REPORT & ACCOUNTS

FOR THE YEAR ENDED
31 DECEMBER 2019

embarkgroup.co.uk

embark group

WE ARE BUILDING A SUSTAINABLE BUSINESS THAT IS EQUIPPED TO COMPETE WITH MUCH LARGER, MORE ESTABLISHED ENTERPRISES.

PHIL SMITH
Group Chief Executive
Embark Group

Established in 2013, Embark Group is a fast growing, diversified, financial services business operating in both the advised and institutional areas of the retirement market. By consistently executing on our strategy and successfully completing multiple growth acquisitions, Embark has transitioned rapidly from an initial private investment to become one of the largest full-scale retirement solutions providers in the UK with significant institutional backing.

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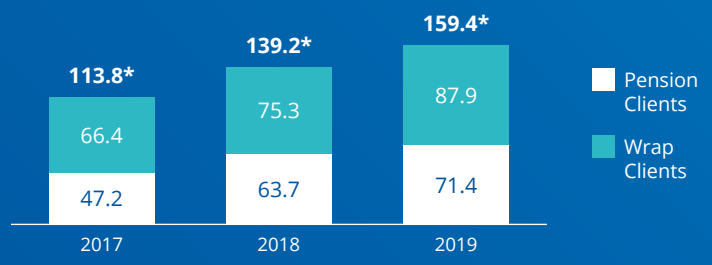
OPERATIONAL AND FINANCIAL HIGHLIGHTS

Client Volume (000s)

£159.4k

+15% (2019 vs. 2018)

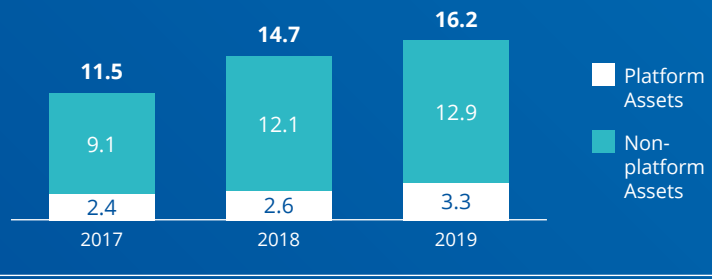


* Includes 0.2k in 2017, £0.2k in 2018 and 0.1k in 2019 of Advised Clients/Corporate Employee Benefits.

Assets Under Administration (£bn)

£16.2bn

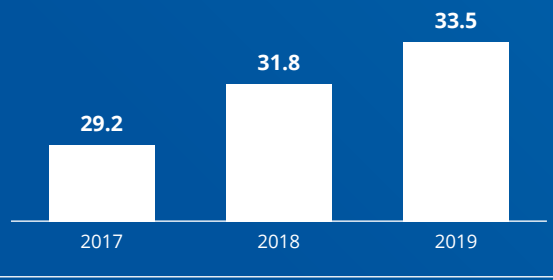
+10% (2019 vs. 2018)



Revenues (£m)

£33.5m

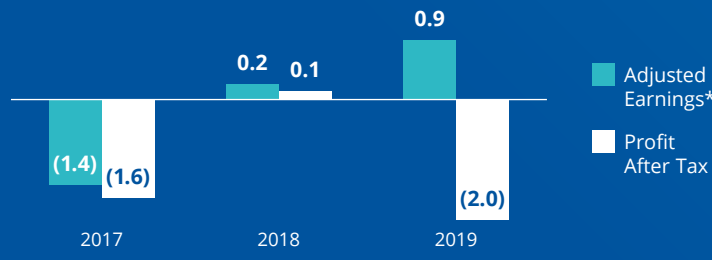
+5% (2019 vs. 2018)



PAT & Adjusted Earnings** (£m)

£0.9m

+450% (2019 vs. 2018)

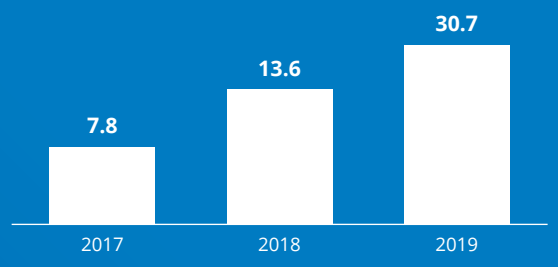


** Calculated as profit after tax excluding deal-related and non-recurring expenses.

Net Assets (£m)

£30.7m

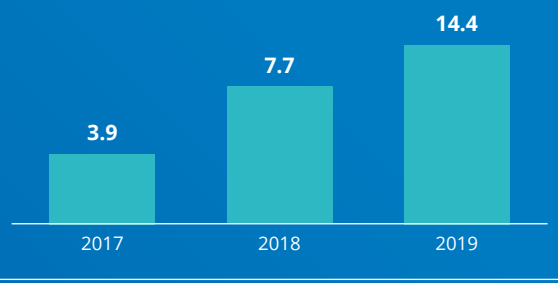
+126% (2019 vs. 2018)



Cash & Cash Equivalents (£m)

£14.4m

+88% (2019 vs. 2018)



Product Analysis

	Total scheme no. 2018	Net new scheme no. 2019	Scheme no. acquired/ (sold) in 2019	Total scheme no. 2019	Client volume 2019	Net change
SIPP	51,808	8,055	-	59,863	61,200	15.55%
Family Pension Trust	839	7	-	846	2,296	0.83%
SSAS	4,131	(161)	-	3,970	7,917	(3.90%)
ISA/GIA	75,307	12,571	-	87,878	87,878	16.69%
Advised/Corporate Employee Benefits	155	(44)	-	111	111	(28.39%)
Total	**132,240**	**20,428**	**-**	**152,668**	**159,402**	**15.45%**

STRATEGIC REPORT:

CHAIRMAN'S STATEMENT

DAVID ETHERINGTON

Non-Executive Chairman
Embark Group

During 2019 Embark Group has continued the momentum of previous years, significantly adding to its scale in the Wrap Platform market, whilst fully embedding its market leading scale in the SIPP and SSAS sectors.

Our progression, as demonstrated through our results presented in this report, were led primarily through organic growth this year and the leveraging of prior year investments. Alongside this, our Group Executive completed three material M&A transactions, two in the platform market, and one a diversification into Multi-Asset Fund Management, the results of which will be seen in 2020.

The ability to grow simultaneously through organic and inorganic means is marking us out as a progressive challenger to the established players in our markets. Indeed, Embark Group now has a leading roster of Business to Business ("B2B") distribution partners, each attached to multi-year contracts. These range across Retail Banking, Direct to Consumer ("D2C") Investment Engines, 'Robo' platforms, Wealth Managers and traditional IFAs. We have a richness and diversity of distribution.

Equally pleasing this year has been a material progression in our shareholder base, with the addition of major long-term capital investments from Blackrock, Legg Mason and Merian Chrysalis plc, alongside FNZ Group. This has been further enhanced by the addition of Franklin Templeton Global Investors in the first half of 2020. During this period, we have moved from being backed by private individuals to enjoying the support of material global backers. We now have access to strategic growth capital.

It is clear that our markets have a high degree of volatility, marked by 're-platforming' failures, increased cyber risk, a changing PII market, changing consumer risks in the SIPP market, and general capital market volatility. These have been amplified by the COVID-19 crisis, which may create material disruption to our activities for the near-term. I am confident that our management will continue to navigate these waters successfully.

Looking forward as a material enterprise, the Board and I have set clear expectations for the safe integration of our acquisitions, and in ensuring our governance regime is both robust and reflective of our continued organic momentum. Our expectations for the future remain high, though muted in the near term as our focus will be on ensuring the protection of consumer outcomes as we deal with the global COVID-19 crisis.

David Etherington
Non-Executive Chairman

04 May 2020

"The ability to grow simultaneously through organic and inorganic means is marking us out as a progressive challenger to the established players in our markets"

STRATEGIC REPORT:

CHIEF EXECUTIVE OFFICER'S STATEMENT

PHIL SMITH

Group Chief Executive
Embark Group

I am pleased to report to our stakeholders another year of both rapid growth and progressive enhancement of our underlying financial strength. We continue to invest in our infrastructure, our trading technologies, our people and our service proposition across multiple channels. In short, we are building a sustainable business that is equipped to compete with much larger, more established enterprises.

Following several years of 'stepping stone' expansion through M&A, adding both scale and propositional breadth, 2019 was destined to be a year of consolidation and organic progression. Our budget and key objectives reflected this, and on a like-for like basis we have delivered against them, particularly in our bespoke pensions business.

Opportunities arose however for us to drive forward in the platform sector through two strategic acquisitions, those of the intermediated business of Alliance Trust Savings ("ATS") and the retail platform business of Zurich UK. This latter opportunity being further accentuated by the opportunity to diversify into multi-asset fund management through the acquisition of Zurich Investment Services, which trades as 'Horizon', which we will operate cautiously in the coming period.

A significant amount of our core bandwidth was applied to these transactions. It was particularly pleasing to be able to point to positive stakeholder outcomes in each of them. That is often not achieved, regardless of the scale of the 'player' or the 'deal'.

The acquisitions are expected to propel the business forward (at a pro-forma level) to over £33bn assets under administration ("AuA"). This has brought balance between our bespoke pension and wrap platform businesses, and has greatly extended our distribution reach. We will see the value of these transactions play through in our 2021-2024 results at a P&L level. That said, we note that our net organic growth rate was over 15% in 2019, demonstrating our growing distribution capabilities and multi-channel reach.

At an operating level, we report strong stable returns from our bespoke pension units. They are operating at sustainable performance levels and contributing free cash flow to the Group. Each have solid balance sheets and strong market positions, with the SIPP market showing good organic growth. This has allowed us to continue to invest significantly in both our wrap platform and our workplace project, both of which are in the early stage part of their strategic lifecycle.

Turning to the core markets in which we operate, it is clear that we continue to see 'tectonic shifts' at a distribution, product and competitor level.

The bespoke pension world (traditional SIPP, SSAS & Family Pension Trust products) has dramatically slowed its net new growth rate, with players wholly dependent on IFA distribution starting to struggle for growth. We see a growth rate of c2-3% in this market. However, as SIPPs continue to go mainstream in the 'Direct to Consumer' channels,

Over the next 3-5 years, our agenda has five solid deliverables:

1. Integrate our acquisitions at a distribution, technology and operational level, to drive material enterprise value.
2. Take our scale to >£50bn through accelerated organic growth and opportunistic inorganic participation.
3. Deliver a truly balanced 'multi-channel' distribution capability that brings diversification coupled with at or higher than market level growth rates.
4. Continue to build a 'Business to Business' brand that is focused on delivering excellent consumer outcomes and true value for money.
5. Deliver sustainable 'Total Shareholder Returns' to our investors.

"We continue to invest in our infrastructure, our trading technologies, our people and our service proposition across multiple channels."

we continue to see >10% compound growth in this area over the medium term. It remains our strategy to offer a mix of product and distribution channels for this market that will see us gather new business as a large number of sub-scale players fall out of the market.

The wrap platform market has also seen material change. We are seeing technology level consolidation and platform operator consolidation. Propositional components such as retirement functionality, price and automated processes are starting to trump service and investment breadth led propositions, the traditional drivers of flows. Whilst organic growth has slowed to c6-7% in our view, those players with multi-channel distribution have the ability to outperform 'IFA only' models. As with our bespoke pension capability, our strategy remains to diversify distribution, attack on proposition and deliver the best automated workflows in the market.

The corporate employee benefits ('workplace') market is our anomaly. It has been surprisingly dormant in 2019, with sporadic propositional entries and a narrowing of competition in the auto-enrolment / master trust space. We believe this sector is awaiting a truly digital, integrated proposition which delivers flexible benefits, financial wellbeing and workplace savings in one accessible package. It is our strategic intent to do so in the coming period, and to do so organically with our partners.

Over the next 3-5 years, our agenda has five solid deliverables. These are outlined in the table above.

Our Chairman has already commented on the change to our shareholder base and the energy for growth they, and our legacy investors, have for the achievement of these targets.

The COVID-19 crisis has given the business a full test of its business continuity capabilities in Q1 2020. I am pleased to say we have delivered continuity of all consumer service levels throughout whilst executing a move to remote working for almost all colleagues. This has been possible due to the ongoing investments in our infrastructure and people over several years. Clearly, the COVID-19 situation will persist for some time and will bring new and varied challenges to each of our subsidiaries. It is our belief that we are as well prepared and resilient as any of our leading peers, and that we will handle this without long-term detriment to shareholder value.

