of the Company to M&G plc, the Company is well placed to take advantage of the continued predicted growth in the platform market by using the capabilities of the Group in respect of asset management, with a view to making sustainable investment for all stakeholders core to the delivery of our corporate purpose.

Financial risk management

The Company's acceptance and management of financial and non-financial risk is discussed in the Strategic report on pages 5 to 7.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors

PricewaterhouseCoopers LLP are deemed to be re-appointed as auditors under section 487(2) of the Companies Act 2006.

Investment Funds Direct Limited

Directors' Report
for the year ended 31 December 2020 (continued)

Disclosure of information to auditors

The Directors who held office as 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 auditors are unaware; and that each Director has taken all steps that ought to have been taken as a Director to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Stakeholder engagement

The Directors understand the importance of fostering relationships with suppliers, customers and other stakeholders and ensure that the effects on these parties along with the duties outlined in section 172 are considered when principal decisions are taken, as referred to in strategic report on pages 8 and 9. The annual planning process exemplifies this, as outlined in respect of members and clients.

Members

The Company is ultimately owned by M&G plc, whose Directors set the overall strategic direction of the Group. During the planning process, meetings are held to ensure that IFDL's business plan is in line with the overall strategy set by the Group.

Clients

We aim to have long term relationships with our clients and understanding their objectives is crucial to the success of our business. The planning process includes consideration of our clients, for example increasing resources to support client service where the need has been identified by management or from client feedback. Whilst there is no direct business relationship with the below, the Directors also recognise these stakeholders to be important and ensures that their interests are taken into account

Our Regulator

Maintaining strong regulatory relationships, communicating openly, working collaboratively and providing the FCA with timely notification of issues are of vital importance to the Company. The business aims to ensure it approaches its relationship with regulators in an open and constructive manner at all times.

On behalf of the Board

T F Bischler
Director
26 March 2021

Independent auditors' report to the members of Investment Funds Direct Limited

Report on the audit of the financial statements

Opinion

In our opinion, Investment Funds Direct Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 Annual report and financial statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2020; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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.

Report on the audit of the financial statements

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK financial services regulation issued by the Financial Conduct Authority, Financial Services and Markets Act 2000 (FSMA), UK Tax regulations and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the manipulation of the financial statements by the posting of inappropriate journals in order to overstate the revenue and profit of the company. Audit procedures performed included:

- Substantive testing of journals that met criteria that could be indicative of a fraudulent journal; and
- Unpredictable procedures over trade debtors and the existence of client assets on which the firm earns its revenue.

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

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

Report on the audit of the financial statements

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Thomas Robb (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 March 2021

Statement of Comprehensive Income
for the year ended 31 December 2020

	Note	**2020**	2019
		£000	£000
Turnover	2	**34,128**	34,309
Administrative expenses		**(47,778)**	(67,955)
Operating loss	3	**(13,650)**	(33,646)
Interest receivable and similar income	4	**327**	499
Loss before taxation		**(13,323)**	(33,147)
Tax on loss	5	**(5,654)**	6,608
Loss for the financial year		**(18,977)**	(26,539)
Other comprehensive income for the year		**-**	-
Total comprehensive loss for the year		**(18,977)**	(26,539)

All of the above amounts are in respect of continuing operations.

The accounting policies and notes on pages 19 to 36 form an integral part of these financial statements.

Investment Funds Direct Limited

Statement of Financial Position
as at 31 December 2020

	Note(s)	**2020**	2019
		£000	£000
Fixed assets			
Intangible assets	6	**-**	-
Tangible assets	7	**54**	60
Right-of-use assets	16	**372**	450
		426	510
Non-current assets			
Debtors	8	**1,652**	-
Deferred tax asset	11	**-**	9,223
		1,652	9,223
Current assets			
Debtors	8	**10,600**	19,604
Investments	9	**22,198**	-
Cash at bank and in hand		**56,618**	68,808
		89,416	88,412
Creditors: amounts falling due within one year	10	**(15,704)**	(21,660)
Net current assets		**73,712**	66,752
Total assets less current liabilities		**75,790**	76,485
Creditors: amounts falling due after more than one year			
Lease liabilities	16	**-**	(166)
Provisions for liabilities	12	**(937)**	(7,489)
		(937)	(7,655)
Total assets less total liabilities		**74,853**	68,830
Capital and reserves			
Called up share capital	17	**155,251**	154,001
Share premium account	17	**23,766**	16
Other reserves	17	**67,512**	67,512
Profit and loss account	17	**(171,676)**	(152,699)
Total shareholders' funds		**74,853**	68,830

The notes on pages 19 to 36 form an integral part of these financial statements.

