

**2 Plan Wealth Management Limited**

**Directors' Report and Financial Statements**

**For the year ended 31 December 2020**



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## **Officers and Professional Advisers**

### **Directors**

Christopher Smallwood  
Nicolas Hewitt  
Peter Davis  
Michael Morrow

### **Secretary**

Quayseco Limited

### **Registered office**

3<sup>rd</sup> Floor  
Bridgewater Place  
Water Lane  
Leeds  
West Yorkshire  
LS11 5BZ

### **Bankers**

National Westminster Bank plc  
Leeds City Office  
8 Park Row  
Leeds  
LS1 5HD

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
2 Glass Wharf  
Bristol  
BS2 0FR

## **Directors' Report**

for the year ended 31 December 2020

The directors present their report for the audited financial statements of 2 Plan Wealth Management Limited ("the Company") for the year ended 31 December 2020.

### **Principal Activities**

The Company is a company limited by shares, domiciled in England and Wales and incorporated in the United Kingdom. The Company's principal activity is that of the provision of financial advice through independent financial advisers and is authorised and regulated by the Financial Conduct Authority ("FCA").

2020 achieved steady growth across the business in an unprecedented time throughout Covid 19.

Adviser numbers grew from 231 to 286 with 28 applications in the pipeline awaiting authorisation. An interesting point to bring out is that we managed to interview, induct, and train the new advisers remotely via Teams and online induction courses instead of meeting anyone or bringing a new adviser up to Leeds for the week to attend the induction course. To provide further assistance we developed an Onboarding Team, to provide extra resource in training the new advisers on our systems and processes to ensure they got up and running as swiftly as possible.

As many firms were and continue to struggle under Covid, they have not managed to enhance their propositions to enable advisers to deal with their clients remotely. Our investment into our Client Access Portal (CAP) together with Teams provided a firm foundation and method of working throughout 2020. This enables clients to seamlessly communicate with their adviser and send and receive documents together with digital signatures to enable business to be transacted as close to business as usual before Covid.

Turnover also increased from £27.1m to £28.8m as business levels returned to somewhat normality from existing advisers, together with the new adviser businesses joining. 2plan also runs novations whereas entire client bases of the advisers can be transferred to 2plan en-bloc so we are able to continue to receive the ongoing service fees when the advisers are appointed. This can save much time instead of the adviser having to visit each client to obtain a wet signature.

Throughout 2020 we did not furlough any staff or had the need to make any redundancies. In fact, we chose to increase the number of staff in line with the growth we experienced across the business. Furthermore, this was all done remotely including interviewing, inducting, and getting new staff members up and running using Teams and our back-office systems.

Assets under management also grew resulting in around £2.4bn where ongoing service was provided and where we received electronic valuations. Total AUM grew to c£3bn+. Investments into Omnis funds grew from virtually a standing start to over £83m as the advisers and clients became more comfortable with the whole Omnis investment solution. Omnis has brought an enhanced investment experience to 2plan with the auto-rebalancing Graphene model portfolios, the discretionary arm in the Managed Portfolio Service together with regular communications and updates for clients which were particularly well received in a period of turbulent markets.

Omnis funds sat on three platforms in 2020. 2021 should see the addition of a number of other platforms. For clients who wish to diversify some of their investments into Omnis funds this will be a welcome enhancement as many of the clients and advisers are happy with their current platform and can simply action a fund switch as opposed to a re-registration exercise.

Overall we believe that 2plan has continued to engender a culture across the advisers and staff which has created a partnership relationship across the business. This togetherness has strengthened our culture further in these challenging times resulting in advisers choosing to stay with 2plan and new advisers perceiving this is the place for them to be to build their businesses in the years to come. This has provided stability across the company, which is also reinforced with the longevity of staff, particularly the management team who have been together many years now, with some still with 2plan since its inception in 2006.

### **Technology**

We have continued to invest in our proposition. We continued the build of the new web-based systems which will greatly assist multi-adviser firms and enable advisers to work anytime, anywhere on any devices; they will just require an internet connection.

## **Directors' Report (continued)**

for the year ended 31 December 2020

Our disaster recovery and business continuity plans needed to be executed with Covid and worked extremely well with all business functions operating normally. The only part we could not have tested was the long-term effects of our staff working from home and the need to look after their mental well-being not just the systems functioning properly.

We further improved our IT security by rolling out multi-factor authentication across our adviser base and have been elevating this to everyone connected within their own businesses i.e. their assistants and PAs.

It has been a real learning time for us as a firm as we have seen clients engage with us remotely and been happy to connect with us digitally. Indeed, many have found this very reassuring that we have systems and processes in place so they can speak with their adviser and transact any instructions or further invest throughout these turbulent times.

Our technology roadmap in 2021, with new web systems, will provide new exciting systems for us and enable us to work smarter and differently with slicker more streamlined processes.

### **Outlook**

Throughout 2020, it is fair to say the world and our industry has changed and adviser businesses have had to swiftly adapt to this new world or have been left by the wayside. Our agility has meant we can develop and bring about new ways of working which has meant the business can continue to grow. Most importantly we have kept the client at the centre of everything we do ensuring we always have their best interests at heart.

The industry continues to suffer enormously from distributors and firms closing their doors and any liabilities falling on the Financial Services Compensation Scheme (FSCS). The FSCS bill is now forecast to breach £1bn for the first time in history which obviously means the consumer will be needed to be put back in the position they were (or as best as possible) before they made the investment. Furthermore, claims management companies (CMCs) are focusing on the financial services industry and looking for new ways to approach consumers now the PPI claims have ended.

This puts enormous financial pressure on distributor firms together with the ever hardening of the Professional Indemnity Insurance marketplace. This will result in more firms having to close their doors but will also provide an opportunity for 2plan to recruit quality advisers to continue our growth.

With a current population of over 66m and circa 47m people aged between 18-75, there are only approximately 24,000 authorised, regulated financial advisers to service these people. Times have also changed in that advisers now only look after c100 – 200 clients, therefore leaving millions of people with no access to financial advice and left at the mercy of crooks and scams. The financial services industry desperately needs good press, good news and to be perceived as a trusted industry, yet unfortunately, all the consumer hears about are people losing their life savings and how to make a claim from radio adverts perpetuated by these CMCs.

Our industry needs to focus on educating the consumer of the valuable services we provide and never have financial advisers have to play such a vital role and we need to be singing this from the rooftops. To coin a phrase from Winston Churchill; "never have so many, needed so much, from so few".

In summary 2plan has performed extremely well throughout a very challenging time. We believe we have stood out from the crowd evidenced by advisers staying with us and welcoming new advisers to the 2plan family. We have seen real growth across all parts of the company and laid firm foundations in place to move forwards.