We believe our investors are equally excited by the prospects for the business and latent opportunities for further value creation. We live in times where strategic clarity and skilled execution provide Embark with an optimal platform for continued success in the 2020-2024 period. ■

Phil Smith
Group Chief Executive

04 May 2020

STRATEGIC REPORT:

LONG-TERM GROUP STRATEGY

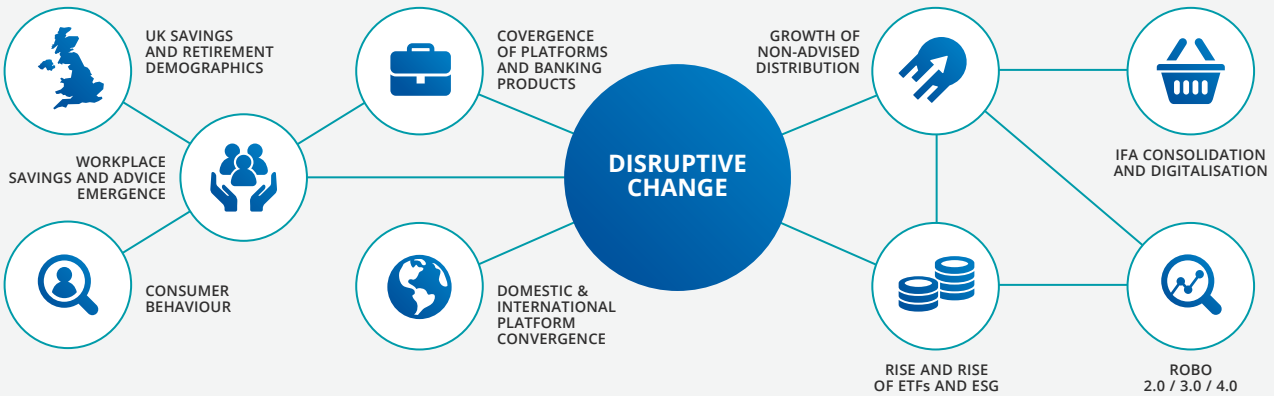
The Embark Group was formed in 2013 with a fifteen year strategic vision to build a leading independent digital retirement platform in the UK that combined the technology strengths of the Wrap Platform market, with the deep pension expertise of the traditional SIPP and SSAS players. We saw then, and continue to see now, a range of disruptive factors and economic opportunities which made this strategy executable and within the capabilities of a private company.

The six years since inception have seen an accelerating 'confluence of change' across technology, consumer behaviour, consumer knowledge, legislative, regulatory, and competitive dynamics. This has enabled the implementation of our strategy, which remains unchanged, to this point.

We believe we have established our position as a scale market leader in both the SSAS and full SIPP sectors and, post the completion/integration of our acquisitions in 2019/20, will be an established Top 10 Wrap provider.

Phase 2: 2019-2023

We are in a period of the most disruptive change the UK non-bank savings market has seen in the last 30 years.



Why we do it

The Embark Group was established in 2013 to harness specific opportunities identified in the UK non-bank savings market. As we move into phase 2 of our approach, a combination of early and emerging macro trends are now impacting our strategy and direction.

UK saving demographics
- Longevity of capital aware population
- Consolidation & cost minded
- Ageing population

Consumer behaviour
- Increasing savings propensity
- Higher price sensitivity
- Higher trust of automation but need F2F

Platform and banking convergence
- Mobility increases the need for international reach
- Banking/FX capabilities offer margin
- International platforms vulnerable

Robo 2.0 / 3.0 / 4.0
- Behavioural suitability becomes the norm
- Tax and life event algorithms become central
- FX and cross border offerings emerge

Growth of direct distribution
- Guided/XO solutions accelerate
- Non-FS brands enter the fray aggressively
- Retail banks leverage their strength

Workplace savings & advice emergence
- EBC to workplace wraps (not master trust)
- Financial wellbeing drivers
- Workplace seen at the largest marketplace

IFA consolidation & digitalisation
- Rise of the 'mini' robo
- Back office digital transformation
- 'Super' nationals emerge in numbers

Rise and rise of ETFs and ESG
- Consumers make price a primary factor
- Social responsibility comes central to savers
- Pursuit of returns and longevity get tougher

Over the next five years we intend to continue to leverage both our disruptive position in the Wrap sector via the Embark Platform, whilst building on the strong 'full-service offering' platform play that comes via the Advance Platform (formerly Zurich) acquisition. This 'dual' propositional strategy will enable us to provide services that meet all levels of affluence and need.

New to our strategic plan is the deployment and development of a multi-asset fund range ('Horizon') acquired from Zurich UK. This change reflects the importance of being able to deliver appropriate retirement pathways to our pension consumers, regardless of channel. We do not intend to compete as an Asset Manager; however we see opportunity to leverage our position commercially, whilst meeting key consumer needs within our existing client books.

After the integration of current acquisitions, we will continue to look opportunistically at inorganic expansion options, but with an increasingly high 'bar' of requirements for us to deploy capital in this way. Our current preference is to invest our capital and energies in consumer innovation, enhancing consumer outcomes and achieving the highest staff engagement levels amongst our industry peers.

Our summarised phase 2 strategy:

1 Diversify Distribution

To build a multi-channel, multiservice capability that can leverage retirement services across the IFA, Retail Banking, Workplace, Robo and Direct to Consumer execution channels in the UK and (long-term) offshore. IFA distribution remains our core long-term channel strategy in the UK and will remain >50% of our Group client base over the medium term, however we aim to continue to be the fastest growing Business to Business SIPP service provider in the UK.

2 Disrupt the IFA wrap market

To continue the development and refinement of our low cost, full investment savings Wrap platform in partnership with our leading technology and outsourced service provider and our select fund management partners, bringing together price, efficiency and complex SIPP excellence in one offering.

3 Enter workplace savings with digital innovation

To innovatively build scale in the long-term workplace savings market, leading the way with a workplace Wrap service that integrates digital benefits, employee engagement and well-being.

4 Execute quality digital customer experiences

To continually enhance the customer experience we deliver to our intermediaries, our business to business partners, and moreover our end consumers, whether they are high net worth or retail savers. Investment and innovation in digital connectivity, applications and interfaces will principally drive this.

5 Define 'best in class' governance for self-investment providers

To be market champions for governance, regulation and the delivery of safe consumer outcomes. This will be coupled with the strong financial strength which allows our business to scale significantly over the next five years.

6 Engage with the best talent in our sector

To build the most technically competent, engaged workforce in our sector. People build businesses, and people deliver positive customer outcomes. It is our mission to repeatedly increase the competence, productivity and engagement of our staff base, and to help them embrace technology as an enabler of their careers.

Over the next five years we fully expect to see a continuation of these drivers of opportunity, and believe that having created the foundations of the Embark Group, we are strategically well placed to drive organic growth safely through our multi-channel strategy, and to deliver our ten-year plan with a business of >£50bn assets under administration. This new goal doubles the original business strategy to have >£25bn of assets under administration by 2023. Underlying this is our focus on activities which generate high annuitized revenues, for clients who want to enjoy the Embark experience. This will naturally keep SIPPs at the epicentre of our strategic activities.

STRATEGIC REPORT:

CHIEF FINANCIAL OFFICER'S STATEMENT

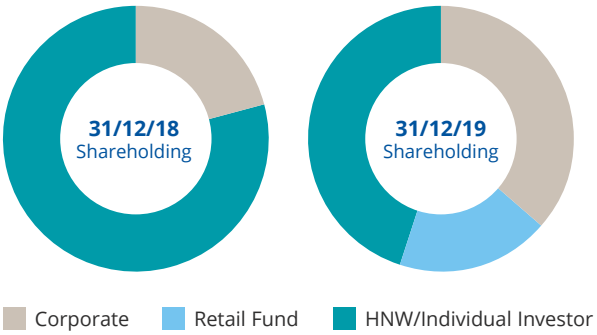
VINCENT CAMBONIE

Chief Financial Officer
Embark Group Limited

Our financial performance reflects another very positive year for the Embark Group and another key step in our ongoing development as a Group toward becoming one of the leading independent retirement solutions providers in the United Kingdom.

Embark Group's market-leading service proposition continues to deliver growth in both scheme and member numbers and our balance sheet ended the year in a materially stronger position following significant investment from a number of global fund managers, each of which recognises the growth that has been achieved to date, supports the current trajectory of the Group and have contributed to the capital required to fund the Group through its next phase of growth.

More specifically, during the year the Group raised £19.4m (2018: £7.3m) of capital from three (2018: one) new investors, Blackrock, Legg Mason and Merian Chrysalis plc, who joined the list of investors alongside FNZ Group. This was added to in April 2020 with a further £45.0m raised alongside one additional new investor, Franklin Templeton Global Investors. This represents a significant shift in the investor base of the Group with the inclusion of cornerstone investors that offer increased opportunity and access to future growth capital. This is depicted in the following graphs comparing the equity base year on year:



The main purpose of the capital raises was to enable the completion of two significant transactions that were announced in the final quarter of 2019, summarised as follows;

- In November 2019, the Group acquired the rights to the future migration of the advised and partnership client books of Alliance Trust Savings Limited ("ATS") from Interactive Investor Limited ("II"), further increasing the Group's presence in the UK investment savings sector. Overall, the transaction will bring >£6bn of Assets under Administration ("AuA") along with c.30k new clients to the Group, alongside gaining the benefit of a highly skilled and experienced specialist sector team. It is the expectation that the migration of the client portfolios will extend throughout 2020.

  This acquisition presented a perfect opportunity to accelerate the Group's growth strategy by acquiring a book of platform assets with high SIPP penetration,

as well as complementary distribution relationships. This accelerates AuA growth, client number growth and reinforces the Group's position as one of the fastest growing market disruptors in the UK investment savings and platform market. It also offers an excellent opportunity to establish a centre for operations and growth in Scotland (the primary home of ATS), enabling the Group to access local talent and FinTech capabilities.

- Also in November 2019, the Group announced that it had agreed to acquire Zurich's Investment and Retail Platform business, Sterling ISA Managers Limited and its Authorised Corporate Director ("ACD") and Investment Management business, Zurich Investment Services (UK) Limited, for an undisclosed consideration, to further increase its presence in the UK investment savings sector.

  The transaction brings >£11bn AuA and an advised book of c.130,000 clients to the Group. It also adds an extensive distribution capability with strong reach into the adviser community, which will be valuable in driving future growth, and further increase Embark's presence in the UK investment savings sector.

Collectively these transactions will take the Embark Group to a pro-forma Assets under Administration of over £33bn, more than 300,000 consumer clients across all its product channels and brands, and presents a significant acceleration of our long-term strategy.

Completing and embedding these transactions will be the key focus for 2020 and will require significant resource to achieve successfully. I believe the Group starts 2020 in a strong position and is financially well resourced and supported to enable the successful completion and embedding of these strategic transactions, both in 2020 and beyond. The significant benefits of the acquisitions start to crystallise in Q2 2020 and by year end 2020 the Group is forecast to be delivering a strong monthly run rate profit after tax and equally as strong monthly liquidity generation.

It continues to be the case that whilst building the revenue earning franchise of the Group through both organic and inorganic expansion, an ongoing focus on costs, improved productivity, improved efficiency and investment in our infrastructure will enable our technology and customer led propositions to deliver profitable and sustainable growth over the short, medium and long term.

I see ongoing acquisition opportunities for the Group as we move through 2020, however this will not be the primary focus and would be opportunistic only. Therefore, I see 2020 primarily as a year of integration and organic development with a key focus on delivering the migrations already in flight.

The developing global crisis, COVID-19, will impact all businesses in 2020 and our near-term focus will be on ensuring the protection of our staff and customers. At the time of writing, our entire Group has been operating efficiently away from office locations for over 1 month with almost no impact on productivity and performance. Looking forward, taking account of various scenarios we see as possible outcomes, I am confident the Group has sufficient strength and liquid resource to continue its operational activities throughout this crisis.

Financial Performance

For the purposes of a comparable year on year review of Group performance, I draw attention to two key measures of financial performance, split between 'underlying' and 'statutory' profit/loss. I believe this is key to ensure a fair and reasonable comparison of financial performance year on year, and it provides better information on the underlying performance of the Group. This is due to the volume of acquisition and integration activity over the past year leading to a number of non-recurring expense items, masking the underlying performance of the Group.

Underlying profit/loss excludes exceptional or "non-recurring" expenses, which have been classified as non-recurring expenses on the Statement of Comprehensive Income. Such items predominantly include the cost associated with the aforementioned acquisitions, which for 2019 have a significant impact on the Statement of Comprehensive Income. In 2019, non-recurring expenses amounted to £2.9m (2018: £0.1m). As a result, in 2019 Embark Group's underlying profit before tax was £0.1m (2018: £0.0m loss) and the profit after tax was £0.9m (2018: £0.2m). The costs of investing in our platform and technology have been included in profits before non-recurring expenses.

I am pleased to announce an improvement in the underlying results of the Group for the year ending 31 December 2019 and the delivery of, on an underlying basis, a net profit before tax. Becoming profitable on an underlying trading basis demonstrates our improving operational performance.

Statutory profit/loss includes everything that must be added and deducted from underlying profit/loss to comply with legal and accounting requirements. For 2019, the Embark Group's statutory loss before tax was £2.8m (2018: £0.1m loss) and loss after tax was £2.0m (2018: £0.1m profit).

STRATEGIC REPORT:

CHIEF FINANCIAL OFFICER'S STATEMENT (CONTINUED)

The statutory loss was due to the costs associated with the two previously mentioned acquisitions completed during the year. In total £2.9m (2018: £0.1m) non-recurring expenses were incurred broken down by key category as follows: Legal & professional acquisition costs £1.4m, integration costs £1.5m.

Revenue

Total revenue increased 5.4% (2018: 8.9%) year-on-year to £33.5m (2018: £31.8m). In 2019 this was due to strong organic growth across the product range with 20,205 (2018: 12,293) net new clients (excluding acquisitions) during the period.

Our portfolio of bespoke pension businesses performed strongly throughout 2019 and each delivered strong levels of revenue in line with or above expectation. Pension administration service fee revenue remains the predominant source of income across the Group at 90.6% (2019: 87.4%), with a high proportion of recurring revenue versus activity-based revenue, thus giving the Group an important level of predictability in its revenue performance.

The proportion of fees based on fixed monetary values remained high at 87% during 2019 (2018: 87%). The Group's existing revenue is not dependant on external market levels, thus providing good diversification of income with the acquisitions currently in flight that have a higher dependency on market levels. When also considering the impact COVID-19 has had on financial markets in the early part of 2020, a high proportion of fixed, recurring fees has provided a solid base of revenue that is largely unimpacted through the crisis.

