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IntegraFin Holdings plc
13 December 2018

IntegraFin Holdings plc - Full Year Results for the Year Ended 30 September 2018

IntegraFin Holdings plc is pleased to report its results for the year to 30 September 2018.

Highlights

- Funds under direction £33.11bn (+18.6%)
- Gross inflows of £5.96bn in the year (+12.4%)
- Profit after tax of £32.9m (+10.1%)

Ian Taylor, Chief Executive Officer, commented:

"Following a good performance in 2017, the year to 30 September 2018 was again, by many measures, our most successful so far. It was a year in which we made strides forward as a service to our clients and as an asset to our shareholders.

Gross inflows of £5.96 billion were 12.4% higher than last year and the highest they have ever been. At £4.09 billion, net inflows were also 11.7% higher than last year and also the highest they have ever been. I am pleased to report that profit after tax increased by 10.1% to £32.9 million before adjustment for IPO costs and by 15.3% to £35.5 million after adjustment.

The Board is recommending an interim dividend of 6.4 pence per ordinary share (2017: 5.9 pence per ordinary share) payable on 18 January 2019 to ordinary shareholders on the register on 21 December 2018. The ex-dividend date will be 20 December 2018. A pre-IPO special dividend was paid to shareholders in January 2018 of 3.4 pence per ordinary share.

Financial Highlights

	Year ended 30 September 2018 £m	**Year ended 30 September 2017 £m**
Fee generating funds under direction	33,113	27,927
Revenue	91.2	80.2
Profit before tax attributable to shareholder returns	40.9	37.0
Basic and diluted earnings per share	9.9p	9.0p
Adjusted operating profit*	43.3	37.7
Adjusted operating profit margin	47.5%	47.0%
Adjusted basic and diluted earnings per share	10.7p	9.3p

*Adjusted for non-recurring IPO costs, detailed in Chief Financial Officer's Review

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Analyst Presentation

IntegraFin Holdings plc will be hosting an analyst presentation on Thursday 13 December 2018 following the release of these results for the year ended 30

September 2018. Attendance is by invitation only. Slides accompanying the analyst presentation will be available on the IntegraFin Holdings plc website.

Cautionary Statement

These results have been prepared in accordance with the requirements of English Company Law and the liabilities of the Directors in connection with these results shall be subject to the limitations and restrictions provided by such law.

These results are prepared for and addressed only to the Company's shareholders as a whole and to no other person. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom these results are shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

These results contain forward looking statements, which are unavoidably subject to risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. It is believed that the expectations set out in these forward looking statements are reasonable but they may be affected by a wide range of variables which could cause future outcomes to differ from those foreseen. All statements in these results are based upon information known to the Company at the date of this report. Except as required by law, the Company undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise.

CEO Review

Headlines

Following a good performance in 2017, by many measures the year to 30 September 2018 was again our most successful so far.

Gross inflows of £5.96 billion were 12% higher than last year and the highest they have ever been. At £4.09 billion, net inflows were also 12% higher than last year and also the highest they have ever been.

We ended the year with 166,000 clients (+10%) and funds under direction (FUD), of £33.11 billion (+19%).

This means that we are pleased to report that profit after tax increased by 10% to £32.9 million.

As a fairer reflection of year on year progress, removing those expenses incurred exceptionally as part of the listing of the Company on the LSE in early March, and detailed in the Chief Financial Officer's Review (CFOR), leads to an adjusted profit after tax of £35.5 million - an increase of 15%.

The market background

The UK investment platform industry continued to flourish. Many platforms saw further substantial uplifts in new business, although reported inflows for many had started to soften towards the end of our financial year. Platforum estimates that funds under direction across the advised platform sector grew from £463 billion (September 2017) to £540 billion (September 2018).

There was also some evidence that technology costs continued to rise across the sector and that, in some cases, the conversion from one system to another created much that was disruptive for advisers and clients alike.

Our activity

This year, in particular, was one in which we made strides forward both as a service to our clients and as an asset for our shareholders.

As far as our clients were concerned, we continued to provide an expanding range of functionality and a consistently excellent level of service. On the operational side for example, supporting the requirements of MiFID II and of GDPR demonstrated how Transact continues to provide mission critical functionality to Mrs Miggins and her adviser.

During the course of the year we won awards from: Money Observer (Retirement Income Awards - Best Flexi Access Drawdown); Financial Adviser (Service Awards - 5 Star Investment Provider); Platforum (Best Adviser Platform Over £10 billion); Professional Adviser (Best Platform for Advisers, AUA above £15 billion); Professional Paraplanner (Best Platform); and Professional Paraplanner (Best Overall Service - Existing Business).

Transact was also rated the best adviser platform in adviser surveys run by CoreData and Investment Trends.

In April we made adjustments to some of our prices. This perpetuated our established record of sharing some of our profits with our customers when circumstances permit. We do this when we are comfortable that doing so will have no negative impact on service levels. We call this 'responsible pricing' and it means that the best service in the platform market continues to be even better value.