Moving forwards out of lockdown we will continue to invest in our futures, technology and proposition. We have real stability within the organisation, all on the same journey and have built a culture of staying together and working together.

We are in an excellent position to exploit the opportunities over the coming years bringing huge benefits for clients and advisers which will have a very positive impact on all our businesses.

## **Directors' Report (continued)**

for the year ended 31 December 2020

### **Future Developments**

As noted above, the Company will continue to invest in its infrastructure to keep the organisation in line with the regulatory changes and enhance its solutions for both financial advisers and their clients. Continued investment in technology will continue to ensure the benefits of the new cloud-based infrastructure can be maximised for both the organisation, its advisers and clients.

The benefits of the investment in the infrastructure have already reaped benefits in terms of mitigating the impact of Covid -19 in 2020, allowing advisers to securely continue to support and provide services to their clients, despite the impact of the "lockdown" on transacting with clients.

### **Dividends**

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

### **Directors**

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

Christopher Smallwood  
Nicolas Hewitt  
Peter Davis  
Michael Morrow

### **Donations**

During the year the Company did not make any charitable donations of £nil in the year (2019: £nil) to a number of charities. There were no political contributions during the accounting year (2019: £nil).

### **Qualifying third party indemnity provision**

During the year and until the date of approval of the attached financial statements, a qualifying third party indemnity provision was in force for the benefit of the directors.

### **Policy and practice on payment of creditors**

In respect of all its suppliers, it is the Company's policy to

- settle the terms of payment with suppliers when agreeing the terms of each transaction,
- ensure that suppliers are made aware of the terms of payment, and
- abide by the terms of payment.

The Company's average creditor period, calculated by reference to the ratio of trade creditors and accruals at 31 December 2020 to amounts invoiced by suppliers during the year was 4 days (2019: 6 days).

### **Risk Management**

The Company's approach to risk management is intrinsically linked to those of 2 Plan Limited and Figure Out Limited. More details of their specific risks are contained in their respective financial statements.

The Risk Management Process is designed to mitigate the risk of failure to deliver the strategic aims of the business. The processes also aim to protect the Company's capital and to support good corporate decision making.

The key function of risk management at the Company is to promptly identify, measure, manage, report and monitor risks that affect the achievement of strategic, regulatory, operational and financial objectives. The Board has formed Committees which monitors and manages all performance, liquidity and operation risk on behalf of the Board of Directors.

Apart from the link to the fellow subsidiary risks, the principal risk is financial / economic. This comprises:

- The impact of changes in the general economic environment which might limit the ability of the Company to supply necessary services to the fellow subsidiary companies.
- The risk that the business may have insufficient working capital to meet its obligations.

## **Directors' Report (continued)**

for the year ended 31 December 2020

- The impact of legislative and regulatory change which may affect methods of working and expose itself, or fellow subsidiary companies to claims from third parties.

In order to mitigate these risks, the Company's Senior Management Team and Board meetings regularly to assess performance and the potential for economic or environmental developments to impact on achievement of its strategic objectives and the continued provision of services to advisers and clients alike.

In addition, and at a higher level, the Company has adopted and feeds into the Openwork Group's overarching risk management framework and risk policy, including risk appetites and reporting thresholds, which are agreed with the board of the ultimate holding company. The process of risk identification and assessment operates 'top down', beginning with the identification of Group strategic risks as part of the annual business and capital planning, and 'bottom up', by management through implementation of a day to day 'risk aware' culture. Risks outside appetite are subject to mitigating actions overseen by senior management and, where appropriate, the Group Risk & Compliance Committee.

The Company's internal Risk Committee, incorporates the wider Group's risk management framework into its internal framework, overlaying risks which maybe above and beyond those identified at an overall group level. This committee feeds into both the Company's board and the Group Risk & Compliance Committee.

The Company also assesses any ongoing impact of climate risk on the business. Anything identified will naturally feed into the Risk Management Process, however at present there is no significant exposure to climate risk.

### **Going concern**

The directors continue to monitor the impact of the Covid -19 pandemic on the business performance and have undertaken additional enquiries to satisfy themselves that there is a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future. There is still great uncertainty surrounding both the short and long term impacts of Covid – 19 on the macroeconomic environment, however, under all scenarios modelled, the Company is not dependent upon the group for any financial support due to the capital retained within the business. Accordingly, they continue to adopt the going concern basis in preparing the directors' report and financial statements.

### **Domicile and Country of Incorporation**

The Company domiciles in the United Kingdom and is incorporated in England. The Company is a private company, limited by shares.

### **Independent Auditors and disclosure of information to auditors**

So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Board Meeting.

On Behalf of the Board



Christopher Smallwood  
**Director**  
16<sup>th</sup> September 2021

## Strategic Report

for the year ended 31 December 2020

### Review of the Business and Future Developments

The results for the financial year ending 31<sup>st</sup> December 2020 are shown in the following financial statements.

The directors are pleased to report turnover increased to £28.8m from £27.1m, however profit before tax declined to £288,946 for the year (2019: £439,575). The net asset position improved from £4,349,787 in 2019 to £5,531,272 in 2020.

The board monitors the performance of the business using financial and non-financial Key Performance Indicators (KPIs). The board also uses the KPIs to reference against the overall group strategy.

#### Key Performance Indicators

	2020	2019
Revenue (£k)	28,849	27,098
Gross Margin (%)	19.5%	19.2%
Net Cash inflows / (outflows) (£k)	(538)	(93)
Average Monthly Recurring Income Streams (£k)	1,578	1,450
Advisers at end of year	286	231

Average monthly recurring income streams measures income where contracts are in place to provide on going service. The management monitor this figure as it is an indication of regular income streams underlying the financial performance of the business.

#### Our Results

2 Plan Wealth Management Limited's turnover increased by 6.6% in 2020 to £28.8m (2019 £27.1m). The front end loaded costs associated with recruitment, increasing cost of being a regulated business (P11 and FSCS levies) and development of the proposition accounted for the majority of the reduction in overall profitability before tax to £288,946 (2019 £439,576).

The company continues to target and attract high quality financial advisers, whilst looking to retain the business of advisers who look to retire. The consequence of facilitating this is pressure on the gross margin. We continue to seek high quality advisers to join 2 Plan Wealth Management Limited and are confident, supported by the enhancements in our proposition that overall adviser growth will continue to be reported in the next financial statements.

The existing adviser population saw their average income fall in 2020 as a result of the Covid – 19 pandemic to £112,000 from £121,000 in 2019. Increases in other income streams led to a slight improvement in the gross margin to 19.5% (2019 19.2%). Recurring income streams now account for 69% of advice income (2019: 66%), effectively reflecting the consistent, sustainable income streams generated with the company.