The financial statements on pages 16 to 36 were approved by the Board of Directors on 26 March 2021 and signed on its behalf by:

T F Bischler
Director
Investment Funds Direct Limited
Registered Number: 01610781

Investment Funds Direct Limited

Statement of Changes in Equity
for the year ended 31 December 2020

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000
At 1 January 2019	104,001	16	67,512	(126,160)	45,369
Issue of shares to parent undertaking	50,000	-	-	-	50,000
Total comprehensive loss for the financial year	-	-	-	(26,539)	(26,539)
At 31 December 2019	154,001	16	67,512	(152,699)	68,830
Issue of shares to parent undertaking	1,250	23,750	-	-	25,000
Total comprehensive loss for the financial year	-	-	-	(18,977)	(18,977)
At 31 December 2020	**155,251**	**23,766**	**67,512**	**(171,676)**	**74,853**

The accounting policies and notes on pages 19 to 36 form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2020

1 Accounting policies

(i) General information

Investment Funds Direct Limited is a Wrap Platform management company, operating in the United Kingdom (UK). The Company is a private limited company and is incorporated and domiciled in the UK. The address of its registered office is Trimbridge House, Trim Street, Bath, England, BA1 1HB.

(ii) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the provision of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The accounting policies set out below, and applicable accounting standards in the United Kingdom have been applied consistently throughout the year.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 issued by the Financial Reporting Council, and has adopted Financial Reporting Standard 101 "Reduced Disclosure Framework". These financial statements are therefore prepared in accordance with FRS 101 and the Companies Act 2006 as applicable to companies using FRS 101.

It was previously disclosed in the 2019 financial statements that, from 1 January 2020, the Company will be preparing its financial statements in accordance with Financial Reporting Standard (FRS) 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', to align with the standards reported against by its ultimate parent undertaking, the Royal London Mutual Insurance Society Limited. Following the acquisition of the Company by M&G plc on 1 September 2020, it was decided the Company would continue to prepare its financial statements in accordance with FRS 101, as outlined above, in order to align with the standards reported against by entities within the Group. Therefore, the basis of accounting is unchanged from the prior year.

The Company's financial results are included in the consolidated financial statements of M&G plc. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of:

- Comparative information for the reconciliation of the number of shares outstanding at the beginning and end of the period (IAS 1.79(a)(iv));
- A cash flow statement and related disclosures (IAS 1.10(d), 111);
- A statement of financial position for the beginning of the comparative period following a change in accounting policy or presentation;
- Information on new IFRSs that have been issued but which are not yet effective (IAS 8.30-31);
- Key management compensation (IAS 24.17);
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirement to present comparative information for narrative disclosures and for information going beyond the requirements of IFRS Standard (IAS 1.38); and
- Disclosures in respect of revenue from contracts with customers (The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15)

The Company has taken advantage of the exemptions within IFRS 8 (Operating Segments) not to provide segmental information, and as the consolidated financial statements of M&G plc include the equivalent disclosures, the Company has also taken advantage of the exemptions available under FRS 101 in respect of the disclosure requirements of paragraphs 45(b) and 46 to 52 required by IFRS 2 Share-based Payment.

Equivalent disclosures have been given in the consolidated financial statements of M&G plc. The consolidated financial statements of M&G plc are available to the public and can be obtained as set out in note 21.

The presentation of two primary statements, the Income Statement for the year ended 31 December 2020 and the Statement of Comprehensive Income for the year ended 31 December 2020, have been updated in accordance with IAS 1 to present one combined primary statement for the period. There is no impact on the classification or measurement required by the Company and accordingly no restatement of the prior year figures is required.

Notes to the financial statements for the year ended 31 December 2020 (continued)

1 Accounting policies (continued)

(ii) Basis of preparation (continued)

As permitted by section 400 of the Companies Act 2006, consolidated financial statements have not been prepared, as the Company's ultimate parent undertaking, M&G plc, includes the Company in its consolidated financial statements. The consolidated financial statements of M&G plc are prepared in accordance with International Financial Reporting Standards and may be obtained from the Company Secretary, 10 Fenchurch Avenue, London, England, EC3M 5AG. Prior to the acquisition, the Company was a wholly owned subsidiary of the Royal London Mutual Insurance Society

Limited, a company incorporated in England and Wales, and was included in the consolidated financial statements of that company.

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

(iii) Going concern

The directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements. This conclusion has been based upon the following: the Company is a subsidiary within M&G plc, and its ultimate parent company is continuing to trade and there are no plans for liquidation. The Company has a satisfactory capital adequacy, in excess of the capital requirements stipulated by the FCA.