As far as shareholders were concerned, the flotation in March was, obviously, a very significant event in the history of the company. The fact that we are listed will not distract us from the core values and operating principles that made us so successful in the preceding eighteen years.

I am also pleased that, by virtue of the flotation, we are now in a position whereby we are able to make all staff shareholders in the business. This is being done and there is more on this in the Directors' Remuneration Report.

The outlook

Many commentators currently opine that the global economic, political and stock market outlooks are challenging. There is little to hand to contradict this speculation.

But, we would observe that using a platform is not an investment decision, it is an administration decision. Whilst platforms are not immune to stock market movements, they are somewhat insulated from the more extreme client reactions to those movements. And, of course, all of the compelling arguments for moving from old world administration to new world administration remain firmly in place.

So, we will, as ever, continue to drive organic growth and to provide the best adviser platform in the UK.

Ian Taylor
Chief Executive Officer

12 December 2018

Chief Financial Officer Review

It has been another positive year for the Group with growth in both gross and net inflows, contributing to financial year end Funds Under Direction (FUD) of £33.11 billion. Income has continued to grow leading to increased profit even allowing for the one off costs associated with the successful listing of the company.

Our business model has remained unchanged throughout the year and this is expected to continue. Through our differentiated premium offering and the quality of the service we offer to advisers and their clients, we retain and bring new advisers and clients to the Transact platform evidenced by the service awards we win each year. We receive an annual, tiered fee on the FUD together with quarterly wrapper fees for each of the tax wrapper types clients hold.

We continue to invest in our people who are key to delivering our high quality service as well as investing in the ongoing development of our proprietary technology. These developments allow us to benefit from ongoing process efficiencies which are reflected in our increased operating margin.

There have been a number of events in the financial year that merit comment.

Premium listing on the main market of the London Stock Exchange
The company was listed on the main market on 2 March 2018. Significant one off costs were incurred in the listing process. Most of these costs, £2.6 million, were incurred in financial year 2018, with a smaller amount, £0.9 million, incurred in financial year 2017. As well as providing IFRS operating profit and operating margin results, we have also provided supplemental, adjusted operating profit and operating margin results to enable consistent comparison between financial years.

Prelisting special dividend
In addition to the ordinary dividend declared for the financial year ended 30 September 2017 the company declared a special dividend totalling £11.4 million in January 2018 prior to listing. This is equivalent to 3.4 pence per share in issue following the listing.

Regulatory capital requirement changes
New regulations governing the capital requirements for Isle of Man insurance companies came into force on 30 June 2018. The new regulations are an economic capital based regime similar to Solvency II. Whilst this change has resulted in a significant increase in the capital requirement for our Isle of Man insurance subsidiary, IntegraLife International Limited (ILInt) from £4.1 million to £15.4 million, sufficient capital has been retained through the period of regulatory consultation to enable the new requirement to be met.

In order to maintain capital above our regulatory risk appetite levels the Board of our UK investment subsidiary Integrated Financial Arrangements Ltd, which is regulated by the Financial Conduct Authority, has concluded it needs to retain an additional £10.0 million of capital given the growth in scale of the business, increased complexity of the group and changes in regulations.

FUD, inflows and outflows

	Year ended 30 September 2018 £m	Year ended 30 September 2017 £m
Opening fee generating FUD	**27,927**	**22,686**
Inflows	5,957	5,302
Outflows	(1,863)	(1,638)
Net flows	**4,094**	**3,664**
Market movements	1,138	1,424
Other movements[1]	(46)	153
Closing fee generating FUD	**33,113**	**27,927**
Other FUD[2]	0	1
Total closing FUD	**33,113**	**27,928**

1 Other movements includes dividends, interest, fees and tax charges and rebates.

2 FUD held historically for a single private client, for which the only charge was a nominal fee for custody.

The 2018 financial year has seen continued growth in the level of client inflows onto Transact, despite increased market volatility. Funds Under Direction (FUD) ended the year £5.19 billion higher than the 2017 financial year end at £33.11 billion, an increase of 18.6%.

This increase in FUD over financial year 2018 was driven by gross inflows of £5.96 billion, averaging £496.7 million per month, the highest since the platform's inception and 12.4% higher than the 2017 financial year. Generally higher market levels added a further £1.09 billion to FUD, offset by gross outflows of £1.86 billion which, whilst increasing by £225.1 million over the year actually decreased as a proportion of opening year FUD, down from

7.2% to 6.7%. Net inflows for the financial year were 11.7% higher than last year.

Financial performance

	Year ended 30 September 2018 £m	Year ended 30 September 2017 £m
Revenue	91.2	80.2
Cost of sales	(0.8)	(0.6)
Gross profit	**90.4**	**79.6**
Operating expenses	(49.7)	(42.8)
Operating profit attributable to shareholder returns	40.7	36.8
Interest income	0.2	0.2
Profit before tax attributable to shareholder returns	**40.9**	**37.0**
Tax on ordinary shareholder only activities	(8.0)	(7.1)
Profit after tax	**32.9**	**29.9**

Total gross profit in the financial year to 30 September 2018 increased by £10.8 million, or 13.6%, to £90.4 million from £79.6 million. Growth has been driven by strong new inflow growth and higher market levels resulting in an increase in the value of FUD, together with increased client numbers, leading to an increase in the number of tax wrappers held on the platform.

