

Investment Funds Direct Limited

Annual report and financial statements

for the year ended 31 December 2018

Registered Number 1610781



Investment Funds Direct Limited
Annual report and financial statements
for the year ended 31 December 2018

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Investment Funds Direct Limited

Officers and independent auditors for the year ended 31 December 2018

Directors

Andrew Carter (Resigned 3 August 2018)

Tracey Graham

Heidi Johnson (Appointed 1 August 2018)

Isobel Langton

James McCourt (Appointed 27 June 2018)

Robert Regan (Appointed 13 March 2018)

Jonathan Taylor (Resigned 30 May 2018)

Company Secretary

Royal London Management Services Limited

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

(Company limited by shares – registered in England & Wales)

Registered Number

1610781

Investment Funds Direct Limited

Strategic Report

for the year ended 31 December 2018

The directors present their Strategic Report for the year ended 31 December 2018.

Business review and principal activities

The principal activity of Investment Funds Direct Limited (“IFDL” or the “company”) is the management of a platform, providing investment administration services to financial advisors 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.

The company maintained its market share in 2018 taking on gross assets under administration of £2.6bn during the year (2017 £2.8bn). Despite the volatility of the underlying macro-economic environment the company finished the year with platform assets of £14.5bn (2017: £14.4bn).

The company reports a financial loss of £37.6m for 2018 (2017: £32.7m). This figure includes an impairment charge of £30.9m in respect of an intangible asset and a provision of £11.7m in respect of other costs. The intangible asset in question represents internally generated software. As required by accounting standards, a review of the carrying value of the intangible asset was undertaken and it was deemed that there was insufficient evidence to support the total capitalised value and an impairment was required.

Principal risks and uncertainties

The company's business involves the acceptance and management of risk. The principal risks and uncertainties facing the company are detailed below:

Operational risk

Operational risk is the risk of 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. The IFDL Board has a low risk appetite for any actions or activities that have the potential to impair the investment administration operations of the entity or adversely impact customers. IFDL recognises the importance of IT infrastructure 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.

Reputational risk

Reputational risk is 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. Potential exposure to reputational risk is reduced by well-established and comprehensive controls to ensure compliance and adherence to the regulatory, market and ethical obligations imposed on the company. Similarly, IFDL aims to ensure that the services it carries out are to a high standard at all times.

Market risk

IFDL does not trade on its own account; however uncertainty in markets of principal business channels would limit both new clients and contributions from existing clients. Income directly correlates to the value of assets held under administration and is therefore impacted by any market movement.

Investment Funds Direct Limited

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

Investment performance

IFDL does not trade on its own account so the only investment on IFDL's balance sheet that affects revenue is cash. The principal risk in relation to cash holdings is interest rate risk which is considered in the financial risk management section. IFDL, through its terms and conditions and conduct of business generally, does not place itself at risk of assuming client losses except in the cases of internal operation failure, the risk of which is addressed as outlined above.

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.

Operating result before impairment, tax and exceptional items for the year was: loss £14.4m (2017: loss £11.2m)

Gross new business flows for the year were: £2.6bn (2017: £2.8bn)

Assets under administration at the end of the year were: £14.5bn (2017: £14.4bn)

Financial risk management

The company's business involves the acceptance and management of financial risk. The principal financial risks facing the company are detailed below:

Credit risk

IFDL maintains operating balances with a major UK clearing bank and consequently the risk of counterparty default is considered low. Additionally, IFDL has a number of debtor balances which relate largely to client fees with the associated risk in relation to this being mainly the non-payment of the fees. Fees and other balances due from clients are regularly reviewed and the potential impact considered. The company 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.

Liquidity risk

This is the risk that adequate liquid funds are not available to settle liabilities as they fall due. IFDL maintains sufficient liquidity in line with the UK's regulatory requirements. Senior management within IFDL continuously review and enhance its business control environment to make sure that risks are managed in a comprehensive and robust manner.

Interest rate risk

As noted above, IFDL is exposed to changes in interest rates in relation to interest earned on its own monies.

On behalf of the Board



Robert Regan
Director
19 March 2019

Investment Funds Direct Limited

Directors' Report for the year ended 31 December 2018

The directors present their report and the audited financial statements of the company for the year ended 31 December 2018. The information contained in the Strategic report forms part of this Directors' report.

