

**Past, Present + Future**

True Potential LLP Annual Report 2017



Past.

Present.

Future.

This year marks the tenth anniversary since True Potential set out on its journey to revolutionise the way Wealth Management is delivered. Ten years on, we invite you to look back on our biggest achievements from the past, learn of our present successes and glimpse into our future to see how the revolution will continue.

## Financial Highlights

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Turnover

**£99m**

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Group Profit

**£24m**

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Client Site Logins

**849,478**

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New Auto Enrolment Clients

**20,269**

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Number of impulseSave®  
Transactions

**17,724**

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## Foreword by the Chairman

# A Decade of Success

In last year's report I finished with the statement that the future looks particularly bright. That proved to be something of an understatement. In 2017 we increased turnover by **43% to £99 million** (22% in 2016); increased profit by **61% to £24 million** (20% in 2016); our assets on our Platform increased by **40% to over £6.8 billion**; and our unique Advanced Diversification **True Potential Portfolios increased by 129% to £3.8 billion**. The aim of these Portfolios is simple – reduce risk whilst increasing performance. They performed exactly as planned, ranging from 4% growth over the year for the Defensive Portfolio up to 13.5% for our Aggressive Portfolio.

As further background, since launch in October 2015 the **Balanced + Portfolio has grown by 28.8% and the Aggressive Portfolio by 41%**.

We've achieved many successes since we set up the business in 2007. Key Milestones of the decade are available on page 10. The main focus has been constructing a value chain from the customer right through to managing their money, all within the True Potential Group.

The efficiency this brings means much lower cost of ownership to the client, with hugely increased diversity of holdings to avoid the risk of having "all eggs in one basket", and we have only just begun that journey. The effectiveness of our offer is the reason why our results are so good.

Customers seem to like what we are doing. We want to, and we will, do much more.

During 2018 we will replace our current Investment Platform with a brand-new version, built totally in-house and incorporating Blockchain technology. We are starting the testing phase of this in the next few weeks. This will give us total control over trading, technology, reporting and of course costs. We will also, be the first Investment Platform in the UK to be using Blockchain at its heart, at first to audit our own systems, but increasingly to interact with others to produce greater clarity and certainty in both the supply chain and our own customer value chain.

We continued to attract awards during the year, going on to win the prestigious European Business of the Year Award, where we were up against 33,000 other European businesses. This covered all business classes, not just financial services.

2017 was judged by us to be a good year for the UK, of course some business commentators would disagree, but frankly I fail to understand what they are judging the UK against. We are one of the major economies in the world and have influence far in excess of nearly everyone else. It's a great country to be in. However, every bit of good news seems to be met with the adage "despite Brexit". Every piece of bad news is

"because of Brexit". True Potential really doesn't care. Our founding philosophy has been that we live in unpredictable times, and that should be thought of as normal. If that is the case then we should thrive on chaos and unpredictability, which I see as the more natural order of things.

When the Bank of England can't tell us what inflation has been over the last 12 months, until the final day, then why put any faith in biased reports predicting how things will work and what the GDP will be in 15 years' time – I think that is utter poppycock. We believe that we are an Anti-Fragile firm, with our partners all having skin in the game – invested in the company and the same funds our clients invest their money in. We believe this is a winning combination.

Our firm and our funds work with a long-term aim, but a short-term (very short) focus on what will work now and for the near future. If it doesn't, we quickly change it and try something else, without risking the business or any funds in the meantime. We put to one side sufficient energy, resources and of course profit to constantly try new ways.



**David Harrison**  
Managing Partner, True Potential LLP

# Our Top Successes

## We Are 10 Years Old

With more than 20 of the original founding partners still with us - a testimony to success, energy, and good genes.

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## We Built an Award Winning Adviser Platform

Our Platform now serves nearly 3,000 financial advisers.

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## We Launched Our Own Investment Platform

Which was seamlessly integrated into the existing Adviser Business Platform.

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## Exclusive Deals

Our distribution size has allowed us to strike exclusive and hugely beneficial deals with worldwide leading investment houses; UBS, Allianz, Goldman Sachs Asset Management, Columbia Threadneedle, Schroders, SEI, Close Brothers, 7IM and soon BMO and HSBC.

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## We Launched Our Workplace Pension

We gained permission to be a Pensions Administrator, then launched our own Auto Enrolment Workplace Pension, catering for over 150,000 employees.

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# Our Top Successes

## A World First, impulseSave<sup>®</sup>

We created a world first technology that allows clients to invest in seconds, with one click, on the go, with as little as £1.

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## We Built Our Own True Potential Investments Funds

Then merged these into our flagship product, the True Potential Portfolios. We now have over £3.8 billion in our Portfolios and over £4.6 billion in True Potential Investments Funds.

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## We Pioneered Our Advanced Diversification Process

With the aim of reduced risk and increased performance, our Advanced Diversification uniquely creates the ability for a client to be invested across all asset classes, relevant countries and investments styles, inside one risk-rated Portfolio.

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## FTV Capital Investment

In 2016 we gained investment from leading San Francisco and New York private equity firm, FTV Capital.

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## European Business of the Year 2017

We won the European Business of the Year award at the European Business Awards held in Dubrovnik, from an original list of over 33,000 businesses.

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Past.  
Present.  
Future.

### **From the Very Beginning**

We always had the ethos that leadership and technology would be the key values that formed True Potential. We always believed we had to take the lead, and have never followed what others were doing.

## A Decade to Reflect

# Key Milestones

A selection of our achievements and highlights over the last 10 years.



**2007**  
True Potential Launch  
- Client Site Built



All time Client Site  
logins 3,384,266.

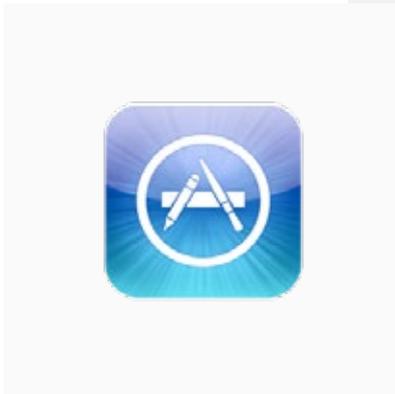


**2007**  
iPhone launched



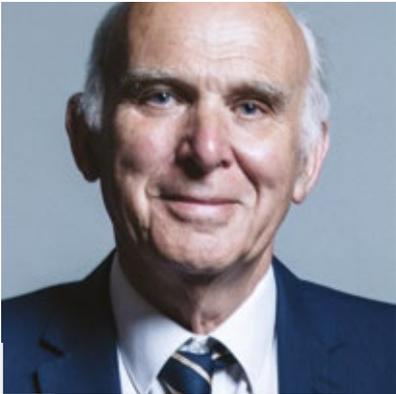
**2008**  
We went live with our first  
clients, Positive Solutions

They had over 1.2 million  
clients and 2,000 advisers  
at the time.



**2008**  
App Store launched





## 2010

The Business Secretary, **Vince Cable**, promises a **"very radical"** overhaul of the State Pension system.



2011 – The UK's public sector strike over pensions



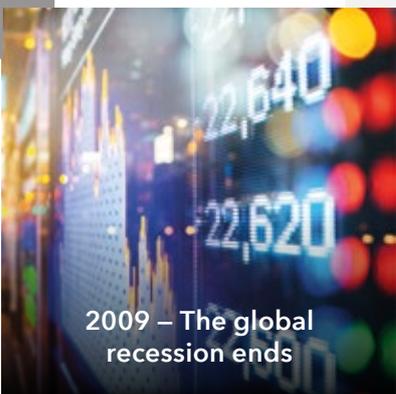
## 2009

We Launched Our Mobile App



## 2011

Hundreds of thousands of public sector workers went on strike across the UK over planned pension changes.



2009 – The global recession ends

## 2010

Launch of True Potential Wealth Management

## 2011

True Potential Wealth Platform goes live



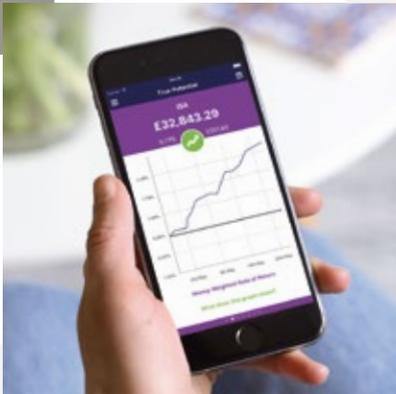


**2012**  
 Auto Enrolment is introduced by law in the UK.




2014 – We launch our Auto Enrolment Workplace Pension

**2012**  
 True Potential Wealth Management sees a sharp increase in Partners. Nearly 200 Wealth Management Partners join within the year.