Development continues of both Business to Business Robo Pensions and Business to Business Robo & IFA Wrap platform activities, both of which are typically charged on basis points over AuA. Revenue for these channels increased 28.5% to £4.6m (2018: £3.6m) and was driven by strong levels of new business with key distribution and corporate partners coupled with the successful migration of new distribution and corporate partners onto the Embark Platform during 2019. This was further underpinned by significant functionality enhancements for fractional share dealing within the Embark Platform that has attracted sales from new IFA partners and is expected to be a key area of growth going forward.

The increase in the proportion of fees dependent on movements in the value of underlying AuA from £0.5m (2%) to £1.0m (3%) highlights the diversification of distribution channels and sources of income across the Group.

Our consulting businesses (representing 8% of revenue (2018: 10%) collectively saw a net decrease in revenue during the year primarily due to our employee benefit and workplace solutions provider business, Vested Employee Benefits Limited, performing behind plan. This was due to a net decrease in customer numbers and a proportionate decrease in revenue. This masks strong performance in our actuarial business, part of The Advisor Centre Limited, servicing both internal and external clients. The actuarial team had a record revenue year and continue to gain significant traction in their target market. The service is continually expanding and promises another strong year in 2020.

Overall, I am pleased with the progression and growth of revenue in 2019, particularly the improved 'quality' of revenue that is consistent, dependable and well diversified, bringing a greater level of assurance to our future income. Due to the integration of the aforementioned acquisitions, 2020 will see a material shift in the level of revenues being earned and will also further diversify the revenue base of the Group, providing greater long term stability through revenue diversification, leading to an increased capacity to further invest and grow.

Administrative Expenses

Underlying administrative expenses increased 3.4% to £33.2m (2018: £32.1m), primarily driven by the net impact of higher average staff levels and increased amortisation in relation to platform development costs.

Staff costs, the largest expense category, increased 11.6% to £22.1m (2018: £19.8m), with £1.2m (2018: £1.3m) of internal staff costs capitalised and a net 3.7% increase in the average number of employees to 479 (2018: 462), reflecting the full year inclusion of staff that joined the Embark Group in November 2018 as part of an acquisition, offset against reductions in the year through the ongoing delivery target operating models to drive operational efficiencies.

Underlying non-staff costs decreased 9.8% to £11.1m (2018: £12.3m), with continued focus on driving ongoing efficiencies in Group overheads across the board. I am particularly pleased with the net reduction of 9.8% of non-staff costs which was achieved despite a significant increase in cost of doing business, including PII cover, regulatory fees & audit fees.

Platform development costs were split between expenditure charged directly to the Consolidated Statement of Comprehensive Income and capital expenditure. Expenditure charged to the Consolidated Statement of Comprehensive Income in 2019 was £0.6m (2018: £0.9m) and capital expenditure recorded on the Consolidated Statement of Financial Position in 2019 was £1.3m (2018: £2.5m), directly linked to the implementation costs of new white-label partner arrangements and core platform functionality enhancements.

The platform investment spend qualifies for R&D tax relief and, during 2019, a claim in relation to spend for the 2018 financial year was processed. The claim was accepted by HMRC and settled in July 2019 for an amount of £0.7m (2018: £0.5m), credited through the tax line in the Consolidated Statement of Comprehensive Income. The 2019 R&D tax relief claim will be recognised in 2020 following completion and acceptance by HMRC.

Deal Related Non-Recurring Expenses

Non-recurring expense items of £2.9m (2018: £0.1m) have been charged to the Statement of Comprehensive Income and summarised as follows:

- **Legal & professional acquisition costs** – in total £1.4m (2018: £0.1m) – £0.7m fees were incurred in relation to the acquisition of the trade of Alliance Trust Savings and £0.7m fees in relation to the acquisition of the retail platform business of Zurich UK.
- **Integration cost** – In total £1.5m (2108: £nil) – £1.2m of fees in relation to contractor support and additional internal staff performance related awards were incurred directly to enable the completion of the two strategic acquisitions, those of the intermediated business of Alliance Trust Savings and the retail platform business of Zurich UK. £0.3m was incurred in readiness for the integration of the two new acquisitions through 2020, primarily including the termination of a lease in the WRAP Platform subsidiary EISL and associated technology leases.

Financial Position

The Group's financial position has once again improved materially during the year, with net assets totalling £30.7m as at 31 December 2019 (2018: £13.6m).

With the exception of the convertible loan notes of £5.1m, the Group held no debt at year end.

With regard to liquidity, the cash balance at year end was £14.4m (2018: £7.7m). The increase in cash is due to a combination of factors throughout the Group. £19.4m (2018: £7.3m) of capital was raised through the issue of new shares in the year which was used to facilitate the purchase price of the acquisitions mentioned above whilst creating surplus liquid cash to support ongoing migration activity through 2020. The cash surplus at year end ensures the Group has a significant liquidity buffer and funds available to support ongoing investment in the business.

Existing and new investors have subscribed for a further £45.0m additional capital in 2020 to enable the Group to complete the acquisition of the Zurich businesses. This has significantly enhanced further the capital and cash position of the Group in the early part of 2020.

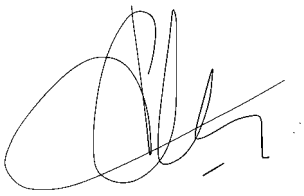
In March 2018, the Group entered into a flexible overdraft facility arrangement through its subsidiary Embark Services Limited with Metro Bank Plc. This facility offers flexible funding ranging from £1.0m to £4.0m directly supporting the daily prefunding requirements of its Trustee platform activities in Embark Services Limited. The facility has been renewed for another year to March 2021. If, for any reason, this facility became unavailable, the Group would exercise options to create a similar arrangement with other banks or fund the cash requirement internally.

Regulatory Capital Requirements

The Group's regulated subsidiaries submit quarterly returns to the FCA in relation to their capital resources. All the regulated entities maintained surplus regulatory capital throughout the year. As at 31 December 2019, the total aggregated regulatory capital requirement across the Group was £7.7m (2018: £7.4m) and the aggregate surplus amounted to £6.7m (2018: £6.0m). The Group Board risk appetite is to maintain at all times 140% of the required regulatory capital requirement. Assuming a 140% base capital position, the aggregate surplus was £3.6m (2018: £3.0m).

Embark Group's specialist pension subsidiaries all maintained their 'B' strong financial strength rating from AKG, an independent organisation specialising in the provision of ratings to the financial services industry. These ratings, specifically designed for customers and advisors, are an important indicator of a company's ability to maintain operational capability to meet the needs of customers.

I am pleased that the Group enters 2020 in a stronger financial position and am confident is well positioned to meet its strategic targets. ■



Vincent Cambonie
Chief Financial Officer

04 May 2020

STRATEGIC REPORT:

RISK FACTORS AND MANAGEMENT

Principal risks and uncertainties

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

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

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

Given the nature of activities undertaken by the Embark Group, the Directors believe the principal risks and uncertainties the Group faces are:

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

The risks to the Group have been fully assessed and mitigated to the extent possible and a full risk register is maintained. The principal risks and the approach taken by the Group to mitigate their potential impact are set out below.

Strategic Risk

Strategic risk is defined as the risk of failure to deliver against the strategic objectives of the Group alongside the risks created by the strategy itself.

The Board is accountable for the monitoring of strategic risk and achieves this through setting risk appetites, tolerances, reporting and escalation parameters. These are then delegated through the Risk and Regulatory Compliance Committee and organisational structures to help ensure that appropriately skilled committees and individuals manage this risk on behalf of the Board.

People Risk

The Group's future success is dependent on the continued services and performance of its Executive Directors and senior management and its ability to continue to attract and retain highly skilled and qualified personnel.

To minimise this risk the Group seeks to recruit and maintain high quality experienced staff by offering market competitive packages. These packages are enhanced by the addition of share-based incentives and reward schemes for key personnel. In addition, the Group offers structured training and works with staff to ensure there is a favourable work environment that attracts and retains staff.

Financial Risk

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

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

Operational Risk

Operational risk captures the impact of inadequate or failed internal processes and systems. Two areas often included within operational risk are split out into separate sections, People and Legal and Regulatory Risk, due to their significance to the Group. Operational risk includes operational processing, operational cash management, trading facilitation and other core business processes. It extends to financial crime, cyber risk and counterparty risk and encompasses:

- Exposure to upstream and downstream counterparties in the delivery value chain (e.g. distributors, banks, investment managers);
- Counterparty default and the resulting liquidity/access challenges this can bring;
- Outsourcing reliance for Technology applications and fundamental processing;
- Exposure to inappropriate business model and process design, leading to product failure;
- Protection of Client assets and money ("CASS") with strict adherence to FCA CASS rules.

The Group actively identifies, assesses and manages such risks in an effective manner and ensures the risk management process is embedded into all business activities. The approach is supported by the establishment of operational risk registers that enable management to identify areas and trends of risks so that they can implement appropriate preventative and corrective measures and controls.

Legal & Regulatory Risk

The Group operates in a highly regulated and technical industry. The Group's operations are subject to authorisation from the Financial Conduct Authority ("FCA"), and supervision from bodies such as HMRC and The Pensions Regulator. The risk is that one of the companies within the Group does not comply with the relevant requirements and standards of the regulatory framework or there is a change in accepted industry practice which could lead to past liabilities. Regulatory risk also includes the risk of having the 'licence to operate' withdrawn by the regulator, or having conditions applied that adversely impact the Group.

A strong compliance policy and a technical team is in place and responsible for ensuring all new rules and regulations, as well as changes in industry practice are captured, interpreted and cascaded across business areas so appropriate action can be taken to ensure

STRATEGIC REPORT:

RISK FACTORS AND MANAGEMENT (CONTINUED)

compliance with relevant rules and regulations. The Group Board is supported by the Risk and Regulatory Compliance Committee which is chaired by a non-executive Director of the Group (the Group Chairman) where all existing and new risks are reported and scrutinised.

Proposition Risk

Proposition risk relates to both product and service proposition to existing and prospective clients. It relates to the exposure to weak product and service propositions that are uncompetitive in the market or distribution channels and also to ensuring that the products and services offered remain compliant with the relevant external governing body.

The Group has a dedicated Proposition team that is responsible for periodically reviewing and maintaining the various products and services offered throughout the Group with a view to ensuring they remain viable, compliant and are priced competitively.

Distribution Risk

Distribution risk looks at the concentration risk and exposure to different channels and distributors as an intermediated business. It extends to the assessment of the Group's 'cost to serve' smaller clients. It encompasses:

- Net flow from established distribution partners resulting in inefficient cost of delivery.
- Diversification in distribution channel or service by product line, resulting in concentration exposure.
- Exposure to negative market perceptions hindering the firm's ability to manage growth and client attrition safely.

Distribution risk is mitigated through:

- Establishing panel position to create new partnerships.
- Adding model portfolio functionality to get distribution penetration.
- Establishing processes for keeping abreast of key changes in regulatory requirements.
- Regularly reviewing the Group product offering to fit current demand and inflows.

Asset Concentration Risk

Asset concentration risk is the risk of significant exposures to single counterparties (or groups of related counterparties) across the Group. This risk is most commonly analysed in relation to credit activities but may also apply to other significant interrelated asset or liability exposures.

For the Group, concentration risk can be found in:

- Short term deposits held with banking counterparties.
- Concentration of client investments in specific markets.
- The make-up of the underlying assets held in a customer's pension portfolio.
- Being predominantly distributed via financial advisors.

Concentration risk has been actively managed through:

- Undertaking regular reviews of banking counterparties' financial strength as part of ongoing due diligence.
- Setting controls and limits around the proportion of AuA to be invested in any single investment, especially those deemed to be non-standard investments as defined by the FCA, on the amount of AuA to be invested with any one investment institution and on the proportion of member fee revenue to be from any one intermediary in any given year.
- Undertaking regular reviews of Group distribution partners and ensuring the sales force continue to pursue targeted distributer contracts that will diversify concentration.

Other Current Risk to the Group – Brexit & COVID-19

The Directors have also considered the possible impact Brexit could have on the Group. Recent progress in negotiations have not changed our Board risk assessment that Brexit would have minimal impact on the Group directly. The nature of the Group's activities is such that all revenue is earned within the UK, all trade is in GBP and all suppliers are UK based. The Directors do recognise that, in the medium to longer term, there could be indirect impacts of Brexit that could positively or adversely impact the Group.

As we progress through 2020 a new global risk has emerged that will affect all companies worldwide. The situation with COVID-19 has escalated quickly and significantly and will have an impact on the day to day running of the Group. In response, in March 2020 the Group's 'business continuity plan' was activated across all sites. This has seen the

majority of the Group's workforce successfully transition to fully operating in isolation with all activities being performed remotely, away from core office locations. A clear business continuity plan positioned the Group well to deal with this evolving situation, and successfully handle the operational challenges it presents. The service-based nature of the product alongside a strong IT infrastructure allows all operational functions to continue from remote locations with minimal disruption to day to day activities and most importantly core customer service. Based on the continuity of service delivery, the impact on chargeable revenue is expected to be minimal, especially with the bulk of Group revenue streams being highly persistent and backed in the main by pension fund assets. Over 80% of the Group's revenue is recurring annualised fees dependent primarily on continuity of service which the Group is already delivering despite the majority of staff operating from isolation.

Whilst there are likely to be some detrimental impacts, the Directors are confident any detrimental impacts can be covered by the available liquidity throughout the Group.