Components of revenue

	Year ended 30 September 2018 £m	Year ended 30 September 2017 £m
Annual commission income	79.2	69.5
Wrapper fee income	8.1	7.3
Other income	3.9	3.4
Total revenue	**91.2**	**80.2**

Revenue comprises three elements. Of these, annual commission income and wrapper fee income constitute the recurring revenue. Other income includes "buy commission" and "dealing income".

Annual commission income increased by £9.7 million, or 14.0%, to £79.2 million in the financial year ended 30 September 2018. This growth was due to the increased value of FUD arising from strong new inflow growth, and market growth. This increase in annual commission income has been achieved even after allowing for full year effects of the reduction in the annual commission rate charge effective from 1 April 2017 and the half year effects of the reduction in annual commission rate thresholds effective from 1 April 2018.

Wrapper administration fee income increased by £0.8 million, or 11.0%, to £8.1 million in the financial year ended 30 September 2018. This was due to an increase in the number of clients on the platform with open tax wrappers and new tax wrappers opened in the year by clients already using Transact at the start of the financial year. This has been offset by tax wrappers being closed.

Recurring revenue streams constituted 95.7% (2017: 95.8%) of total fee income.

Other income, mainly buy commission and dealing charges, increased due to a higher number of transactions, and an increase in the average value of those transactions. In the financial year ended 30 September 2018 other income increased by £0.5 million, or 14.7%, to £3.9 million.

Operating Expenses

	Year ended 30 September 2018 £m	Year ended 30 September 2017 £m

Staff costs	35.0	30.5
Occupancy	3.6	3.5
Regulatory and professional fees	6.8	4.5
Other costs	3.7	3.7
Total expenses	49.1	42.2
Depreciation and amortisation	0.6	0.6
Total operating expenses	**49.7**	**42.8**

Total operating expenses increased by £6.9 million, or 16.1%, to £49.7 million in the financial year ended 30 September 2018, compared to £42.8 million in the financial year ended 30 September 2017.

Staff costs are the largest expense and increased by £4.5 million, or 14.8%, to £35.0 million in the financial year ended 30 September 2018, compared to £30.5 million in the financial year ended 30 September 2017. There are several factors affecting staff costs in this period aside from general inflationary increases in staff costs and the budgeted increase in the percentage of salary paid by the Group to the staff money purchase pension arrangement.
Average staff numbers increased to 507 from 451 over the year, an increase of 12.4%. The main area of people growth was in the teams that provide services to advisers and clients, and reflects both the increase in business volumes and the Group's commitment to maintaining premium service. The Group has also increased the number of software development staff in order to maximise its ability to continue to drive process efficiencies. Additionally, there were some increases in governance staffing ahead of the listing.

To reward performance and encourage loyalty the Company has introduced a Share Incentive Plan that is open to all staff, and a Performance Share Scheme for management. Benefits from these schemes relate to the period post listing and hence only part year costs have been incurred in the financial year 2018.

The increase in regulatory and professional fees of £2.3 million, or 51.1%, in the 12 months to 30 September 2018 compared with the 12 months to 30 September 2017, was mostly due to the increase in professional fees of £2.0 million, or 71.9%. Of this increase, £1.7 million is attributable to non-recurring listing expenses, with £2.3 million incurred in financial year 2018 compared with £0.7 million excluding VAT included in other costs in financial year 2017.

Regulatory costs relate to fees charged on the three regulated entities in the Group by the Prudential Regulation Authority, the Financial Conduct Authority and the Financial Services Authority in the Isle of Man, together with Financial Services Compensation Scheme levies in the UK and the Isle of Man. Overall there was a 17.3% increase in these costs over the financial year. This was in part due to increases in business volumes and in part due to an increase in fee levels.

Adjusted operating profit

	Year ended 30 September 2018 £m	**Year ended 30 September 2017 £m**
Operating profit attributable to shareholder returns	40.7	36.8
Adjustments	2.6	0.9
Adjusted operating profit attributable to shareholder returns	**43.3**	**37.7**

Before adjusting for non-recurring listing costs the operating margin reduced from 45.9% to 44.6%.

After adjusting for non-recurring listing costs the operating margin increased from 47.0% to 47.5%.

Interest income is generated from interest on cash and returns on gilt holdings, giving unadjusted profit before tax of £40.9m, adjusted for listing costs to £43.5m in the financial year to 30 September 2018, an unadjusted increase of 10.5%, adjusted 14.8% increase, on the prior year.

Dividends

The Board has declared an interim dividend of £21.2 million, or 6.4 pence per ordinary share. This is comparable with £19.4 million for the prior year.