The investment in the growth of the business in 2020 is expected to yield significant results in 2021.

#### Section 172(1) Statement

As a Board, we have a duty to promote the success of the Company for the benefit of its members. In doing so, however, we must have regard for the interest of colleagues, for the success of our relationship with suppliers and customers, for the impact of our operations on the community, and for the desirability of maintaining a reputation for high standards of business conduct. These stakeholder considerations are woven throughout all our discussions and decisions. Like many businesses, on occasion the interests of one of these groups will conflict with those of others. The Board seeks to ensure that conflicts of interest are avoided wherever possible and that, if these do arise, they are appropriately disclosed and managed. The Company would at all times act fairly across its members, however, as currently there is only a single member, no such consideration is required.

The Company provides financial advice through its network of financial advisers.

In discharging our Section 172 Companies Act 2006 duty we have considered, as a Board, who our key stakeholders are and how their interests should be regarded in relation to the decisions we make.



## Strategic Report (continued)

for the year ended 31 December 2020

### Section 172(1) Statement (continued)

We consider our key stakeholders to be:

1. Our parent company, Openwork Holdings Limited;
2. Our financial advisers and ultimately their clients;
3. The Regulator, The Financial Conduct Authority, fellow subsidiary companies;
4. Our Suppliers
5. Our People

The Board also understands that the long-term sustainable success of the Company is dependent upon effective engagement with our key stakeholders. We recognise the role that each stakeholder group plays in our success and our responsibilities towards them.

Set out below is a summary of some of the key matters considered by the Board during 2019 and how the Board has had regard to the interests of our stakeholders in those decisions.

- The Board has established processes to ensure that 2 Plan Wealth Management Limited remains satisfied that its internal governance framework was in compliance with the requirements of the Senior Management & Certification Regime. KEY STAKEHOLDER: Our Regulator. Enhancement of existing systems to ensure compliance with the required regulatory process of 2 Plan Wealth Management Limited and ultimately the long terms sustainability of the business.
- The Board has representation from the parent company as members and Directors of the Company. Senior management within the Company, participate in group wide committees and regularly catch up with key members of staff employed within the parent company. KEY STAKEHOLDER: Our parent company, Openwork Holdings Limited. Continuous interaction takes place between subsidiaries of all companies within the wider group to consider impacts of strategic decisions, their impact on business plans and to maintain a consistent approach across the wider group.
- Through a well-structured governance and oversight framework, the Board ensures close and open relationships with its suppliers and other advisers. KEY STAKEHOLDERS: Our suppliers and other advisers. At all levels across the Company, continuous interaction takes place with our suppliers and advisers to consider respective business conditions, our strategy, key performance indicators and the current and future needs of our investors and customers.
- Continuing with its investment in its proposition, the Board oversaw further enhancements to the information security infrastructure of the business through wider implementation of "multi factor authentication" for access to key systems. In addition further enhancements to the Client Access Portal, a secure method of communication between clients and Financial Advisers was undertaken during the year. KEY STAKEHOLDER: Our Financial Advisers and Clients. Building and enhancing on existing security surrounding client personal data.
- The Company continues to adopt policies of the wider group, Openwork Group, to ensure consistency across the entire undertaking. KEY STAKEHOLDER: Our people. We are keen to ensure that there is consistency and a common approach across the wider group.
- The Company participated in a group wide survey seeking feedback from advisers concerning the quality proposition and enhancements. The findings have been reviewed and improvements implemented or planned where necessary. KEY STAKEHOLDER: We are keen to listen to Financial Advisers and have taken action based on their feedback to further enhance the proposition or services supplied where appropriate.
- Our Advisers and Staff participate and support the Openwork Foundation through group wide events or local events raising funds to support the foundation's objectives in supporting worthwhile causes. KEY STAKEHOLDER: Our People and Financial Advisers supporting the principles of the Openwork Foundation.
- The Board oversaw a programme of work to equip the Company's financial advisers and group employees to work remotely in response to the COVID working restrictions. Where necessary, in line with the Company's Business Continuity Plan, employees were supplied with sufficient equipment to work effectively from their homes. Access to the wider Openwork Group health and wellbeing programme was facilitated. Additional support was arranged, and Microsoft Teams was rolled out to facilitate client and head office communications. KEY STAKEHOLDER: Our People have the equipment and support infrastructure to effectively perform their roles remotely and to provide the infrastructure for our Financial Advisers to safely communicate with clients and support functions.

## **Strategic Report (continued)**

for the year ended 31 December 2020

### **Principal Risks and Uncertainties**

As noted in this report and the Director's Report, the impact of Covid – 19 on the company remains uncertain. The business continues to model scenario's and monitor its capital position and performance to ensure it fulfils its regulatory requirements.

Continued increasing regulation and cost pressures continue to affect regulated organisations and is not expected to ease in the coming years. In particular, the increasing cost of the Financial Services Compensation Scheme and the impact on the Professional Indemnity Insurance market is a challenge facing the industry.

In addition, senior management participate in a number of committees, both in isolation, in relation to risks specific to the subsidiaries, and as part of the wider group to assess and monitor and mitigate risks which the subsidiaries and the Company are exposed. The output and feedback are reported to the boards of the respective companies. Along with planning and forecasting cycles, the directors believe that the Company's within the group are able to mitigate the impact of these risks where they are able to influence them.

### **Ultimate Parent Undertaking**

The ultimate parent undertaking is Openwork Partnership LLP.

On Behalf of the Board



Christopher Smallwood  
**Director**  
16<sup>th</sup> September 2021

## **Statement of Directors' Responsibilities**

for the year ended 31 December 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors 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.

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.

## **Independent Auditors' Report**

to the members of 2 Plan Wealth Management Limited

# **Report on the audit of the financial statements**

## **Opinion**

In our opinion, 2 Plan Wealth Management 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 profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2020; the statement of comprehensive income, the statement of cash flows 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

## **Independent Auditors' Report**

to the members of 2 Plan Wealth Management Limited

misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

### **Strategic report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 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 breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries that increase revenue or decrease expenses and management bias in accounting estimates and judgemental areas, such as the valuation of contract assets and liabilities. Audit procedures performed by the engagement team included:

## Independent Auditors' Report

to the members of 2 Plan Wealth Management Limited

- Review of the whistleblowing and fraud register and consideration of the results of management's investigation of such matters;
- Discussions with management and those involved in the Risk and Compliance functions and the legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes;
- Risk based journal testing with a focus on unusual account combinations;
- Procedures relating to the valuation contract assets and liabilities, including assessing the reasonableness of management's assumptions, in particular the persistency assumptions;
- Performed audit procedures which incorporate an element of unpredictability in our testing; and
- Reviewing correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations.