Phil Smith
Group Chief Executive

04 May 2020

STRATEGIC REPORT:

SECTION 172(1) STATEMENT

The revised UK Corporate Governance Code ('2018 Code') was published in July 2018 and applies to accounting periods beginning on or after January 1, 2019. This requires Directors of large companies and groups to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Group under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the Group.

This S172 statement, which is reported for the first time in these accounts, explains how Directors:

- have engaged with employees, suppliers, customers and others; and
- have had regard to employee interests, the need to foster the Group's business relationships with suppliers, customers and others, and the effect of that regards, including on the principal decisions taken by the Group during the financial year.

The S172 statement focuses on matters of strategic importance to the Group, and the level of information disclosed is consistent with the size and the complexity of the business.

1. S172(1) (A) The likely consequences of any decision in the long term

The Directors have regard to the interests of the Group's employees and other stakeholders, including the impact of its activities on the community, the environment and the Group's reputation, when making decisions. Acting in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Group for its members in the long term.

The Directors understand the business and the evolving environment in which we operate, including the challenges of navigating through the technical and regulatory environment governing our sector. The strategy set by the Board is intended to strengthen our position as a leading pension administration Group by providing cutting edge, market leading, technology driven products and services to meet ever growing customer and regulatory demand whilst doing so in a way that protects the customer, our staff and all stakeholders to our business.

A stable, well capitalised, profitable group are key to building long term customer, product and asset stability. Added to this, wider social responsibility and a strong collection of stakeholders closely engaged in our businesses strategy are fundamental to our long term success and, therefore, decisions made for the long term factor in and build on the needs of all of our key stakeholders.

While investing for the future and looking forward, the Board also recognise we must meet today's regulatory and customer demands and deploy Group resources adequately to meet the most pressing needs of the Group.

2. S172(1) (B) The interests of the Group's employees

The Directors recognise that our employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

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

3. S172(1) (C) The need to foster the Group's business relationships with suppliers, customers and others

Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers and joint-arrangement partners. We seek the promotion and application of certain general principles in such relationships. The ability to promote these principles effectively is an important factor in the decision to enter into or remain in such relationships.

The Board reviews and approves the Group's approach to supplier engagement, selection, contractual arrangements and supplier risk, also factoring in the significance and mitigations with regard to business continuity planning.

The businesses continuously assess the priorities related to customers and those with whom we do business, and the Board engages on these topics, for example, within the context of business strategy updates and investment proposals. The key is to ensure that Group companies each have a culture that is centric to achieving suitable consumer outcomes, that responsibilities in relation to conduct risk and ensuring good customer outcomes are in place and evidenced and that each Group company has a clear understanding of their fiduciary responsibilities and a governance structure which enables them to meet those responsibilities.

Moreover, the Directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged. These range from information provided from the Proposition, Distribution, Technology and Change functions (on suppliers related to items such as project updates and supplier contract management topics) to information provided by the businesses on customers related to, for example, business strategies, projects and technological investment proposals.

4. S172(1) (D) The impact of the Group's operations on the community and the environment

The service based nature of the Group means it carries a small environmental footprint, however the Board is committed to ensuring that any impact on the environment is minimised and takes our corporate responsibility very seriously, both in the way we currently operate and on the impact of any decisions may have on the way we impact in the future. This filters to our office locations through local facility managers to minimise use of power, utilise recycling services and minimising waste. Technology is utilised in all areas to reduce the dependency on paper, printing and postage. Technology is further utilised to reduce the amount of travel from location to location, and the Board promote the use of video and online conferencing.

The Group aims for its workforce to reflect the diverse communities in which it operates and recognise that diversity is a key part of a responsible business strategy and also supports a strong customer experience.

The Group supports local, national and international charities and actively promote staff participation in fund raising efforts.

5. S172(1) (E) The desirability of the Group maintaining a reputation for high standards of business conduct

The Board is committed to achieving high standards of corporate governance, integrity and business ethics. In addition to the Boards of the subsidiary companies meeting on a quarterly basis, the Board holds monthly calls and meets formally at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.

In addition, the Board has sub-committees to provide corporate governance and these also meet formally on a quarterly basis. These sub-committees comprise of Non-Executive Directors with Executive Directors in attendance as required. Each of the sub-committees are governed by terms of reference that have been approved by the Board.

This, complemented by the ways the Board is informed and monitors compliance with relevant governance standards, help assure its decisions are taken and that Embark Group companies act in ways that promote high standards of business conduct.

6. S172(1) (F) The need to act fairly as between members of the Group

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders.

Phil Smith
Group Chief Executive

04 May 2020

CORPORATE GOVERNANCE

Welcome to the 2019 Governance report which provides insight into how we, the Board, have approached our responsibilities during this year. High standards of corporate governance, our corporate purpose, culture and the relationships between the company and our clients have never been more important as we look to forward the Group's goal of providing positive outcomes for our clients and their customers.

CORPORATE GOVERNANCE:

BOARD OF DIRECTORS

DAVID ETHERINGTON

Non-Executive Chairman

David has had a highly distinguished career in Financial Services. David is the sole Non-Executive Director for the Group's five primary operating subsidiaries and chairs the Group Board. Previously he was also a Group Board Director of The SimplyBiz Group Plc which recently listed on AIM. During his executive career he has held several Group Executive positions. David spearheaded the corporate transformation of Zurich UK Life from 2003 to 2012 and delivered Zurich's retail and corporate platforms. He held multiple Zurich Board Directorships and chaired several Board sub-committees including the Investment Committee.

David has a degree in Business Administration, a post graduate NatWest Group sponsored MBA with Distinction.

PHIL SMITH

Group Chief Executive

With special expertise in business transformation, Phil brings with him 25 years of global experience across wealth management, asset management, brokerage, insurance and management consulting. Before joining Embark Group in 2013, Phil was Managing Director and Global Management Committee member at Barclays Wealth where he played a key role in the inception and development of the global infrastructure of this business line for Barclays Plc.

Phil holds a first-class degree in Industrial & Business Systems and a post graduate Masters in Strategic Human Resource Management.

VINCENT CAMBONIE

Chief Financial Officer

Vincent's career spans 25 years' working in global financial institutions, most recently as Managing Director and Group Chief Financial Officer at BNP Paribas Investment Partners. He has extensive international experience having held various senior finance positions at Merrill Lynch in their Paris, London and New York offices, Instinet Corporation and Fortis Investments before joining BNP Paribas Investment Partners.

Vincent holds a Master of Philosophy in Economics, Applied Mathematics and Econometrics.

LAWRENCE CHURCHILL CBE

Non-Executive Director

Lawrence is a highly experienced Chairman, Non-Executive Director, Trustee and FTSE 100 Chief Executive with an outstanding track record of success in both public and private sectors for UK and international organisations. He is currently Chairman of Clara Pensions Group Ltd, Chairman of the Independent Governance Committee for Prudential and a director of Prudential Corporate Pensions Trustees Ltd. He also Chairs the Trustee Board of the Pensions Policy Institute. Among other senior roles, Lawrence has additionally served as Chairman of the Financial Services Compensation Scheme, and in a non-executive capacity on the governing bodies of three regulators and a number of government public policy groups. He was awarded a CBE for services to public service in 2010.

RUPERT RUVIGNY

Non-Executive Director

Rupert has specialised in investment management and regulation. Currently he is a partner of Brompton Asset Management Group and sits on the Investment Committee of an Oxford college. He was Chief Operating Officer and Compliance Director of New Star Asset Management Group from its inception. Previously he was Deputy Chairman of PricewaterhouseCoopers' financial services regulatory practice.

MARK SKINNER

Non-Executive Director

Mark is a sales and marketing professional with a strong background in the distribution of investment products and services to the UK intermediary market. He has held executive positions with New Star Asset Management, Barings, Norwich Union and Save & Prosper. Mark also holds several Non-executive and advisory roles across several industry sectors in the UK.

DAVID WHITE

Non-Executive Director

With more than 25 years' experience in financial services, David specialises in the retirement market, in particular self-administration schemes. He took the helm as Hornbuckle's Managing Director in 2008 and has been responsible for the strategy and development that underpinned the Group's growth from a small regional player to a leading UK SIPP and SSAS provider.

CORPORATE GOVERNANCE:

DIRECTORS REPORT

The Directors have pleasure in presenting their annual report for the year ended 31 December 2019.

As set out more fully in 'accounting policies' within the 'notes to the consolidated financial statements', this annual report for the Group has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

Business review

A review of the Group for the year ending 31 December 2019 is set out in the Chairman's Statement, the Chief Executive Officer's Statement and the Chief Financial Officer's Statement.

Principal activities

The principal activity of the Group continues to be that of the provision of pension administration services through various different distribution channels.

There have been no significant changes to the principal activities of the Group throughout the year. The Directors are not aware of any planned major changes in the Group's activities in the next year.

Results for the year and dividends

The key financial performance indicators for the Group are revenue, profit/loss before non-recurring items and profit/loss before tax. Financial performance indicators are presented throughout these consolidated financial statements and summarised below. The key non-financial performance indicators are client numbers and assets under administration. These are presented in the Financial Highlights section on pages 4 and 5.

The loss after taxation for the year ended 31 December 2019 was £2.0m (2018: profit after taxation of £0.1m). The Directors do not recommend the payment of a dividend (2018: £nil).

Significant events

Significant events during the year were as follows:

3 July 2019

Embark Group Limited announced £19.4m of net new capital raised, funded by new institutional investors BlackRock, Inc., Legg Mason,Inc. and a material investment by Merian Chrysalis Investment Company Limited. Each investor holds a material minority position.

28 October 2019

Embark Group Limited announced it had agreed to acquire the advised and partnership client books of Alliance Trust Savings, bringing >£6bn of assets under administration and 30,000 new clients to the Group. The acquisition will complete in 2020.

20 November 2019

Embark Group Limited announced it had agreed to acquire the retail investment platform of Zurich, adding a further £11bn AuA and an advised book of 133,000 clients. The acquisition has successfully completed on time in 2020.

In addition £45.0m of capital has been raised through new and existing shareholders in 2020 to fund the acquisitions from Zurich.

Directors and Professional Advisors

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

- David Etherington (Chairman)
- Phil Smith
- Vincent Cambonie
- Rupert Ruvigny
- Mark Skinner
- David White
- Richard Wohanka (Resigned 24 Sep 2019)
- Lawrence Churchill (Appointed 1 Nov 2019)

Company Secretary: Vincent Cambonie

Registered Office: 7th floor, 100 Cannon Street, London, EC4N 6EU

Substantial shareholding

As at 31 December 2019, holdings of shares greater than 10% were held by the following:

Title	Number of Shares	Percentage Holding
Merian Chrysalis Investment Company Limited	125,041	18.77%
Richard Wohanka	101,029	15.16%
Allison Carter	86,285	12.95%
Executive Management Team	69,697	10.46%

Board Attendance

The members of the Board attendance at the quarterly meetings held during the 12-month period were:

Member	Position	Eligible Meetings	Attended Meetings
David Etherington	Chair	4	4
David White	Non-Executive Director	4	3
Rupert Ruvigny	Non-Executive Director	4	4
Mark Skinner	Non-Executive Director	4	4
Richard Wohanka	Non-Executive Director	3	3
Lawrence Churchill	Non-Executive Director	1	1
Phil Smith	Executive Director	4	3
Vincent Cambonie	Executive Director	4	4

CORPORATE GOVERNANCE:
DIRECTORS REPORT (CONTINUED)

Indemnity

The Group has in accordance with section 310(3) of the Companies Act 2006 purchased and maintained throughout the period Directors' and Officers' liability insurance in respect of itself or its Directors and Officers, and indemnified the Directors and Officers against any liability incurred by them in defending proceedings in which:

- Judgement is given in their favour; or
- They are acquitted in connection with an action for negligence, default, breach of duty or breach of trust in connection with the affairs of the Group.

No cover exists in the event Directors or Officers are found to have acted fraudulently or dishonestly. The cover in place has qualifying indemnity cover totalling £5.0m for the period ended 31 December 2019.

Employees

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

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

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

Financial risk management

The Group's financial risk management is based upon sound economic objectives and good corporate practice. The Board has overall responsibility for risk management and internal control. The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet the identifiable needs of the Group and to invest cash assets safely and profitably. If required, short term flexibility is achieved through the use of bank facilities. The Group does not undertake any trading activity in financial instruments. All activities are transacted in Sterling. The Group does not engage in any hedging activities.

The Group and certain of its subsidiaries are supervised in the UK by the Financial Conduct Authority ("FCA"). The Group must comply with the regulatory capital requirements set by the FCA and manages its regulatory capital through continuous review of the capital requirements of the Group and its regulated subsidiaries, which are monitored by the Group's management and reported monthly to the Board.

Details of the Group's financial risk management objectives are given in note 23.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the reports on pages 4 to 15. The financial position of the Group, its cash flows, liquidity and financial position have been reviewed by the Directors for the next 12 months.

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

Subsequent events

The situation with COVID-19 has escalated quickly and significantly and will have an impact on the day to day running of the Group. This is a very challenging situation and the Directors are continually monitoring and responding to the latest Government advice. The priority is to protect the wellbeing of our staff, communities and customers. In response to this emerging risk, in March 2020 the Group's 'business continuity plan' has been activated across all sites. This has seen the majority of the Group's workforce operating in isolation with all activities being performed remotely, away from core office locations, whilst maintaining services to customers uninterrupted. The potential impacts and mitigating actions are considered further in note 28 to the Financial Statements.

The Directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, the accounts are prepared on a going concern basis.

Political and Charitable Donations

Political donations during the year were £nil (2018: £nil). Charitable donations during the year were £5k (2018: £nil).