Earnings Per Share

	2018 £m	**2017 £m**
Operating profit attributable to shareholder returns	40.7	36.8
Interest Income	0.2	0.2
Profit before tax attributable to shareholder returns	40.9	37.0
Tax on ordinary activities	(8.0)	(7.1)
Profit after tax for the period	32.9	29.9
Number of shares in issue	331.3m	331.3m[1]
Earnings per share - basic and diluted	9.9p	9.0p
Profit after tax for the period adjusted to exclude listing costs	35.5	30.8
Number of shares in issue	331.3m	331.3m[1]
Adjusted earnings per share - basic and diluted	10.7p	9.3p

1 Shares in issue restated for financial year 2017 periods to reflect number of shares in issue following the IHP listing.

Earnings per share has grown by 10.0% from 9.0 pence at 30 September 2017 to 9.9 pence at 30 September 2018. Earnings per share adjusted to exclude listing costs has grown by 15.1% to 10.7 pence.

Alexander Scott
Chief Financial Officer

12 December 2018

Principal Risks and Uncertainties

The principal risks and uncertainties which affect the Group are explained in detail in the Group's Annual Report and Financial Statements for the year ended 30 September 2018. The principal risks and uncertainties have not changed materially from those detailed in the Group's Annual Report and Financial Statements for the year ended 30 September 2017.

The key risks and uncertainties are listed below.

Financial risks:

- Market risk - impact of changes in the following on the value of client Portfolios, which can affect future charges and expenses: equity and property market values, currency exchange rates, credit spreads, interest rates and inflation;
- Liquidity risk - the Group not having sufficient financial resources to meet its obligations;
- Outflow risk - loss of future profits due to unexpectedly high client outflows;
- Expense risk - impact of expenses rising faster than expected;
- Credit risk - loss due to defaults from holdings of cash and cash equivalents, deposits, formal loans and reinsurance treaties with banks and financial institutions.

Non-financial risks:

- Regulatory risk - impact of new regulatory requirements on the Group's business model, or the Group failing to comply with regulations;
- Operational risk - risk of loss from inadequate or failed internal processes, people, systems, or external events;

- Competition risk - risk of competitor activity reducing inflows, and increasing outflows;
- Geopolitical risk - changes in the political landscape disrupting the business, or requiring development spending;
- Reputational risk - risk of clients no longer wishing to do business with the Group due to a poor perception of Transact service in the market place.

Statement of Directors' Responsibility

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with the Companies Act 2006 and for being satisfied that the Annual Report and Financial Statements, taken as a whole, give a fair, balanced and understandable view which provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Directors are also responsible for preparing the Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that year.

In preparing those Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping adequate accounting records that show and explain the Group's transactions, disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The current Directors, at the date of approval of this report, confirm that they have taken all of the steps that they ought to have taken as Directors to make themselves aware of any information needed by the Company's auditor for the purposes of the audit, and to establish that the auditor is aware of that information. The Directors are not aware of any relevant audit information of which the auditor is unaware.

The Directors consider it appropriate to adopt the going concern basis of accounting in preparing the consolidated Financial Statements as they believe the Group will continue to be in business, and meet any liabilities as they fall due, for a period of at least twelve months from the date of approval of the Financial Statements.

By order of the Board

David Johnson
Company Secretary

12 December 2018

Consolidated Profit and Loss and Other Comprehensive Income

	Note	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Revenue			
Fee income	**4**	91,194	80,242
Cost of sales		(824)	(599)
Gross profit		**90,370**	**79,643**
Administrative expenses	**6**	(49,683)	(42,837)
Net income attributable to policyholder returns	**8**	5,309	5,607[1]
Operating profit		**45,996**	**42,413**
Operating profit attributable to policyholder returns		**5,309**	**5,607**
Operating profit attributable to shareholder returns		**40,687**	**36,806**
Investment returns		23	-
Interest income		211	178
Profit on ordinary activities before taxation		**46,230**	**42,591**
Profit on ordinary activities before taxation attributable to policyholder returns		**5,309**	**5,607**
Profit on ordinary activities before taxation attributable to shareholder returns		**40,921**	**36,984**
Policyholder tax	**8**	(5,178)	(5,521)[1]
Tax on profit on ordinary activities	**7**	(8,146)	(7,181)
Profit for the financial year		**32,906**	**29,889**
Other comprehensive income			
Exchange gains/(losses) arising on translation of foreign operations		(66)	10
Total other comprehensive income for the period		**(66)**	**10**
Total comprehensive income for the financial year		**32,840**	**29,899**
Earnings per share			
Earnings per share - basic and diluted	**5**	9.9p	9.0p

All activities of the Group are classed as continuing.