Directors

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

Directors

Tracey Graham

Isobel Langton

Heidi Johnson (Appointed 1 August 2018)

James McCourt (Appointed 27 June 2018)

Robert Regan (Appointed 13 March 2018)

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, The Royal London Mutual Insurance Society Limited, also maintains Directors' and Officers' liability insurance in respect of the company and its directors.

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.

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, Royal London Mutual Insurance Society Limited, 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 45 million ordinary shares of aggregated nominal value £45,000,000 for consideration of £45,000,000. The company issued a further 50 million ordinary shares of aggregated nominal value £50,000,000 for consideration of £50,000,000 on 14 March 2019.

Dividend

The directors do not propose the payment of a dividend (2017: £nil).

Future outlook

The company expects to see continued growth of assets under administration. Continued investment and development of the new platform should ensure operating profitability returns in the forthcoming years.

Financial risk management

The company's acceptance and management of financial risk is discussed in the Strategic Report, pages 2-3.

Investment Funds Direct Limited

Directors' Report

for the year ended 31 December 2018 (continued)

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;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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 the group 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.

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.

On behalf of the Board



Robert Regan
Director
19 March 2019

Investment Funds Direct Limited

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 2018 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 2018; the statement of comprehensive income, the statement of changes in equity for the year ended 31 December 2018; 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

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

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and, in common with other companies, it is difficult to evaluate all of the potential implications on the company's business, clients, suppliers and the wider economy, in general terms.

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.

Investment Funds Direct Limited

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

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

Strategic Report and Directors' Report

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

In light of the knowledge and understanding of the 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 set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

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

Use of this report

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

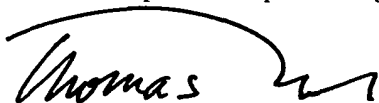
Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the 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
19 March 2019

Investment Funds Direct Limited

Statement of Comprehensive Income for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover		34,712	32,290
Administrative expenses		(80,345)	(74,483)
Operating loss	2	(45,633)	(42,193)
Other interest receivable	3	243	74
Loss before taxation		(45,390)	(42,119)
Tax on loss	4	7,761	9,459
Loss for the financial year	12	(37,629)	(32,660)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(37,629)	(32,660)

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

The notes on pages 11 to 24 form an integral part of these financial statements.

Investment Funds Direct Limited

Statement of Financial Position as at 31 December 2018

	Note(s)	2018 £000	2017 £000
Fixed assets			
Intangible assets	5	-	-
Tangible assets	6	186	202
Deferred tax asset	9	12,105	5,924
		12,291	6,126
Current assets			
Debtors	7	30,192	14,271
Cash at bank and in hand		44,213	51,496
		74,405	65,767
Creditors: amounts falling due within one year	8	(29,456)	(27,648)
Net current assets		44,949	38,119
Total assets less current liabilities		57,240	44,245
Creditors: amounts falling due after more than one year			
Provisions for liabilities	10	(11,681)	(6,057)
		(11,681)	(6,057)
Net assets		45,559	38,188
Capital and reserves			
Called up share capital	11, 12	104,001	59,001
Share premium account	12	16	16
Other reserves	12	67,512	67,512
Profit and loss account	12	(125,970)	(88,341)
Total shareholders' funds	12	45,559	38,188

The notes on pages 11 to 24 form an integral part of these financial statements.

The financial statements on pages 8 to 24 were approved by the Board of Directors on 19 March 2019 and signed on its behalf by:



Robert Regan
Director
Investment Funds Direct Limited
Registered Number: 1610781

Investment Funds Direct Limited

Statement of Changes in Equity for the year ended 31 December 2018

	Called up share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2017	59,001	16	67,512	(55,681)	70,848
Loss for the financial year	-	-	-	(32,660)	(32,660)
At 31 December 2017	59,001	16	67,512	(88,341)	38,188
Capital contribution from parent undertaking	45,000	-	-	-	45,000
Loss for the financial year	-	-	-	(37,629)	(37,629)
At 31 December 2018	104,001	16	67,512	(125,970)	45,559

The notes on pages 11 to 24 form an integral part of these financial statements.

