Wrap IFA Services Limited

Annual report and financial statements

For the year ended 31 December 2020

Registered Number 06265312

Wrap IFA Services Limited
Annual report and financial statements
for the year ended 31 December 2020

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Wrap IFA Services Limited

Officers and independent auditors

Directors

C J Bousfield – Appointed 1 September 2020
R A Regan – Resigned 1 September 2020
A F Porter – Appointed 1 September 2020
F H Speight – Appointed 20 May 2020. Resigned 1 September 2020.

Company Secretary

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

Independent Auditors

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

Registered Office

10 Fenchurch Avenue
London
England
EC3M 5AG

Registered in England and Wales
Private limited company – limited by shares

Registered Number

06265312

Wrap IFA Services Limited

Strategic Report
for the year ended 31 December 2020

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

Business review and principal activities

The principle activity of Wrap IFA Services Limited ("Wrap IFA" or "the Company") is to act as a holding company for the digital wrap and wealth management platform activities of M&G plc (the "Group"). The principal indirect subsidiary is Investment Funds Direct Limited ("IFDL"), which manages the Wrap platform.

On the 27 May 2020 M&G plc announced an agreement with Royal London to acquire the digital wrap and wealth management platform, which comprises the Company and all of its subsidiaries. The acquisition completed on 1 September 2020 following change of control approval from the Financial Conduct Authority. Following acquisition, the Company is a wholly owned subsidiary of M&G Group Regulated Entity Holding Company Limited, a wholly owned subsidiary of M&G plc, the Company's ultimate parent company.

During the year the Company continued to perform its role as holding company. The Directors believe that analysis using KPIs for the Company, other than disclosed below, is not necessary or appropriate for an understanding of the development, performance or position of the Company. The development, performance and position of key subsidiaries of the Company are discussed in the annual report and financial statements of those subsidiaries, which do not form part of this report.

The Company continues to monitor the effects of the coronavirus (COVID 19) outbreak which was declared as a pandemic by the World Health Organisation in 2020. There has been no direct impact on the Company's activity as a holding company. Further information about the impact of coronavirus on IFDL can be found below and in that company's financial statements.

During the year, the Company authorised and issued 1.25 million ordinary shares with an aggregated nominal value £1,250,000 for consideration of £25,000,000. As a result of the share issue, the Company subsequently subscribed for 1.25 million ordinary shares with an aggregated nominal value £1,250,000 for consideration of £25,000,000 in the capital of Investment Funds Direct Group Limited ("IFDGL")

Key Performance Indicators

	2020 **£**	2019 (unaudited) £
Loss before tax	**(21,426,012)**	(28,808,355)
Net assets	**28,405,402**	24,599,612

The loss before tax for the year ended 31 December 2020 is a reflection of the impairment in the value of IFDGL, a subsidiary of the Company.

During the year IFDL has recorded a loss, with business profitability adversely affected by the changed market conditions emanating from the steps being taken to counter coronavirus (COVID 19). IFDL's fees are largely dependent on the value of the securities administered, and whilst assets under administration recovered to pre coronavirus levels by year end, securities administered were lower on average in 2020 than in 2019.

As a result the Company has concluded that its investment in IFDGL, IFDL's immediate parent, is accordingly impaired. An impairment loss of £18,982,158 (2019: £26,736,526) has been recognised in the statement of comprehensive income.

Principal risks and uncertainties

As a holding company, the principal risks and uncertainties facing the Company relate to the performance of its trading subsidiary. The Company's principal risks and uncertainties are therefore aligned with those facing IFDL as outlined in its financial statements. The Wrap IFA Board closely monitors the performance of IFDL to ensure that these risks are being adequately addressed.

Corporate Governance

The Company does not meet the qualifying thresholds to report on its Corporate Governance arrangements pursuant to the Companies (Miscellaneous Reporting) Regulation 2018. However, the Company and its subsidiaries form part of M&G plc which does meet the requirements. Full details of these Corporate Governance arrangements can be found in the statutory accounts of M&G plc.

Principal decisions made (Section 172)

The IFDL Board makes decisions that impact IFDL as well as Wrap IFA Services Limited and its subsidiaries ("IFDL Group"). As a result, the principal decisions outlined below include those relating to the wider IFDL Group as well as the Company.