In addition consideration has also been given to the Company's performance, the market in which it operates, its strategy and risks and uncertainties, as set out in the Strategic Report on pages 2 to 9. The key method for assessing going concern is through the business planning process which considers profitability, liquidity and solvency. The business planning process considers the Company's business activities, together with factors likely to affect its future development, successful performance and position, and key risks in the current economic climate.

Future costs in association with the integration of the Company into the Group may require future financing, and accordingly, a letter of support has been obtained from M&G Group Regulated Entity Holding Company Limited, committing to continue to support the company should this be required within one year of the date of approval of these financial statements.

On the basis of the assessment described, the Directors have adopted the going concern basis of accounting in preparing the Company's financial statements for the year ended 31 December 2020.

(iv) Turnover

Turnover consists of amounts for services from the Company's principal activity and arises wholly within the United Kingdom and is stated net of VAT and trade discounts. Revenue is recognised when the Company satisfies the related performance obligation, in accordance with IFRS 15 Revenue from contracts with customers.

Platform charges represent ongoing administration charges on the Assets under Administration and are charged monthly in arrears for the service. The Platform charges are accrued in line with the service provision over time and accrued income is recognised at the year-end for the charges to be charged to customers the following month. Offset against Platform charges are amounts relating to a share of the gross Platform charges that are paid on to external parties under a revenue share agreement. The revenue share amounts are paid to the external parties monthly in arrears and are accrued in the period that the revenue shares relate to. The total Platform charge revenue recognised is net of the revenue shares to third parties.

Self Invested Personal Pension ("SIPP") charges represent fixed annual management charges. As the annual charge represents a performance obligation over time, it is recognised as income on monthly basis and in accordance with contractual obligations.

Other income includes fixed fees on trading instructions deducted at the point of dealing and recognised as income when received, in addition to trade receivables accounted for in accordance with IFRS 9.

(v) Interest receivable and similar income

Interest receivable is accounted for on an accruals basis, with the exception of movements in investments held in equity securities which are measured at fair value through profit and loss.

Notes to the financial statements for the year ended 31 December 2020 (continued)

1 Accounting policies (continued)

(vi) Interest payable and similar charges

Interest payable and similar charges is accounted for on an accruals basis.

(vii) Pensions

The Company operates a defined contribution scheme for the benefit of its employees. Contributions are recognised as an expense in the period in which the related employee services are provided.

(viii) Taxation

Income tax on the loss for the financial year comprises current and deferred tax and is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity.

Current tax is the expected tax payable on the taxable profit for the financial year, based on tax laws and tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

(ix) Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost comprises the purchase cost, together with any directly attributable costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over their expected useful economic lives on a straight line basis and commences from the point at which the asset is fit for use. Leasehold Improvements are depreciated over the lease term, Fixtures, Fittings and Equipment and Computer Equipment are depreciated over three years.

(x) Intangible assets

Expenditure on research activities and costs associated with maintaining computer software programmes are recognised as an expense in the period in which they are incurred.

Computer software

Development costs that are directly attributable to the design and testing of identifiable software controlled by the Company are recognised as internally-generated intangible assets arising from the Company's development only if all the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits;
- adequate technical, financial and other resources are available to complete the development of the asset; and
- the development cost of the asset can be measured reliably.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Intangible assets are stated at historic cost less accumulated amortisation and impairment losses. Internally generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an administration expense in the period in which it is incurred.

1 Accounting policies (continued)

(xi) Impairment of intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

The recoverable amount is the higher of the fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Any impairment loss is reversed where there are changes in the estimated recoverable amount.

(xii) Right of use assets

Following the implementation of IFRS 16 from 1 January 2019, right-of-use assets are measured at carrying amount as if the Standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. Depreciation is calculated so as to write off the cost of the right of use assets, less their estimated residual values, over their lease term on a straight line basis and commences from the point at which the asset is fit for use.

(xiii) Investments in Group undertakings

Investments in Group undertakings are held at cost less impairment. Cost comprises the fair value of the consideration paid plus directly attributable and incremental transaction expenses.

(xiv) Cash at bank and in hand

Cash at bank and in hand comprises cash balances and deposits with a maturity date of three months or less from the acquisition date, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(xv) Investments

Investments in equity instruments are measured at fair value through profit or loss, and recognised as current assets within the statement of financial position.

(xvi) Financial Instruments

Financial assets and liabilities are not held for trading purposes. Financial assets and financial liabilities are set off and the net amount presented in the balance sheet when, and only when, the Company currently has a legal right to set off the amounts and intends to settle on a net basis.

a) Financial Assets

Recognition and initial measurement

A financial asset is initially measured at fair value plus, for a financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

On initial recognition, a financial asset is classified and measured at either amortised cost or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not recognised as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets that do not meet the criteria for being measured at amortised cost, as described above, are measured at FVTPL.

