RNS Number : 2344X
IntegraFin Holdings plc
18 December 2019

IntegraFin Holdings plc - Full Year Results for the Year Ended 30 September 2019

IntegraFin Holdings plc is pleased to report its results for the year to 30 September 2019.

Highlights

- Profit after tax of £40.1m (+22%)
- Funds under direction £37.80bn (+14%)
- Gross inflows of £5.70bn in the year (-4%)

Ian Taylor, Chief Executive Officer, commented:

"Given the political, economic and regulatory instability of the last twelve and more months, we are very pleased with a solid set of results this year.

Gross inflows of £5.70 billion were 4% lower than last year and net inflows were 15% lower. The fall in net inflows was largely due to the fall in inflows as the rate of outflow remained within its expected and historically predictable range. I am pleased to report that profit after tax increased by 22% to £40.1 million (or by 13% when taking into account the exceptional IPO costs incurred in 2018).

The Directors have declared an interim dividend of 5.2 pence per ordinary share, taking the total dividend for the year to 7.8p per share (2018: 6.4 pence per ordinary share).The dividend is payable on 24 January 2020 to ordinary shareholders on the register on 3 January 2020. The ex-dividend date will be 2 January 2020.

We are once again cutting our charges. This will be our 13th set of price reductions since 2008 and will benefit the majority of Transact customers. All new customers are also eligible for the reduced rates.

- Annual Commission charges reduce from 0.29% to 0.28% and from 0.19% to 0.18% (for the respective charging bands) on 1 April 2020.
- Buy Commission exemption threshold reduces from £500k to £400k on 1 March 2020."

Financial Highlights

	Year ended 30 September 2019 £m	**Year ended 30 September 2018 £m**	
Funds under direction	37,799	33,113	
Revenue	99.2	91.2	
Profit before tax attributable to shareholder returns	49.0	40.9	
Adjusted operating profit	48.6	43.3	*
Adjusted operating margin	49.0%	47.5%	
Basic and diluted earnings per share	12.1p	9.9p	
Adjusted basic and diluted earnings per share	12.1p	10.7p	

*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 Wednesday 18 December 2019 following the release of these results for the year ended 30 September 2019. Attendance is by invitation only. Slides accompanying the analyst presentation will be available on the IntegraFin Holdings plc website.

Annual General Meeting

The Annual General Meeting 2019 is scheduled to be held at 4.00pm on 20 February 2020 at 29 Clement's Lane, London EC4N 7AE.

LEI number: 213800CYIZKXK9PQYE87

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

Given the political, economic and regulatory instability of the last twelve and more months, we are very pleased with a solid set of results this year.

Gross inflows of £5.70 billion were 4% lower than last year and net inflows were 15% lower. The fall in net inflows was largely due to the fall in inflows as the rate of outflow remained within its expected and historically predictable range.

We ended the year with 179,500 clients (+8%) and funds under direction (FUD) of £37.80 billion (+14%). Many other major metrics were positive.

This means that we are able to report that profit after tax increased by 22% to £40.1 million (or by 13% when taking into account the exceptional IPO costs incurred in 2018).

The market background

During the year, the softening in the rate of inflows onto platforms that started towards the end of our last financial year continued. Many platforms saw very significant decreases in inflows and some also suffered increases in outflow - a very different picture from the previous year.

Nevertheless, Platforum estimates that funds under direction across the advised platform sector grew from £492.07 billion (September 2018) to £530.28 billion (September 2019)*.

The FCA completed and published the findings of its Investment Platform Market Study. The recommendations of the study are many and varied, but a great deal of them are designed to make it easier and quicker for customers to move from one platform to another. Because we have always understood that it is their money, we have never tried to prevent clients from departing - we want them to stay on Transact because they want to stay on Transact. And, of course, as net importers of platform business, we are enthusiastic supporters of the FCA's measures!

Our activity

Against the rather murky background, we managed to increase market share. Indeed, according to statistics gathered by Fundscape, Transact had the highest net inflows of any advised platform in the first three quarters of 2019.

How did we achieve this? Mostly, by sticking to our knitting. We continued to provide incremental additions to functionality whilst providing the best combination of technology and human service available. We like to think of our business as doing more than just providing a "platform". And we certainly do not think of ourselves as a "fintech" business. When asked, we prefer to describe ourselves as providers of financial infrastructure - the infrastructure upon which financial plans can be built and maintained.

During the course of the year we won awards from: Adviser (Five Star Investment Provider); Professional Adviser (Best Platform for Advisers (AUA over £20 billion); PLC Awards (New Company of the Year 2018); Professional Paraplanner (Best Platform).