The IFDL Board defines principal decisions as both those that are material to the Company and the IFDL Group, but also those that are significant to any of the key stakeholders. In making the following principal decisions the Board considered the relevant impact on stakeholders as well as the need to maintain a reputation for high standards of business conduct:

Principal decision 1 - Annual Strategy Review and Business Plan Approval

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

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

Principal decision 2 - Transformation and Change

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

Principal decision 3 - Engagement with key stakeholder groups

Customers

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

Workforce

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

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

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

Wrap IFA Services Limited

Strategic Report (continued)

Principal decisions made (Section 172) (continued)

Principal decision 3 - Engagement with key stakeholder groups (continued)

Regulators

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

On behalf of the Board

C J Bousfield
Director
26 March 2021

Wrap IFA Services Limited

Directors' Report
for the year ended 31 December 2020

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2020. 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:

C J Bousfield – Appointed 1 September 2020
R A Regan – Resigned 1 September 2020
A F Porter – Appointed 1 September 2020
F H Speight – Appointed 20 May 2020. Resigned 1 September 2020.

Directors' indemnities

The Directors have the benefit of a qualifying third party indemnity provision (as defined in section 234 of the Companies Act 2006). This provision was in force throughout the financial year and as at the date of approval of the financial statements. The Company's ultimate parent undertaking, M&G plc, also maintains Directors' and Officers' liability insurance in respect of the Company and its Directors.

Going Concern

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

A letter of support has been received from M&G Group Regulated Entity Holding Company Limited to support Wrap IFA Services Limited, committing to continue to support the company should this be required within one year of the date of approval of these financial statements.

Shares Issued

During the year, the Company authorised and issued 1.25 million ordinary shares with an aggregated nominal value £1,250,000 for consideration of £25,000,000 to its immediate parent company, M&G Group Regulated Entity Holding Company Limited.

Dividends

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

Future outlook

There are not expected to be any changes to the Company's operations during the coming year. Notwithstanding the continued disruption caused by COVID 19, the trading indirect subsidiary of the Company, IFDL, sees continued opportunity for growth in the platform market. Having now completed the sale of the Company and its subsidiaries to M&G plc, IFDL is in an even stronger position to grow in line with positive platform market predictions by using the capabilities of the Group in respect of asset management, with a view to making sustainable investment for all stakeholders core to the delivery of our corporate purpose.

Financial risk management objectives, policies and exposure

The Company's financial risks primarily relate to the future performance of its subsidiary undertakings. These risks are managed and monitored at a Group level, and the Group's risk management and internal frameworks are described in the consolidated financial statements of M&G plc. Due to the current financial strength of the Group, the Directors consider that there is minimal level of risk associated with the Company.

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).

Wrap IFA Services Limited

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

Statement of Directors' responsibilities (continued)

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

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

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

Independent auditors

For the previous year, the Company took advantage of the exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. Following the sale of the Company to M&G plc during the year, the Company has now appointed PricewaterhouseCoopers LLP as auditors under section 487(2) of the Companies Act 2006.

As such, corresponding figures of the financial statements for the year ended 31 December 2020 are unaudited.

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

C J Bousfield
Director
26 March 2021

Independent auditors' report to the members of Wrap IFA Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Wrap IFA Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2020; the Statement of Comprehensive income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Report on the audit of the financial statements

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

Strategic report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors’ responsibilities for the audit of the financial statements

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

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

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

- Substantive testing of journals that met criteria that could be indicative of a fraudulent journal; and
- Unpredictable procedures over debtors.

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

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

Report on the audit of the financial statements

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Other matter

The financial statements for the 31 December 2019, forming the corresponding figures of the financial statements for the year ended 31 December 2020, are unaudited.

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

Wrap IFA Services Limited

Statement of Comprehensive Income for the year ended 31 December 2020

	Note	**2020** £	2019 (unaudited) £
Administrative expenses	2	**(6,406)**	(9,329)
Operating loss		**(6,406)**	(9,329)
Other interest receivable and similar income	4	**80,000**	80,000
Impairment of investments in subsidiaries	5	**(18,982,158)**	(26,736,526)
Net impairment losses on financial and contract assets	8	**(810,000)**	-
Interest payable and similar expenses	6	**(1,707,448)**	(2,142,500)
Loss before tax		**(21,426,012)**	(28,808,355)
Tax on loss	7	**231,802**	409,210
Loss for the financial year		**(21,194,210)**	(28,399,145)
Other comprehensive income, net of tax		**-**	-
Total comprehensive income for the financial year		**(21,194,210)**	(28,399,145)

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

The accounting policies and notes on pages 13 to 22 form an integral part of these financial statements.