Investment Funds Direct Limited

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

1 Accounting policies

(i) Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and Financial Reporting Standard (FRS) 101, 'Reduced Disclosure Framework'.

FRS 101 permits the use of International Financial Reporting Standards (IFRS) as adopted for use in the European Union but with certain exemptions, as described below.

In accordance with FRS 101, the company has taken the exemptions not to present the following items required by EU IFRS:

- Comparative information for the reconciliation of the number of shares outstanding at the beginning and end of the period;
- A cash flow statement and related disclosures;
- 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;
- Key management compensation; and
- Related party transactions between members of the group provided that any subsidiary that is party to the transaction is wholly owned by the group.

The Board gained shareholder permission to adopt the reduced disclosure.

The company has taken advantage of the exemptions within IFRS 8 (Operating Segments) not to provide segmental information.

The presentation of two primary statements, the Income Statement for the year ended 31 December 2018 and the Statement of Comprehensive Income for the year ended 31 December 2018, 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.

The following new and amended standards have been adopted for the first time in these financial statements. There is no impact on the classification or measurement of the financial assets or liabilities held by the company and accordingly no restatement of the prior year figures is required.

- IFRS 9, 'Financial Instruments' covering the classification and measurement of financial instruments; and
- IFRS 15, 'Revenue from contracts with customers' which concerns recognition of revenue when control of a good or service transfers to a customer.

As permitted by section 400 of the Companies Act 2006, consolidated financial statements have not been prepared because the company itself is a wholly owned subsidiary of The Royal London Mutual Insurance Society Limited, a company incorporated in England and Wales, and is 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.

(ii) Turnover

Turnover consists of amounts receivable for services derived from the company's principal activity and arises wholly within the United Kingdom and is stated net of VAT and trade discounts. It is recognised when the related goods and services have been provided and the Company has the right to the revenue.

(iii) Operating leases

Operating lease costs are recognised in the profit and loss account on a straight-line basis over the lease term.

Investment Funds Direct Limited

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

1 Accounting policies (continued)

(iv) 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.

(v) Other interest receivable and interest payable

Other interest receivable and interest payable are accounted for on an accrual basis.

(vi) 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, with no discounting, using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and tax laws 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 asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(vii) Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation and impairment losses. 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, Fixture, Fittings and Equipment and Computer Equipment are depreciated over three years.

(viii) 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 expense in the period in which it is incurred.

Investment Funds Direct Limited

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

1 Accounting policies (continued)

(ix) Impairment of tangible and intangible assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and 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 (if any).

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.

(x) 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.

(xi) 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.

(xii) Debtors / creditors

Debtors and creditors are recognised initially at fair value and subsequently measured at amortised cost.

(xiii) Provisions

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).

(xiv) 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.

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 within the significant accounting policies above.

Investment Funds Direct Limited

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

2 Operating loss

The operating loss is stated after:

(i) Depreciation

Depreciation on tangible fixed assets of £228,000 (2017: £395,000) has been charged in the year.

(ii) Operating lease rentals

Operating lease expenses in the year in respect of land and buildings were £720,000 (2017: £511,000), of which £95,000 relates to an increase in annual lease payments dating back to 2017, agreed and paid in 2018.

(iii) Staff costs

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2018	2017
	Number	Number
Administration	320	359
Sales and sales support	43	39
	363	398

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

	2018	2017
	£000	£000
Wages and salaries	13,459	11,716
Social security costs	1,341	1,052
	14,800	12,768

(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.

	2018	2017
	£000	£000
Other pension costs	1,246	1,128
	1,246	1,128

At the year-end an amount of £nil (2017: £nil) was outstanding in respect of contributions to the defined contribution pension scheme.

Investment Funds Direct Limited

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

2 Operating loss (continued)

(v) Directors' remuneration

	2018	2017
	£000	£000
Emoluments for qualifying services	1,363	532
Company pension contributions to money purchase schemes	24	17
	1,387	549

Four directors (2017: two) were remunerated for services to the company and their aggregate emoluments are shown above. The chairman is remunerated for her services by Royal London Management Services, which is recharged to IFDL. The amount has been included in the aggregate emoluments above. The other directors have not earned any emoluments in relation to the services provided to the company.

Retirement benefits are accruing under money purchase pension schemes for two directors (2017: one).