**2014**  
 Launch of world first impulseSave®



7,215 impulseSave® transactions, were made in 2014.



2013 – The end of economic downturn

**2013**  
 We launched a £1.4 million partnership with the Open University.





## 2016

We gained significant investment from American private equity group FTV Capital.



## 2015

Launched our True Potential Portfolios



## 2017

European Business of the Year Winner



2016 – The year of political earthquakes

## 2017

The Government announce a rise in the State Pension age. This will be phased between 2037 and 2039.





Past.  
Present.  
Future.

### Onwards and Upwards

2017 has been an outstanding year for our business. We've added value to our client proposition, whilst increasing profits by 61%. Our growth has been unrivalled and we have even gone on to beat 33,000 organisations to become the European Business of the Year.

## The Present

# Beliefs

More than a simple set of statements, our beliefs have guided our business decisions and will continue to do so.



### Our Mission

Revolutionise the way Wealth Management is delivered.

### Our Vision

Use technology to drive change and to deliver innovative solutions that are built for the future, and that of our clients.

### Our Promise

We will deliver services and strategies that are: Simple. Effective. Unique.

# Values



| <b>Women in Senior Roles</b> | <b>%</b>   |
|------------------------------|------------|
| <b>Within True Potential</b> | <b>31%</b> |
| Within Financial Services    | 14%        |
| Within the UK                | 15%        |



| <b>Average Company Salary</b> | <b>£'s</b>     |
|-------------------------------|----------------|
| <b>Within True Potential</b>  | <b>£29,820</b> |
| Within the UK                 | £26,000        |
| Within the North East         | £24,000        |



| <b>Executive Gender Pay Gap</b> | <b>%</b>  |
|---------------------------------|-----------|
| <b>Within True Potential</b>    | <b>5%</b> |
| Within the UK                   | 11%       |
| Within Financial Services       | 31%       |



| <b>Staff Turnover</b>        | <b>%</b>  |
|------------------------------|-----------|
| <b>Within True Potential</b> | <b>6%</b> |
| Within Financial Services    | 13%       |
| Within the UK                | 15%       |



| <b>Apprenticeships per Organisation</b> | <b>No.</b> |
|---|------------|
| <b>Within True Potential</b>            | <b>11</b>  |
| Within the UK                           | 4          |

## Innovation

When we design a new strategy or service, we ask ourselves – is this an innovation? By challenging ourselves to develop only the most innovative ideas, we produce the best for our clients.

## Leadership

We are not, and never will be, followers. Our aim is to lead the financial services industry forward by example.

## Agility

We believe that being able to move quickly is vital. That's why we operate in a way that enables us to develop, test and improve our ideas at speed.

## Empowerment

We believe in empowering clients to understand their finances better and empowering advisers to serve their clients more effectively.

## Creativity

We never hold back from developing creative and exciting ideas, no matter how different they may be to what's in the market. This helps us deliver innovative strategies and services to advisers and clients.

## The Present

# Tackling the Savings Gap

'Tackling the Savings Gap' is an ongoing and long-term project to change the way the UK approaches saving and investment. Since 2013 we have produced quarterly surveys which have shown that there must be a fundamental shift in attitudes to saving if Britons are to live comfortably in the future.

### Key Stats



### Knowledge Gap

The financial education institution we run in partnership with the **Open University has now educated over 350,000 adults** in personal finance in the last three years. With millions of savers struggling to understand exactly how to get their finances in order, we are continually looking at ways of stepping up the programme to increase its impact on financial awareness and therefore help narrow the Savings Gap.

The **True Potential Centre for the Public Understanding of Finance** recently secured **£500,000 funding from the Money Advice Service (MAS)** to conduct research into links between consumer behaviour and economic theory. The MAS grant is the biggest ever handed out for this type of research, which will specifically investigate the impact of financial education on consumer behaviour.

### Agility Gap

The agility gap looks at the regulatory framework surrounding savings and investments and how this affects consumer behaviour.

In our latest study we looked at the Autumn Budget for pension savers, as the Chancellor announced an increase in the lifetime allowance from £1 million to £1.03 million. Although many feel that their pension pot will never reach this threshold, a stock-market flurry could turn a relatively modest pension pot into one nearing seven figures. We believe that the Government is sending out the wrong signal as more cautious savers may stop well short of the million-pound mark in fear of markets tipping them into taxable territory.

The Government published its long-awaited Automatic Enrolment Review in December. The report recommended to lower the age of enrolment to 18 and suggested ways to get the self-employed on board. We have highlighted the importance of getting the self-employed saving for their retirement, as 15% of UK workers are now self-employed.

Yet without being auto-enrolled into pension schemes as employees are, many are failing to do so.

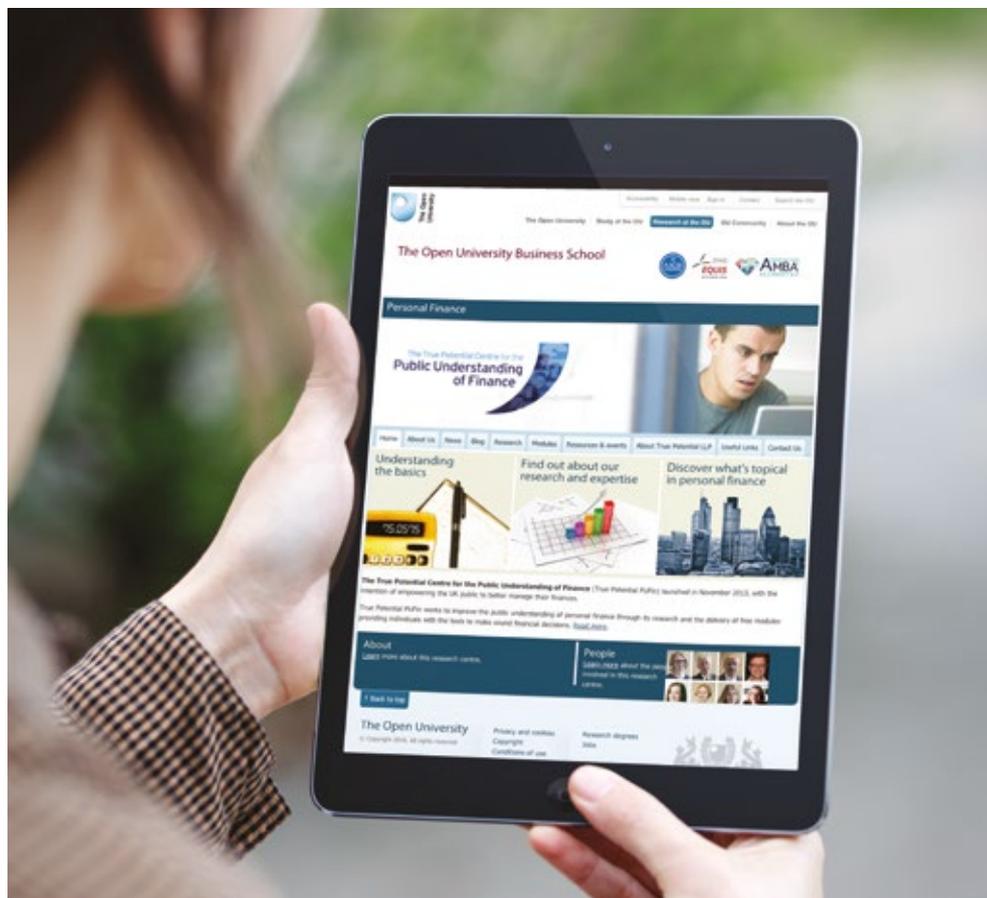
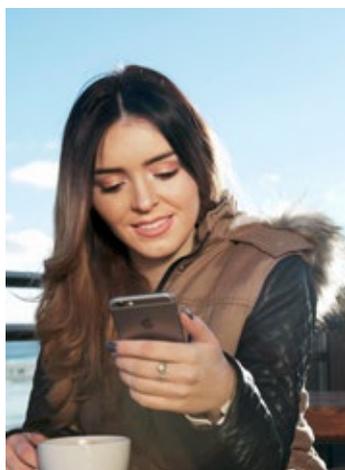
### Technology Gap

Technology has an integral role to play in closing the UK Savings Gap. True Potential's own impulseSave® is a prime example of the power of technology to transform saving habits. **Only 38% of millennials own their own home and 71% of these millennials have had help from their parents to pay for mortgage deposit contributions.** Although these figures are alarming, we believe that they can be solved through easy to use technology such as impulseSave®, which is redefining the way in which we save. **Since its launch in 2014, impulseSave®, which**

**enables savings and investments from as little as £1, has facilitated over £95 million worth of investments.**

The next step is to make overall personal financial management as simple as possible. Often at the heart of poor debt management, and an inability to save for the future, is not a shortage of funds, but a lack of regular attention to monthly incomings and outgoings.