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](http://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 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.



Andrew Hill (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
17 September 2021

**Statement of Comprehensive Income**  
for the year ended 31 December 2020

	Note	2020 £	2019 £
Revenue	4	28,848,858	27,097,975
Cost of sales		(23,211,437)	(21,899,537)
<b>Gross profit</b>		<b>5,637,421</b>	<b>5,198,438</b>
Administrative expenses		(5,353,639)	(4,769,351)
<b>Operating Profit</b>	7	<b>283,782</b>	<b>429,087</b>
Finance income	5	5,164	10,488
<b>Profit before taxation</b>		<b>288,946</b>	<b>439,575</b>
Taxation	6	-	-
<b>Profit and total comprehensive income for the year</b>	18	<b>288,946</b>	<b>439,575</b>

The notes on pages 19 to 35 form an integral part of these financial statements.

## Statement of Financial Position

as at 31 December 2020

	Note	31 December 2020	31 December 2019
<b>Assets</b>			
<i>Non-current assets</i>			
Intangible assets	8	21,583	336,986
Cost to acquire revenue contracts	9	592,036	-
Property, plant and equipment	10	8,370	4,208
Deferred tax asset	16	892,539	-
Trade and other receivables	11	1,261,647	903,864
<b>Total Non-current assets</b>		<b>2,776,175</b>	<b>1,245,058</b>
<i>Current assets</i>			
Trade and other receivables	11	3,865,062	3,147,862
Other current assets	12	487,685	374,389
Cash and cash equivalents	13	2,784,457	3,322,543
<b>Total current assets</b>		<b>7,137,204</b>	<b>6,844,794</b>
<b>Total assets</b>		<b>9,913,379</b>	<b>8,089,852</b>
<b>Liabilities and equity</b>			
<i>Current liabilities</i>			
Trade and other payables	14	3,384,020	2,934,489
Provisions	15	94,816	103,981
<b>Total current liabilities</b>		<b>3,478,836</b>	<b>3,038,470</b>
<i>Non-current liabilities</i>			
Trade and other payables	14	844,063	636,186
Provisions	15	59,208	65,409
<b>Total Non-current liabilities</b>		<b>903,271</b>	<b>701,595</b>
<b>Total Liabilities</b>		<b>4,382,107</b>	<b>3,740,065</b>
<b>Net Assets</b>		<b>5,531,272</b>	<b>4,349,787</b>
<i>Equity attributable to the owners of the company</i>			
Ordinary shares	17	12,357,930	12,357,930
Other reserves	17	122,407	122,407
Accumulated losses	18	(6,949,065)	(8,130,550)
<b>Total equity</b>		<b>5,531,272</b>	<b>4,349,787</b>

The notes on pages 19 to 35 are an integral part of these financial statements.

The financial statements on pages 15 to 35 were approved by the Board of Directors on 2<sup>nd</sup> September 2021 and were signed on its behalf by:



Nicolas Hewitt

Director

16<sup>th</sup> September 2021



## Statement of Changes in Equity

For the year ended 31 December 2020

	Note	Ordinary shares £	Accumulated losses £	Other reserves £	Total equity £
Balance at 1 January 2020	18	12,357,930	(8,130,550)	122,407	<b>4,349,787</b>
Recognition of Deferred tax asset	16	-	892,539	-	<b>892,539</b>
Profit and Total comprehensive income for the year	18	-	288,946	-	<b>288,946</b>
<b>Balance at 31 December 2020</b>		<b>12,357,930</b>	<b>(6,949,065)</b>	<b>122,407</b>	<b>5,531,272</b>

	Note	Ordinary shares £	Accumulated losses £	Other reserves £	Total equity £
Balance at 1 January 2019	18	12,357,930	(8,570,125)	-	<b>3,787,805</b>
Capital Contribution		-	-	122,407	<b>122,407</b>
Profit and Total comprehensive income for the year	18	-	439,575	-	<b>439,575</b>
<b>Balance at 31 December 2019</b>		<b>12,357,930</b>	<b>(8,130,550)</b>	<b>122,407</b>	<b>4,349,787</b>

## Statement of Cash Flows

for the year ended 31 December 2020

	Note	2020 £	2019 £
<b>Cash flows from operating activities</b>			
Profit before taxation		288,946	439,575
Adjustments for items not involving the movement of funds			
Amortisation of intangible assets	8	79,848	268,042
Amortisation of cost to acquire revenue contracts	9	48,360	-
Depreciation of property, plant and equipment	10	1,816	1,051
Changes in working capital:			
Increase in trade and other receivables	11 & 12	(1,188,279)	(907,497)
Increase in trade and other payables	14	657,408	367,238
Decrease in provisions	15	(15,366)	(17,710)
<b>Net Cash inflow from operating activities</b>		<b>(127,267)</b>	<b>150,699</b>
<b>Cash flow from investing activities</b>			
Purchase of intangible assets	8	(9,000)	(240,599)
Purchase of contract assets	9	(395,841)	-
Purchase of tangible assets	10	(5,978)	(3,059)
<b>Net cash inflow /(outflow) from investing activities</b>		<b>(410,819)</b>	<b>(243,658)</b>
<b>Net Decrease in cash and cash equivalents</b>		<b>(538,086)</b>	<b>(92,959)</b>
Cash and cash equivalents at 1 January		3,322,543	3,415,502
<b>Cash and cash equivalents at 31 December</b>	13	<b>2,784,457</b>	<b>3,322,543</b>

The notes on pages 19 to 37 form an integral part of these financial statements.

## **Notes to the Financial Statements**

for the year ended 31 December 2020

### **1. ACCOUNTING POLICIES**

#### **1.1 Basis of preparation**

These financial statements for 2 Plan Wealth Management Limited (the "Company"), registered in England have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared under the historic cost convention.

The preparation of financial statements in conformity with IFRSs may require the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The accounting policies below have been applied consistently to all periods in these financial statements except as set out in note 2.

After making enquiries, the directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

#### **1.2 Presentational Currency**

The presentation and functional currency of these financial statements is Pounds Sterling.

#### **1.3 Financial assets**

The Company classifies its financial assets which are not cash and cash equivalents as trade and other receivables.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included under current assets, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current assets

#### **1.4 Intangible Assets**

Intangible assets are initially recorded at cost of acquisition and consist of the cost associated with increasing the number of financial advisers who are members of 2 Plan Wealth Management Limited.