[1] Restated - see note 8

Consolidated Statement of Financial Position

	Note	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Non-current assets			
Loans and receivables		1,189	1,873
Intangible assets		12,966	12,986
Property, plant and equipment		1,813	1,858

Deferred tax asset		44	50
Deferred acquisition costs		46,073	38,295
		62,085	55,062
Current assets			
Financial assets at fair value through profit or loss		6,219	8,895
Other prepayments and accrued income		11,471	10,202
Trade and other receivables		4,058	1,456
Investments and cash held for the benefit of policyholders	**9**	14,489,933	11,947,652[1]
Cash and cash equivalents		116,849	105,829
		14,628,530	12,074,034
Current liabilities			
Trade and other payables		14,764	15,208
Liabilities for linked investment contracts	**9**	14,489,933	11,947,652[1]
Current tax liabilities		3,195	2,803
		14,507,892	11,965,663
Non-current liabilities			
Provisions for liabilities	**10**	19,137	11,831
Deferred income liability		46,073	38,295
Deferred tax liabilities		12,570	10,781
		77,780	60,907
Net assets		**104,943**	**102,526**
Capital and reserves			
Called up equity share capital	**11**	3,313	57
Capital redemption reserve		2	2
Share-based payment reserve	**12**	530	308
Foreign exchange reserve		(24)	42
Non-distributable reserves	**13**	5,722	5,722
Non-distributable insurance reserves		501	501
Profit or loss account		94,899	95,894
Total equity		**104,943**	**102,526**

1 Reclassified from non-current to current

Consolidated Statement of Cash Flows

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Cash flows from operating activities		
Profit before tax	46,230	44,889
Adjustments for:		
Amortisation and depreciation	608	571
Share-based payment charge	350	-
Interest on cash held	(211)	(178)
Investment returns	(23)	-
Increase in loans and receivables	(3,871)	(269)
Increase in investments and cash held for the benefit of policyholders	(2,542,281)	(631,181)
(Decrease)/increase in payables	(444)	920
Decrease in current asset investments	2,676	81
Increase in liabilities for linked investment contracts	2,542,281	631,181
(Decrease)/increase in provisions	9,101	(1,432)

Cash generated from operations	**54,416**	**44,582**
Income taxes paid	(12,932)	(13,684)
Net cash flows from operating activities	**41,484**	**30,898**
Investing activities		
Acquisition of tangible assets	(542)	(434)
Decrease/(increase) in loans	684	(1,873)
Interest on cash held	211	178
Investment returns	23	-
Net cash used in investing activities	**376**	**(2,129)**
Financing activities		
Equity dividends paid	(30,780)	(13,521)
Net cash used in financing activities	**(30,780)**	**(13,521)**
Net increase in cash and cash equivalents	**11,080**	**15,248**
Cash and cash equivalents at beginning of period	**105,829**	**90,571**
Exchange gains/(losses) on cash and cash equivalents	(60)	10
Cash and cash equivalents at end of period	**116,849**	**105,829**

Consolidated Statement of Changes in Equity

	Share Capital	Non-distributable reserves	Other reserves	Share-based payment reserve	Non-distributable insurance reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 October 2016	57	5,722	34	308	501	79,622	86,244
Comprehensive income for the year:							
Profit for the year	-	-	-	-	-	29,889	29,889
Other comprehensive income	-	-	10	-	-	-	10
Other movement	-	-	-	-	-	(96)	(96)
Total comprehensive income for the year	**-**	**-**	**10**	**-**	**-**	**29,793**	**29,803**
Distributions to owners:							
Dividends	-	-	-	-	-	(13,521)	(13,521)
Total distributions to owners	-	-	-	-	-	(13,521)	(13,521)
Balance at 1 October 2017	**57**	**5,722**	**44**	**308**	**501**	**95,894**	**102,526**
Comprehensive income for the year:							
Profit for the year	-	-	-	-	-	32,906	32,906
Movement in currency translation	-	-	(66)	-	-	-	(66)
Total comprehensive income for the year	**-**	**-**	**(66)**	**-**	**-**	**32,906**	**32,840**
Distributions to owners:							
Issue of share capital	3,256	-	-	-	-	(3,256)	-
Dividends	-	-	-	-	-	(30,780)	(30,780)
Other movement	-	-	-	222	-	135	357
Total distributions to owners	**3,256**	**-**	**-**	**222**	**-**	**(33,901)**	**(30,423)**

Balance at 30 September 2018	**3,313**	**5,722**	**(22)**	**530**	**501**	**94,899**	**104,943**

Notes to the Financial Statements

1. Basis of preparation

The Financial Statements have been prepared in accordance with Part 15 of the Companies Act 2006, Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and International Financial Reporting Standards (IFRSs) as adopted by the EU.

The financial information contained in this report does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information set out in this report has been extracted from the Group's 2018 Annual Report and Financial Statements, which have been approved by the Board of Directors on 12 December 2018 and agreed with BDO LLP, the Company's Auditor. The Auditor's Report was unqualified and did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, which are stated at their fair value, have been prepared in pound sterling, which is the functional currency of the Company and are rounded to the nearest thousand.

The Financial Statements have been prepared on a going concern basis following an assessment by the Directors. The Company has a net asset position, strong solvency position, is currently profitable and, based on the latest forecasts, expects to remain profitable. As a result, the Board has reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approving these financial statements.

Principal risks and uncertainties

The Group's principal risks and uncertainties are listed in the report.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

Future standards, amendments to standards, and interpretations not early-adopted in the 2018 consolidated interim statements

A full impact assessment of IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, and IFRS 17 Insurance Contracts was conducted at financial year 2018 year end. None of the standards were found to have a material impact on the Group.