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

Notes to the financial statements
for the year ended 31 December 2020 (continued)

1 Accounting policies (continued)

(xvi) Financial Instruments (continued)

a) Financial Assets (continued)

Classification and subsequent measurement (continued)

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment

When assessing impairment, the Company considers factors including the credit rating of the counterparty to the receivable and historical experience. The Company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a 12-month expected loss allowance for amounts that are deemed to have low credit risk, except where the lifetime expected credit loss is considered to be a more accurate measure.

b) Financial liabilities

Financial liabilities consist of borrowings, and comprise amounts due in the normal course of business.

Financial liabilities are classified as measured at amortised cost (using the effective interest method) or FVTPL. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

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. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities are classified as creditors: amounts falling due within one year unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period in which case they are classified as creditors: amounts falling due after more than one year., is recognised in profit or loss as other income or finance costs.

(xvii) Leases

Following the implementation of IFRS 16 from 1 January 2019, finance lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. Lease liabilities are measured with reference to an estimate of the lease term, which includes optional lease periods when the Company is reasonably certain to exercise an option to extend (or not to terminate) a lease.

Short term leases, which, at the commencement date, have a lease term of 12 month or less are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(xviii) Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events that are not wholly within the control of the Company, and their amount cannot be measured reliably or settlement is not probably.

Contingent liabilities are not recognised in the financial statements of the Company, however, they are disclosed in the notes.

Notes to the financial statements for the year ended 31 December 2020 (continued)

(xix) Share-Based Payments

The Company offers share award and option plans for certain key employees.

Share options and awards of the ultimate parent company's equity instruments, for which the ultimate parent company has the obligation to settle, are valued using the fair value at the date of grant and are accounted for as equity-settled i.e. recognised in equity as a capital contribution from the ultimate parent company. Share options and awards for which the Company has the obligation to settle are valued using the fair value at the balance sheet date and are accounted for as cash-settled i.e. as an obligation to transfer the equity instruments of the ultimate parent company.

The compensation costs for all awards and options are recognised in comprehensive income over the plans' respective vesting periods,

(xx) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported assets, liabilities, income and expenses. Actual results may differ from these estimates. This is particularly relevant to deferred tax balances and provisions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information on significant areas of critical judgement in applying accounting policies are described below.

Deferred Tax Asset

Management has used judgements in determining the recoverability of the deferred tax asset. After consideration of anti-avoidance legislation, the Directors consider there is not sufficient certainty of taxable profits for the Company within the near future, and as such, the deferred tax asset has been reversed in the period (note 11).

Provisions

Provisions are based upon judgements, risk profiles and key sources of reliable estimations. Management has made judgements as to the best estimates of the consideration required to settle the present obligations (note 12).

Notes to the financial statements for the year ended 31 December 2020 (continued)

2 Turnover

	2020 £000	2019 £000
Platform Charges	**32,621**	32,784
SIPP Fees	**1,186**	1,141
Other Income	**321**	384
Turnover	**34,128**	34,309

3 Operating loss

The operating loss is stated after:

(i) Depreciation

Depreciation on tangible fixed assets of £88,000 (2019: £81,000) has been charged in the year. Depreciation on right of use assets of £268,000 (2019: £269,000) has been charged in the year following the adoption of IFRS 16 from 1 January 2019 as outlined in notes 1 and 16. Assets held by Royal London Mutual Insurance Society were transferred to the Company prior to the sale to M&G plc, and as such, management charges for use of assets amounts to nil in the year (2019: £33,000).

(ii) Operating lease expenses

Operating lease expenses in the year in respect of land and buildings were £99,000 (2019: £356,000), in relation to one property occupied at the start of 2020. Finance lease expenses in relation to the Company's registered address are outlined in note 16.

(iii) Staff costs

The average monthly number of persons (including Executive Directors) employed by the Company during the year was:

	2020 Number	2019 Number
Administration	**354**	379
Sales and sales support	**51**	46
	405	425

The aggregate remuneration payable in respect of the above employees was:

	2020 £000	2019 £000
Wages and salaries	**17,834**	16,778
Compensation for loss of office	**724**	-
Social security costs	**1,821**	2,116
	20,379	18,894

Notes to the financial statements for the year ended 31 December 2020 (continued)

3 Operating loss (continued)

(iv) Pension costs

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The below pension costs represent contributions payable by the Company to the fund.

	2020	2019
	£000	£000
Other pension costs	**1,873**	1,790

At the year-end an amount of £nil (2019: £nil) was outstanding in respect of contributions to the defined contribution pension scheme.