We also retained top spot for Overall Satisfaction in both the Investment Trends and CoreData 2019 adviser surveys, as well as topping the Platforum Adviser Rated Leaderboard in the second and third quarters of 2019.

The outlook

With the shape of the UK following an exit from the European Union still anybody's guess, it is very difficult to frame an outlook. Nevertheless, whatever happens, people will continue to need to manage their financial plans and so we will continue to improve Transact, maintain our excellent customer relationships, keep recruiting the best staff and remain sober in our spending.

Looking also to the future, after more than 20 years at the group, I have decided that, with the business in an extremely strong position and with superb senior management in place, now is the right time for me to step down from my roles as CEO of the holding and the operating companies.

The business's success has always been to a large extent due to its strong and highly collaborative senior team and I am pleased that my successors will come from within that team.

On 2 March 2020, Alex Scott will take over from me as Chief Executive of IntegraFin and Jonathan Gunby will take over from me as Chief Executive of Integrated Financial Arrangements Ltd and also join the IntegraFin Board. Alex is currently Group Director of IntegraFin and Jonathan is currently Chief Development Officer of IFAL. I have known Alex for twenty years and Jonathan for thirty and they will make excellent CEOs. I wish them both well.

I will remain an executive director of IntegraFin and continue to be involved in its development and its key relationships. I am relinquishing the two CEO roles so that I can spend more time with the business.

Ian Taylor
Chief Executive Officer

17 December 2019

*Note: Part way through the year, Platforum changed the method by which it estimates advised platform FUD, so the September 2018 figure quoted differs from that which we quoted last year. Furthermore, if certain direct consumer and institutional assets are excluded, we and Platforum agree that underlying retail advised FUD is currently closer to £430 billion (September 2018: £393 billion).

Chief Financial Officer Review

The backdrop to our last financial year was UK and global political turbulence. The FTSE All Share Index fell nearly 13% before the end of our first quarter and, despite recovering to peak at just over 1% up midway through our fourth quarter, fell back, ending our financial year nearly 2% down. Against this background we continued to grow FUD, generated increased revenue and delivered increased profits.

FUD increased to £37.80 billion (2018: £33.11 billion) with Gross Inflows of £5.70 billion (2018: £5.96 billion). Outflows increased in line with expectation to £2.20 billion (2018: £1.86 billion) resulting in positive net inflows of £3.50 billion (2018 £4.10 billion).

Income continued to grow. We generated revenue of £99.2 million (2018: £91.2 million) up 9% leading to increased operating profit attributable to shareholders of

£48.6 million (2018: £40.7 million before adjusting for non-recurring listing costs incurred in the year; £43.3 million after adjustment).

This performance was achieved through our focus on doing more of the same, better and more efficiently. Our business model remained unchanged throughout the year and this is expected to continue. We continue to develop the delivery of our high quality service by investing in our people and our proprietary technology. These developments allow us to benefit from ongoing process efficiencies which are reflected in our increased operating margin.

FUD, inflows and outflows

	Year ended 30 September 2019 £m	Year ended 30 September 2018 £m
Opening FUD	**33,113**	**27,927**
Inflows	5,700	5,957
Outflows	(2,203)	(1,863)
Net flows	**3,497**	**4,094**
Market movements	1,197	1,138
Other movements[1]	(8)	(46)
Closing FUD	**37,799**	**33,113**

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

The 2019 financial year saw continued market volatility. Despite this, the level of client inflows onto Transact has remained strong, albeit down on the prior year. Outflow rates as a percentage of opening FUD remained consistent with prior years. FUD ended the year at £37.80 billion, up £4.69 billion from 2018, an increase of 14%.

Financial performance

Financial year 2019 was another year of positive financial performance. By continuing to generate positive net inflows, through our ability to attract new inflows and retain business already on the platform, we increased FUD. This drove revenue growth and, when coupled with careful management of our expense base, has resulted in increased profits.

	Year ended 30 September 2019 £m	Year ended 30 September 2018 £m
Revenue	99.2	91.2
Cost of sales	(0.8)	(0.8)
Gross profit	98.4	90.4
Operating expenses	(49.8)	(49.7)
Operating profit attributable to shareholder returns	48.6	40.7
Interest income	0.4	0.2
Profit before tax attributable to shareholder returns	49.0	40.9
Tax on ordinary shareholder only activities	(8.9)	(8.0)
Profit after tax	**40.1**	**32.9**

Total gross profit in the financial year to 30 September 2019 increased by £8.0 million, or 9%, to £98.4 million from £90.4 million. This increase is after the reduction in the buy commission rebate threshold, reflecting the increases in the value of FUD, number of clients and number of tax wrappers held on the platform.