Our Personal Finance feature, launched this year, is a smarter way to manage multiple bank accounts, credit cards and savings accounts. The technology categorises spending to allow for better clarity on spending habits, as well as keeping users on track to achieve their saving goals via Smart Alerts.



## The Present

# Awards

It's been a record-breaking year on the award front. We are very proud to have been recognised with a further nine awards this year, adding to the many more collected across the decade.



## February

We were awarded the **'Customer Experience Innovation Firm of the Year'** at the **Finance Monthly Fintech Awards**.

## March

**'The Guardian's Business Partnership Award'** was the next to be picked up by our Senior Partners. This award recognised our partnership with the Open University to create the True Potential Centre for the Public Understanding of Finance. We have committed £1.4 million in a five year programme of financial support for the Centre, with the aim of enhancing the public's understanding of personal finance issues.

Our market leading technology was recognised at the **FSTech Awards**, where we won **Online Technology Provider of the Year**.

## May

The most notable award of the year came at the European Business Awards, held in Dubrovnik. We went on to steal the show, coming away with the coveted **'Business of the Year Award'** as well as being named as a **'Ruban d'Honneur'** winner.



## June

For the sixth consecutive year, we won '**Best Support Service**' category at the **Money Marketing Awards**. We also picked up the '**Best Use of Technology by an Adviser**' award, which acknowledges the ongoing work by our in-house development team.

## September

We won again at the **Schroders UK Platform Awards**, this time winning the **Best Platform Provider (AUM up to £15 billion)**.

## October

At the **Money Age Awards**, we picked up two trophies. These were the **Innovation in Consumer Finance Award** and **Wealth Management Firm of the Year**.

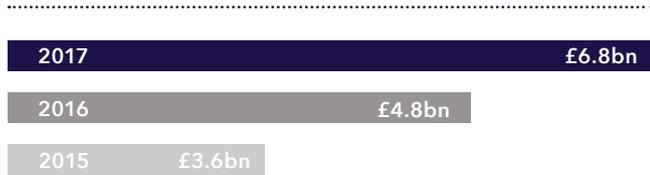
## The Present

# 2017 Highlights

This year has been our best to date, as we have added scope to every area of the business. Turnover is up 43% to £99 million, whilst profits have grown by 61% to £24 million.

Total AUA

## £6.8bn



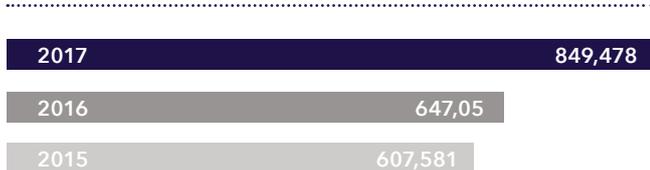
Total AUA in True Potential Portfolios

## £3.8bn



Client Site Logins

## 849,478



Total Employers Signed up to Auto Enrolment

## 20,269



## Group Turnover

# £99m

|      |        |
|------|--------|
| 2017 | £98.9m |
| 2016 | £69.2m |
| 2015 | £56.7m |

## Group Profit

# £24m

|      |        |
|------|--------|
| 2017 | £23.8m |
| 2016 | £14.8m |
| 2015 | £12.4m |

## Number of impulseSave® Transactions

# 17,724

|      |        |
|------|--------|
| 2017 | 17,724 |
| 2016 | 9,690  |
| 2015 | 7,215  |

## True Potential Wealth Management Partners

# 481

|      |     |
|------|-----|
| 2017 | 481 |
| 2016 | 419 |
| 2015 | 404 |

## The Present

# Our Offer

There are many cogs which help turn the True Potential wheel and each have their own part to play in adding to our success.



### True Potential Investor

True Potential Investor is designed to enable consumers to do more with their money. We combine our award winning technology with investment products such as the True Potential Portfolios, which benefits from our Advanced Diversification process and expert oversight and review.

This year **we have reduced the minimum initial investment contribution from £50 to £1**, with the aim of lowering the barriers to investing. Our Personal Finance feature, launched in August, links all bank accounts to one place, automatically tracking spending and giving the client a clearer picture of where their money is going.

2017 has also been a record breaking year for True Potential Investor in terms of client logins with **over 224,000 total logins across the year**.

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Total Client Site Logins

# 224,401

### True Potential Wealth Management

The number of Wealth Management Partners continues to grow with 481 restricted advisers benefiting from our first class technology.

2017 has been a year of positive change throughout the firm, bringing greater harmony and synchronisation of advice, **resulting in a 32% increase in turnover.**

Not only that, 2017 became the year that True Potential Wealth Management became a fully restricted firm, allowing our Partners to spend more time empowering their clients to understand and create their financial goals.

Clear and concise technology has always been at the forefront of our financial advice.

This is evident through our award winning platform, which allows clients to easily track their investments without the need for constant reassurance from their financial adviser.

### True Potential Adviser Services

For a decade we have been providing directly authorised advice firms a business administration platform, daily commission and fee accounting, compliance monitoring and system service support.

Much of our value comes from our ability to deal with scale. True Potential Adviser Services is one of the largest adviser service providers in the UK today, now **with 666 directly authorised firms and over 2,500 advisers.**

We continue to improve our own efficiencies and over the past 12 months, **we've collected more than £260 million (25% increase on last year) of fees and commissions.**

We have completed more than 800 Gabriel RMAR Reports on behalf of our advisers. **We've also reconciled and processed over 450,000 statements, on a same day basis.**

Throughout 2017, we continued to work closely with firms through one-to-one engagement at our Head Office and adviser offices. We invest heavily in our support team of which 50 members of staff are based at Head Office.



## The Present



Total Contributions Since Launch

**£34m**

Employers Signed Up In 2017

**11,988**

Total Employees Registered

**151,127**

### Auto Enrolment

As a Pensions Regulator approved workplace pension provider, we combine our award-winning technology with our fully integrated system to provide a market leading auto enrolment service.

Auto enrolment is well on track to hit the Government's target of 10 million employees by 2018. **We deliver free auto enrolment services to over 150,000 employees** across the UK, **adding £34,003,961 of contributions since launch, 71% of this in 2017.**

We have also had a successful year in terms of the amount of employers signed up to auto enrolment with **11,988 employers signing up to our scheme this year**, which is up from the 7,311 that joined in 2016.

This is because unlike most pension providers, we aim to service businesses of any size, no matter how big or small.

### Accountants

**We work with 2,270 accountancy practices** to deliver a pain free auto enrolment solution to any size business.

Our service is free for both accountants and employers and is integrated with many different payroll providers.

Introduced this year, our Wealth Hub brings a unique and effortless system to accountants, enabling them to reduce administration, save time and offer an even better service to their clients.

# Pensions Freedoms

Helping deliver the Government's objective of giving retirement control, flexibility and transparency to the UK consumer, True Potential Wealth Management has worked in a number of key areas.

## Trustees

During 2017 we gave advice on an individual case by case basis to deferred members considering a transfer out of their final salary pension scheme. We now have the capacity, credentials and experience to deal with bulk transfer exercises by forging relationships with consulting actuary firms to deliver an outstanding service and proposition to clients.

This will be an important area for True Potential Wealth Management in 2018, as we look to expand into this market with an innovative and cost-efficient approach.

## End Consumer

Since the introduction of new pension freedoms in 2015, many members of final salary pension schemes have enjoyed new options and flexibilities. A growing number of consumers have successfully transferred their final salary pensions with True Potential Wealth Management in 2017 and this will continue into 2018.

## Financial Advisers

Over 2017 we saw a large increase in the need for occupational pension transfer advice. As it is the law to take advice on values over £30,000, we have increased the number of Pension Transfer Specialists we have in the business.

As a further enhancement we have upgraded our systems to ensure that our advisers continue to use streamlined technology. This allows our Pension Transfer Specialists to efficiently work with clients to ensure they get a superior advice service.

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Final Salary pension transfers require advice by law if they are above

# £30,000

For some, transferring out of a final salary pension scheme can be life changing and it is an important decision. True Potential Wealth Management has a dedicated team of qualified Pension Transfer Specialists to help and advise people on what could be the right option for them.