(v) Directors' remuneration

	2020	2019
	£000	£000
Emoluments for qualifying services	**627**	859
Compensation for loss of office	**375**	-
Company pension contributions to money purchase schemes	**13**	22
	1,015	881

Two directors (2019: Three) were remunerated for services to the Company and their aggregate emoluments are shown above. The chairman is remunerated by the ultimate parent company, and does not receive any incremental emoluments in respect of the services to the Company. The other Directors have not earned any emoluments in relation to the services provided to the Company.

Retirement benefits accrued under money purchase pension schemes for one Director (2019: one) until July 2020. At the end of the year, retirement benefits were accruing under money purchase pension schemes for no Directors (2019: one).

Emoluments disclosed above include the following amounts paid to the highest paid Director:

	2020	2019
	£000	£000
Emoluments for qualifying services	**469**	598
Company pension contributions to money purchase schemes	**-**	-
	469	598

(vi) Auditors' remuneration

The audit fee incurred for the auditors, PricewaterhouseCoopers LLP, for the year was £70,000 (2019: £52,286) in respect of the audit of the Company's annual financial statements and regulatory compliance.

The Company has also borne the audit fee for the auditors, PricewaterhouseCoopers LLP, for Investment Funds Direct Holdings Limited (2020: £5,000, 2019: £3,000), Investment Funds Direct Group Limited (2020: £5,000, 2019: £3,000) and Wrap IFA Services Limited (2020: £8,000, 2019: £nil).

The Company has also incurred £293,000 (2019: £212,000) in relation to the Company's CASS regulatory audits.

(vii) Impairment

Administration expenses include an impairment charge of £nil (2019: £nil) in respect of an intangible asset (see Note 6).

Notes to the financial statements for the year ended 31 December 2020 (continued)

3 Operating loss (continued)

(viii) Provisions

Administration expenses includes net provisions releases totalling £800,000 (2019: net provisions costs £1,200,000). These provisions are in respect of costs associated with rectification programs and onerous contracts (see Note 12).

(ix) Finance Costs

Administration expenses includes finance costs in relation to IFRS 16 lease commitments of £22,000 (2019: £44,000) (see Note 16).

4 Interest receivable and similar income

	2020	2019
	£000	£000
Interest receivable and similar income	**327**	499

Interest receivable relates to interest receivable from cash held at bank and similar income relates to fair value gains on investments in equity instruments.

5 Tax on loss on ordinary activities

(i) Tax credit to the profit and loss account

	2020	2019
	£000	£000
UK corporation tax credit at 19% (2019: 19%) on the loss for the year	**(3,569)**	(9,736)
Adjustments in respect of previous periods	**-**	246
Tax credit before deferred tax	**(3,569)**	(9,490)
Deferred tax charge for the current year (note 11)	**9,223**	3,102
Adjustments in respect of deferred tax in previous periods (note 11)	**-**	(220)
Total tax charge/(credit) on loss	**5,654**	(6,608)

(ii) Factors affecting the tax

The tax assessed for the year is different (2019: different) to the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020	2019
	£000	£000
Loss before taxation	**(13,323)**	(33,147)
Loss multiplied by the standard rate of UK corporation tax of 19% (2019: 19%)	**(2,531)**	(6,298)
Effects of:		
Expenses not deductible for tax purposes	**-**	-
Fixed asset differences	**-**	29
Change in tax rate	**-**	(365)
Adjustments in respect of prior periods	**(1,085)**	26
Losses on which no deferred tax is recognised	**210**	-
Derecognition of deferred tax on capital allowances	**9,060**	-
Total tax charge/(credit) for the year	**5,654**	(6,608)

Notes to the financial statements
for the year ended 31 December 2020 (continued)

5 Tax on loss on ordinary activities (continued)

(ii) Factors affecting the tax (continued)

The standard rate of Corporation Tax in the UK was due to change from 19% to 17% with effect from 1 April 2020. Following the budget announcement on 11 March 2020, the repeal of the legislation to reduce the tax rate was substantively enacted on 17 March 2020. Accordingly, the reduction in tax rate did not take place.

Deferred tax is provided at the tax rates enacted at the balance sheet date applicable to when the temporary differences are expected to reverse. The impact of the change to the tax rates is therefore recognised in the deferred tax movement for the year.

The impact of this reduction in tax rate was reflected in the deferred tax charge in 2019. The difference between calculating deferred tax at 19% and 17% is £1,085,000, and the adjustment has been reflected in 2020.