Components of revenue

	Year ended 30 September 2019 £m	Year ended 30 September 2018 £m
Annual commission income	86.7	79.2
Wrapper fee income	9.0	8.1
Other income	3.5	3.9
Total revenue	**99.2**	**91.2**

Our revenue comprises three elements. Two of these elements, annual commission income (an annual, tiered fee on FUD) and wrapper fee income (quarterly wrapper fees for each of the tax wrapper types clients hold) constitute our recurring revenue. Other income includes "buy commission" charged on asset purchases.

Annual commission income in the financial year increased by £7.5 million, or 9.5%, to £86.7 million (2018: £79.2 million). This growth has been achieved through growth in FUD despite volatile market conditions affecting asset values throughout the year.

Wrapper administration fee income in the financial year ended 30 September 2019 increased by £0.9 million, or 11.1%, to £9.0 million (2018: £8.1 million). This reflects the net increase in the number of open tax wrappers on the platform. The increase in wrappers is driven by the increase in number of clients with open tax wrappers and clients already using Transact at the start of the financial year opening new tax wrappers, offset by tax wrappers being closed.

Recurring revenue streams constituted 96.5% (2018: 95.7%) of total fee income.

Other income, mainly buy commission and dealing charges, reduced by 10.3%, £0.4 million, to £3.5 million (2018: £3.9 million). The primary reason for this fall was the reduction in the buy commission rebate threshold. The required portfolio value for clients to receive the rebate was reduced from £1.0 million to £0.5 million, with effect from March 2019.

Operating Expenses

Total operating expenses for the financial year ended 30 September 2019 increased by £0.1 million, or 0.2%, to £49.8 million (2018: £49.7 million). The increase was mainly due to an increase in staff costs, offset by a reduction in regulatory and professional fees as the prior year included the costs arising from the listing of IHP on the main market of the LSE.

	Year ended 30 September 2019 £m	**Year ended 30 September 2018 £m**
Staff costs	36.3	35.0
Occupancy	3.6	3.6
Regulatory and professional fees	5.5	6.8
Other costs	3.7	3.7
Total expenses	49.1	49.1
Depreciation and amortisation	0.7	0.6
Total operating expenses	**49.8**	**49.7**

Staff costs increased by £1.3 million, or 3.7%, to £36.3 million (2018: £35.0 million).

Over the year average staff numbers increased from 507 to 509, an increase of 0.4%. It was possible to hold staff numbers stable as the business continued to grow due to the efficiency gains delivered through platform development.

The rise in staff costs in the period was mainly due to general inflationary increases, the full year impact of staff benefit changes made post listing and an increase in pension contribution levels.

The Share Incentive Plan (SIP) available to all staff was launched in March 2018, incurring seven months of costs in the prior financial year. The timing of the launch of the Performance Share Plan (PSP) for management was such that no costs were incurred in the prior financial year. A full year of costs for both of these schemes was incurred in the financial year to 30 September 2019.

We operate defined contribution pension schemes for all of our staff. From 1 January 2019 company-paid staff pension contributions increased by 1.5% of annual salary raising the company's contribution level to 9.0% per annum from 7.5% per annum. We are not currently planning any further increases. The group has no exposure to any defined benefit pension scheme.

Regulatory and professional fees reduced by £1.3 million, or 19.1%, to £5.5 million in the year. There were several factors that drove this net reduction. The most significant of these was the non-recurrence of direct costs attributable to listing on the LSE, reducing professional fees by £2.3 million. After adjusting for this, underlying professional fees increased by £1.0 million over the year.

Regulatory fees are due to the Prudential Regulation Authority, the Financial Conduct Authority and the Financial Services Authority in the Isle of Man in respect of the Group's three regulated entities, together with Financial Services Compensation Scheme levies in the UK and the Isle of Man. Overall there was a 28.6% 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.

Other costs in the year were £3.7 million (2018: £3.7 million), showing no change year on year. Other costs in the prior financial year included non-recurring indirect costs of £0.3 million attributable to listing. After adjustment, other costs increased by £0.3 million, or 8.8%, over the year.

Depreciation and amortisation costs increased by £0.1 million from the prior financial year to £0.7 million (2018: £0.6 million), reflecting our program of rolling replacement and improvement of IT hardware.