## The Present

# Technology Update

Embracing technology is always at the forefront of what we do. All our technology is built in-house by a team of over 30 developers, enabling us to be responsive to changes in the market.

### Personal Finance

August saw the launch of our Personal Finance feature, which became available as part of the True Potential Investor.

This feature is free and gives clients an effortless experience in saving. It links all of the client's bank accounts to one place, tracks spending habits and gives the client a clearer picture of where their money is being spent.

Once the client's data is consolidated, they can then use this knowledge to adjust their budgets and goals and free up money to invest for their future. We have ensured that the technology utilises the very best encryption and security technology, allowing clients to have peace of mind that their financial accounts are safe.



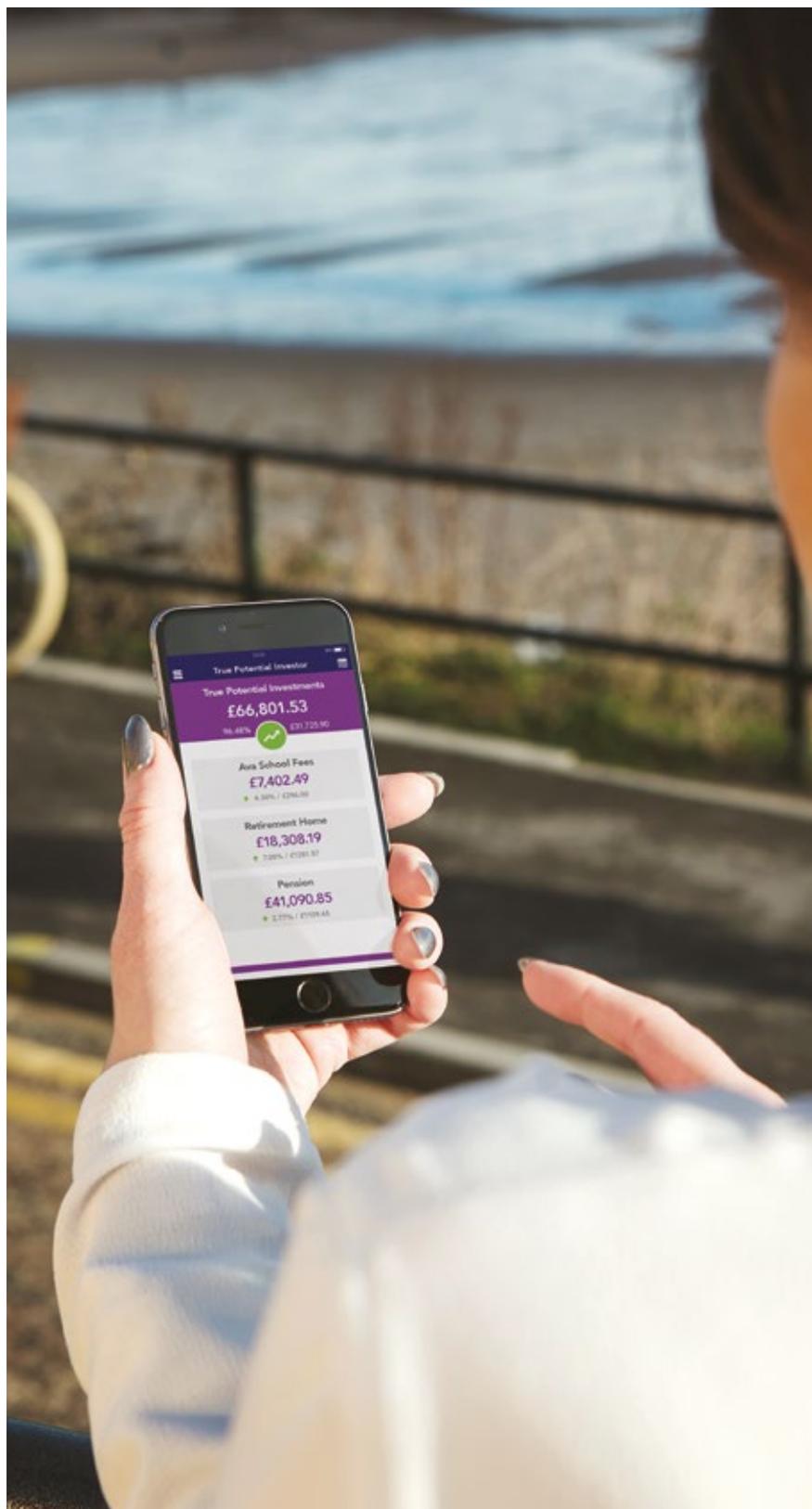
### impulseSave®

Our world-first top up technology, impulseSave® was launched in 2014 and **has seen over £95 million invested since launch, 44% of that came from this year** alone. There is still no one within the UK financial services industry who has been able to replicate impulseSave®, by allowing clients to invest in seconds.

Throughout 2017, we've seen an impressive growth of clients embracing this technology. We're helping our clients form the habits of long-term investors with a technology that's unmatched in the financial services industry.

Invested via impulseSave® in 2017

# £41.4m



## The Present

# True Potential Investments

Skin in the game; our Senior Partners are the first and leading investors on our Platform. Our clients trust their money with people who truly believe in what they are doing.



### The Diversification Process

Our Wealth Strategy Fund Range offers a complete single-manager investment solution, with exposure to different asset classes, industry sectors and geographic regions.

### Free Discretionary Fund Management

We use an agile asset allocation process to manage your funds, but unlike many fund managers we do not charge for managing your portfolio.

### Expert Oversight and Review

From our experienced Investment Team who combine global expertise and local knowledge, to our Fund Managers and Independent Investment Committee, we always put investors at the forefront of all our decisions.

# Growth on the Platform

We have seen a significant upscale in growth on our Platform which has now reached a total of **£6.8 billion**. This is up **40%** year on year.

Unsurprisingly, our True Potential Portfolios have had a significant amount invested in them, with **a further £2 billion added this year**. The growth generated from the True Potential Investments Wealth Platform highlights the opportunities we have to expand our assets in future years.

| Type of AUA      | 2017   | Growth Y on Y |
|------------------|--------|---------------|
| Portfolios       | £3.8bn | 129%          |
| Investment Funds | £4.6bn | 82%           |
| Wealth Platform  | £6.8bn | 40%           |

## Wealth Strategy Fund Range Update

We now have **28 funds under the True Potential Investments banner**, with an invested value of **£4.6 billion**.

We have further strengthened our relationship with Goldman Sachs Asset Management (GSAM) with the launch of the True Potential GSAM Income Builder Fund in January and True Potential GSAM Balanced fund in December. **Over £390 million has been invested into True Potential Goldman Sachs funds since launch** and with Ongoing Charges Figures under 0.95%, the new funds represent excellent values for a strategy that offers further diversification of both assets and management style.

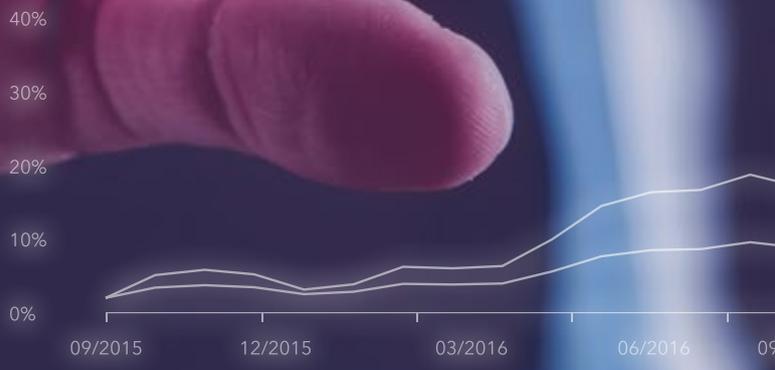
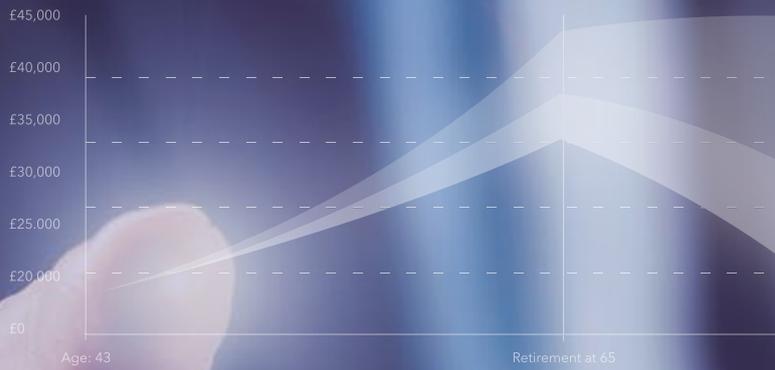
# Portfolio Performance

Our flagship investment product the True Potential Portfolios have continued to make excellent returns, despite many uncertain global events.