6 Intangible assets

	Internally Developed Software £000	Total £000
Cost		
At 1 January 2020	105,329	105,329
Additions	-	-
At 31 December 2020	**105,329**	**105,329**
Accumulated Amortisation and impairment		
At 1 January 2020	105,329	105,329
Impairment losses recognised in the year	-	-
At 31 December 2020	**105,329**	**105,329**
Net book amount		
At 31 December 2020	**-**	**-**
Net book amount		
At 31 December 2019	-	-

In accordance with IAS36 intangible assets are to be reviewed at least annually to assess whether any impairment is due. No additions were capitalised during the year as they were judged not to be recoverable, and therefore no impairment was required (2019: £nil).

Under the Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101), prior year comparatives have not been included.

Notes to the financial statements for the year ended 31 December 2020 (continued)

7 Tangible assets

	Computer equipment	Fixtures, fittings and equipment	Leasehold Improvements	Total
	£000	£000	£000	£000
Cost				
At 1 January 2020	3,715	347	417	4,479
Additions	54	28	-	82
Disposals	-	-	-	-
At 31 December 2020	**3,769**	**375**	**417**	**4,561**
Accumulated Depreciation				
At 1 January 2020	3,715	287	417	4,419
Depreciation charge for the year	34	54	-	88
Disposals	-	-	-	-
At 31 December 2020	**3,749**	**341**	**417**	**4,507**
Net book amount				
At 31 December 2020	**20**	**34**	**-**	**54**
Net book amount				
At 31 December 2019	-	60	-	60

Additions include assets transferred to the Company at their net book value from its previous ultimate parent undertaking, Royal London Mutual Insurance Society, prior to the acquisition by M&G plc. These assets have been capitalised at their original cost, less previously accumulated depreciation recharged to the Company as a management charge for use of assets, and are being depreciated over their remaining useful life.

Under the Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101), prior year comparatives have not been included.

Notes to the financial statements for the year ended 31 December 2020 (continued)

8 Debtors

i) Debtors due within 1 year

	2020	2019
	£000	£000
Trade debtors	**88**	212
Other debtors	**7,128**	9,920
Taxation and social security	**-**	5,969
Prepayments and accrued income	**3,384**	3,503
	10,600	19,604

Other debtors includes short term prefunding arrangements and prudent segregation arrangements in accordance with CASS 6 and 7. Other debtors also includes a quarterly advance paid in respect of 3 months' worth of fees, to be returned to the Company in 2021.

Prepayments and accrued income includes accrued income of £2,923,000 (2019: £2,990,000).

ii) Debtors due after more than 1 year

	2020	2019
	£000	£000
Other debtors	**1,652**	-

Other debtors includes a quarterly advance paid in respect of 3 months' worth of fees, to be returned to the Company in 2022.

9 Investments

	2020	2019
	£000	£000
At 1 January	**-**	-
Acquisitions	**36,000**	-
Disposals	**(14,000)**	-
Fair value movements	**198**	-
At 31 December	**22,198**	**-**

Investments consist solely of money market fund investments.

Notes to the financial statements for the year ended 31 December 2020 (continued)

10 Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Trade creditors	**-**	129
Amounts owed to Group undertakings	**7,193**	9,949
Lease liability (note 15)	**166**	382
Taxation and social security	**691**	125
Accruals and deferred income	**7,654**	11,075
	15,704	21,660

The amounts owed to Group undertakings are interest free, repayable on demand and unsecured.

11 Deferred tax asset

The deferred tax asset can be analysed as follows:

	2020	2019
	£000	£000
Accelerated capital allowances	**-**	9,223
Deferred tax asset	**-**	9,223

The movement in deferred tax asset in the year is shown below:

	2020	2019
	£000	£000
At 1 January	**9,223**	12,105
Deferred tax (charge) / credit in the profit and loss account	**(163)**	(3,102)
Adjustments in respect of deferred tax in previous periods (note 5)	**-**	220
De-recognition of deferred tax on capital allowances (note 5)	**(9,060)**	-
At 31 December	**-**	9,223

The 2019 deferred tax asset of £9,222,739 was on a capital allowance pool of £54,251,404. After consideration of anti-avoidance legislation, capital allowances have been ring-fenced to the Company following the change of ownership from Royal London Mutual Insurance Society to M&G plc, and therefore cannot be group relieved to the Group. As the Directors consider there is not sufficient certainty of taxable profits for the Company within the near future, the deferred tax asset has been reversed in the period.

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. Where this is not probable, the deferred tax asset is not recognised. The company did not recognise deferred tax assets of £211,983 (2019: £nil) in respect of tax losses amounting to £1,110,437 (2019: £nil) and £9,059,575 (2019: £nil) in respect of capital allowances amounting to £47,681,973 (2019: £nil) that can be carried forward against future taxable income.