Wrap IFA Services Limited

Statement of Financial Position
as at 31 December 2020

	Note	**2020** £	2019 (unaudited) £
Fixed assets			
Investments	5	**74,983,922**	68,966,080
Current assets			
Debtors	8	**2,326,669**	2,831,273
Cash at bank and in hand		**-**	23,822
		2,326,669	2,855,095
Creditors: amounts falling due within one year	9	**(48,905,189)**	(47,221,563)
Net current liabilities		**(46,578,520)**	(44,366,468)
Total assets less total liabilities		**28,405,402**	24,599,612
Capital and reserves			
Called up share capital	10	**128,540,101**	127,290,101
Share premium account	10	**40,132,879**	16,382,879
Other reserves	10	**52,000,000**	52,000,000
Profit and loss account	10	**(192,267,578)**	(171,073,368)
Total shareholders' funds		**28,405,402**	24,599,612

The notes on pages 13 to 22 form an integral part of these financial statements.

The financial statements on pages 10 to 22 were approved by the Board of Directors on 26 March 2021 and signed on its behalf by:

C J Bousfield
Director
Wrap IFA Services Limited
Registered Number: 06265312

Wrap IFA Services Limited

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

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total shareholders' funds
	£	£	£	£	£
At 1 January 2019 (unaudited)	87,290,101	16,382,879	52,000,000	(142,674,223)	12,998,757
Ordinary shares issued	40,000,000	-	-	-	40,000,000
Loss for the financial year	-	-	-	(28,399,145)	(28,399,145)
At 31 December 2019 (unaudited)	127,290,101	16,382,879	52,000,000	(171,073,368)	24,599,612
Ordinary Shares issued	1,250,000	23,750,000	-	-	25,000,000
Loss for the financial year	-	-	-	(21,194,210)	(21,194,210)
At 31 December 2020	**128,540,101**	**40,132,879**	**52,000,000**	**(192,267,578)**	**28,405,402**

The notes on pages 13 to 22 form an integral part of these financial statements.

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

1 Accounting policies

(i) General information

Wrap IFA Services Limited is a holding company, operating in the United Kingdom (UK). The Company is a private limited company and is incorporated and domiciled in the UK. The address of its registered office changed on 2 September 2020 to 10 Fenchurch Avenue, London EC3M 5AG. The previous registered office of the Company was 55 Gracechurch Street, London, EC3V 0RL.

(ii) Basis of preparation

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

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

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

- The disclosure requirements in respect of financial instruments (IFRS 7 paragraph 8(d));
- Capital management disclosures (IAS 1.134-136);
- Comparative information for the reconciliation of the number of shares outstanding at the beginning and end of the period (IAS 1.79(a)(iv));
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- A cash flow statement and related disclosures (IAS 1.10(d), 111);
- Information on new IFRSs that have been issued but which are not yet effective (IAS 8.30-31);
- Key management compensation (IAS 24.17);
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- IFRS 8 - The Company has taken advantage of the exemptions within IFRS 8 (Operating Segments) not to provide segmental information.

Equivalent disclosures have been given in the consolidated financial statements of M&G plc. The consolidated financial statements of M&G plc are available to the public and can be obtained as set out in note 11.

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

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

The principal accounting policies, which have been applied consistently to all periods in these financial statements, are set out below.

1 Accounting policies (continued)

(iii) Going Concern

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

A letter of support has been received from M&G Group Regulated Entity Holding Company Limited to support Wrap IFA Services Limited, committing to continue to support the company should this be required within one year of the date of approval of these financial statements.

(iv) Other interest receivable and similar income

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

(v) Interest payable and similar charges

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

(vi) Financial Instruments

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

a) Financial Assets

Recognition and initial measurement

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

Classification and subsequent measurement

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

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

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

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

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

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

1 Accounting policies (continued)

(vi) Financial Instruments (continued)

a) Financial Assets (continued)

Impairment

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

b) Financial liabilities

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

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

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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

(vii) Investments in Group undertakings

The Company has chosen to account for its investments in Group undertakings at cost less impairment charges, as permitted by International Accounting Standard 27, ‘Separate Financial Statements’. Cost comprises the fair value of the consideration paid plus directly attributable and incremental transaction expenses and loans which have been provided to subsidiaries as an additional source of long-term capital.

(viii) Impairment

The carrying amounts of assets are reviewed at each balance sheet date for any indication of impairment or whenever events or circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised if the higher of the value in use and fair value less disposal costs is lower than the asset’s carrying value. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Impairment losses are recognised in the statement of comprehensive income.

An impairment loss is reversed only to the extent that after the reversal, the asset’s carrying amount is no greater than the amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognise.

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

1 Accounting policies (continued)

(ix) Taxation

Income tax on the loss for the financial year comprises current and deferred tax and is recognised in profit or 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 using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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

(x) 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.