We believe this is due to our Advanced Diversification process which blends together multi-asset investment strategies in our investment approach. Added to this, we use expert oversight and review from our world class investment team to rebalance the True Potential Portfolios and further mitigate risk. **We have seen exceptional growth this year, with AUA now reaching over £3.8 billion in the Portfolios since launch.**

| Portfolio       | 2017   | Since Launch |
|-----------------|--------|--------------|
| Defensive       | 4.00%  | 13.22%       |
| Cautious        | 5.29%  | 19.30%       |
| Cautious +      | 6.22%  | 19.52%       |
| Cautious Income | 6.33%  | 21.17%       |
| Balanced        | 8.31%  | 27.10%       |
| Balanced +      | 8.89%  | 28.76%       |
| Balanced Income | 6.80%  | 24.37%       |
| Growth          | 10.86% | 34.90%       |
| Growth +        | 12.86% | 34.58%       |
| Aggressive      | 13.54% | 41.03%       |





Past.  
Present.  
Future.

### **There's Always Room For Improvement**

Constantly looking to improve and adapt is the key to growing a successful business. The future is both exciting and a huge opportunity to add to our story.

## The Future

# Always Moving Forwards

We will continue to positively adapt to changes in our environment in order to be 'Anti-Fragile' in times of economic downturn.

### Our founding principles will always provide a stable foundation for future success:

"To use technology to drive change and deliver innovative solutions that are built for the future and that of our clients."

We pride ourselves on becoming first movers wherever we can be. We are showing this in the near future with our Blockchain and Personal Finance plans.

#### Blockchain

Blockchain is a digital ledger of economic transactions that can be programmed to record virtually anything of value.

We are going to be the first financial services company to incorporate this technology into our Platform.

The Platform will be brand new, built internally and will incorporate the latest Blockchain technology. This gives us even greater strategic and economic advantages that will filter through to our client offer.

#### Personal Finance

Introduced in late 2017, our Personal Finance tool allows clients to track spending habits by linking all their accounts to one place. Our aim is to further develop the usability and robustness of the feature in 2018.

Although we believe that technology will be at the forefront of tackling the future savings gap, Government Policy and education also need to be aligned.

### Political Savings Debate

The debate around savings is split into three key themes. These are:

- Improving consumer overall savings
- Reducing debt and consumer credit
- Increasing household saving and help with financial planning

We believe that we can positively impact the way households save and plan financially.

We have been continuing to campaign for the Government to increase the tax free ISA allowance further. This year saw the ISA allowance increase from £15,240 per person to £20,000, however, we believe that this should be further increased to £25,000.

Over the last six years that we have been campaigning to increase ISA allowances, they have gone up and so have ISA contributions.

The Government published its long-awaited Automatic Enrolment Review in December, recommending new ways in order to get the self-employed on board. This has now been postponed as the Government seeks to test possible solutions and legislate by 2022. We highlighted the importance of getting the self-employed saving for their retirement in our Q3 issue of 'Tackling the Savings Gap' as 15% of UK workers are now self-employed. We believe that this is an issue which must be tackled head on and we encourage the Government to revert back to its bold tactics which brought about previous successes.



### Education and Social Mobility

True Potential has always been an advocate of social mobility, aiming to provide high paid sustainable tech jobs for the North East.

Over the last ten years we've embodied our core values by employing from local universities, investing in young people, and backing quality apprentice schemes which provide a solid foundation for future success. It is this ideology which aided the creation of the Harrison Centre for Social Mobility; a philanthropic organisation set up in November by our managing partner David Harrison. True Potential is a seed financial backer of the Harrison Centre, aiming to provide future funding to projects across the North of England.

### Regulation

We agree that the principle of regulation is important for both the client and the financial sector. However, by trying to protect the consumer with risk warnings we are in fact, sending the consumer to unregulated investments such as cryptocurrencies and low returning ISAs.

We believe the FCA need to look at the balance of what is actually helping the consumer and what is actually pushing the consumer to the unregulated markets. Our advice to anyone, is and always will be, to seek a regulated expert.

## Report and financial statements for the year ended 31 December 2017

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Registered number OC380771

# Members and advisers

## Managing board members

David Harrison (Managing Partner)

Neil Johnson

Mark Henderson

Daniel Harrison

Earl Glasgow

Mike Edwards (Non-executive) *Resigned 28 February 2017*

George Peebles (Non-executive)

Peter Coward (Non-executive)

Brad Bernstein (Non-executive)

Kyle Griswold (Non-executive)

## Registered office

Newburn House

Gateway West

Newburn Riverside

Newcastle upon Tyne

NE15 8NX

## Bankers

The Royal Bank of Scotland plc

1 Trinity Gardens

2nd Floor Broadchare

Newcastle upon Tyne

NE1 2HF

## Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Central Square South

Orchard Street

Newcastle upon Tyne

NE1 3AZ

## Report and financial statements for the year ended 31 December 2017

### Members' report for the year ended 31 December 2017

The members present their report and the audited consolidated financial statements for the year ended 31 December 2017.

#### Designated members

The following designated members have held office during the year and to the date of signing of the financial statements:

David Harrison (Managing Partner)  
Neil Johnson  
Mark Henderson  
Daniel Harrison  
Earl Glasgow

#### Principal activities

The principal activities of the group are the provision of financial advisory and investment management services, and support services to financial advisers.

#### Policy on members' drawings

The overall policy for members' drawings is to distribute the majority of the profit during the financial year, taking into account the need to maintain sufficient funds to finance the working capital and other needs of the business. The Group Managing Board sets the level of drawings. Drawings and other distributions to members are not expensed in profit and loss but recorded directly in members' interests. Profits are distributed to True Potential Group Ltd.

#### Members' profit shares

Any remaining profit after the members' drawings for the year is allocated to the members as set out in the partnership deed and approved by the Group Managing Board.

#### Members' responsibilities statement

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

Company law, as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations"), requires the members to prepare financial statements for each financial year.

Under that law the members have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law, as applied to limited liability partnerships, the members 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 limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing the financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the limited liability partnership will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the limited liability partnership's transactions and disclose with reasonable accuracy at any time the financial position of the limited liability partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the Regulations.

The members are also responsible for safeguarding the assets of the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Statement of disclosure of information to auditors**

The members confirm that so far as each member is aware, there is no relevant audit information of which the LLP's auditors are unaware; and that each member has taken all the steps that he ought to have taken as a member in order to make himself aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

**Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the annual general meeting.

On behalf of the members:



**David Harrison**  
Designated member



**Neil Johnson**  
Designated member

7 March 2018  
Registered number OC380771

# Report and financial statements for the year ended 31 December 2017

## Independent auditors' report to the members of True Potential LLP

### Report on the audit of the financial statements

#### Opinion

In our opinion, True Potential LLP's group financial statements and limited liability partnership financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the limited liability partnership's affairs as at 31 December 2017 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

We have audited the financial statements, included within the Report and Financial statements (the "Annual Report"), which comprise: the consolidated balance sheet as at 31 December 2017 and the Partnership balance sheet as at 31 December 2017; the consolidated profit and loss account, the consolidated statement of cash flows, and the group consolidated statement of changes in equity for the year then ended and the Partnership statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

#### Basis for opinion

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

#### Independence

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

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and limited liability partnership's ability to continue as a going concern.

#### Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

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

### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the members for the financial statements**

As explained more fully in the Members' Responsibilities Statement set out on page 38, the members are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The members are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinion, has been prepared for and only for the members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the limited liability partnership financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



#### **Gary Shaw (Senior Statutory Auditor)**

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle Upon Tyne  
7 March 2018

## Report and financial statements for the year ended 31 December 2017

### Consolidated profit and loss account for the year ended 31 December 2017

|  | Note | 2017<br>£'000 | 2016<br>£'000 |
|--|------|---------------|---------------|
| <b>Turnover</b>  | 1    | <b>98,939</b> | 69,164        |
| Cost of Sales  |      | (54,930)      | (38,119)      |
| <b>Gross profit</b>  |      | <b>44,009</b> | 31,045        |
| Administrative expenses  |      | (20,175)      | (16,171)      |
| <b>Operating profit</b>  | 3    | <b>23,834</b> | 14,874        |
| Interest payable and similar charges   | 4    | (32)          | (83)          |
| <b>Profit on ordinary activities before taxation</b>   |      | <b>23,802</b> | 14,791        |
| <b>Profit for the financial year before members' remuneration and profit shares available for discretionary division among members</b> |      | <b>23,802</b> | 14,791        |
| <b>Other comprehensive income</b>  |      | -             | -             |
| <b>Total comprehensive income</b>  |      | <b>23,802</b> | 14,791        |

There is no difference between the profit for the financial year above and the historic cost equivalent.