Disclosure of information to the auditor

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

Auditors

The Auditors, KPMG LLP, have indicated their willingness to continue in office and a resolution seeking to reappoint them will be proposed to the Board.

Statement of Directors' responsibilities in respect of the Strategic Report, The Directors' Report and the financial statements

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and Group and enable them to ensure that their financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Parent Company and Group and to prevent and detect fraud and other irregularities.

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

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

Phil Smith
Group Chief Executive

04 May 2020

CORPORATE GOVERNANCE:

CORPORATE GOVERNANCE REPORT

The Embark Group Board ("the Board") is committed to achieving high standards of corporate governance, integrity and business ethics. In addition to the Boards of the subsidiary companies meeting on a quarterly basis, the Board holds monthly calls and meets formally at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.

The Board is responsible for the governance of the business and carries out the following duties:

Consumer Outcomes Enablement

- Ensuring that Group companies each have a culture that is centric to achieving suitable consumer outcomes.
- Ensuring that responsibilities in relation to conduct risk and ensuring good customer outcomes are in place and evidenced.
- Ensuring that each Group company has a clear understanding of their fiduciary responsibilities and a governance structure which enables them to meet those responsibilities.

Strategy and Management oversight:

- Responsibility for the overall leadership of the Group and setting the Group's values and standards.
- Approval of the Group's strategic aims and objectives.
- Approval of the annual operating and capital expenditure budgets and any significant changes to them.

Structure and Capital

- Changes relating to the Group's capital structure including reduction of capital, share issues (except under employee share plans), share buy backs including the use of treasury shares.
- Major changes to the Group's corporate structure, including, but not limited to acquisitions and disposals of businesses or assets which are material relative to the size of the Group (taking into account initial and deferred consideration).
- Changes to the Group's management and control structure.

Financial Reporting and Controls

- Approval of the annual budget, forecasts and monthly management statements.
- Approval of the annual report and consolidated financial statements, including the corporate governance statement.
- Approval of any significant changes in accounting policies or practices.

Internal Controls

- Ensuring maintenance of a sound system of internal controls and risk management.

Contracts

- Approval of major capital projects as well as contracts which are strategically significant or by reason of size entered into by the Group and/or its subsidiaries.

Board Membership and Other Appointments

- Ensuring adequate succession planning for the Board and senior management as well as the appointment, reappointment or removal of the external auditor.

Remuneration & Nominations Committee

- Determining the remuneration policy for the executive management team and other senior executives.
- Ensuring that an appropriately meritocratic and affordable compensation and benefits framework exists and is being operated effectively by management across all functions and levels of staff.
- Ensuring that appropriate controls are in force surrounding compensation decisions, including consideration of FCA regulatory requirements.

In addition, the Board has sub-committees to provide corporate governance and these also meet formally on a quarterly basis. These sub-committees comprise of Non-Executive Directors with Executive Directors and specialist staff in attendance as required. Each of the sub-committees are governed by terms of reference that have been approved by the Board. An overview of these sub-committees can be found on the following pages.

CORPORATE GOVERNANCE:

CORPORATE GOVERNANCE REPORT (CONTINUED)

Audit Committee

The Audit Committee is chaired by Rupert Ruvigny with David White and Mark Skinner as the other non-executive Director members of the Committee. The Audit Committee meets four times a year.

The key duties of the Audit Committee are:

- To monitor the integrity of the financial statements of the Group, including its annual report and consolidated financial statements and any other formal communication relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.
- To keep under review the adequacy and effectiveness of the Group's internal financial controls.
- To review the adequacy and security of the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up actions.
- Consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the Group's external auditors. The Committee will also meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage.

The members of the Committee at 31 December 2019 at the relevant four Committee meetings held during the 12-month period were:

Member	Position	Eligible Meetings	Attended Meetings
Rupert Ruvigny	Chair	4	4
David White	Non-Executive Director	4	4
Mark Skinner	Non-Executive Director	4	4

The chair of the Risk Committee is invited to attend all meetings and other Non-Executive Directors may attend on invitation.

Risk and Regulatory Compliance Committee

The Risk and Regulatory Compliance Committee is chaired by David Etherington with David White and Rupert Ruvigny as the other non-executive Director members of the Committee. Risk and Regulatory Compliance Committee has met four times during the year under review.

The key duties of the Risk and Regulatory Compliance Committee are:

- Recommend to the Board the Group's strategy and policy for risk management and monitor its adoption throughout the Group. Furthermore, to maintain a statement of risk appetite at all times for the direction of Executive Management.
- Keep under review the effectiveness of the Group's internal controls and risk management systems.
- Review the processes and procedures for ensuring that all business risks are properly identified, and appropriate systems of monitoring and control are in place.

The members of the Committee at 31 December 2019 at the relevant four Committee meetings held during the 12-month period were:

Member	Position	Eligible Meetings	Attended Meetings
David Etherington	Chair	4	4
David White	Non-Executive Director	4	4
Rupert Ruvigny	Non-Executive Director	4	4

Other Non-Executive Directors may attend on invitation.

CORPORATE GOVERNANCE:

CORPORATE GOVERNANCE REPORT (CONTINUED)

Remuneration & Nominations Committee

The Remuneration Committee is chaired by Mark Skinner with David Etherington and David White as the other non-executive Director members of the Committee. The Committee has met four times during the year under review.

The key duties of the Remuneration Committee are:

- The appointment of any statutory Directorship and/or Board Committee membership or chair.
- Determine and agree with the Board the framework or broad policy for the remuneration of the Group's chairman, chief executive, the executive Directors, the Company Secretary and such other members of the executive management as it is designated to consider.
- In determining such policy, consider all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance. The objective of such policy shall be to ensure that members of the executive management of the Group are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group. Furthermore, to ensure appropriate overlays are implemented to any incentive scheme regarding risk control, treating customers fairly and product miss-selling.
- To review the on-going appropriateness and relevance of the overall remuneration policy and compensation structure.
- When setting the remuneration policy for Directors, to review and have regard to the remuneration trends across the industry.
- Obtain reliable, up to date information about remuneration in other companies. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board.
- Approve the design of, and determine targets for, any performance related pay schemes operated by the Group and approve the total annual payments made under such schemes.
- Review the design of all share incentive plans (or other incentive plans short or long) for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive Directors, Company Secretary and other designated senior executives and the performance targets to be used.
- Determine the policy for, and scope of, pension arrangements for each executive Director and other designated senior executives.
- Ensure that contractual terms on termination and any payments made are fair to the individual and the Group, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- Oversee any major changes in employee benefits structures throughout the Group or its holdings.

The members of the Committee at 31 December 2019 at the relevant four Committee meetings held during the 12-month period were:

Member	Position	Eligible Meetings	Attended Meetings
Mark Skinner	Chair	4	4
David Etherington	Non-Executive Director	4	4
David White	Non-Executive Director	4	4

Other Non-Executive Directors may attend on invitation.

Customer Outcomes Committee

The Customer Outcomes Committee is chaired by David White with David Etherington and Mark Skinner as the other non-executive Director members of the Committee. The Committee has met four times during the year under review. The Committee oversees the development, embedding and maintenance of an effective Customer Conduct culture across the Group to forward the Group's goal of securing positive outcomes for customers and making recommendations to the Board as appropriate.

The key duties of the Customer Outcomes Committee are:

- Ensuring the most appropriate management information is in place in order to assess performance of the business against delivery of defined customer outcomes. Ongoing consideration is given to the appropriateness of these outcomes given the changing internal and external risk environment.
- Challenging any aspect of the way in which the Group treats its customers and the products and services it provides, including product design, sales and distribution processes, after-sales service, transparency of fees and protection of customer data, in order to have visibility as to whether the Group is delivering the right outcomes to customers.
- Establishing and maintaining a "Values and Ethics" position for the business that sits aligned to stakeholder's interests, the regulatory and fiduciary responsibilities of the business, and its position in the social fabric of its environment. All customers and stakeholder activities will be benchmarked to this position, holding equal validity to that of the shareholders appetite for risk.
- Monitoring the continuous development of the Group's corporate maturity where high regulatory and market standards have been set with regards to how all employees engage with customers and put customer outcomes at the forefront of all operational activity.

The members of the Committee at 31 December 2018 at the relevant four Committee meetings held during the 12-month period were:

Member	Position	Eligible Meetings	Attended Meetings
David White	Chair	4	4
Mark Skinner	Non-Executive Director	4	4
David Etherington	Non-Executive Director	4	4

Other Non-Executive Directors may attend on invitation.

CORPORATE GOVERNANCE:

KEY EMPLOYMENT MATTERS

Gender Pay

Embark has taken the voluntary step to report its gender pay position as a Group on our website. The Directors believe that there is no inherent gender bias in the approach taken to employee compensation.

Staff Attrition

The administrative nature of many of the Group's activities gives rise in normal market circumstances to significant staff turnover, particularly in the junior grade positions. Based on our active demographics and the market in which we operate, our benchmark turnover expectation is 14% Group wide in any given calendar year.

Employee turnover has increased through 2018 and 2019 due to the continued headcount impacts of integration related to re-structuring across the Group, particularly in two operational business areas in 2019. Underlying this there remains a high retention rate of control functions, technical staff, and key individuals. 2020 will see another year of integration following two significant acquisitions.

	2019	2018	2017
Voluntary Annualised Attrition	24%	20%	16%

Ability to Recruit

As the Embark Group has developed over recent years, it has seen an improvement in the ability to acquire talent from competitors and from outside of its sectors. The Directors continue to believe the employee value proposition ("EVP") is strong relative to the Group's peers. Multiple enhancements were made to the EVP during 2019, including the introduction of flexible benefits, a Group employee recognition scheme and enhanced Group policies.

Staff Performance Management

All employees of the Group are managed through SMART objectives relative to their role, but with a common emphasis on customer service & customer outcomes, process & data integrity, risk management, regulatory compliance and productivity. The Directors are comfortable in the Group's ability to manage and assess performance, leading to a normalised 'bell curve' of performance ratings, and that has now been fully established throughout all parts of the Group.

Staff Progression

It is Group policy to ensure that in any key role, individuals appointed have fully rounded competence and potential, whilst clearly having a preference to provide career progression from within and across the Group. Over 11% of opportunities in 2019 were filled by internal high potential individuals and, as a fast growing and progressive meritocracy, we expect more internal opportunities to arise in 2020.

Fixed Pay Growth

On a like for like basis when considering staff with over one year of service, the Group have continued to simultaneously demonstrate cost constraint whilst remaining market competitive in its chosen sectors of activity. Average pay growth in 2019 was 2.5%, showing an increase compared to 2018. This is slightly below RPI and average wage growth in the UK.

	2019	2018	2017
Average salary increase	2.5%	1.4%	1.7%
Percentage of employees receiving an increase	63%	47%	36%

Incentive Compensation

Cash based incentive payments have increased, representing 2.5% of fixed payroll. This continues to leave the business 'under geared' against its target variable compensation level of 10-15% (against current FTE demographics). Due to the competitive fixed compensation packages already afforded to colleagues, this has prevented competitive retention issues in the main. For key executives and high potential individuals, the Group has continued to expand its progress performance contingent equity programs, with c.19.5% of the business held by active employees (directly or through options) across 30 people. The Group aims to continue to adapt the balance of its compensation between fixed, variable cash and equity-based growth shares in 2020.

FINANCIAL STATEMENTS

We continue to invest in our infrastructure, our trading technologies, our people and our service proposition across multiple channels so we are well positioned to serve the needs of our clients and partners for many years to come. In short, we are building a sustainable business that is equipped to compete with much larger, more established enterprises.

FINANCIAL STATEMENTS:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMBARK GROUP LIMITED

We have audited the financial statements of Embark Group Limited ("the Company") for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Company and Consolidated Statement of Changes in Equity, the Company and Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

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

Strategic Report and Directors' Report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 29, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Alain de Braekeleer
Senior Statutory Auditor

for and on behalf of KPMG LLP, Statutory Auditor

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

04 May 2020

FINANCIAL STATEMENTS:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Revenue	2	33,539	31,765
Administrative expenses		(33,162)	(32,091)
Non-recurring expenses		(2,866)	(90)
Loss from operations	3	(2,489)	(416)
Non-operating income		-	680
Net finance expense	7	(289)	(359)
Loss before tax		(2,778)	(95)
Tax	8	826	225
Total comprehensive (loss)/profit for the year		**(1,952)**	**130**

The notes on pages 47 to 75 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share Capital £'000	Share Premium Account £'000	Capital Red. Reserve £'000	Capital Cont. Reserve £'000	Retained earnings £'000	Minority Interest £'000	Total equity £'000
Balance at 1 January 2018	**409**	**10,471**	**14**	**401**	**(5,280)**	**155**	**6,170**
Total comprehensive loss for the year	-	-	-	-	260	(130)	130
Issue of shares	85	7,204	-	-	-	-	7,289
Unwinding of discounting of deferred consideration	-	-	-	-	(45)	-	(45)
Equity-settled share-based payment transactions	-	-	-	81	-	-	81
Balance at 31 December 2018	**494**	**17,675**	**14**	**482**	**(5,065)**	**25**	**13,625**
Adjustment on initial application of IFRS 16 (note 27)	-	-	-	-	(266)	-	(266)
Balance at 1 January 2019	**494**	**17,675**	**14**	**482**	**(5,331)**	**25**	**13,359**
Total comprehensive loss for the year	-	-	-	-	(1,818)	(134)	(1,952)
Issue of shares	172	19,268	-	-	-	-	19,440
Unwinding of discounting of deferred consideration	-	-	-	-	(174)	-	(174)
Equity-settled share-based payment transactions	-	-	(14)	(196)	284	-	74
Balance at 31 December 2019	**666**	**36,943**	**-**	**286**	**(7,039)**	**(109)**	**30,747**

The notes on pages 47 to 75 form an integral part of these financial statements.