Amortisation of the acquisition costs of the distribution business assets is calculated on a straight line basis at a rate which, in the opinion of the Directors, reduces the assets to their residual values over their estimated useful lives.

The rate of amortisation applied from the date the asset is available for use is dependent upon the terms of the agreement.

#### **1.5 Contract Assets – cost to acquire revenue contracts**

Where costs are incurred in acquiring revenue contracts, these costs are capitalised on the statement of financial position as "contract assets – costs to acquire revenue contracts. The cost is then amortised on a straight line basis over the period of the revenue contract.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 1.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis so as to write off the cost, less estimated residual value of each asset, over its expected useful life. The rates of depreciation applied from the date of acquisition are as follows:

Leasehold improvements (see below)	5 years
Fixtures and fittings	5 years
Computer equipment	3 - 5 years

Where the lease outstanding at the date of acquisition is less than 5 years, the rate of depreciation is over the remaining life of the lease. Asset lives and residual values are assessed at each balance sheet date.

### 1.7 Impairment testing of tangible, intangible and contract assets

The directors review tangible and intangible assets on an annual basis to determine whether events or changes in circumstances indicate that their carrying amounts are recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount as a charge in the Income Statement.

In addition, any intangible assets that are not yet ready for use are tested annually for impairment, irrespective of whether or not there are any indications of impairment.

The recoverable amount of the tangible and intangible assets is based on their value in use.

Any differences arising due to the time value of money are not considered to be material.

### 1.8 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost. A provision for impairment of trade and other receivables is made when there are indications that the Company will not be able to collect all amounts due according to the original terms of the receivables concerned.

### 1.9 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

### 1.10 Provisions

The Company has recognised provisions for future costs that it expects to incur as a result of transactions, actions or commitments that had taken place at the Statement of Financial Position date. These cover provisions for commission income clawback and other expected costs, all of which are discussed in the respective notes.

### 1.11 Finance costs

Finance costs are expensed under the effective interest rate method.

### 1.12 Revenue

Revenue represents commission income and client fees. Commission income comprises commission receivable on inception of a new policy ('initial commission income') and commission receivable on renewals and trail investment income ('renewal income'). Client fees comprises of a fee charged for the inception of a new policy or investment product, and Ongoing Service Income.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 1. ACCOUNTING POLICIES (continued)

#### 1.12 Revenue

##### Initial Commission Income

Revenue is recognised on the sale of a product at the inception date of the product which is the point at which all performance obligations have been met. To ensure that revenue recognised upfront at the point of sale on a product with an indemnity period does not end up with a reversal of a portion of this revenue in the future, products sold with indemnity periods is recognised 'net of clawback'. The value of the clawback recognised through revenue represents the expected value of Initial Commission

Income reclaimable by product providers in respect of policies cancelled at any time during their indemnity period and a provision for this liability is held on the statement of financial position.

##### Renewal Income

There is no future performance obligation requirement for the receipt of future renewal commission income and trail income. An estimate of future expected income is recognised as revenue at the outset of the policy with a contract asset being recognised in debtors for the future receipt of commission.

##### Ongoing Servicing Income

The servicing and review of client investments is performed on an ongoing basis, the regularity of which is determined by the fee agreement between the adviser and client. The performance obligation that results in the recognition of income is therefore performed over time and as such revenue is recognised on an ongoing basis.

##### Other Income

Income in respect for additional services, adviser fees and any other income is recognised at the inception date and over the period the service is being provided.

#### 1.13 Cost of sales

Cost of sales includes commissions and fees payable to advisers, net of amounts clawed back from advisers where policies have lapsed.

#### 1.14 Administrative expenses

Operating administrative expenses represent expenses that are necessary for the provision of services by the company, including staff related costs, recognised on an accruals basis.

#### 1.15 Finance income

Interest income is recognised under the effective interest rate method.

#### 1.16 Share capital

Ordinary shares are classified as equity.

#### 1.17 Income taxes

Current income taxes are calculated on the basis of the tax laws enacted in the UK or substantively enacted at the Statement of Financial Position date.

Deferred taxation is recognised on timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events have occurred that will result in an obligation to pay more, or a right to pay less, taxation in the future. Resultant deferred tax assets are recognised only to the extent that it is considered probable that there will be sufficient future taxable profits in the Group from which the underlying tax losses and timing differences can be deducted, or where there are deferred tax liabilities against which the assets can be recovered.

## **Notes to the Financial Statements (continued)**

for the year ended 31 December 2020

### **1. ACCOUNTING POLICIES (continued)**

#### **1.17 Income taxes (continued)**

Deferred tax balances are measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted in the UK at the Statement of Financial Position date.

Deferred tax is recognised in the Statement of Comprehensive Income for the year, except to the extent that it relates to items that are recognised directly in the Statement of Changes in Shareholders' Equity, in which case it is recognised in equity.

#### **1.18 Cash and cash equivalents**

Cash and cash equivalents are cash at bank and in hand.

#### **1.19 Fair value estimation**

The carrying value of trade and other receivables are assumed to approximate to their fair values, as stated in the specific accounting policies above.

### **2. IMPACT OF NEW ACCOUNTING STANDARDS**

This note details i) new standards, amendments and improvements to IFRS effective for the first time for periods beginning on or after 1 January 2020; and ii) forthcoming requirements, that is new standards or amendments issued and effective for periods beginning after 1 January 2021.

#### **i) New standards, amendments and improvements to IFRS applicable from 1 January 2020**

There are no new accounting standards, amendments or IFRS ICs effective from January 2020 that are expected to have an impact on the financial statements.

#### **ii) New standards, amendments and improvements to IFRS applicable from 1 January 2021**

There are no new accounting standards, amendments, or IFRS ICs effective from 1 January 2021 that are expected to have an impact on the financial statements.

### **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

#### **3.1 Key assumptions, estimates and judgements**

The Company makes assumptions, estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **3.2 Critical accounting estimates and judgements in applying accounting policies:**

##### **Renewal income - Contract assets**

In applying estimates and judgements to the recognition of future revenues those assumptions are unlikely to be completely accurate given the number of variables that can change.

The assumption that has the greatest impact on the revenues and related liabilities is policy persistency. Sensitivities in the table below have been calculated by flexing the variables in the calculation of trail and renewal income recognised up front at the point of sale.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

#### 3.2 Critical accounting estimates and judgements in applying accounting policies: (continued)

##### Renewal income - Contract assets (continued)

	As reported	Persistency	
	(£)	1 year increase	1 year decrease
	(£)	(£)	(£)
Contract asset	1,478,942	165,824	(160,886)
Liability for cost	1,129,469	(130,171)	126,296
Net increase / (Decrease) in profit		35,653	(34,590)

##### Deferred tax

A deferred tax asset is recognised if sufficient future taxable profit, including income from the reversal of existing taxable temporary differences, is available for realisation. As of each Statement of Financial Position date, management evaluates the recoverability of the deferred tax asset and if it is considered probable that some or all of the deferred tax asset will not be utilised, then a valuation allowance would be recognised.