An assessment of the impact of IFRS 16 Leases was conducted at financial year 2018 year end, which indicated that whilst there will be a material adjustment to gross assets and liabilities as a result of bringing leased assets on-balance sheet, there is unlikely to be a material net impact at Group level.

2. Critical accounting estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions about the future that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

3. Financial instruments

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognised in the profit and loss and other comprehensive income statement. The following tables show the carrying values of assets and liabilities for each of these categories.

Financial assets:

	Fair value through profit or loss		Amortised cost	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	-	-	116,849	105,829
Listed shares and securities	48	83	-	-
Loans and receivables	-	-	1,189	1,873
Investments in quoted debt instruments	6,171	8,812	-	-
Accrued income	-	-	8,857	7,951
Trade and other receivables	-	-	1,159	1,456
Investments and cash held for the policyholders	14,489,933	11,947,652	-	-
Total financial assets	**14,496,152**	**11,956,547**	**128,414**	**117,109**

Financial liabilities:

	Fair value through profit or loss		Amortised cost	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Trade and other payables	-	-	3,157	5,572
Accruals	-	-	6,599	3,795
Liabilities for linked investments contracts	14,489,933	11,947,652	-	-
Total financial liabilities	**14,489,933**	**11,947,652**	**9,756**	**9,367**

Financial Instruments - Fair Value Hierarchy

The following table shows the Group's assets measured at fair value and split into the three levels described below:

Level 1: quoted prices (unadjusted) in active markets for identical assets;
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

At 30 September 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Investments and assets held for the benefit of policyholders				
Policyholder cash	1,115,223	-	-	1,115,223
Investments and securities	394,768	127,537	2,655	524,960
Bonds and other fixed-income securities	14,167	504	14	14,685
Holdings in collective investment schemes	12,684,265	141,279	9,521	12,835,065
	14,208,423	**269,320**	**12,190**	**14,489,933**
Other investments	6,219	-	-	6,219
Total	**14,214,642**	**269,320**	**12,190**	**14,496,152**

At 30 September 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Investments and assets held for the benefit of policyholders				
Policyholder cash	1,091,744	-	-	1,091,744
Investments and securities	351,308	94,521	1,541	447,370
Bonds and other fixed-income securities	12,378	399	5	12,782
Holdings in collective investment schemes	10,260,975	132,113	2,668	10,395,756
	11,716,405	**227,033**	**4,214**	**11,947,652**
Other investments	8,895	-	-	8,895
Total	**11,725,300**	**227,033**	**4,214**	**11,956,547**

Level 1 valuation methodology

Financial assets included in Level 1 are measured at fair value using quoted mid prices that are available at the reporting date and are traded in active markets.

These financial assets are mainly collective investment schemes and listed equity instruments.

Level 2 and Level 3 valuation methodology

The Group regularly reviews whether a market is active, based on available market data and the specific circumstances of each market. Where the Group assesses that a market is not active, then it applies one or more valuation methodologies to the specific financial asset. These valuation methodologies use quoted market prices where available, and may in certain circumstances require the Group to exercise judgement to determine fair value.

Financial assets included in Level 2 are measured at fair value using observable mid prices traded in markets that have been assessed as not active enough to be included in Level 1.

Otherwise, financial assets are included in Level 3. These are assets where one or more inputs to the valuation methodology are not based on observable market data.

Level 3 sensitivity to changes in unobservable measurements

For financial assets assessed as Level 3, based on its review of the prices used, the Company believes that any change to the unobservable inputs used to measure fair value would not result in a significantly higher or lower fair value measurement at year end, and therefore would not have a material impact on its reported results.

Changes to valuation methodology

There have been no changes in valuation methodology since year end.

Transfers between Levels

Transfers between Levels from September 30 2017 year end to September 30 2018 year end are in the table below:

Transfer from	**Transfer to**	**£'000**
Level 1	Level 2	16,153
Level 2	Level 1	19,172

The reconciliation between opening and closing balances of Level 3 assets are presented in the table below:

	£'000
Opening balance	**4,214**
Unrealised gains or losses in the year ended 30 September 2018	(737)
Transfers in to Level 3 at 30 September 2018 valuation	8,644
Transfers out of Level 3 at 30 September 2018 valuation	(173)
Purchases, sales, issues and settlement	242
Closing balance	**12,190**

Any resultant gains or losses on financial assets held for the benefit of policyholders are offset by a reciprocal movement in the financial liability.

4. Segmental reporting

The revenue and profit before tax are attributable to activities carried out in the UK.

The Group has two classes of business as follows:
- provision of investment administration services
- transaction of ordinary long term insurance and underwriting life assurance

Analysis by class of business is given below:

	2018	**2017**
	£'000	**£'000**
Revenue		
Investment administration services	48,833	44,019
Insurance and life assurance business	42,361	36,223
	91,194	**80,242**

Profit before tax

Investment administration services	18,700	17,224
Insurance and life assurance business	27,530	25,367
	46,230	**42,591**
Net assets		
Investment administration services	57,857	51,176
Insurance and life assurance business	47,086	51,350
	104,943	**102,526**

The figures above comprise the results of the companies that fall directly into each segment, as well as a proportion of the results from the other Group companies that only provide services to the revenue-generating companies. This therefore has no effect on revenue, but has an effect on the profit before tax and net assets figures.