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

	2018	2017
	£000	£000
Emoluments for qualifying services	594	467
Company pension contributions to money purchase schemes	6	17
	600	484

(vi) Auditors' remuneration

The remuneration of the auditors, PricewaterhouseCoopers LLP, for the year was £38,378 (2017: £37,260) in respect of the audit of the company's annual financial statements and regulatory compliance.

(vii) Impairment

Administration expenses includes an impairment charge of £30.9m (2017: £30.9m) in respect of an intangible asset (see Note 5).

(viii) Provisions

Administration expenses includes provisions totalling £11.7m (2017: £6.1m). These provisions are in respect of costs associated with internally generated software, regulatory projects, and dilapidation costs (see Note 10).

Investment Funds Direct Limited

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

3 Other interest receivable

	2018 £000	2017 £000
Other interest receivable	243	74
	243	74

Other interest receivable relates to interest receivable from cash held at bank.

Investment Funds Direct Limited

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

4 Tax on loss

	2018	2017
	£000	£000
(i) Tax credit to the profit and loss account		
UK corporation tax credit at 19% (2017: 19.25%) on the loss for the year	(5,461)	(6,876)
Adjustments in respect of previous periods	3,881	(117)
Tax credit before deferred tax	(1,580)	(6,993)
Deferred tax credit for the current period (note 9)	(2,830)	(1,055)
Adjustments in respect of deferred tax in previous periods (note 9)	(3,351)	(1,411)
Tax credit on loss	(7,761)	(9,459)

(ii) Factors affecting the tax

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018	2017
	£000	£000
Loss before taxation	(45,390)	(42,119)
Loss multiplied by the standard rate of UK corporation tax of 19% (2017: 19.25%)	(8,624)	(8,106)
Effects of:		
Expenses not deductible for tax purposes	1	36
Change in tax rate	333	139
Adjustments in respect of prior periods	529	(1,528)
Total tax credit for the year	(7,761)	(9,459)

The tax rate will reduce to 17% from 1 April 2020; this change was substantively enacted on 15 September 2016 and, therefore is recognised in these financial statements for the purposes of calculating deferred tax.

Investment Funds Direct Limited

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

5 Intangible assets

	Internally Developed Software £000	Total £000
Cost		
At 1 January 2018	74,385	74,385
Additions	30,944	30,944
At 31 December 2018	105,329	105,329
Accumulated Amortisation and impairment		
At 1 January 2018	74,385	74,385
Impairment losses recognised in loss	30,944	30,944
At 31 December 2018	105,329	105,329
Net book amount		
At 31 December 2018	-	-
Net book amount		
At 31 December 2017	-	-

In accordance with IAS36 intangible assets are to be reviewed at least annually to assess whether any impairment is due. A review of the carrying value of the internally developed software, held on the balance sheet as an intangible asset, was undertaken to ensure the carrying value was supported by economic value in use calculations. This review indicated that there was insufficient evidence to support the capitalised value and that an impairment was therefore required of £30.9m. (2017: £30.9m).

Investment Funds Direct Limited

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

6 Tangible assets

	Computer equipment £000	Fixtures, fittings and equipment £000	Leasehold Improvements £000	Total £000
Cost				
At 1 January 2018	3,727	231	390	4,348
Additions	69	143	-	212
At 31 December 2018	3,796	374	390	4,560
Accumulated Depreciation				
At 1 January 2018	3,525	231	390	4,146
Depreciation charge for the year	193	35	-	228
At 31 December 2018	3,718	266	390	4,374
Net book amount				
At 31 December 2018	78	108	-	186
Net book amount				
At 31 December 2017	202	-	-	202

7 Debtors

	2018 £000	2017 £000
Trade debtors	495	-
Other debtors	26,079	4,603
Group relief	-	5,850
Taxation and social security	-	55
Prepayments and accrued income	3,618	3,763
	30,192	14,271

Investment Funds Direct Limited

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

8 Creditors: amounts falling due within one year

	2018	2017
	£000	£000
Trade creditors	906	4,794
Amounts owed to Group undertakings	19,739	14,654
Taxation and social security	1,390	-
Accruals and deferred income	7,421	8,200
	29,456	27,648

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

9 Deferred tax: due after more than one year

The deferred tax asset can be analysed as follows:

	2018	2017
	£000	£000
Accelerated capital allowances	12,105	5,924
Deferred tax asset	12,105	5,924

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

	2018	2017
	£000	£000
At 1 January	5,924	3,458
Deferred tax credit in the profit and loss account (note 4)	2,830	1,055
Adjustments in respect of deferred tax in previous periods (note 4)	3,351	1,411
At 31 December	12,105	5,924

The directors consider that there is sufficient certainty there will be taxable profits in the future to utilise the deferred tax asset of £12,105,000 (2017: £5,924,000) shown above, and therefore the asset has been recognised in these financial statements.