FINANCIAL STATEMENTS:

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share Capital £'000	Share Premium Account £'000	Capital Red. Reserve £'000	Capital Cont. Reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018	**409**	**10,471**	**14**	**401**	**(1,600)**	**9,695**
Total comprehensive loss for the year	-	-	-	-	(148)	(148)
Issue of shares	85	7,204	-	-	-	7,289
Unwinding of discounting of deferred consideration	-	-	-	-	(45)	(45)
Equity-settled share-based payment transactions	-	-	-	81	-	81
Balance at 31 December 2018	**494**	**17,675**	**14**	**482**	**(1,793)**	**16,872**
Adjustment on initial application of IFRS 16 (note 27)	-	-	-	-	20	20
Balance at 1 January 2019	**494**	**17,675**	**14**	**482**	**(1,773)**	**16,892**
Total comprehensive loss for the year	-	-	-	-	(1,083)	(1,083)
Issue of shares	172	19,268	-	-	-	19,440
Unwinding of discounting of deferred consideration	-	-	-	-	(174)	(174)
Equity-settled share-based payment transactions	-	-	(14)	(196)	-	(210)
Balance at 31 December 2019	**666**	**36,943**	**-**	**286**	**(3,030)**	**34,865**

The notes on pages 47 to 75 form an integral part of these financial statements.

FINANCIAL STATEMENTS:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	31 December 2019 £'000	31 December 2018 £'000
Non-current assets			
Intangible assets	9	12,912	13,028
Investment property	10	954	-
Property, plant and equipment	11	4,418	446
Deferred tax asset	15	538	488
		18,822	13,962
Current assets			
Trade and other receivables	13	16,679	7,728
Cash and cash equivalents	14	14,394	7,669
		31,073	15,397
Total assets		**49,895**	**29,359**
Current liabilities			
Trade and other payables	16	(12,578)	(15,703)
Non-current liabilities	17	(6,570)	(31)
Total liabilities		**(19,148)**	**(15,734)**
Net assets		**30,747**	**13,625**
Equity			
Capital and reserves			
Share capital	18	666	494
Share premium		36,943	17,675
Capital redemption reserve		-	14
Capital contribution reserve	19	286	482
Retained earnings	19	(7,039)	(5,065)
Minority interest		(109)	25
Total equity		**30,747**	**13,625**

Registered No. 03578067

The notes on pages 47 to 75 form an integral part of these consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 04 May 2020. They were signed on its behalf by:

Phil Smith
Group Chief Executive

FINANCIAL STATEMENTS:

COMPANY STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	31 December 2019 £'000	31 December 2018 £'000
Non-current assets			
Property, plant and equipment	11	151	-
Investments	12	38,342	26,582
Deferred tax asset	15	52	42
		38,545	26,624
Current assets			
Trade and other receivables	13	13,240	8,269
Cash and cash equivalents	14	614	291
		13,854	8,560
Total assets		**52,399**	**35,184**
Current liabilities			
Trade and other payables	16	(12,434)	(18,312)
Non-current liabilities	17	(5,100)	-
Total liabilities		**(17,534)**	**(18,312)**
Net assets		**34,865**	**16,872**
Equity			
Capital and reserves			
Share capital	18	666	494
Share premium		36,943	17,675
Capital redemption reserve		-	14
Capital contribution reserve	19	286	482
Retained earnings	19	(3,030)	(1,793)
Total equity		**34,865**	**16,872**

Registered No. 03578067

The notes on pages 47 to 75 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 04 May 2020. They were signed on its behalf by:

Phil Smith
Group Chief Executive

FINANCIAL STATEMENTS:

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Net cash outflow from operating activities	20	1,182	(418)
Investing activities			
Interest received		68	70
Interest paid		(214)	(429)
Payment to acquire property, plant and equipment		(2,476)	(129)
Payment to acquire intangible assets		(10,275)	(2,571)
Payment to acquire investment property		(954)	-
Payment to acquire Liberty SIPP		-	(700)
Net cash used in investing activities		(13,851)	(3,759)
Financing activities			
Issue of share capital	18	172	85
Increase in share premium	18	19,268	7,204
Payment of lease liabilities		(831)	-
Net loan receipt		785	669
Net cash inflow from financing activities		19,394	7,958
Net increase in cash and cash equivalents		6,725	3,781
Cash and cash equivalents at beginning of year		7,669	3,888
Cash and cash equivalents at end of year	**14**	**14,394**	**7,669**

The notes on pages 47 to 75 form an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

General Information

Embark Group Limited (the 'Company') is a Company limited by shares and incorporated and domiciled in the UK. The registered number is 03578067 and the registered address is 7th Floor, 100 Cannon Street, London, England, EC4N 6EU. The Company and its subsidiaries together comprise the 'Group'.

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

Basis of preparation

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

In preparing the Parent Company financial statements here together with the Group financial statements, the Company has taken advantage of the exemption in section 408(3) of the Companies Act 2006 not to present its individual Statement of Comprehensive Income and related notes that form part of these financial statements.

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

The Group is closely monitoring the situation with regard to COVID-19, the Coronavirus. Based on the continuity of service delivery, the impact on chargeable revenue is expected to be minimal, especially with the bulk of Group revenue streams being highly persistent and backed in the main by pension fund assets. Over 80% of the Group's revenue is recurring annualised fees dependent primarily on continuity of service which the Group is already delivering despite the majority of staff operating from isolation. A portion of the Group's current and future revenue is linked to stock market values and where this is the case, this has been factored into budgets and liquidity planning. The Group is confident that any acquisition activity in progress at the time of signing these financial statement remains on course to complete as planned. Whilst there are likely to be some detrimental impacts, the Directors are confident any detrimental impacts can be covered by the available liquidity throughout the Group. As a result, the Directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, the accounts are prepared on a going concern basis.

Going Concern

Management have prepared detailed forecasts and projections for 2020 and beyond, taking account of reasonably possible changes in trading performance. Having assessed the principal risks and the assumptions made and conclusions drawn by management, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Statement of Cash Flows

The consolidated statement of cash flows shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities.

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

New standards and interpretations

The Group has adopted IFRS 16: Leases for the first time in these financial statements. Information regarding the impact of the change in accounting policy can be found in note 27.

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted. Other than to expand certain disclosures within the financial statements, the Directors do not expect the adoption of the proposed amendments to accounting standards and interpretations to have a material impact on the financial statements of the Company in future periods.

FINANCIAL STATEMENTS:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

Basis of consolidation

The Group applies the acquisition method to account for business combinations. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with its investee entity and has the ability to affect these returns through its power over the investee entity.

Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Segmental reporting

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Allowances for non-recoverability of trade receivables

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

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

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. In assessing the value in use, the estimated future cash flows expected to arise from the cash-generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to that asset.

The key assumptions for the value in use calculations are those regarding the discount rates and growth rates. Sensitivity analysis on the two key assumptions has been performed. We have looked at a movement in discount rate of 10% and a change in growth rates of 1% and determined neither would result in an impairment.

Determining deferred income under IFRS 15

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

Profit or loss from operations

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

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue in line with the provision of the service to the customer over the duration of the contract. Revenue recognition for the Group's principal activities are described below:

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

In the comparative period, revenue was measured at the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activity. The Group recognised revenue when the amount of the revenue could be reliably measured, and it was probable that the future economic benefits will flow to the Group.

Employee benefits

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

Goodwill

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

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

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

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

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

Property, plant and equipment

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

Leasehold improvements	5 years
Computer equipment	3 years
Furniture and equipment	5 years
Right-of-use assets	Over lease term

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

FINANCIAL STATEMENTS:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

Intangible assets

Purchased intangible assets and costs directly associated with the development of systems are capitalised as intangible assets where there is an identifiable asset controlled by the Group that will generate future economic benefits in accordance with IAS 38.

Costs to establish feasibility or to maintain existing performance are recognised as an expense. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over their useful economic life as follows:

Internally generated software – initial build	Reducing balance over 7 years
Internally generated software – enhancements/contracts	Straight line over 3 to 5 years
Purchased software	Straight line over 3 years
Client portfolios	Straight line over 20 years
Brand	Straight line over 5 years

All intangible assets are reviewed annually for impairment. Furthermore, the amortisation method for an intangible asset is reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as a change in accounting estimate of the Company/Group.

Income tax

Current Income Tax

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

Where the Group has tax losses that can be relieved only by carried-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the consolidated statement of financial position.

Deferred Income Tax

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

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

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

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

Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Rental income from investment property is recognised as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Financial instruments

(i) Classification

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

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

(ii) Recognition and initial measurement

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

Cash and cash equivalents

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

(iii) Subsequent measurement and gains and losses

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

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

(iv) Impairment

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

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

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

Measurement of ECLs

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

Write-offs

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

FINANCIAL STATEMENTS:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

Share capital

Incremental external costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Share based payments

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

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

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

Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' in the Statement of Financial Position

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortised cost using the effective interest method and is re-measured when there is a change in future lease payments arising from a change in an index or rate. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

In the comparative period, the Group classified leases that did not transfer substantially all of the risks and rewards of ownership as operating leases. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease. Operating leases were not recognised in the Group's Statement of Financial Position.

2. Revenue

(i) Disaggregation of revenue

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

	2019 £'000	2018 £'000
Rendering of services in the UK	33,539	31,765

This is broken down as follows:

	2019 £'000	2018 £'000
Continuing operations		
Pensions		
IFA Specialist Pensions	22,680	21,306
Treasury Income	3,232	2,769
	25,912	24,075
Platform		
B2B Robo Wrap Services	973	479
B2B Robo Pension Services	3,587	3,071
	4,560	3,550
Investment Consulting Activity	2,603	3,201
Other Revenue	460	320
Acquired Revenue		
Pensions		
IFA Specialist Pensions	-	527
Treasury Income	-	92
	-	619
Other Revenue	4	-
Total	**33,539**	**31,765**

Timing of transfer of goods or services:

	2019 £'000	2018 £'000
Products and services transferred at a point in time	5,500	7,556
Products and services transferred over time	28,039	24,209
	33,539	31,765

FINANCIAL STATEMENTS:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Revenue (continued)

(ii) Contract balances

The following table provides information about opening and closing receivables, contract assets and contract liabilities from contracts with customers.

	Notes	31 December 2019 £'000	1 January 2019 £'000
Receivables	13	3,437	3,950
Contract assets		-	-
Contract liabilities	16	5,278	5,111

The contract liabilities primarily relate to the advance consideration received from customers for the rendering of services over an annual period. The amount of revenue recognised in current period that was included in the contract liability balance at the beginning of the period was £5,111k.

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

2019	Contract assets £'000	Contract liabilities £'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	(5,111)
Increases due to billing in the period, excluding amounts recognised as revenue	-	5,278
	-	167

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

3. Loss from operations

Loss from operations of the Group has been arrived at after charging:

	Notes	2019 £'000	2018 £'000
Depreciation of Property, Plant and Equipment)	11	2,183	191
Amortisation of Intangible Assets	9	1,391	895
Loss on disposal of Property, Plant and Equipment	11	23	-
Loss on disposal of Intangible Assets	9	-	12
Auditors' remuneration	4	434	347
Staff costs	5	22,111	19,831
Non-recurring expenses broken down as follows:		2,866	90
– Legal & professional acquisition costs		1,378	90
– Integration costs		1,488	-

4. Auditors' remuneration

	2019 £'000	2018 £'000
Fees payable to the Group's auditors		
Statutory audit of the Group's consolidated financial statements	68	38
Statutory audit of financial statements of subsidiaries of the Company	208	145
Regulated reporting assurance services	92	90
Taxation compliance services	32	36
Other services	34	38
Total	**434**	**347**

5. Staff costs

The average monthly number of employees (including executive Directors) employed in the Group was:

	2019 No.	2018 No.
Management	57	67
Non-Management	422	395
Total	**479**	**462**

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	18,768	16,738
Social security costs	2,015	1,800
Other pension costs	1,207	1,212
Share based compensation costs	121	81
Total	**22,111**	**19,831**

FINANCIAL STATEMENTS:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Directors' emoluments

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

	2019 £'000	2018 £'000
Salaries and fees	1,189	694
Pension contributions	5	9
Benefits	6	2
Total	**1,200**	**705**

The emoluments of all Embark Group Limited Directors are paid by Embark Corporate Services Limited, a wholly owned subsidiary of the Company.

Emoluments of highest paid Director:

	2019 £'000	2018 £'000
Salary	505	241
Pension contributions	-	-
Benefits	4	2
Total	**509**	**243**

7. Finance income and expense

	2019 £'000	2018 £'000
Interest received on bank deposits	68	70
Interest payable and similar charges	(214)	(429)
Interest payable on lease liabilities	(143)	-
Total	**(289)**	**(359)**

8. Tax

Analysis of tax charge for the year:

	2019 £'000	2018 £'000
Current tax:		
Adjustments in respect of prior periods*	(775)	(473)
Tax settled through Group losses	-	(73)
Total current tax credit	(775)	(546)
Deferred tax (note 15)		
Origination and reversal of timing differences	(197)	69
Adjustments in respect of prior periods	146	252
Total deferred tax charge	(51)	321
Total current tax credit	**(826)**	**(225)**

The effective tax rate for the year is greater than (2018: greater than) the standard rate of corporation tax in the UK of 19% (2018: 19.00%). This is explained below:

	2019 £'000	2018 £'000
Loss before tax:	(2,776)	(95)
Tax at the UK corporation tax rate of 19% (2018: 19.00%)	(526)	(17)
Expenses not deductible for tax purposes	388	102
Adjustments to brought forward values	(51)	13
Fixed asset differences	38	11
Adjustments to tax charge in respect of prior years *	(742)	(472)
Adjustments to tax charge in respect of prior years – Deferred tax	113	252
Adjustments to deferred tax value	12	(32)
Deferred tax not recognised	(58)	(82)
Total tax credit	**(826)**	**(225)**

* The adjustment in respect of prior years includes funds received from successful R&D tax credit claims filed during the year.