5. Earnings per share

	2018	**2017**
Profit		
Profit for the year used in basic and diluted earnings per share	£32.9m	£29.9m
Number of shares		
Number of shares used in basic and diluted earnings per share	331.3m	331.3m
Earnings per share		
Earnings per share - basic and diluted	9.9p	9.0p

On 2 March 2018, as part of the IntegraFin Holdings plc listing process, a bonus share issue occurred, resulting in the number of shares in issue increasing from 1,137,278 to 331,322,014. The nominal value of each share was also reduced through the bonus share issue process, from £0.05 to £0.01. The calculation of earnings per share for the comparative period presented has been adjusted retrospectively to reflect the new share structure.

Earnings per share is calculated based on the share capital of IntegraFin Holdings plc and the earnings of the consolidated Group.

6. Expenses by nature

The following expenses are included within administrative expenses

	2018	**2017**
	£'000	**£'000**
Depreciation and amortisation	608	571
Wages and employee benefits expense	34,282	30,036
Other staff costs	704	484
Professional fees	4,693	2,730
Regulatory fees	2,058	1,755
Impairment losses	32	128
Operating lease costs - land and buildings	2,044	2,090
Operating lease costs - equipment	9	8
Other occupancy costs	1,580	1,409
Other costs	3,673	3,626
Total administrative expenses	**49,683**	**42,837**

7. Tax on profit on ordinary activities

The income tax expense comprises:

	2018	**2017**
	£'000	**£'000**
Corporation tax	8,173	7,234
Corporation tax - (over)/under-provision in prior year	(33)	9
	8,140	**7,243**
Movement in deferred tax asset	6	(50)
Movement in deferred tax liability	-	(12)
Deferred tax charge/(credit)	6	(62)

Total	8,146	7,181

a) Factors affecting tax charge for the year

The tax on the Company's profit before tax differs from the amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	46,230	42,591
Less; policyholder tax	(5,178)	(5,521)
Effect of gross overseas withholding tax	(133)	(109)
	40,919	36,961
Profit on ordinary activities multiplied by effective rate of Corporation Tax 19% (2017: 19.5%)	7,775	7,207
Deferred tax charge/(credit)	6	(50)
Effects of:		
Non-taxable dividends	(106)	(91)
Income/expenses not taxable/deductible for tax purposes, multiplied by effective rate of Corporation Tax 19% (2017: 19.5%)	597	233
Profits not taxable, multiplied by effective rate of Corporation Tax 19% (2017: 19.5%)	(306)	(292)
Corporation tax - (over)/under-provision in prior year	(75)	8
Overseas tax	133	109
Profits charged at different rates to UK Corporation Tax rate	122	57
	8,146	**7,181**

Changes in tax rates

The main rate of UK corporation tax reduced from 20% to 19% with effect from 1 April 2017 and will reduce to 17% with effect from 1 April 2020. The reduction in corporation tax rates does not impact on the policyholder rate.

8. Policyholder income and expenses

	2018 £'000	2017 £'000
Net income attributable to policyholder returns	5,309	5,607
Policyholder tax charge	(5,178)	(5,521)

This relates to income and expenses, and the associated tax charges, on policyholder assets and liabilities. As any gains and losses on assets are offset entirely by the gains and losses on linked liabilities, the net impact on profit is £nil. The remaining difference relates to the overseas tax charge and the movement on policyholder deferred tax, which are included within the shareholder tax charge in the statement of profit or loss and other comprehensive income.

The comparative figures for 2017 for both Net income attributable to policyholder returns and Policyholder tax charge, have been restated to deduct £2,298k in order to correct the deferred tax provision included in both numbers. The net effect on profit for the financial year and net assets is zero.

9. Investments and cash held for the benefit of policyholder

ILInt	2018 Cost £'000	2018 Fair value £'000	2017 Cost £'000	2017 Fair value £'000
Cash and cash equivalents held for the benefit of the policyholder	83,494	83,494	74,565	74,565
Investments held for the benefit of the policyholder	1,124,244	1,324,860	985,912	1,175,098
	1,207,738	**1,408,354**	**1,060,477**	**1,249,663**
ILUK*				
Cash and cash equivalents held for the benefit of the policyholder	1,029,957	1,029,957	1,014,314	1,014,314

Investments held for the benefit of the policyholder	10,249,290	12,051,622	8,049,078	9,683,675
	11,279,247	**13,081,579**	**9,063,392**	**10,697,989**
Total		**14,489,933**		**11,947,652**

*IntegraLife UK Limited - UK insurance subsidiary

All amounts are current as customers are able to make same-day withdrawal of available funds and transfers to third-party providers are generally performed within a month. The 2017 comparatives were reclassified on the Statement of Financial Position from non-current assets to current assets to better reflect the nature of the assets.

