

Investment Funds Direct Group Limited
Annual reports and financial statements
For the year ended 31 December 2021

Registered Number 05096461

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Investment Funds Direct Group Limited
Annual reports and financial statements
for the year ended 31 December 2021

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Investment Funds Direct Group Limited

Officers and independent auditors

Directors

C J Bousfield

A F Porter

Company Secretary

M&G Management Services Limited

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

7 More London Riverside

London

SE1 2RT

Registered Office

10 Fenchurch Avenue

London

England

EC3M 5AG

Registered in England and Wales

Private limited company – limited by shares

Registered Number

05096461

Strategic Report for the year ended 31 December 2021

The Directors present their Strategic report for the year ended 31 December 2021.

Business review and principal activities

The principal activity of Investment Funds Direct Group Limited (“IFDGL” or the “Company”) is to act as an intermediate holding company for the digital wrap and wealth management platform activities of M&G plc (the “Group”). The principal subsidiary is Investment Funds Direct Limited (“IFDL”), which manages the Wrap platform.

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

During the year, the Company authorised and issued 3.9 million ordinary shares with an aggregated nominal value £3,900,000 for consideration of £78,000,000. As a result of the share issue, the company subsequently subscribed for 3.9 million ordinary shares with an aggregated nominal value £3,900,000 for consideration of £78,000,000 in the capital of Investment Funds Direct Limited (“IFDL”).

At 31 December 2021, the Company had net assets of £125.1m (2020: £74.9m). The increase in net assets reflects equity investment by Group of £78.0m following the issue of 3.9m shares, partially offset by the losses incurred in the year.

Key performance indicators (KPIs)

	2021 £	2020 £
Loss before tax	(27,902,132)	(18,983,351)
Net assets	125,081,790	74,983,922

The loss before tax for the year ended 31 December 2021 is a reflection of the impairment in the value of IFDL.

The impairment in the value of IFDGL is due to IFDL recording a loss. The primary reason for the increase in loss on the prior year in IFDL is due to an increase in expenses resulting from the separation from Royal London and integration with Group.

As a result, the company has concluded that its investment in IFDL, is accordingly impaired. An impairment loss of £27,902,132 (2020: £18,967,446) has been recognised in the statement of comprehensive income.

Principal risks and uncertainties

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

Corporate Governance

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

Strategic Report (continued)

Section 172(1) Statement

The IFDL Board makes decisions that impact IFDL as well as Investment Funds Direct Group Limited, its other subsidiary Investment Funds Direct Holdings Limited, and its immediate parent company Wrap IFA Services Limited (all the "IFDL Group"). As a result the principal decisions outlined below include those relating to the wider IFDL Group as well as the Company.

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

Principal decision 1 - Annual Strategy Review and Business Plan Approval

The IFDL Board carries out a review of the IFDL strategy on an annual basis. This includes approving the business plan where the summary financials, headlines of the delivery plan, key themes, key dependencies and key risks are considered. The IFDL Board also receives an update on progress through the CEO Report and discusses business performance, development and implementation of strategy, objectives and business plans. In addition, appropriate management actions are taken to ensure that IFDL continues to operate within risk appetite. In 2021, the IFDL Board discussed the Company's strategy taking into consideration the market dynamics, current plans and strategic and commercial options. The Business Plan also focused on the ongoing transformation in IFDL and the integration into M&G, the key deliverables and dependencies to ensure that it was well-positioned for long-term success.

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

Principal decision 2 - Transformation and Change

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

Principal decision 3 - Engagement with key stakeholder groups

Customers

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

Workforce

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

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

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

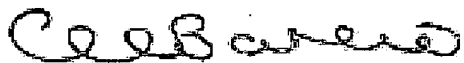
Strategic Report (continued)

Section 172(1) Statement (continued)

Regulators

Maintaining strong regulatory relations, communicating openly, working collaboratively and providing the Financial Conduct Authority with timely notifications of issues are of vital importance to the Company. The Company aims to ensure it approaches its relationships with regulators in an open and constructive manner.

On behalf of the Board



C J Bousfield
Director
30 March 2022

Directors' Report for the year ended 31 December 2021

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2021. The information contained in the Strategic report forms part of this Directors' report.