## Consolidated balance sheet as at 31 December 2017

|   | Note | 2017<br>£'000   | 2016<br>£'000 |
|---|------|-----------------|---------------|
| <b>Fixed assets</b>   |      |                 |               |
| Intangible assets   | 6    | 4,293           | 2,103         |
| Tangible assets   | 7    | 2,538           | 2,072         |
|   |      | <b>6,831</b>    | 4,175         |
| <b>Current assets</b>   |      |                 |               |
| Debtors   | 9    | 25,050          | 8,955         |
| Cash at bank and in hand                                      |      | 10,335          | 5,102         |
|   |      | <b>35,385</b>   | 14,057        |
| <b>Creditors: amounts falling due within one year</b>         | 10   | <b>(11,939)</b> | (6,926)       |
| <b>Net current assets</b>                                     |      | <b>23,446</b>   | 7,131         |
| <b>Creditors: amount falling due after more than one year</b> | 11   | <b>(746)</b>    | (503)         |
| <b>Net assets attributable to members</b>                     |      | <b>29,531</b>   | 10,803        |
| <b>Members' other interests</b>                               |      |                 |               |
| Members' capital  |      | 29,531          | -             |
| Other reserves  |      | -               | 10,803        |
| <b>Total members' interests</b>                               |      | <b>29,531</b>   | 10,803        |

These financial statements on pages 42 to 60 were approved by the board of members on 7 March 2018 and are signed on their behalf by:



**David Harrison**  
Designated member

7 March 2018



**Neil Johnson**  
Designated member

Registered number OC380771

## Report and financial statements for the year ended 31 December 2017

### Partnership balance sheet as at 31 December 2017

|   | Note | 2017<br>£'000   | 2016<br>£'000   |
|---|------|-----------------|-----------------|
| <b>Fixed assets</b>   |      |                 |                 |
| Intangible assets   | 6    | 221             | 40              |
| Tangible assets   | 7    | 2,076           | 1,454           |
| Tangible assets   | 8    | 72,248          | 2,265           |
|   |      | <b>74,545</b>   | <b>3,759</b>    |
| <b>Current assets</b>   |      |                 |                 |
| Debtors   | 9    | 13,545          | 1,262           |
| Cash at bank and in hand                                      |      | 71              | 43              |
|   |      | <b>13,616</b>   | <b>1,305</b>    |
| <b>Creditors: amounts falling due within one year</b>         | 10   | <b>(57,884)</b> | <b>(36,823)</b> |
| <b>Net current liabilities</b>                                |      | <b>(44,268)</b> | <b>(35,518)</b> |
| <b>Creditors: amount falling due after more than one year</b> | 11   | <b>(746)</b>    | <b>(503)</b>    |
| <b>Net assets/(liabilities) attributable to members</b>       |      | <b>29,531</b>   | <b>(32,262)</b> |
| <b>Members' other interests</b>                               |      |                 |                 |
| Members' capital  |      | 29,531          | -               |
| Other reserves  |      | -               | (32,262)        |
| <b>Total members' interests</b>                               |      | <b>29,531</b>   | <b>(32,262)</b> |

These financial statements on pages 42 to 60 were approved by the board of members on 7 March 2018 and are signed on their behalf by:



**David Harrison**  
Designated member

7 March 2018



**Neil Johnson**  
Designated member

Registered number OC380771

Consolidated statement of changes in equity for the year ended 31 December 2017

| Group  | Members' other interests |                |               | Loans and other debts due to members less any amounts due from members in debtors | Total members' interests |
|--|--------------------------|----------------|---------------|---|--------------------------|
|  | Members' capital         | Other reserves | Total         |   |                          |
|  | £'000                    | £'000          | £'000         |   |                          |
| At 1 January 2017  | -                        | -              | -             | 10,803  | 10,803                   |
| Profit for the financial year available for discretionary distribution among members | -                        | 23,802         | 23,802        | -   | 23,802                   |
| Members' interests after profit for the year   | -                        | 23,802         | 23,802        | 10,803  | 34,605                   |
| Divisions of profit  | -                        | (23,802)       | (23,802)      | 23,802  | -                        |
| Distribution of profit   | -                        | -              | -             | (34,605)  | (34,605)                 |
| Member's capital contribution  | 29,531                   | -              | 29,531        | -   | 29,531                   |
| <b>Members' interests 31 December 2017</b>   | <b>29,531</b>            | <b>-</b>       | <b>29,531</b> | <b>-</b>  | <b>29,531</b>            |

Partner drawings have been reduced by £6,745,246 in relation to a reimbursement by True Potential Group Limited in respect to services provided by those members in True Potential Group Limited.

## Report and financial statements for the year ended 31 December 2017

### Consolidated statement of changes in equity for the year ended 31 December 2017 (continued)

| Group  | Members' other interests |                |          | Loans and other debts due to members less any amounts due from members in debtors | Total members' interests |
|--|--------------------------|----------------|----------|---|--------------------------|
|  | Members' capital         | Other reserves | Total    |   |                          |
|  | £'000                    | £'000          | £'000    |   |                          |
| At 1 January 2016  | -                        | -              | -        | 11,368  | 11,368                   |
| Profit for the financial year available for discretionary distribution among members | -                        | 14,791         | 14,791   | -   | 14,791                   |
| Members' interests after profit for the year   | -                        | 14,791         | 14,791   | 11,368  | 26,159                   |
| Divisions of profit  | -                        | (14,791)       | (14,791) | 14,791  | -                        |
| Drawings   | -                        | -              | -        | (3,240)   | (3,240)                  |
| Distribution of profit   | -                        | -              | -        | (12,020)  | (12,020)                 |
| Disposal of subsidiary   | -                        | -              | -        | (96)  | (96)                     |
| <b>Members' interests 31 December 2016</b>   | <b>-</b>                 | <b>-</b>       | <b>-</b> | <b>10,803</b>   | <b>10,803</b>            |

## Partnership statement of changes in equity for the year ended 31 December 2017

| Partnership  | Members' other interests |                |               | Loans and other debts due to members less any amounts due from members in debtors | Total members' interests |
|--|--------------------------|----------------|---------------|---|--------------------------|
|  | Members' capital         | Other reserves | Total         |   |                          |
|  | £'000                    | £'000          | £'000         |   |                          |
| At 1 January 2017  | -                        | -              | -             | (32,262)  | (32,262)                 |
| Loss for the financial year available for discretionary distribution among members | -                        | (3,116)        | (3,116)       | -   | (3,116)                  |
| Members' interests after loss for the year   | -                        | (3,116)        | (3,116)       | (32,262)  | (35,378)                 |
| Divisions of loss  | -                        | 3,116          | 3,116         | (3,116)   | -                        |
| Distribution of profit   | -                        | -              | -             | (34,605)  | (34,605)                 |
| Member's capital contribution  | 29,531                   | -              | 29,531        | -   | 29,531                   |
| Profit from subsidiaries   | -                        | -              | -             | 69,983  | 69,983                   |
| <b>Members' interests 31 December 2017</b>   | <b>29,531</b>            | <b>-</b>       | <b>29,531</b> | <b>-</b>  | <b>29,531</b>            |

## Report and financial statements for the year ended 31 December 2017

### Partnership statement of changes in equity for the year ended 31 December 2017 (continued)

| Partnership  | Members' other interests |                   |         | Loans and<br>other debts<br>due to<br>members less<br>any amounts<br>due from<br>members in<br>debtors | Total<br>members'<br>interests |
|--|--------------------------|-------------------|---------|--|--------------------------------|
|  | Members'<br>capital      | Other<br>reserves | Total   |  |                                |
|  | £'000                    | £'000             | £'000   |  |                                |
| At 1 January 2016  | -                        | -                 | -       | (14,467)   | (14,467)                       |
| Loss for the financial year<br>available for discretionary<br>distribution among members | -                        | (2,550)           | (2,550) | -  | (2,550)                        |
| Members' interests after<br>loss for the year  | -                        | (2,550)           | (2,550) | (14,467)   | (17,017)                       |
| Divisions of loss  | -                        | 2,550             | 2,550   | (2,550)  | -                              |
| Drawings   | -                        | -                 | -       | (3,225)  | (3,225)                        |
| Other distributions  | -                        | -                 | -       | (12,020)   | (12,020)                       |
| <b>Members' interests<br/>31 December 2016</b>   | -                        | -                 | -       | <b>(32,262)</b>  | <b>(32,262)</b>                |