Notes to the financial statements
for the year ended 31 December 2020 (continued)

12 Provisions for liabilities

	Onerous Contracts & Rectifications	DFM	Other	**Total**
	£000	£000	£000	**£000**
At 1 January 2020	5,916	1,517	56	**7,489**
Provisions utilised during the year	(5,073)	(630)	(56)	**(5,759)**
Provisions released during the year	(664)	(847)	-	**(1,511)**
Provisions made during the year	289	-	429	**718**
At 31 December 2020	**468**	**40**	**429**	**937**

In the course of conducting business, the Company receives liability claims and becomes involved in actual or threatened related litigation. These estimates are inherently uncertain but are based on information available at the time of preparation on the accounts. Potential liabilities are influenced by a number of factors including the actions and requirements of the external bodies including regulators, ombudsman rulings, industry compensation schemes and court judgments. In the opinion of the directors, adequate provisions have been established for such claims and no material loss will arise in this respect. The directors consider that the Company and the Group have adequate reserves to meet all reasonably foreseeable eventualities.

At the year end, the Company holds provisions for ‘Onerous contracts & Rectifications’, ‘DFM’ rectification programme, and ‘Other’ provisions.

Onerous Contracts & Rectifications

In 2019 the Company provided for an onerous contract to resolve and remediate the defects and obligations arising from the re-platforming project. The company also held a provision in relation to its advisor rectification programme.

During the year, the Company has made substantial progress to resolve past issues and remediate the defects and obligations arising from the re-platforming project. An additional amount of £289,000 has been included for further rectification programmes identified in 2020.

DFM

The Company is holding a provision for its Discretionary Fund Manager rectification program.

Other provisions

Other provisions include a provision for dilapidation costs and other potential liabilities.

The Company is expecting to fully utilise these provisions within the following financial year.

13 Contingent Liability

During the reporting period, a number of suppliers have been identified with contracts where monetary clauses for early termination could be enforced, currently estimated to be £40,000. Following the sale of the Company to M&G plc, it is uncertain whether these contracts will be required. No provision has been made in these financial statements as no obligation is currently present and the Directors do not consider there to be a probable loss as a result of the above.

14 Share-based payments

i) Description of share based payment arrangements

The Company participates in the discretionary Long term Incentive Plan (LTIP) operated by the Group, which awards M&G plc shares or share options to participants upon meeting the required vesting conditions.

The LTIP is a conditional share plan: the shares awarded will ordinarily be released to participants after three years to the extent that performance conditions have been met. If performance conditions are not achieved in full, the unvested portion of any award lapses. The performance conditions attached to LTIP awards include market performance conditions, Relative Total Shareholder Return (TSR); and other non-market conditions including, Group IFRS profit, or Business unit IFRS profit. The performance conditions attached to each award are dependent on the role of the participants. Threshold and maximum achievement levels will be set at the beginning of the performance periods in line with the three year business plan.

In accordance with IFRS 2, the schemes are recorded as equity-settled schemes as awards will be settled in M&G plc shares, by M&G plc directly. The cost associated with these awards is recharged to the Company by M&G plc, and therefore, the initial capital contribution in connection with these awards is immediately offset by the recharge recorded as an intercompany payable to M&G plc.

ii) Reconciliation of movements in share options

The movement in share options in the year is shown below:

	2020		2019	
	Number of Options	**Weighted average exercise price (£)**	Number of Options	Weighted average exercise price
Outstanding at 1 January	**-**	**-**	-	-
Granted	**67,950**	**1.63**	-	-
Exercised	**-**	**-**	**-**	-
Forfeited / Expired	**-**	**-**	**-**	-
Outstanding at 31 December	**111,049**	**1.63**	**-**	-

iii) Options outstanding at the balance sheet date

Range of exercise prices	**Number of outstanding options (2020)**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price (£)**	**Number exercisable**
Between £1 and £2	67,950	2.48	1.63	-

Range of exercise prices	Number of outstanding options (2019)	Weighted average remaining contractual life (years)	Weighted average exercise price (£)	Number exercisable
Between £1 and £2	-	-	-	-

The remaining liabilities in respect of equity-settled options are revalued to fair value as at the year end. The total carrying amount of liabilities in relation to share-based payments at 31 December 2020 was £14,000 (2019: nil).

Notes to the financial statements
for the year ended 31 December 2020 (continued)

15 Operating lease commitments

	2020 £000	2019 £000
Operating leases in respect of land and buildings		
The total future minimum lease payments which expire:		
Less than one year	-	56
Within two to five years	-	-
	-	56

The company does not have any future operating lease commitments.