Directors

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

C J Bousfield
A F Porter

Directors' indemnities

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

Going concern

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

Shares Issued

During the year, the Company authorised and issued 3.9 million ordinary shares of aggregated nominal value £3,900,000 for consideration of £78,000,000 to its immediate parent company, Wrap IFA Services Limited.

Dividend

The Directors do not propose the payment of a dividend (2020: £nil).

Future outlook

Notwithstanding the continued disruption caused by COVID 19, the trading subsidiary of the Company, IFDL, sees continued opportunity for growth in the platform market. As the Company is now integrated into the Group, the Company is well placed to take advantage of the continued predicted growth in the platform market. The company has a strong presence in the platform market and by using the capabilities of the Group particularly in respect of sustainable asset management solutions.

Financial risk management objectives, policies and exposure

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the Group's profit or loss for that period. In preparing the Company financial statements, the Directors are required to:

Directors' Report for the year ended 31 December 2021 (continued)

Statement of Directors' responsibilities (continued)

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and prudent;
- for the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements;
- assess the 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 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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 Company and to prevent and detect fraud and other irregularities.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face. We consider the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Independent auditors

PricewaterhouseCoopers LLP are deemed to be re-appointed as auditors under section 487(2) of the Companies Act 2006.

Disclosure of information to auditors

The Directors who held office as at the date of approval of this Directors' report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and that each director has taken all steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



C J Bousfield
Director
30 March 2022

Investment Funds Direct Group Limited

Independent auditors' report to the members of Investment Funds Direct Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, Investment Funds Direct Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements ("Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2021; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent

Investment Funds Direct Group Limited

Report on the audit of the financial statements

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

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

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

Strategic report and the Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Substantive testing of journals that met criteria that could be indicative of a fraudulent journal; and

Investment Funds Direct Group Limited

Report on the audit of the financial statements

- Audit procedures over the tax credit recognised in the financial statements; and
- Review of the financial statements against the requirements of the Companies Act 2006

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Thomas Robb (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 March 2022

Investment Funds Direct Group Limited

Statement of Comprehensive Income for the year ended 31 December 2021

	Note	2021 £	2020 £
Administrative expenses	2	-	(6,905)
Operating Loss		-	(6,905)
Impairment of investments in subsidiaries	4	(27,902,132)	(18,976,446)
Loss before tax		(27,902,132)	(18,983,351)
Tax on loss	5	-	1,193
Loss for the year		(27,902,132)	(18,982,158)
Total comprehensive loss for the year		(27,902,132)	(18,982,158)

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

The accounting policies and notes on pages 13 to 20 form an integral part of these financial statements.

Investment Funds Direct Group Limited

Statement of Financial Position as at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Investments	4	124,950,997	74,853,129
Current assets			
Debtors	6	130,693	130,693
Cash at bank and in hand		100	100
		130,793	130,793
Net current assets		130,793	130,793
Total assets less current liabilities		125,081,790	74,983,922
Net assets		125,081,790	74,983,922
Capital and reserves			
Called up share capital	7	153,114,507	149,214,507
Share premium account	7	101,777,768	27,677,768
Other reserves	7	64,724,169	64,724,169
Profit and loss account	7	(194,534,654)	(166,632,522)
Total shareholders' funds		125,081,790	74,983,922

The accounting policies and notes on pages 13 to 20 form an integral part of these financial statements.

The financial statements on pages 10 to 20 were approved by the Board of Directors on 30 March 2022 and signed on its behalf by:



C J Bousfield
Director
Investment Funds Direct Group Limited
Registered Number: 05096461

Investment Funds Direct Group Limited

Statement of Changes in Equity for the year ended 31 December 2021

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total shareholders' funds
	£	£	£	£	£
At 1 January 2020	147,964,507	3,927,768	64,724,169	(147,650,364)	68,966,080
Ordinary Shares Issued	1,250,000	23,750,000	-	-	25,000,000
Loss for the financial year	-	-	-	(18,982,158)	(18,982,158)
At 31 December 2020	149,214,507	27,677,768	64,724,169	(166,632,522)	74,983,922
Ordinary Shares Issued	3,900,000	74,100,000	-	-	78,000,000
Total comprehensive loss for the year	-	-	-	(27,902,132)	(27,902,132)
At 31 December 2021	153,114,507	101,777,768	64,724,169	(194,534,654)	125,081,790

The accounting policies and notes on pages 13 to 20 form an integral part of these financial statements.