## Consolidated statement of cash flows for the year ended 31 December 2017

|   | Note | 2017<br>£'000  | 2016<br>£'000 |
|---|------|----------------|---------------|
| <b>Net cash inflow from operating activities</b>            | 13   | <b>13,553</b>  | 14,319        |
| <b>Cash flows from investing activities</b>                 |      |                |               |
| Purchase of tangible fixed assets                           |      | (951)          | (1,367)       |
| Purchase of intangible fixed assets                         |      | (2,649)        | (1,703)       |
| Disposal of subsidiary (net cash)                           |      | -              | (57)          |
| <b>Net cash outflow from investing activities</b>           |      | <b>(3,600)</b> | (3,127)       |
| <b>Cash flow from financing activities</b>                  |      |                |               |
| Interest paid   |      | (32)           | (83)          |
| Payments to members   |      | (5,074)        | (15,260)      |
| Increase in finance lease and loan                          |      | 386            | 671           |
| <b>Net cash outflow from financing activities</b>           |      | <b>(4,720)</b> | (14,672)      |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | <b>5,233</b>   | (3,480)       |
|   |      | <b>2017</b>    | 2016          |
|   | Note | £'000          | £'000         |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | <b>5,233</b>   | (3,480)       |
| Cash and cash equivalents at 1 January                      |      | 5,102          | 8,582         |
| <b>Cash and cash equivalents at 31 December</b>             | 14   | <b>10,335</b>  | 5,102         |

# Report and financial statements for the year ended 31 December 2017

## Statement of accounting policies for the year ended 31 December 2017

### Statement of compliance

These financial statements are prepared in compliance with the Companies Act 2006 as applicable to LLPs, the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" and applicable accounting standards in the United Kingdom, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"). The principal accounting policies, which have been applied consistently throughout the year, are set out below.

### Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the companies Act 2006 as applicable to LLPs. The members consider this to be appropriate due to the cash generative and profitable nature of the group. The principal accounting policies, which have been applied consistently throughout the year are set out below.

### Basis of consolidation

The consolidated financial statements include the results of True Potential LLP and all of its subsidiary undertakings up to 31 December 2017. No profit and loss account for the parent partnership has been presented as permitted by Section 408 of the Companies Act 2006. Uniform accounting policies are used in all entities within the group.

### Turnover

Turnover represents fees received for the provision of financial advisory, investment management and support services to financial advisers. Turnover is recognised on a receivable basis and arises fully within the UK.

### Accounting judgements and estimates

The preparation of the financial statements in conformity with FRS 102 requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities. The estimates and judgements are based on historical experience and contracted rates, including expectation of future events that are believed to be reasonable.

### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at rates calculated to write off the cost of tangible fixed assets less estimated realisable value by annual instalments over their expected useful lives.

The rates applicable on a straight line basis are as follows:

|   |                 |
|---|-----------------|
| <b>Fixtures, fittings and equipment</b> | 10% - 33 1/3%   |
| <b>Short leasehold buildings</b>        | length of lease |

### Exemptions for qualifying entities under FRS102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain disclosure exemptions, subject to certain conditions, which have been complied with including notification of, and no objection to, the use of exemptions by the Partnership's members.

The Partnership has taken advantage of the following exemptions in its individual financial statements:

From preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows is included in these financial statements, includes the company's cash flows.

### Intangible fixed assets and amortisation

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is eliminated by amortisation through the profit and loss account over 10 years on a straight-line basis, which is the presumed useful economic life of goodwill under FRS 102. Other intangible fixed assets are stated at cost less accumulated amortisation.

Cost includes the original purchase price of the asset. Amortisation is provided at rates calculated to write off the cost of intangible fixed assets less estimated realisable value by annual instalments over their expected useful lives.

The rates applicable on a straight line basis are as follows:

|                                   |     |
|-----------------------------------|-----|
| <b>Deferred Acquisition Costs</b> | 10% |
| <b>Software Licences</b>          | 20% |

**Other intangibles** - Amortisation is charged on an annual straight line basis over a period 10 years. Regular impairment reviews are carried out on the realisable value.

#### **Operating leases**

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

#### **Provisions**

Provisions are recognised when there is a present obligation, as result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of that obligation can be made. Provisions for restructuring measures are made when a detailed, formal plan for the measures exists and well-founded expectations have been created among those who will be affected by the measures.

#### **Investments in subsidiary undertakings**

Investments in subsidiary undertakings are stated at cost less any provision for impairment in value.

#### **Income tax**

Income tax payable on the LLP's profits is solely the personal liability of the individual members and consequently is not dealt with in these financial statements.

#### **Pensions**

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year.

### **Financial instruments**

#### *i) Financial assets*

Basic financial assets, including other debtors, cash and bank balances are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit or loss.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are settled, or substantially all the risks and rewards of the ownership of the asset are transferred to another party.

#### *ii) Financial liabilities*

Basic financial liabilities, including trade and other payables are initially recognised at transaction price. Debt instruments are subsequently measured at amortised cost, using the effective interest rate method. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

## Report and financial statements for the year ended 31 December 2017

### Notes to the financial statements for the year ended 31 December 2017

#### 1. Turnover

Turnover represents fees earned in respect of the financial services activities of the group. Turnover is attributable to the group's continuing principal activities and arose wholly within the United Kingdom.

#### 2. Employee information

The monthly average number of employees during the year was:

|                                      | 2017         | 2016   |
|--------------------------------------|--------------|--------|
|                                      | Number       | Number |
| <b>Management and administration</b> | <b>140</b>   | 147    |
|                                      | 2017         | 2016   |
| <b>Staff costs:</b>                  | <b>£'000</b> | £'000  |
| Wages and salaries                   | 3,064        | 3,484  |
| Social security costs                | 290          | 501    |
| Other pension costs                  | 46           | 44     |
|                                      | <b>3,400</b> | 4,029  |

#### 3. Operating profit

This is stated after charging:

|  | 2017         | 2016  |
|--|--------------|-------|
|  | £'000        | £'000 |
| Depreciation of owned fixed assets                           | 485          | 283   |
| Amortisation of intangible assets                            | 459          | 141   |
| Auditors' remuneration - audit of group financial statements | 48           | 51    |
| - other audit services                                       | -            | 22    |
| - non-audit - taxation services                              | 14           | 37    |
| Operating lease rentals - land and buildings                 | <b>1,054</b> | 808   |

#### 4. Interest payable and similar charges

|  | 2017  | 2016  |
|--|-------|-------|
|  | £'000 | £'000 |
| Interest payable on borrowings during the period | 32    | 83    |

#### 5. Profit and loss account

As permitted by Section 408 of the Companies Act 2006, the parent partnership's profit and loss account has not been included in these financial statements. The parent partnership's loss for the financial year 2017 was £3,116,078 (2016: £2,550,170).

#### 6. Intangible assets

| Group                           | Other<br>Intangibles | Total        |
|---------------------------------|----------------------|--------------|
|                                 | £'000                | £'000        |
| <b>Cost</b>                     |                      |              |
| At 1 January 2017               | 2,326                | 2,326        |
| Additions                       | 2,649                | 2,649        |
| <b>At 31 December 2017</b>      | <b>4,975</b>         | <b>4,975</b> |
| <b>Accumulated amortisation</b> |                      |              |
| At 1 January 2017               | 223                  | 223          |
| Charge for the year             | 459                  | 459          |
| <b>At 31 December 2017</b>      | <b>682</b>           | <b>682</b>   |
| <b>Net book value</b>           |                      |              |
| <b>At 31 December 2017</b>      | <b>4,293</b>         | <b>4,293</b> |
| At 31 December 2016             | 2,103                | 2,103        |

## Report and financial statements for the year ended 31 December 2017

Notes to the financial statements for the year ended 31 December 2017 (continued)