16 IFRS 16 Lease Commitments

i) Amounts recognised in the balance sheet

	2020 £000	2019 £000
Right-of-use assets:		
Buildings	372	450
Total	372	450
Lease liabilities:		
Expected to be settled within 12 months	166	382
Expected to be settled in more than 12 months	-	166
Total	166	548

Additions of £189,000 were made to right-of-use assets during the year, in relation to expected dilapidation costs.

The lease liability has been measured with reference to an estimate of the lease term. Following the expiration of the lease, the Company's ultimate parent undertaking will be extending the lease and will therefore be recorded in the M&G plc financial statements.

ii) Amounts recognised in the statement of comprehensive income

	2020 £000	2019 £000
Depreciation charge:		
Buildings	268	269
Total	268	269
Interest expense		
Buildings	22	44
Total	22	44

The total cash outflow for leases in 2020 was £290,000.

17 Capital and Reserves

(i) Called up share capital

	2020 £000	2019 £000
Authorised, issued and fully paid		
155,251,263 (2019: 154,001,263) ordinary shares of £1 each	**155,251**	154,001

Called up share capital relates to the issue of ordinary shares to the parent undertaking.

During the year the Company authorised and issued 1.25 million ordinary shares of aggregated nominal value £1,250,000 for consideration of £25,000,000 to its immediate parent undertaking, Investment Funds Direct Group Limited.

The shares have attached to them full voting, dividend and capital distribution rights.

(ii) Share Premium

	2020 £000	2019 £000
At 1 January	**16**	16
Additions	**23,750**	-
At 31 December	**23,766**	16

Share premium relates to consideration received from the issue of shares in excess of the nominal value recorded in share capital.

As outlined above, during the year the Company authorised and issued 1.25 million ordinary shares of aggregated nominal value £1,250,000, for consideration of £25,000,000, to its immediate parent undertaking, Investment Funds Direct Group Limited. The premium of £23,750,000 has been recorded as share premium.

(iii) Profit and loss account

	2020 £000	2019 £000
At 1 January	**(152,699)**	(125,970)
Adjustment to prior year reserves under IFRS 16	**-**	(190)
Restated position at 1 January	**(152,699)**	(126,160)
Loss for the financial year	**(18,977)**	(26,539)
At 31 December	**(171,676)**	(152,699)

(iv) Other Reserves

Other reserves relate to capital contributions from the parent undertaking.

Notes to the financial statements for the year ended 31 December 2020 (continued)

18 Risk management objectives and policies for managing capital

A copy of the Pillar 3 Disclosure document is available from the Company's registered office, Trimbridge House, Trim Street, Bath, BA1 1HB. This information is also available on the Company's website (www.ascentric.co.uk/your-platform/documents-and-forms/).

19 FCA Remuneration Code

The Company complies with the FCA Remuneration Code. The remuneration disclosure relates to "Code Staff", that is staff whose professional activities have a material impact on the Company's risk profile. Therefore, this may include staff that may not be Directors of the Company. The required disclosure BIPRU 11.5.18 is available on the M&G plc website (https://www.mandgplc.com/our-business/mandg-investments/mandg-investments-business-policies).

20 Client money arrangements

As required by the UK Financial Services and Markets Act 2000 and in accordance with FCA rules, the Company maintains client money balances on behalf of clients with banks totalling £0.7bn (2019: £0.8bn). The Company maintains custody asset balances with a nominee Company controlled by the firm totalling £15.6bn (2019: £15.4bn). These amounts are not included in the Company's balance sheet.

21 Ultimate parent undertaking and controlling party

Investment Funds Direct Group Limited, a company registered in England and Wales, is the immediate parent undertaking. Since 1 September 2020, M&G plc, a company registered in England and Wales, is the ultimate parent undertaking and controlling party. Prior to this, to ultimate parent undertaking and controlling party was The Royal London Mutual Insurance Society Limited, a company registered in England and Wales.

M&G plc is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements. Copies of the consolidated financial statements of M&G plc are available from its registered office at 10 Fenchurch Avenue, London, EC3M 5AG. Copies of the financial statements of Investment Funds Direct Group Limited are available from the Company's registered office.

22 Related undertakings

The related undertakings of the Company at 31 December 2020 are listed below:

Name	Address	Ownership %	Class of Share	Nature of Business
Fundsdirect ISA Nominees Limited*	10 Fenchurch Avenue London England EC3M 5AG	100	£1 Ordinary	Activities auxiliary to financial intermediation (Dormant)
IFDL Personal Pensions Limited*	10 Fenchurch Avenue London England EC3M 5AG	100	£1 Ordinary	Activities auxiliary to financial intermediation (Dormant)
Fundsdirect Nominees Limited*	10 Fenchurch Avenue London England EC3M 5AG	100	£1 Ordinary	Activities auxiliary to financial intermediation (Dormant)

* Held directly