Investment Funds Direct Group Limited

Notes to the financial statements for the year ended 31 December 2021

1 Accounting policies

(i) General information

Investment Funds Direct Group Limited is an intermediate holding company, operating in the United Kingdom (UK). The company is a private limited company and is incorporated and domiciled in the UK. The address of its registered office is 10 Fenchurch Avenue, London EC3M 5AG.

(ii) Basis of preparation

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

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

There is no impact on the 2021 financial statements of the updates to FRS 101 that are effective from 1 January 2021 that replace EU adopted IFRS with UK adopted IFRS.

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

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

Equivalent disclosures have been given in the consolidated financial statements of M&G plc. The consolidated financial statements of M&G plc are available to the public and can be obtained as set out in note 8.

As permitted by section 400 of the Companies Act 2006, consolidated financial statements have not been prepared, as the Company's ultimate parent undertaking, M&G plc, includes the Company in its consolidated financial statements. The consolidated financial statements of M&G plc are prepared in accordance with International Financial Reporting Standards and may be obtained from the Company Secretary, 10 Fenchurch Avenue, London, England, EC3M 5AG.

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

Investment Funds Direct Group Limited

Notes to the financial statements for the year ended 31 December 2021

1 Accounting policies (continued)

(iii) Going concern

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

(iv) Financial Instruments

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

a) Financial Assets

Recognition and initial measurement

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

Classification and subsequent measurement

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

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

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

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

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

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

Impairment

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

b) Financial liabilities

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

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

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

Investment Funds Direct Group Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

1 Accounting policies (continued)

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

Investments in Group undertakings

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

(v) Impairment

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

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

(vi) Taxation

Income tax on the loss for the financial year comprises current and deferred tax and is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity.

Current tax is the expected tax payable on the taxable profit for the financial year, based on tax laws and tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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

(vii) Cash at bank and in hand

Cash at bank and in hand comprises cash balances and deposits with a maturity date of three months or less from the acquisition date, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(viii) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

This is particularly relevant to the consideration of impairments of investments held at cost. Further information is provided in note 4.

Investment Funds Direct Group Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

2 Administrative expenses

Administrative expenses includes £nil (2020: £6,905) for the provision of services made under a management services agreement by Royal London Management Services Limited whilst Royal London Management Services was the ultimate parent company. Following the sale of the Company to M&G plc, these administrative expenses have ceased.

The Company has no employees (2020: none).

The Directors received no remuneration in respect of their services to the Company (2020: £nil). The emoluments of the Directors are paid by M&G Group, which makes no recharge to the Company.

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

3 Auditors' remuneration

The remuneration of the auditors, PricewaterhouseCoopers.LLP, for the year was £6,500 (2020: £5,000) for the audit of the Company's financial statements.

PricewaterhouseCoopers LLP also received remuneration of £103,000 (2020: £75,000) in respect of the audit of the Company's two subsidiaries, Investment Funds Direct Limited and Investment Funds Direct Holdings Limited. In addition, PricewaterhouseCoopers has also received £218,500 (2020: £293,000) in relation to CASS audits for its direct subsidiary, Investment Funds Direct Limited.

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

4 Investments

	2021	2020
	£	£
Investments in Group undertakings at 1 January	74,853,129	68,829,575
Additions	78,000,000	25,000,000
Impairments	(27,902,132)	(18,976,446)
Investments in Group undertakings at 31 December	124,950,997	74,853,129

During the year, the Company authorised and issued 3.9 million ordinary shares of aggregated nominal value £3,900,000 for consideration of £78,000,000 to its immediate parent company, Wrap IFA Services Limited.

As a result of the share issue, the company subsequently subscribed for 3.9 million ordinary shares of aggregated nominal value £3,900,000 for consideration of £78,000,000 in the capital of IFDL.

Investment Funds Direct Group Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

During the year, IFDL has recorded a loss. As a result, the Company has concluded that its investment in IFDL is accordingly impaired down to its recoverable amount. The recoverable amount of IFDL has been determined as the fair value less costs of disposal which is deemed by the directors to be the net asset value of IFDL. Consequently, an impairment loss of £27,902,132 (2020: £18,976,446) has been recognised in the statement of comprehensive income.