Investment Funds Direct Limited

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

10 Provisions for liabilities

	Marketing	MIFID II	Dilapidation	Rectification Program	Re-platforming Project	Total
	£000	£000	£000	£000	£000	£000
At 1 January	40	274	160	478	5,105	6,057
Provisions used during the year	(40)	(274)	-	-	(5,105)	(5,419)
Provisions made during the year	-	-	-	4,663	6,380	11,043
At 31 December	-	-	160	5,141	6,380	11,681

At the end of the year provisions totalling £11.7m (2017: £6.1m) were recognised in relation to the following:

Dilapidation

The Company holds a provision in relation to dilapidations against a building leased until February 2019.

Rectification

The Company is holding a provision for its customer rectification program.

Re-platforming project

Within 2018 the Company completed the implementation of the re-platforming project. Provisions have been created in the year post migration to complete the final functionality requirements.

Investment Funds Direct Limited

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

11 Called up share capital

	2018 £000	2017 £000
Issued and fully paid		
104,001,263 (2017: 59,001,263) ordinary shares of £1 each	104,001	59,001

12 Reserves

(i) Profit and loss account	2018 £000	2017 £000
At 1 January	(88,341)	(55,681)
Loss for the financial year	(37,629)	(32,660)
At 31 December	(125,970)	(88,341)

(ii)	Called up share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2017	59,001	16	67,512	(55,681)	70,848
Loss for the financial year	-	-	-	(32,660)	(32,660)
At 31 December 2017	59,001	16	67,512	(88,341)	38,188
Capital contribution from parent undertaking	45,000	-	-	-	45,000
Loss for the financial year	-	-	-	(37,629)	(37,629)
At 31 December 2018	104,001	16	67,512	(125,970)	45,559

Investment Funds Direct Limited

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

13 Operating lease commitments

	2018 £000	2017 £000
Operating leases in respect of land and buildings		
The total future minimum lease payments which expire:		
Less than one year	44	-
Within two to five years	976	1,710
After five years	-	-
	1,020	1,710

14 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.

15 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 Royal London Group website (www.royallondongroup.co.uk).

16 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 £0.9bn (2017: £0.8bn). The company maintains custody asset balances with a nominee company controlled by the firm totalling £13.6bn (2017: £13.6bn). These amounts are not included in the company's balance sheet.

17 Ultimate parent undertaking and controlling party

Investment Funds Direct Group Limited, a company registered in England and Wales, is the immediate parent undertaking. The Royal London Mutual Insurance Society Limited, a company registered in England and Wales, is the ultimate parent undertaking and controlling party.

The Royal London Mutual Insurance Society Limited is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements. Copies of the financial statements of The Royal London Mutual Insurance Society Limited are available from its registered office at 55 Gracechurch Street, London, EC3V 0RL. Copies of the financial statements of Investment Funds Direct Group Limited are available from the company's registered office.

Investment Funds Direct Limited

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

18 Related undertakings

The related undertakings of the Company at 31 December 2018 are listed below:

Name	Ownership %	Class of Share	Nature of Business
United Kingdom			
Trimbridge House, Trim Street, Bath, BA1 1HB			
Fundsdirect ISA Nominees Limited*	100	£1 Ordinary	Dormant
IFDL Personal Pensions Limited*	100	£1 Ordinary	Dormant
Fundsdirect Nominees Limited*	100	£1 Ordinary	Dormant
India			
374/35, First Floor, (Out House) 6 th Cross Wilson Garden, Bangalore, KA 560027			
ISL Software (India) Private Limited*	100	INR Ordinary	Dissolved (3 August 2018)

* Held directly