The Directors recognise that there is an expectation of future profits but have considered it prudent not to recognise the asset in these financial statements.

Refer to note 16 for further information on deferred tax.

### 4. REVENUE

	2020	2019
	£	£
Commission and fee income receivable	28,581,397	26,855,160
Movement in clawback provision	15,366	17,710
Other Income	252,095	225,105
	28,848,858	27,097,975

All revenue was generated from trading operations in the UK.

### 5. FINANCE INCOME

	2020	2019
	£	£
<b>Finance income</b>		
Interest receivable on bank balances	5,164	10,488

## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 6. TAXATION

	2020 £	2019 £
Current Income Tax:		
Corporation tax payable	54,900	-
Group Relief claimed	(981)	-
<b>Deferred Income Tax</b>		
Current Year credit	(53,919)	-

Further information about deferred tax is presented in note 16. All taxation relates to continuing operations.

The tax on the company's profit before tax for the year differs from the theoretical amount that would arise using the effective rate of corporation tax in the UK of 19.00% (2019: 19.00%), as applied to the losses of the company as follows:

	2020 £	2019 £
Profit on ordinary activities before taxation	288,946	439,575
Profit before taxation multiplied by the rate of corporation tax in the UK of 19.00% (2019: 19.00%)	54,900	83,519
Other expenses not deductible for tax	-	-
Utilisation of tax losses brought forward	(53,919)	(82,324)
Group relief surrendered for no payment	(981)	(1,195)
Total tax charge	-	-

### 7. OPERATING PROFIT

The following items have been included in arriving at operating profit.

	2020 £	2019 £
Depreciation of property, plant and equipment (note 10)	1,816	1,051
Amortisation of Intangibles (note 8)	79,848	268,042
Amortisation of contract asset (note 9)	48,360	-

#### Services provided by the Company's auditors

During the year, the Company obtained the following services from the Company's auditors at costs detailed below:

	2020 £	2019 £
Remuneration receivable by the Company's auditors for the auditing of the annual financial statements	43,400	31,000
Total	43,400	31,000



## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 8. INTANGIBLE ASSETS

	Distribution Businesses £
<b>Cost</b>	
At 1 January 2020	2,685,743
Transfer to contract assets (note 9)	(2,316,554)
Additions	9,000
At 31 December 2020	378,189
<b>Accumulated Amortisation</b>	
At 1 January 2020	2,348,757
Transfer to contract assets (note 9)	(2,071,999)
Charge for the year	79,848
At 31 December 2020	356,606
<b>Net Book amount at 31 December 2020</b>	<b>21,583</b>
Net Book amount at 31 December 2019	336,986
	Distribution Businesses £
<b>Cost</b>	
At 1 January 2019	2,445,144
Additions	240,599
At 31 December 2019	2,685,743
<b>Accumulated Amortisation</b>	
At 1 January 2019	2,080,715
Charge for the year	268,042
At 31 December 2019	2,348,757
<b>Net Book amount at 31 December 2019</b>	<b>336,986</b>
Net Book amount at 31 December 2018	364,429

#### Distribution Businesses

The intangible asset, Distribution Businesses, represents the costs associated with recruiting advisers into the business.

A reclassification of the asset has been undertaken in relation to the costs previously incurred to acquire contracts giving rights to future income streams. These costs have been transferred to Contract Assets – costs to acquire revenue contracts, see note 9.

Management have performed an impairment review of the carrying value of the intangible assets as at 31 December 2020 on a value in use basis, using a discount rate of 12% (31 December 2019: 12%), over the remaining useful economic lives of the assets. This review has determined that no impairment is required.

Please refer to Accounting Policies note 1.4 for more information and the costs are amortised over the term of the agreement.

The charge for the year is included in the Administrative expenses in the Statement of Comprehensive Income.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 9. CONTRACT ASSETS – COSTS TO ACQUIRE REVENUE CONTRACTS

	£
<b>Cost</b>	
At 1 January 2020	-
Transfer from intangible assets (note 8)	2,316,554
Additions	395,841
At 31 December 2020	2,712,395
<b>Accumulated Amortisation</b>	
At 1 January 2020	-
Transfer from intangible assets (note 8)	2,071,999
Charge for the year	48,360
At 31 December 2020	2,120,359
<b>Net Book amount at 31 December 2020</b>	<b>592,036</b>
Net Book amount at 31 December 2019	-

The cost to acquire contracts represents the costs associated with acquiring the rights to future income streams into the business.

Management have performed an impairment review of the carrying value of the intangible assets as at 31 December 2020 on a value in use basis, using a discount rate of 12% (31 December 2019: 12%), over the remaining useful economic lives of the assets. This review has determined that no impairment is required.

Please refer to Accounting Policies note 1.5 for more information.

The costs are amortised over the length of the contract.

The charge for the year is included in the Administrative expenses in the Statement of Comprehensive Income.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements £	Computer Equipment £	Fixtures and Fittings £	Total £
<b>Cost</b>				
At 1 January 2020	195,187	24,364	76,153	295,704
Additions	-	5,978	-	5,978
At 31 December 2020	195,187	30,342	76,153	301,682
<b>Accumulated Depreciation</b>				
At 1 January 2020	195,187	20,156	76,153	291,496
Charge for the year	-	1,816	-	1,816
At 31 December 2020	195,187	21,972	76,153	293,312
<b>Net Book amount at 31 December 2020</b>	-	<b>8,370</b>	-	<b>8,370</b>
Net Book amount at 31 December 2019	-	4,208	-	4,208

	Leasehold Improvements £	Computer Equipment £	Fixtures and Fittings £	Total £
<b>Cost</b>				
At 1 January 2019	195,187	21,305	76,153	292,645
Additions	-	3,059	-	3,059
At 31 December 2019	195,187	24,364	76,153	295,704
<b>Accumulated Depreciation</b>				
At 1 January 2019	195,187	19,105	76,153	290,445
Charge for the year	-	1,051	-	1,051
At 31 December 2019	195,187	20,156	76,153	291,496
<b>Net Book amount at 31 December 2019</b>	-	<b>4,208</b>	-	<b>4,208</b>
Net Book amount at 31 December 2018	-	2,200	-	2,200

### 11. TRADE AND OTHER RECEIVABLES

	2020 £	2019 £
<b>Amounts falling due within one year:</b>		
Trade debtors – third parties	495,103	378,766
Amounts owed by group undertakings (note 20)	1,969,281	1,600,433
Other debtors (see below)	77,275	84,745
Accrued income	1,057,853	714,977
Contract asset	265,550	368,941
	<b>3,865,062</b>	<b>3,147,862</b>

## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 11. TRADE AND OTHER RECEIVABLES (continued)

	2020 £	2019 £
<b>Amounts falling due after one year:</b>		
Other debtors (see below)	1,261,647	903,864
	1,261,647	903,864

Other debtors relate to commission expenses to be recovered from advisers for policies that lapse during their initial period and revenue expected in future years. A provision is made for commission income which is to be clawed back in respect of these balances (see note 15).