(xi) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, 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.

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.

This is particularly relevant to the consideration of impairments of investments held at cost (note 5), impairments on amounts due from group undertakings (note 8) and interest accrued on loans from the parent undertaking (note 9). Further information can be found within the relevant note to the accounts.

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

2 Administrative expenses

Administrative expenses of £6,406 (2019: £9,329) include charges for the provision of services made under a management services agreement by Royal London Management Services Limited whilst Royal London Management Services was the ultimate parent company. Following the sale of the Company to M&G plc, these administrative expenses have ceased.

The Company has no employees (2019: none).

The Directors received no remuneration in respect of their services to the Company (2019: £nil). The emoluments of the Directors are paid by Investment Funds Direct Limited, an indirect subsidiary which makes no recharge to the Company.

The Directors receive no incremental emoluments for services to the Company and all emoluments are deemed to be wholly attributable to services of Investment Funds Direct Limited. The total emoluments for the Directors of this company are included in the aggregate of Directors' emoluments disclosed within the financial statements of Investment Funds Direct Limited or the consolidated financial statements of the ultimate parent companies during the year.

3 Auditors' Remuneration

The remuneration of the auditors, PricewaterhouseCoopers LLP, for the year was £8,000 (2019: nil) for the audit of the Company's financial statements.

PricewaterhouseCoopers LLP also received remuneration of £80,000 (2019: £58,286) in respect of the audit of the Company's three direct and indirect subsidiaries, Investment Funds Direct Limited, Investment Funds Direct Holdings Limited and Investment Funds Direct Group Limited. In addition, PricewaterhouseCoopers has also received £293,000 (2019: £212,000) in relation to CASS audits for its indirect subsidiary, Investment Funds Direct Limited.

All fees in respect of the audit of the Company's and its subsidiaries' financial statements, in addition to other non-audit fees, have been borne by Investment Funds Direct Limited and is shown in their accounts.

4 Other interest receivable and similar income

	2020	2019 (unaudited)
	£	£
Interest receivable on loans to fellow subsidiary undertakings	**80,000**	80,000

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

5 Investments

	2020	2019 (unaudited)
	£	£
Investments in Group undertakings at 1 January	**68,966,080**	45,702,606
Additions	**25,000,000**	50,000,000
Impairment	**(18,982,158)**	(26,736,526)
Investments in Group undertakings at 31 December	**74,983,922**	68,966,080

During the year, the Company authorised and issued 1.25 million ordinary shares with an aggregated nominal value £1,250,000 for consideration of £25,000,000 to its immediate parent company, M&G Group Regulated Entity Holding Company Limited.

As a result of the share issue, the Company subsequently subscribed for 1.25 million ordinary shares with an aggregated nominal value £1,250,000 for consideration of £25,000,000 in the capital of IFDGL.

During the year IFDL has recorded a loss. As a result the Company has concluded that its investment in IFDGL, IFDL's immediate parent, is accordingly impaired down to its recoverable amount. The recoverable amount of IFDGL has been determined as the fair value less costs of disposal, which is deemed by the directors to be the net asset value of IFDGL.

Consequently, an impairment loss of £18,982,158 (2019: £26,736,526) has been recognised in the statement of comprehensive income.

The principal direct and indirect subsidiary undertakings are set out below. All of these companies are registered in England and Wales and are wholly owned.

Investment Funds Direct Group Limited	-	Intermediate Holding Company
Investment Funds Direct Limited	-	Wrap Platform Management
Investment Funds Direct Holdings Limited	-	Activities of financial services holding companies

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

6 Interest payable and similar charges

	2020	2019 (unaudited)
	£	£
Interest payable on loans from parent undertaking	**1,707,448**	2,142,500

7 Tax on loss on ordinary activities

(i) Tax credited to the profit and loss account

	2020	2019 (unaudited)
	£	£
UK corporation tax credit at 19% (2019: 19%) on the loss for the year	**(231,802)**	(409,210)

(ii) Factors affecting the tax credit for the year

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

	2020 **£**	2019 (unaudited) £
Loss on ordinary activities before tax	**(21,426,012)**	(28,808,355)
Loss multiplied by the standard rate of UK corporation tax of 19% (2019: 19%)	**(4,070,942)**	(5,473,587)
Effects of:		
Adjustments in respect of previous periods	**(21,055)**	-
Expenses not deductible in determining taxable profit or loss	**3,740,052**	5,064,377
Losses on which no deferred tax is recognised	**120,143**	-
Total tax credit for the year	**(231,802)**	(409,210)

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

(iii) Deferred taxation

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. Where this is not probable, the deferred tax asset is not recognised. The company did not recognise deferred tax assets of £120,143 (2019: £nil) in respect of tax losses amounting to £632,334 (2019: £nil) that can only be offset against future taxable income of the company.