These assets are held to cover the liabilities for unit linked investment contracts. All contracts with customers are deemed to be investment contracts and, accordingly, assets are 100% matched to corresponding liabilities.

10. Provision for liabilities

	2018 £'000	2017 £'000
Balance brought forward	11,831	15,550
Increase in dilapidations provision	52	44
Increase in ILInt non-linked unit provision	7	4
Increase/(decrease) in ILUK tax provision	7,150	(3,767)
Other provisions	98	-
Balance carried forward	**19,137**	**11,831**

Dilapidations provisions	374	323
ILInt non-linked unit provision	36	29
ILUK tax provision	18,527	11,377
Rent provision	102	102
Other provisions	98	-
	19,137	**11,831**

The dilapidation provisions relate to the former leasehold premises at 5-7 Singer Street, the current leasehold premises at 29 Clement's Lane, and the current ILInt leasehold premises at 18/20 North Quay, on the Isle of Man. The Group is committed to restoring the premises to their original state at the end of the lease term. Whilst it is probable that payments will be required for dilapidations, uncertainty exists with regard to the amount and timing of these payments, and the amounts provided represent management's best estimate of the Group's liability.

The rent provision relates to potential litigation regarding disputed rent. There is potential for a claim to be made against the Group until March 2019, though uncertainty exists as to the timing of any potential claim and whether the claim will be successful.

ILUK tax provision comprises claims received from HMRC that are yet to be returned to policyholders, charges taken from unit-linked funds and claims received from HMRC to meet current and future policyholder tax obligations.

11. Called up share capital - Company and Group

Allotted, called up and fully paid:	**2018 Number**	**2017 Number**	**2018 £'000**	**2017 £'000**
Ordinary shares of £0.01 each	331,322,014	-	3,313	
Ordinary Class A shares of £0.05 each		417,868		21
Ordinary Class B shares of £0.05 each		357,000		18
Ordinary Class C shares of £0.05 each		332,410		17
Ordinary Class D shares of £0.05 each		30,000		1

Immediately prior to admission to the London Stock Exchange, the share capital of the Company was increased from £56,863.90 to £3,313,220.14 by virtue of a bonus issue of a further: 122,017,456 A Ordinary Shares of £0.01 each; 102,244,000 B Ordinary Shares of £0.01 each; 97,063,720 C Ordinary Shares of £0.01 each; and, 6,859,560 D Ordinary Shares of £0.01 each.

Immediately prior to Admission each A, B, C and D share was then re-designated into an Ordinary Share of £0.01 each.

All Ordinary Shares have full voting and dividend rights.

12. Share-based payment reserve

	2018	2017
	£'000	£'000
Balance brought forward	308	308
Movement in the year	350	-
Transfer to profit and loss reserve	(128)	-
Balance carried forward	**530**	**308**

It was announced in the IHP Prospectus that the Company would make an annual share award to staff.

The new SIP is an approved scheme under Schedule 2 of the Income Tax (Earnings & Pensions) Act 2003, and entitles all eligible employees to ordinary shares in the Company. The shares will be held in a UK Trust.

The share awards will be made by the Company dependent on 12 months continuous service at 30 September 2018. The cost of the SIP is recorded in each of the Group subsidiaries that employs staff. The cost to the Group in the financial year to 30 September 2018 was £350k (2017: £nil). This reflects seven months of a full year's benefit, as costs have been incurred from March 2018 onwards.

The reduction in reserves of £128k is due to former members of staff leaving the scheme. There are no share options outstanding. All options have been exercised, and there have been no new share options granted.

13. Non-distributable reserves

	2018	2017
	£'000	£'000
Non-distributable reserves	5,722	5,722

The share premium account per the Audited Annual Financial Statements for the year ended 30 September 2017 has been reclassified as other non-distributable reserves. The share premium is held by one of the Company's subsidiaries, Integrated Financial Arrangements Limited, so it is more appropriate to classify this within other reserves on a Group level.

14. Related parties
There were no material changes to the related party transactions during the year.

15. Events after the reporting date
There are no events subsequent to the year end that require disclosure in, or amendment to the financial statements**.**

16. Dividends
During the year to 30 September 2018 the Company paid an interim dividend of £19,418,436 (2017: £13,527,336) and a special dividend of £11,372,780 (2017: nil) to shareholders.

DIRECTORS, COMPANY DETAILS, ADVISERS

Executive Directors
Ian Taylor
Michael Howard
Alexander Scott
Judith Davidson (resigned 1 October 2017)

Non-Executive Directors
Christopher Munro
Patrick Snowball (appointed 1 October 2017 and resigned 22 August 2018)
Jeremy Brettell (resigned 1 October 2017)
Neil Holden
Stuart Bazley (resigned 1 October 2017)
Caroline Banszky (appointed 22 August 2018)
Victoria Cochrane (appointed 28 September 2018)

Company Secretary
David Johnson

Independent Auditors

BDO LLP, 55 Baker Street, London, W1V 7EU

Solicitors
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Corporate Advisers
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Principal Bankers
NatWest Bank Plc, 135 Bishopsgate, London, EC2M 3UR

Registrars
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Company number
8860879

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