FINANCIAL STATEMENTS:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Intangible assets

Group	Software £'000	Client Portfolios £'000	Brand £'000	Goodwill £'000	Total £'000
Cost					
At 1 January 2019	7,082	4,479	244	4,992	16,797
Reclassification	85	(23)	5	-	67
Adjusted balance at 1 January 2019	7,167	4,456	249	4,992	16,864
Additions	1,275	-	-	-	1,275
Disposals	-	-	-	-	-
At 31 December 2019	8,442	4,456	249	4,992	18,139
Amortisation					
At 1 January 2019	3,343	303	123	-	3,769
Reclassification	24	43	-	-	67
Adjusted balance at 1 January 2019	3,367	346	123	-	3,836
Charge for the year	1,115	227	49	-	1,391
Disposals	-	-	-	-	-
At 31 December 2019	4,482	573	172	-	5,227
Net book value					
At 31 December 2019	3,960	3,883	77	4,992	12,912
At 31 December 2018	3,739	4,176	121	4,992	13,028

Software includes the development costs of the Group's administration and trading platforms and ongoing enhancements to those platforms. The Directors believe this technology will be one of the key technology platforms used throughout the Group for the foreseeable future.

Client portfolios represent individual client portfolios acquired through business combinations and are amortised over 20 years on a straight-line basis.

Brand represents the fair value attributed to brands acquired through business combinations and are amortised over 5 years on a straight-line basis.

Goodwill consists of a combination of acquired Goodwill and that arising on consolidation through business combinations.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and selling costs in the period. Sensitivity analysis is performed on key assumptions to ascertain the impact of a moderate change and to ensure appropriate values are used in the calculation.

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

The Company did not hold any intangible assets as at 31 December 2019 or 31 December 2018.

10. Investment property

	2019 £'000
At 1 January 2019	-
Additions	954
At 31 December 2019	954

Investment property comprises commercial property that is leased to third parties.

The Group's investment property was acquired in the year through the investment in subsidiary Embark Real Estate Limited.

Changes in fair value are recognised as gains/(losses) in profit or loss and included in 'other income'.

11. Property, plant and equipment

Group	Freehold property £'000	Leasehold property £'000	Leasehold improvements £'000	Computer equipment £'000	Furniture & equipment £'000	Total £'000
Cost						
At 1 January 2019	-	-	175	1,702	1,148	3,025
Recognition of right-of-use asset on initial application of IFRS 16	-	3,552	-	98	33	3,683
Adjusted balance at 1 January 2019	-	3,552	175	1,800	1,181	6,708
Additions	2,046	350	11	297	122	2,826
Disposal	-	-	(39)	-	(142)	(181)
At 31 December 2019	2,046	3,902	147	2,097	1,161	9,353
Depreciation						
At 1 January 2019	-	-	129	1,597	853	2,579
Recognition of right-of-use asset on initial application of IFRS 16	-	1,658	-	-	12	1,670
Adjusted balance at 1 January 2019	-	1,658	129	1,597	865	4,249
Charge for the year	7	578	17	144	97	843
Disposals	-	-	(24)	-	(133)	(157)
At 31 December 2019	7	2,236	122	1,741	829	4,935
Net book value						
At 31 December 2019	2,039	1,666	25	356	332	4,418
At 31 December 2018	-	-	46	105	295	446

The Group's freehold property was acquired in the year through the investment in subsidiary Embark Real Estate Limited.

FINANCIAL STATEMENTS:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Property, plant and equipment (continued)

Company	Leasehold property £'000	Total £'000
Cost		
At 1 January 2019	-	-
Recognition of right-of-use asset on initial application of IFRS 16	454	454
Adjusted balance at 1 January 2019	454	454
Additions	-	-
Disposal	-	-
At 31 December 2019	454	454
Depreciation		
At 1 January 2019	-	-
Recognition of right-of-use asset on initial application of IFRS 16	44	44
Adjusted balance at 1 January 2019	44	44
Charge for the year	259	259
Disposals	-	-
At 31 December 2019	303	303
Net book value		
At 31 December 2019	151	151
At 31 December 2018	-	-

12. Investment in subsidiaries

Movements in investments in Group undertakings were as follows:

Cost and net book value	2019 £'000	2018 £'000
At 1 January	**26,582**	**20,251**
Investment in Shares in Rowanmoor Personal Pensions Limited	-	600
Investment in Shares in Embark Investment Services Limited	9,000	1,650
Investment in EBS Pensions Limited	-	2,350
Investment in Embark Corporate Services Limited	-	1,250
Investment in Embark Real Estate Limited	2,955	-
Issue of Subordinated debt in Rowanmoor Personal Pension Limited	-	400
Charge relating to share-based payments	(195)	81
At 31 December	**38,342**	**26,582**

In the opinion of the Directors, the aggregate value of the Company's investment in subsidiary undertakings is not less than the current carrying value on the consolidated statement of financial position.

12. Investment in subsidiaries (continued)

The Company holds more than 20% of the share capital of the following companies:

Subsidiary Undertaking	Registered Office Address	Country of incorporation	Principal Activity	Class	% of voting rights and shares held
Embark Services Limited	Tyman House, 42 Regent Road, Leicester, LE1 6YJ	England	Pension Administration	Ordinary	100
Hornbuckle Mitchell Trustees Limited	Tyman House, 42 Regent Road, Leicester, LE1 6YJ	England	Independent Trustee	Ordinary	100
Embark Trustees Limited	Tyman House, 42 Regent Road, Leicester, LE1 6YJ	England	Independent Trustee	Ordinary	100
Embark Investment Services Limited	7th Floor, 100 Canon Street, London, England, EC4N 6EU	England	Pension Administration	Ordinary	100
Charterhall Nominees Limited	Tyman House, 42 Regent Road, Leicester, LE1 6YJ	England	Independent Trustee	Ordinary	100
Embark Investment Services Nominees Limited	Tyman House, 42 Regent Road Leicester, LE1 6YJ	England	Independent Trustee	Ordinary	100
Avalon SIPP Trustees Limited	7th Floor, 100 Canon Street, London, England, EC4N 6EU	England	Independent Trustee	Ordinary	100
Avalon Investment Services (Nominees) Limited	7th Floor, 100 Canon Street, London, England, EC4N 6EU	England	Independent Trustee	Ordinary	100
WF (Trustees) Limited	Rowanmoor House, 46-50 Castle Street, Salisbury, SP1 3TS	England	Independent Trustee	Ordinary	100
GB Trustees Limited	Rowanmoor House, 46-50 Castle Street, Salisbury, SP1 3TS	England	Independent Trustee	Ordinary	100
Rowanmoor Executive Pensions Limited	Rowanmoor House, 46-50 Castle Street, Salisbury, SP1 3TS	England	Pension Administration	Ordinary	100
Rowanmoor Personal Pensions Limited	Rowanmoor House, 46-50 Castle Street, Salisbury, SP1 3TS	England	Pension Administration	Ordinary	100
Rowanmoor Trustees Limited	Rowanmoor House, 46-50 Castle Street, Salisbury, SP1 3TS	England	Independent Trustee	Ordinary	100
The Adviser Centre Limited	5th Floor, 100 Cannon Street, London, England, EC4N 6EU	England	Investment Due Diligence	Ordinary	100
Embark Corporate Services Limited	5th Floor, 100 Cannon Street, London, England, EC4N 6EU	England	Corporate Administration	Ordinary	100
EBS Pensions Limited	5th Floor, 100 Cannon Street, London, England, EC4N 6EU	England	Pension Administration	Ordinary	100
Alpha Trustees Limited	5th Floor, 100 Cannon Street, London, England, EC4N 6EU	England	Independent Trustee	Ordinary	100
EBS Pensioneer Trustees Limited	5th Floor, 100 Cannon Street, London, England, EC4N 6EU	England	Independent Trustee	Ordinary	100
EBS Self-Administered Personal Pension Plan Trustees Limited	5th Floor, 100 Cannon Street, London, England, EC4N 6EU	England	Independent Trustee	Ordinary	100
Vested Employee Benefits Limited	5th Floor, 100 Cannon Street, London, England, EC4N 6EU	England	Employee Benefits Consultancy	Ordinary	51
Embark Real Estate Limited	7th Floor, 100 Canon Street, London, England, EC4N 6EU	England	Lessor of Investment Property	Ordinary	100

All of the subsidiary companies have been included in these consolidated financial statements. There are no restrictions on the ability of the parent or the subsidiaries to transfer cash or other assets to or from other entities in the Group. There are no guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the Group.

FINANCIAL STATEMENTS:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Trade and other receivables

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade receivables	3,437	3,950	-	-
Other debtors	2,272	3,233	256	975
Prepayments	10,968	545	247	2
Amounts owed from Group Companies	2	-	12,737	7,292
Total	**16,679**	**7,728**	**13,240**	**8,269**

Included within prepayments is an (undisclosed) amount paid in advance to acquire the rights to the future migration of the advised and partnership client books of Alliance Trust Savings Limited ("ATS").

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

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

As at 31 December 2019 trade receivables of £2,225k (2018: £2,647k) were past due but not impaired for the Group. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Up to 3 months past due	1,326	1,483	-	-
3 to 6 months past due	398	501	-	-
Over 6 months past due	509	663	-	-
Total	**2,225**	**2,647**	**-**	**-**

Expected credit loss ("ECL") assessment

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019.

31 December 2019	Weighted average loss rate	Gross carrying amount £'000	Loss allowance £'000	Credit impaired
< 9 months past due	1.66%	3,249	(54)	No
9 – 12 months past due	48.04%	204	(98)	No
> 12 months past due	85.99%	971	(835)	Yes
		4,424	(987)	

13. Trade and other receivables (continued)

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

31 December 2018	Weighted average loss rate	Gross carrying amount £'000	Loss allowance £'000	Credit impaired
< 9 months past due	10.94%	4,050	(443)	No
9 – 12 months past due	56.90%	413	(235)	No
> 12 months past due	85.61%	1,133	(970)	Yes
		5,596	(1,648)	

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

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

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
At 1 January	1,648	808	-	-
Write-offs in the year	(817)	-	-	-
Charge for the year	156	840	-	-
At 31 December	**987**	**1,648**	**-**	**-**

FINANCIAL STATEMENTS:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Cash and cash equivalents

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Cash at bank and in hand	14,394	7,669	614	291
Total	**14,394**	**7,669**	**614**	**291**

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

15. Deferred tax

Deferred tax assets recognised by the Group and Company and the movements thereon during the current and prior reporting periods are as follows:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
At 1 January	488	809	42	72
Net credit to profit (Note 8)	50	(321)	10	(30)
At 31 December	**538**	**488**	**52**	**42**

The deferred tax asset is made up as follows:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Accelerated capital allowances	(605)	(307)	-	-
Short-term temporary differences	84	34	(3)	-
Tax losses carried forward	1,059	761	55	42
At 31 December	**538**	**488**	**52**	**42**

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the deferred tax asset as at 31 December 2019 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantially enacted on 17 March 2020. This will increase the Group's future current tax charge and will increase the estimated value of the deferred tax asset by £63k.

As at 31 December 2019 the Group has deferred tax assets not recognised on the consolidated statement of financial position of £237k (2018: £92k) which relate to losses incurred.

16. Trade and other payables

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade payables	1,454	580	608	27
Other payables	715	237	-	-
Overdrafts	627	378	-	-
Bank loans	-	750	-	750
Loan notes	-	2,000	-	2,000
Unsecured term loan	236	2,050	236	2,050
Accruals and deferred income	8,107	7,467	93	342
Other tax and social security	1,037	1,415	(241)	(38)
Amounts owed to Group Companies	-	-	11,671	12,355
Lease liabilities	402	-	67	-
Fixed deferred consideration	-	413	-	413
Contingent deferred consideration	-	413	-	413
Total	**12,578**	**15,703**	**12,434**	**18,312**

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

17. Non-Current Liabilities

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Loan notes	5,100	-	5,100	-
Contingent deferred consideration	-	31	-	-
Lease liabilities	1,470	-	-	-
Total	**6,570**	**31**	**5,100**	**-**

On 20 November 2019, convertible loan notes were issued by the Company for £5,100k. These are repayable on 19 November 2022 with interest of 0.75% compounding annually. These loan notes are held by two shareholders.

FINANCIAL STATEMENTS:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Share capital

Group and Company	2019 £'000	2018 £'000
Issued share capital:		
A ordinary shares of £1 each	-	-
B ordinary shares of £1 each	-	-
C ordinary shares of £1 each	595	433
D ordinary shares of £1 each	30	30
E ordinary shares of £1 each	38	31
F ordinary shares of £1 each	3	-
Total	**666**	**494**

During the year the Company issued 172k £1 ordinary shares (2018: 85k £1 ordinary shares) for a consideration of £19,059k (2018: £7,289k) at an average price of £111 per share (2018: £86 per share).