8 Debtors

	2020 £	2019 (unaudited) £
Amounts owed by Group undertakings	**2,293,331**	2,612,901
Group relief	**33,338**	218,372
	2,326,669	2,831,273

On 6 September 2012, the Company issued a £1,000,000 loan to its indirect subsidiary, Investment Funds Direct Holdings Limited. The loan bears interest at a fixed rate of 8% per annum. The loan is repayable upon agreement between the two parties at any time post September 2017. Therefore the loan does not have a fixed maturity date.

During the year, an impairment loss of £810,000 was recorded against the value of the loan to reflect the expected recoverability of the amount owed by Investment Funds Direct Holdings Limited.

The other amounts owed by Group undertakings are repayable on demand and are unsecured. Debtors are carried at amortised cost. Their fair value is not materially different from the value shown above.

9 Creditors: amounts falling due within one year

	2020 £	2019 (unaudited) £
Loans from parent undertaking	**48,905,189**	47,221,563

The amounts owed to Group undertakings are repayable on demand and are unsecured, and relate to interest accrued on the loans from parent undertaking.

The Company had previous unsecured loans with the Royal London Group totalling £35.2m, with accumulated interest of £12.0m to 31 December 2019. Accumulated interest in 2020, to the point of sale of the Company to M&G plc was a further £1.5m. Interest was payable at a fixed rate of 5% above the base rate of National Westminster Bank and at fixed rates varying from 6.25% to 10%.

This loan and accumulated interest was settled by M&G plc as part of the sale agreement, and a new loan of £48.7m was reissued to the Company on 1 September 2020. Interest accrues on the loan at a rate per annum equal to the aggregate of compounded daily Sterling Overnight Index Average (“SONIA”) plus 1.2%. For the current financial year, a rate of 1.25% as the estimate of the aggregate of compounded daily SONIA plus 1.2%, has been used as the effective interest rate for this loan.

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

10 Capital and reserves

(i) Called up share capital

	2020 £	2019 (unaudited) £
Authorised, issued and fully paid		
128,540,101 (2019: 127,290,101) ordinary shares of £1 each	**128,540,101**	**127,290,101**

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

During the year, the Company authorised and issued 1.25 million ordinary shares with an aggregated nominal value £1,250,000 for consideration of £25,000,000 to its immediate parent company, M&G Group Regulated Entity Holding Company Limited.

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

(ii) Share Premium

	2020 **£000**	2019 £000
At 1 January	**16,382,879**	16,382,879
Additions	**23,750,000**	-
At 31 December	**40,132,879**	16,382,879

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

As outlined above, during the year the Company authorised and issued 1.25 million ordinary shares with an aggregated nominal value £1,250,000, for consideration of £25,000,000, to its immediate parent undertaking, M&G Group Regulated Entity Holding Company Limited. The premium of £23,750,000 has been recorded as share premium.

(iii) Profit and loss account

	2020 **£**	2019 (unaudited) £
At 1 January	**(171,073,368)**	(142,864,210)
Loss for the financial year	**(21,194,210)**	(28,209,157)
At 31 December	**(192,267,578)**	(171,073,367)

(iv) Other Reserves

Other reserves relate to capital contributions from the parent undertaking.

11 Ultimate parent undertaking and controlling party

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

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

12 Related undertakings

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

Name	Address	Ownership %	Class of Share	Nature of Business
Investment Funds Direct Group Limited	10 Fenchurch Avenue London England EC3M 5AG	100	£1 Ordinary	Activities of financial services holding companies
Investment Funds Direct Holdings Limited*	10 Fenchurch Avenue London England EC3M 5AG	100	£1 Ordinary	Formerly Administration Services
Investment Funds Direct Limited*	10 Fenchurch Avenue London England EC3M 5AG	100	£1 Ordinary	Wrap Platform Management
Fundsdirect ISA Nominees Limited*	10 Fenchurch Avenue London England EC3M 5AG	100	£1 Ordinary	Activities auxiliary to financial intermediation (Dormant)
IFDL Personal Pensions Limited*	10 Fenchurch Avenue London England EC3M 5AG	100	£1 Ordinary	Activities auxiliary to financial intermediation (Dormant)
Fundsdirect Nominees Limited*	10 Fenchurch Avenue London England EC3M 5AG	100	£1 Ordinary	Activities auxiliary to financial intermediation (Dormant)

* Held indirectly