An assessment of the provisions required under IFRS 9 was undertaken resulting in a reduction in the impairment of the above balances of £819 (2019: £28,245). An assessment was made in respect of trade and other receivables, which resulted in no material impairment (2019: £nil).

### 12. OTHER CURRENT ASSETS

	2020 £	2019 £
Prepayments	487,685	374,389
	487,685	374,389

### 13. CASH AND CASH EQUIVALENTS

	2020 £	2019 £
Cash at bank	2,784,457	3,322,543

### 14. TRADE AND OTHER PAYABLES

	2020 £	2019 £
<b>Amounts falling due within one year:</b>		
Trade payables	152,740	73,442
Amounts owed to group undertakings (note 20)	1,594,502	1,413,040
Other tax and social security payable	6,373	6,110
Other Creditors	1,479,852	1,157,420
Accruals	150,553	284,477
	3,384,020	2,934,489
	2020 £	2019 £
<b>Amounts falling due after one year:</b>		
Other creditors	844,063	636,186
	844,063	636,186

Other creditors relate to contract liability for income already recognised.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 15. PROVISIONS

	Commission income clawback £
<b>At 1 January 2020</b>	169,390
Credited to income statement	(15,366)
<b>At 31 December 2020</b>	154,024

	Commission income clawback £
<b>At 1 January 2019</b>	187,100
Credited to income statement	(17,710)
<b>At 31 December 2019</b>	169,390

Provisions have been analysed between current and non-current as follows:

	2020 £	2019 £
Current	94,816	103,981
Non-current	59,208	65,409
	154,024	169,390

#### Commission income clawback

The provision is expected to be utilised within four years of the Statement of Financial Position date. It is shown gross of the amounts recoverable from advisers under the terms of their contract, with the corresponding entry of £125,530 (2019: £138,053) included in other debtors (note 11).

### 16. DEFERRED TAX

Deferred tax balances at 31 December 2020 have been measured at 19% which was enacted by the balance sheet date and was effective from 1 April 2017.

Deferred tax is calculated in full on temporary timing differences under the liability method using a tax rate of 19% (2019: 17%). The movement on the deferred tax account is shown below.

	2020 £	2019 £
Trading Losses Carried Forward	(4,697,572)	(4,981,354)
Corporation Tax Rate	19%	17%
	(892,539)	(846,830)

A deferred tax asset of £892,539 relating to historic losses (2019: £846,830) has been recognised in the financial statements. The deferred tax asset has not previously been recognised due to the level of uncertainty that the company would generate sufficient profits in the future to be able to utilise the asset however current forecasts indicate that the asset will be fully utilised within the next 5 years and therefore the asset has been recognised.

#### Factors affecting future tax charges

The UK corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017. The UK corporation tax rate will remain at 19% from 1 April 2020, as substantively enacted on 17 March 2020.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 16. DEFERRED TAX (continued)

	2020 £	2019 £
At 1 January	-	-
Adjustment in respect of prior periods (asset recognition)	846,830	-
Revaluation based on increase in corporation tax rate	99,628	-
Statement of comprehensive income current year charge (note 6)	(53,919)	-
At 31 December	892,539	-

	Accelerated tax depreciation £	Short term timing differences £	Total £
At 1 January 2020	-	-	-
Recognition of deferred tax asset	861,705	30,834	892,539
At 31 December 2020	861,705	30,834	892,539

### 17. ORDINARY SHARES

	2020 £	2019 £
<b>Authorised</b>		
100,000,000 (2019: 100,000,000) ordinary shares of £1 each	100,000,000	100,000,000
<b>Allotted, issued and paid</b>		
12,357,930 (2019: 12,357,930) ordinary shares of £1 each	12,357,930	12,357,930

Dividends and voting rights in respect of ordinary shareholders are allocated pro rata to holdings. The ordinary shares entitle the holders to receive notice of and to attend and/or speak and vote at general meetings of the Company, and to receive any dividends out of the profits of the Company available for distribution and resolved to be distributed.

Upon the winding up of the Company, the ordinary shareholders share shall be entitled to receive the amount paid up on their shareholding, including any premium, and to participate in any surplus so arising.

The aggregate consideration received in respect of the issue of share capital in the year was £nil (2019: £nil).

### 18. ACCUMULATED LOSSES

	2020 £	2019 £
At 1 January	(8,130,550)	(8,570,125)
Profit for the year	288,946	439,575
Recognition of Deferred tax asset	892,539	-
At 31 December	(6,949,065)	(8,130,550)

## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 19. EMPLOYEES AND DIRECTORS

Staff working for the Company are employed by another Group undertaking, 2 Plan Limited, and therefore the Company does not incur direct staff or pension costs. The Company incurs management charges from 2 Plan Limited. It is not possible to identify separately staff and pension costs of the Company that are included within these charges, therefore no disclosure has been made for staff numbers and costs.

The principle disclosures in respect of these staff appear in the financial statements of 2 Plan Limited, copies of which can be obtained from The Secretary, 2 Plan Limited, 3<sup>rd</sup> Floor, Bridgewater Place, Water Lane, Leeds, LS11 5BZ.

Directors	2020 £	2019 £
Salaries and other short term benefits	337,622	220,296
Post-employment benefits	9,182	8,995
	346,804	229,291

The directors' emoluments shown above were for services provided to the Company and include benefits and bonuses payable. There are no key management personnel who are not directors of the Company.

Two (2019: two) directors had retirement benefits accruing under money purchase pension schemes.

### 20. RELATED PARTY TRANSACTIONS

#### (a) Recharge of service costs

Services provided by related companies, which are recharged to the Company.