### 6. Intangible assets (continued)

| Partnership                     | Other<br>Intangibles | Total      |
|---------------------------------|----------------------|------------|
|                                 | £'000                | £'000      |
| <b>Cost</b>                     |                      |            |
| At 1 January 2017               | 48                   | 48         |
| Additions                       | 223                  | 223        |
| <b>At 31 December 2017</b>      | <b>271</b>           | <b>271</b> |
| <b>Accumulated amortisation</b> |                      |            |
| At 1 January 2017               | 8                    | 8          |
| Charge for the year             | 42                   | 42         |
| <b>At 31 December 2017</b>      | <b>50</b>            | <b>50</b>  |
| <b>Net book value</b>           |                      |            |
| <b>At 31 December 2017</b>      | <b>221</b>           | <b>221</b> |
| At 31 December 2016             | 40                   | 40         |

## 7. Tangible assets

| Group                           | Fixtures,<br>fittings and<br>equipment | Short<br>leasehold<br>buildings | Total        |
|---------------------------------|--|---------------------------------|--------------|
|                                 | £'000                                  | £'000                           | £'000        |
| <b>Cost</b>                     |  |                                 |              |
| At 1 January 2017               | 3,529                                  | 77                              | 3,606        |
| Additions                       | 951                                    | -                               | 951          |
| <b>At 31 December 2017</b>      | <b>4,480</b>                           | <b>77</b>                       | <b>4,557</b> |
| <b>Accumulated depreciation</b> |  |                                 |              |
| At 1 January 2017               | 1,496                                  | 38                              | 1,534        |
| Charged during the year         | 475                                    | 10                              | 485          |
| <b>At 31 December 2017</b>      | <b>1,971</b>                           | <b>48</b>                       | <b>2,019</b> |
| <b>Net book value</b>           |  |                                 |              |
| <b>At 31 December 2017</b>      | <b>2,509</b>                           | <b>29</b>                       | <b>2,538</b> |
| At 31 December 2016             | 2,033                                  | 40                              | 2,072        |

## Report and financial statements for the year ended 31 December 2017

Notes to the financial statements for the year ended 31 December 2017 (continued)

### 7. Tangible assets (continued)

| Partnership                     | Fixtures,<br>fittings and<br>equipment | Total        |
|---------------------------------|--|--------------|
|                                 | £'000                                  | £'000        |
| <b>Cost</b>                     |  |              |
| At 1 January 2017               | 1,608                                  | 1,608        |
| Additions                       | 926                                    | 926          |
| <b>At 31 December 2017</b>      | <b>2,534</b>                           | <b>2,534</b> |
| <b>Accumulated depreciation</b> |  |              |
| At 1 January 2017               | 154                                    | 154          |
| Charged during the year         | 304                                    | 304          |
| <b>At 31 December 2017</b>      | <b>458</b>                             | <b>458</b>   |
| <b>Net book value</b>           |  |              |
| <b>At 31 December 2017</b>      | <b>2,076</b>                           | <b>2,076</b> |
| At 31 December 2016             | 1,454                                  | 1,454        |

## 8. Investments in subsidiary undertakings

|                            |                        |
|----------------------------|------------------------|
| Partnership                | <b>Total<br/>£'000</b> |
| <hr/>                      |                        |
| <b>Cost</b>                |                        |
| At 1 January 2017          | 2,265                  |
| Capital contribution       | 69,983                 |
| <hr/>                      |                        |
| <b>At 31 December 2017</b> | <b>72,248</b>          |
| <hr/>                      |                        |

All profits for the LLP's for the year are allocated to True Potential LLP as set out in the partnership deed. A members' capital contribution has been made to reinvest the profits back into the subsidiaries.

Registered address of the above investment in subsidiary is the same as the parent.

Details of investments held by the partnership are as follows:

| Subsidiary undertakings                | Country of registration | Proportion of ordinary shares held | Nature of business   |
|--|-------------------------|------------------------------------|--|
| True Potential Adviser Services LLP    | England and Wales       | 100%                               | Provision of services to financial services distribution firms |
| True Potential Investments LLP         | England and Wales       | 100%                               | Provision of a Wealth Platform                                 |
| True Potential Wealth Management LLP   | England and Wales       | 100%                               | Wealth Management Firm   |
| True Potential Trustee Company Limited | England and Wales       | 100%                               | Pension Trustee  |

The directors believe the carrying value of the investments is supported by their underlying net assets.

## Report and financial statements for the year ended 31 December 2017

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 9. Debtors

|                                     | Group         |              | Partnership   |              |
|-------------------------------------|---------------|--------------|---------------|--------------|
|                                     | 2017          | 2016         | 2017          | 2016         |
|                                     | £'000         | £'000        | £'000         | £'000        |
| Amounts due from group undertakings | 14,045        | 2,470        | 11,104        | -            |
| Other debtors                       | 9,767         | 5,279        | 2,045         | 742          |
| Prepayments and accrued income      | 1,238         | 1,206        | 396           | 520          |
|                                     | <b>25,050</b> | <b>8,955</b> | <b>13,545</b> | <b>1,262</b> |

The balances owed by group undertakings are all unsecured, interest free and have no fixed date of repayment.

#### 10. Creditors: amounts falling due within one year

|                                   | Group         |              | Partnership   |               |
|-----------------------------------|---------------|--------------|---------------|---------------|
|                                   | 2017          | 2016         | 2017          | 2016          |
|                                   | £'000         | £'000        | £'000         | £'000         |
| Trade creditors                   | 1,450         | 1,988        | 217           | 205           |
| Amounts due to group undertakings | -             | -            | 56,654        | 36,209        |
| Taxation and social security      | 400           | 370          | 160           | 151           |
| Pension Contributions             | 24            | 11           | 13            | 5             |
| Other creditors                   | 6,878         | 2,873        | 2             | 5             |
| Accruals and deferred income      | 2,876         | 1,516        | 527           | 80            |
| Finance loan                      | 311           | 168          | 311           | 168           |
|                                   | <b>11,939</b> | <b>6,926</b> | <b>57,884</b> | <b>36,823</b> |

The balances owed by group undertakings are all unsecured, interest free and have no fixed date of repayment.

### 11. Creditors: amounts falling due after more than one year

|              | Group |       | Partnership |       |
|--------------|-------|-------|-------------|-------|
|              | 2017  | 2016  | 2017        | 2016  |
|              | £'000 | £'000 | £'000       | £'000 |
| Finance Loan | 746   | 503   | 746         | 503   |

### 12. Total members' interests

Members' capital contributions are determined by reference to the working capital needs of the business. Individual members' capital contributions are set by the Group Managing Board.

Loans and other debts due to members rank in priority to other unsecured creditors.

### 13. Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

|  | 2017          | 2016    |
|--|---------------|---------|
|  | £'000         | £'000   |
| <b>Profit for the financial year</b>           | <b>23,802</b> | 14,791  |
| Net interest expense                           | 32            | 83      |
| <b>Operating profit</b>                        | <b>23,834</b> | 14,874  |
| Depreciation                                   | 485           | 283     |
| Amortisation of intangibles                    | 459           | 141     |
| Increase in debtors                            | (16,095)      | (2,722) |
| Increase in creditors                          | 4,870         | 1,743   |
| <b>Net cash flow from operating activities</b> | <b>13,553</b> | 14,319  |

## Report and financial statements for the year ended 31 December 2017

Notes to the financial statements for the year ended 31 December 2017 (continued)

### 14. Analysis of changes in net funds

|                          | At 31<br>January<br>2017 | Cash flow    | At 31<br>December<br>2017 |
|--------------------------|--------------------------|--------------|---------------------------|
|                          | £'000                    | £'000        | £'000                     |
| Cash at bank and in hand | 5,102                    | 5,233        | 10,335                    |
| <b>Net funds</b>         | <b>5,102</b>             | <b>5,233</b> | <b>10,335</b>             |

### 15. Operating lease commitments

The group had the following future minimum lease payments under non-cancellable operating leases expiring for each of the following periods:

|   | 2017         | 2016         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Not later than one year                           | 759          | 218          |
| Later than one year and not later than five years | 2,414        | 2,456        |
| Later than five years                             | 1,971        | 2,434        |
|   | <b>5,144</b> | <b>5,108</b> |

### 16. Related party transactions

The company has taken advantage of the exemption in FRS 102 para 33 'Related party disclosures' not to disclose transactions with other members of the Group headed by True Potential Group Limited, on the grounds that it is a wholly owned subsidiary of True Potential Group Limited, whose financial statements are publicly available. There were no other related party transactions in the year (2016: none).

### 17. Ultimate controlling party

The ultimate parent undertaking and controlling party is True Potential Group Limited, a UK registered Limited Liability Company. Copies of the parent's consolidated financial statements can be obtained from Newburn House, Gateway West, Newburn Riverside, Newcastle upon Tyne, NE15 8NX.



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True Potential LLP is registered in England & Wales  
as a Limited Liability Partnership No. OC380771.