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

Investment Funds Direct Limited	-	Wrap Platform Management
Investment Funds Direct Holdings Limited	-	Activities of financial services holding companies

5 Tax on loss

(i) Tax credited to the profit and loss account

	2021	2020
	£	£
UK corporation tax credit at 19% (2020: 19%) on the loss for the year	-	(1,193)

(ii) Factors affecting the tax credit for the year

The tax assessed for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The difference is explained below:

	2021	2020
	£	£
Loss before taxation	(27,902,132)	(18,983,351)
Loss multiplied by the standard rate of UK corporation tax of 19% (2020: 19%)	5,301,405	3,606,837
Effects of:		
Expenses not deductible for tax purposes	(5,301,405)	(3,605,526)
Losses on which no deferred tax is recognised	-	(118)
Total tax credit for the year	-	1,193

An increase in the standard rate of Corporation Tax in the UK from 19% to 25% with effect from 1 April 2023 was substantively enacted on 24th May 2021. This will increase any future tax charge for the company accordingly.

Deferred tax is provided at the tax rates enacted at the balance sheet date applicable to when the temporary differences are expected to reverse. The impact of the change to the tax rates is therefore recognised in the deferred tax movement for the year.

Deferred taxation

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. Where this is not probable, the deferred tax asset is not recognised. The company did not recognise deferred tax assets of £nil (2020: £118) in respect of tax losses amounting to £nil (2020: £623) that can only be offset against future taxable income of the company.

Investment Funds Direct Group Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

6 Debtors

	2021	2020
	£	£
Amounts owed by Group undertakings	130,693	130,693

The amounts owed by Group undertakings are interest free, repayable on demand and are unsecured. There are no (2020: nil) amounts receivable after 12 months.

No adjustment for impairment losses in relation to the financial assets subject to IFRS 9 was required in the current financial year (2020: nil).

7 Capital and reserves

(i) Called up share capital

	2021	2020
	£	£
Authorised, issued and fully paid		
153,114,507 (2020: 149,214,507) ordinary shares of £1 each	153,114,507	149,214,507

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

During the year, the Company authorised and issued 3.9 million ordinary shares (2020: 1.25 million ordinary shares) of aggregated nominal value £3,900,000 (2020: £1,250,000) for consideration of £78,000,000 (2020: £25,000,000) to its immediate parent company, Wrap IFA Services Limited.

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

(ii) Share Premium

	2021	2020
	£	£
At 1 January	27,677,768	3,927,768
Additions	74,100,000	23,750,000
At 31 December	101,777,768	27,677,768

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

As outlined above, during the year the Company authorised and issued 3.9 million ordinary shares (2020: 1.25 million ordinary shares) with an aggregated nominal value £3,900,000 (2020: £1,250,000), for consideration of £78,000,000 (2020: £25,000,000), to its immediate parent company, Wrap IFA Services Limited. The premium of £74,100,000 (2020: £23,750,000) has been recorded as share premium.

Investment Funds Direct Group Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

(iii) Profit and loss account

	2021	2020
	£	£
At 1 January	(166,632,522)	(147,650,364)
Loss for the financial year	(27,902,132)	(18,982,158)
At 31 December	(194,534,654)	(166,632,522)

(iv) Other reserves

Other reserves relate to capital contributions from the previous parent of the company.

8 Ultimate parent undertaking and controlling party

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

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

Investment Funds Direct Group Limited

Notes to the financial statements For the year ended 31 December 2021 (continued)

9 Related undertakings

The related undertakings of the Company at 31 December 2021 are listed below:

Name	Address	Ownership %	Class of Share	Nature of Business
Investment Funds Direct Holdings Limited	10 Fenchurch Avenue London England EC3M 5AG	100	£1 Ordinary	Formerly Administration Services
Investment Funds Direct Limited	Trimbridge House Trim Street Bath England BA1 1HB	100	£1 Ordinary	Wrap Platform Management
Fundsdirect ISA Nominees Limited*	10 Fenchurch Avenue London England EC3M 5AG	100	£1 Ordinary	Activities auxiliary to financial intermediation (Dormant)
IFDL Personal Pensions Limited*	10 Fenchurch Avenue London England EC3M 5AG	100	£1 Ordinary	Activities auxiliary to financial intermediation (Dormant)
Fundsdirect Nominees Limited*	10 Fenchurch Avenue London England EC3M 5AG	100	£1 Ordinary	Activities auxiliary to financial intermediation (Dormant)

* Held indirectly