	2020 £	2019 £
Figure Out Limited	1,061,433	827,008
2 Plan Limited	3,178,472	2,964,277

#### (b) Year-end balances arising from related party transactions

	2020 £	2019 £
<b>Receivables from related parties (note 11):</b>		
- 2 Plan Group Limited	1,400,000	1,298,729
- OMNIS Investments Limited	54,438	-
- 2 Plan Limited	479,247	268,779
- Figure Out Limited	35,596	32,925
<b>Payables to related parties (note 14):</b>		
- Figure Out Limited	102,674	79,692
- 2 Plan Limited	185,537	27,057
- Openwork Services Limited	1,306,291	1,306,291

## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 20. RELATED PARTY TRANSACTIONS (continued)

#### (b) Year-end balances arising from related party transactions (continued)

Figure Out Limited and 2 Plan Limited are a fellow subsidiary undertaking, 2 Plan Group Limited is the company's immediate parent. Openwork Services Limited and OMNIS Investments Limited are subsidiaries of the company's ultimate parent.

The directors of the Company had no material transactions with any related parties of the Group (2019: £nil). The term 'director's' includes members of their families.

### 21. FINANCIAL RISK MANAGEMENT

#### Financial Risk Factors

The Company's operations expose it to financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Company's risk management program focuses on counterparty credit and liquidity requirements as discussed below. The directors maintain the responsibility of monitoring financial risk management and day-to-day activity is undertaken by the Company's finance department.

#### Market Risk

Market risk is the potential adverse change in the Company's income or the value of the Company's net worth resulting from movements in interest rates or other market prices and arises from the structure of the Statement of Financial Position date.

##### (a) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Company has interest bearing assets only, currently being its cash balances, which earn interest at a floating rate. The effective interest rate during the year on cash balances was 0.17% (2019: 0.32%).

The Company is not dependent on income from cash balances and therefore has limited risk.

Given the size of balances, the cost of managing exposure to interest rate risk using financial instruments exceeds any potential benefits, and so the Company has decided not to hedge this risk. The directors will revisit the appropriateness of this policy as the Company's operations change in size or nature.

##### (b) Price risk

The Company does not hold debt or equity market investments and therefore is not exposed to any price risk.

#### Credit risk

Credit risk reflects the risk that the counterparty will be unable to meet its contractual obligations to the Company thereby causing the Company to incur a loss.

##### (a) Receivables

The Company manages its trade debtor and other debtors credit risk by only offering credit to reputable institutions and by operating strict credit control procedures.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables excluding prepayments (Note 11).



## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 21. FINANCIAL RISK MANAGEMENT (continued)

#### Credit Risk (continued)

##### (a) Receivables (continued)

	2020 £	2019 £
Trade debtors – third parties	495,103	378,766
Amounts owed by group undertakings (note 11)	1,969,281	1,600,433
Other debtors	125,530	138,053
Accrued Income	1,057,853	1,083,919
Contract Asset	265,550	-
	3,913,317	3,201,171

Trade debtors includes impairments of £136,725 (2019: £98,094) the balance of which is not past due and not impaired. Amounts owed by group undertakings are not due. The credit quality of the financial assets classed as neither past due nor impaired is considered good and not passed their due date.

The Company maintains a clawback provision (see Note 15) in respect of future clawback events with the associated estimate of amounts that would be contractually recoverable from advisers held as a clawback asset. This asset has been included in Other Debtors (see Note 11). The non-recoverability of this debt is actively managed through the regular review by management of adviser debt levels and operation of procedures to optimise recovery. Management considers these measures to be adequate to minimise the credit risk associated with amounts due to the Company from clawback events as and when they arise.

The amount in Trade debtors – third parties of £495,103 (2019: £378,766) represents monies owed to the company through its normal course of business. Accrued income represents business submitted but not yet paid or statement received. Management considers that the credit rating of the product providers associated with these debts to be such that the credit risks are negligible.

##### (b) Cash and cash equivalents

Financial instrument counterparties are subject to pre-approval by the Finance Director and such approval is limited to financial institutions with a BBB+ rating or better and approved franchises.

The table below shows the balance of the major counterparties at the Statement of Financial Position date. An unrestricted amount may be deposited with National Westminster Bank plc.

	Rating	2020 £	2019 £
National Westminster Bank Plc	A	2,784,457	3,322,543

No credit limits were exceeded during the financial year, and management does not expect any losses from non-performance by these counterparties.

#### Liquidity risk

The Company maintains its investments in short-term vehicles that allow same day access to funds, to ensure the Company has sufficient available funds for operations.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 21. FINANCIAL RISK MANAGEMENT (continued)

#### Liquidity risk (continued)

At 31 Dec 2020	Less than 1 yr £	1 -	2 yrs £	2 – 5 yrs £	Over 5 yrs £
Trade payables	152,740	-	-	-	-
Amounts due to group undertakings	1,594,502	-	-	-	-
Contract Asset (Revenue)	285,405	188,760	414,032	241,272	-
Other Creditors	1,194,447	-	-	-	-
Accruals	150,553	-	-	-	-
	3,377,647	188,760	414,032	241,272	-

  

At 31 Dec 2019	Less than 1 yr £	1 -	2 yrs £	2 – 5 yrs £	Over 5 yrs £
Trade payables	73,442	-	-	-	-
Amounts due to group undertakings	1,413,040	-	-	-	-
Contract Asset (Revenue)	258,117	232,771	306,694	96,721	-
Other Creditors	899,303	-	-	-	-
Accruals	284,477	-	-	-	-
	2,928,379	232,771	306,694	96,721	-

#### Capital risk management

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

The only externally imposed capital requirement is the solvency margin, computed in accordance with the rules set down by the regulator the Financial Conduct Authority (FCA). The FCA requires regulated entities to model their own capital requirement in accordance with the Individual Capital Adequacy Standards and to remain compliant with the FCA solvency threshold.

Throughout the year the Company held capital resources in excess of the amount required to meet the solvency tests required by the regulator. In order to ensure continued compliance, the capital resources are monitored each month and all major projects are assessed for their impact on solvency prior to any commitment being made.

The Company's capital is represented by the Company's equity as set out in the following table:

	2020 £	2019 £
Ordinary shares	12,357,930	12,357,930
Other Reserves	122,407	122,407
Accumulated losses	(6,949,065)	(8,130,550)
<b>Total Capital</b>	<b>5,531,272</b>	<b>4,349,787</b>

## **Notes to the Financial Statements (continued)**

for the year ended 31 December 2020

### **21. ULTIMATE PARENT COMPANY**

The immediate parent undertaking is 2 Plan Group Limited with the ultimate parent undertaking being Openwork Partnership LLP.

Openwork Partnership LLP and Openwork Holdings Limited are the the parent Companies of the largest and smallest group of undertakings respectively to consolidate these financial statements. The consolidated financial statements of both companies can be obtained from The Secretary, Washington House, Lydiard Fields, Swindon, SN5 8UB.