As at 31 December there was unpaid share capital owed to the Company by two Directors amounting to £24k (2018: £21k). Further disclosure is included in note 25.

19. Retained earnings

	Group		Company	
	Capital Contribution Reserve £'000	Retained Earnings £'000	Capital Contribution Reserve £'000	Retained Earnings £'000
Balance at 31 December 2018	**482**	**(5,065)**	**482**	**(1,793)**
Adjustment on initial application of IFRS 16 (net of tax)	-	(266)	-	20
Balance at 1 January 2019	**482**	**(5,331)**	**482**	**(1,773)**
Loss for the year	-	(1,818)	-	(1,083)
Unwinding of discounting of deferred consideration	-	(174)	-	(174)
Charge in relation to share-based payments	(196)	284	(196)	-
Balance at 31 December 2019	**286**	**(7,039)**	**286**	**(3,030)**

20. Notes to the statement of cash flows

	2019 £'000	2018 £'000
Loss from operations	(2,489)	(416)
Adjustments for:		
Movement in provisions	(661)	840
Depreciation on property, plant and equipment	843	191
Amortisation of intangible assets	1,391	895
Loss on disposal of property, plant and equipment	24	-
Operating cash (outflows)/inflows before movements in working capital	(892)	1,510
Decrease/Increase in receivables	707	(1,381)
Increase/Decrease in payables	505	(956)
Increase in capital contribution reserve relating to share-based payments	121	81
Deferred tax movement	-	321
Cash generated by operations	441	(425)
Income tax received	741	7
Net cash inflow/outflow from operating activities	**1,182**	**(418)**

21. Retirement benefit schemes

The Group operates a defined contribution pension scheme which is open to all staff, operated by Standard Life.

An amount of £1,207k (2018: £1,212k) was recognised as an expense for defined contribution plans. The amount is included in staff costs in the consolidated statement of comprehensive income.

FINANCIAL STATEMENTS:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Leases

Right-of-use assets

Right-of-use assets relate to rented office space and office equipment and are presented as property, plant and equipment. Leases for office space are under contract terms of up to 15 years from the lease start date. Leases for office equipment are under contract terms of up to 6 years from the lease start date.

	Leasehold property £'000	Furniture & equipment £'000	Computer equipment £'000	Total £'000
2019				
Balance at 1 January	1,895	20	98	2,013
Depreciation charge for the year	(579)	(5)	(22)	(606)
Additions to right-of-use assets	350	-	-	350
Balance at 31 December	1,666	15	76	1,757

Lease liabilities

Maturity analysis – contractual undiscounted cash flows	2019 £'000
Less than one year	620
One to five years	1,248
More than five years	599
Total undiscounted lease liabilities at 31 December	2,467

Lease liabilities included in the statement of financial position	2019 £'000
Current	401
Non-current	1,471
	1,872

Amounts recognised in profit or loss

2019 – Leases under IFRS 16	£'000
Interest on lease liabilities	143

2018 – Operating leases under IAS 17	£'000
Lease expense	485

23. Financial risk management

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

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

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

Credit risk

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

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

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

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

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

	2019 £'000	2018 £'000
Cash and cash equivalents	14,394	7,669
Trade & other receivables	16,679	7,728
Total	**31,073**	**15,397**

Market risk

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

The Group is exposed to interest rate risk as a result of positive holdings of corporate and client cash balances which earn interest at a variable rate.

The Group has interest bearing assets and liabilities on its consolidated statement of financial position. These assets include cash and borrowings and loans which earn or charge interest at a variable rate. The Board ensure that the surplus cash is transferred to a higher interest rate deposit account when it is not immediately required for operations within the Group.

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

FINANCIAL STATEMENTS:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Financial risk management (continued)

Liquidity risk

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

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

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

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

	At 31 December 2019			At 31 December 2018		
	Trade payables £'000	Other payables £'000	Loans £'000	Trade payables £'000	Other payables £'000	Loans £'000
< 6 months	1,454	9,859	863	580	9,959	3,178
6 – 12 Months	-	-	-	-	-	2,000
> 12 months	-	-	5,100	-	31	-
Carrying value of liabilities	**1,454**	**9,859**	**5,963**	**580**	**9,990**	**5,178**

Capital risk management

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

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

The Group defines capital as being share capital plus reserves. The Group is subject to externally imposed capital requirements from the FCA. These are reported monthly to the Board. The Group has complied with all the relevant rules and requirements throughout the year.

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

24. Share-based payments

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

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

The cost of the incentive scheme is based on the fair value of awards on the date of grant. The value is arrived at using an option pricing model taking into account the terms and conditions upon which the options were granted.

The terms and conditions of grants are as follows:

Grant Date	Employees	Granted by	Accounting Method	Number of instruments	Vesting Conditions	Expiry Date
5th April 2011	Key Staff	Embark Group Limited	Equity	14,400	Sale or listing of business	5th April 2021 or 40 days after sale or listing
26th June 2015	Key Staff	Embark Group Limited	Equity	11,000	Sale or listing of business	5th April 2021 or 40 days after sale or listing
5th April 2016	Key Staff	Embark Group Limited	Equity	30,609	Sale or listing of business	5th April 2021 or 40 days after sale or listing
5th April 2017	Key Staff	Embark Group Limited	Equity	32,250	Sale or listing of business	7 years of vesting
31 March 2018	Key Staff	Embark Group Limited	Equity	24,500	Sale or listing of business	7 years of vesting
31 March 2019	Key Staff	Embark Group Limited	Equity	18,250	Sale or listing of business	7 years of vesting

FINANCIAL STATEMENTS:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Share-based payments (continued)

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

	2011		2015		Equity Incentive Plan (2016)	
	Share options No.	Weighted average exercise price (£)	Share options No.	Weighted average exercise price (£)	Share options No.	Weighted average exercise price (£)
Outstanding at the beginning of the year	597	8.87	1,250	14.35	15,357	14.35
Exercised during the year	-	8.87	-	14.35	6,477	14.35
Vested during the year	-	8.87	-	14.35	-	14.35
Lapsed during the year	-	8.87	-	14.35	-	14.35
Granted during the year	-	8.87	-	14.35	-	14.35
Outstanding at the end of the year	597	8.87	1,250	14.35	8,880	14.35

	2017		2018		2019	
	Share options No.	Weighted average exercise price (£)	Share options No.	Weighted average exercise price (£)	Share options No.	Weighted average exercise price (£)
Outstanding at the beginning of the year	24,750	5.63	23,500	5.32	-	6.72
Exercised during the year	-	5.63	-	5.32	-	6.72
Vested during the year	2,000	5.63	1,250	5.32	-	6.72
Lapsed during the year	2,000	5.63	2,000	5.32	-	6.72
Granted during the year	-	5.63	3,500	5.32	18,250	6.72
Outstanding at the end of the year	20,750	5.63	23,750	5.32	18,250	6.72

During the year no options were exercised within the Equity Incentive Plan. The net expense recognised in the year arising from equity settled share-based payments is £121,105 (2018: £80,447).

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

	2011	2015	EIP	2017	2018	2019
Share price at grant date	£8.87	£14.35	£14.35	£44.76	£36.77	£35.28
Exercise price	£8.87	£14.35	£14.35	£59.68	£45.97	£39.07
Expected volatility	32%	32%	32%	30.7%	30.5%	30.9%
Expected dividend yield	0%	0%	0%	0%	0%	0%
Risk free interest rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%
Expected option life to exercise	3 years	3 years	3 years	3 years	3 years	3 years
Estimated vesting period	3 years	3 years	3 years	3 years	3 years	3 years
Fair value per option	£1.94	£1.00	£1.00	£1.00	£1.00	£1.00

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

25. Related party transactions

Company and Group related party transactions:

The Group paid commercial rents totalling £91k (2018: £91k) for premises in Leicester. These premises are owned by a combined pension scheme in which a Non-Executive Director has a significant interest.

On 15 July 2016, loan notes were issued by the Company for £2,000k to two shareholders. These were repaid on 15 July 2019 with interest of 10% being paid annually on the anniversary date of the first drawdown.

On 28 April 2017, an unsecured term loan facility was entered by the Company for £500k with shareholders. This facility was repaid on 21 June 2019 with interest of 4.85%.

On 15 July 2018, unsecured term loan facility was entered by the Company for £1,500k with shareholders. This facility was repaid in 2 instalments on 15 January 2019 and 23 January 2019 with interest of 10%.

On 20 November 2019, convertible loan notes were issued by the Company for £5,100k. These are repayable on 19 November 2022 with interest of 0.75% compounding annually. These loan notes are held by two shareholders.

As at 31 December there was unpaid share capital and associated share premium owed to the Company by two Directors amounting to £143k (2018: £357k) in accordance with the terms of the share incentive scheme. At no point during the period did the balance exceed the amount stated. Whilst these are informal short-term arrangements due to be settled in cash, they are by nature Directors loans and therefore have been disclosed as related party transactions. There are no terms & conditions and no guarantees attached to the loans.

The Group has been charged by FNZ (UK) Limited, a Company considered to have significant influence through their shareholding in the Group, £640k for the use of pension administration technology and £1,150k for consultancy services. At the year-end there was a balance owing to FNZ (UK) Limited of £58k (2018: £129k).

Company related party transactions:

Related party balances as at the year-end were as follows:

	TACL £'000	RPPL £'000	ESL £'000	EISL £'000	REPL £'000	EBS £'000	ECSL £'000	VEBL £'000	Total £'000
As at December 2019									
Due from subsidiary undertakings	902	-	-	8	-	101	11,423	302	**12,708**
Due to subsidiary undertakings	-	(3,369)	(4,410)	-	(3,893)	-	-	-	**(11,671)**
As at December 2018									
Due from subsidiary undertakings	980	-	-	-	-	-	6,212	100	**7,292**
Due to subsidiary undertakings	-	(2,236)	(5,003)	-	(2,878)	(2,233)	-	-	**(12,355)**

Balances relate to intercompany loans that are repayable on demand and are therefore held as current liabilities or current assets. No other transactions occurred between related parties, excluding those disclosed above.

26. Company results

Embark Group Limited reported a loss during the year of £1,083k (2018: £148k loss).

FINANCIAL STATEMENTS:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Change in significant accounting policies

The Group has applied IFRS 16: Leases using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract contains a lease based on the definition of a lease, as explained in note 1.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

Leases classified as operating leases under IAS 17

Previously, the Group classified leases of office space and equipment as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application.

Impact on financial statements

On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 January 2019 £'000
Right-of-use assets – property, plant and equipment	2,014
Prepayments	(70)
Lease liabilities	2,210
Retained earnings	(266)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019 of 7.5%.

	£'000
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Group's financial statements	3,507
Discounted using the incremental borrowing rate at 1 January 2019	2,210

28. Subsequent events

The situation with COVID-19 has escalated quickly and significantly and will have an impact on the day to day running of the Group. This is a very challenging situation and the Directors are continually monitoring and responding to the latest Government advice. The priority is to protect the wellbeing of our staff, communities and customers. In response to this emerging risk, in March 2020 the Group's 'business continuity plan' has been activated across all sites. This has seen the majority of the Group's workforce operating in isolation with all activities being performed remotely, away from core office locations, whilst maintaining services to customers uninterrupted.

The Group enters this economic crisis in a strong liquidity position. The business model we operate has both strong diversification and strong client longevity as a highly pension centric business. At this time, the Group's direct exposure to capital market movements is significant, but by no means material to the going concern position of the business. We see no new restructure plans driven directly as a result of COVID-19. Our bespoke pension subsidiaries are anticipated to trade through this with a minimal impact on chargeable revenue, operating cost and core operating margins. Likewise, our research and consulting businesses have largely fixed, annuitized revenues and cost, where we see little impact. Our wrap platform business, which has direct exposure to the value of assets under management and trading related income volatility, has the dual advantages of operating a largely outsourced cost model that mitigates to some extent the impacts, and a high proportion of pension clients, bringing solidity to the franchise. We are however accelerating out of our financial shape any dependencies on interest margin income across the Group due to the poor outlook for bank base rate and associated treasury returns to the Group.

Based on the continuity of service delivery already in place, the impact on chargeable revenue is expected to be minimal, especially with the bulk of Group revenue streams being highly persistent and backed in the main by pension fund assets. Over 80% of the Group's revenue is recurring annualised fees dependent primarily on continuity of service which the Group is already delivering despite the majority of staff operating from isolation. However, the risk remains that the Group may experience some challenges in maintaining the same recovery rate of debtor balances giving rise to a lengthening of debtor days in the short term which would have a detrimental impact on liquidity.

With regard to the businesses primary supply chain counterparties, all key suppliers have good contingency plans in place and have maintained continuity of service through the initial stages of this scenario.

We are confident any detrimental impact, in the short term, can be covered by the available liquidity throughout the Group. If the position were to continue for a period of >6 months, the Group have several options to deploy liquidity management measures, if required, to mitigate the impact on liquidity and ensure the Group can continue to trade as a going concern for the foreseeable future.

COMPANY INFORMATION

Directors

David Etherington
Chairman

Phil Smith
Group Chief Executive

Vincent Cambonie
Chief Financial Officer

Lawrence Churchill
Non-Executive Director

Rupert Ruvigny
Non-Executive Director

Mark Skinner
Non-Executive Director

David White
Non-Executive Director

Company secretary

Vincent Cambonie

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Company registration

03578067

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Embark Group Limited is a company incorporated in England and Wales and is the holding vehicle for all companies in the Group. Company registration number: 03578067. Registered at 100 Cannon Street, London, EC4N 6EU.

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