Total capitalised expenditure for the financial year was £1.2 million compared with £0.6 million in the prior year.

Adjusted operating profit

	Year ended 30 September 2019 £m	**Year ended 30 September 2018 £m**
Operating profit attributable to shareholder returns	48.6	40.7
Adjustments	-	2.6
Adjusted operating profit attributable to shareholder returns	**48.6**	**43.3**

In financial year 2018, our operating margin was 44.6%, before any adjustment for the non-recurring listing costs incurred in that year, and 47.5% after adjustment.

In the financial year to 30 September 2019 our operating margin increased to 49.0%.

After including interest income on corporate cash and returns on corporate gilt holdings profit before tax in the financial year to 30 September 2019 was £49.0m, an increase of 19.8% on the unadjusted prior year; 12.6% increase on the adjusted prior year.

Dividends

The Board has declared a second interim dividend for the year of 5.2p per ordinary share, taking the total dividend for the year to 7.8p per share (2018: 6.4 pence)

Earnings Per Share

	2019 £m	**2018 £m**
Operating profit attributable to shareholder returns	48.6	40.7
Interest Income	0.4	0.2
Profit before tax attributable to shareholder returns	49.0	40.9
Tax on ordinary activities	(8.9)	(8.0)
Profit after tax for the period	40.1	32.9
Number of shares in issue	331.3m	331.3m
Earnings per share - basic and diluted	12.1p	9.9p
Profit after tax for the period adjusted to exclude listing costs	40.1	35.5
Number of shares in issue	331.3m	331.3m
Adjusted earnings per share - basic and diluted	12.1p	10.7p

Earnings per share to 30 September 2018 was 9.9 pence before any adjustment for the non-recurring listing costs incurred in that year and 10.7 pence after adjustment.

In the financial year to 30 September 2019 earnings per share increased to 12.1 pence, an increase of 22.2% to prior year unadjusted, 13.1% to prior year adjusted.

Alexander Scott
Chief Financial Officer

17 December 2019

Key risks

There are factors both within and outside our control that may affect the achievement of our strategic objectives. We always aim to mitigate our risk exposures that are outside appetite where possible. The key risks associated with our strategic objectives are:

1. **Stock market volatility**: Heightened geopolitical risk has created uncertainty in markets and, in particular, Brexit uncertainty may continue to have a negative impact on stock markets for some time, which impacts the value of our FUD.

   Risk management and control: The risk of stock market volatility, and the impact on revenue, is mitigated through a wide asset offering that ensures we are not wholly correlated against one market, and which enables clients to switch assets in times of uncertainty. In particular, clients are able to switch into cash assets, which remain on our platform. Our wrapper fees are also not impacted by stock market volatility as they are a fixed quarterly charge. We also closely monitor and control expenses, which assists in maintaining profit in turbulent times.

2. **Service standards failure:** Our high levels of client and adviser retention are dependent upon our consistent and reliable levels of service. Failure to maintain these service levels would affect our ability to attract and retain business.

   Risk management and control: We manage the risk of service standards failure by ensuring our service standards do not deteriorate through providing our client service teams with extensive initial and ongoing training, supported by experienced subject matter experts and managers. Service levels are monitored and quality checked and any deviation from expected service levels is addressed. We also conduct satisfaction surveys to ensure our service levels are still perceived as excellent by our clients and their advisers.

3. **Increased competition:** We operate in a competitive market. Increased levels of competition for clients and advisers; improvements in offerings from other investment platforms; and consolidation in the adviser market may all make it more challenging to attract and retain business.

   Risk management and control: Competitor risk is mitigated by focussing on providing exceptionally high levels of service and being responsive to client and financial adviser demands through an efficient expense base. This allows us to continue to increase our value for money service by reducing client charges, subject to profit and capital parameters when deemed appropriate.

4. **Reduced investment:** To maintain our quality and relevance requires ongoing investment. Any reduction in investment due to diversion of resources to other non-discretionary expenditure (for example, a change in the taxation regime or other regulatory developments) may affect our competitive position.

   Risk management and control: The risk of reduced investment in the platform is managed through a disciplined approach to expense management and forecasting. We horizon scan for upcoming regulatory and taxation regime changes and maintain contingency to allow for unexpected expenses e.g. FSCS levies, which ensures we do not need to compromise on investment in our platform to a degree that affects our offering.

5. **Expense overrun:** Higher expenses than expected and budgeted for would adversely impact cash profits. The key constituent of expenses is salary costs, but other expenses are more likely to change unexpectedly, for example legal, compliance or regulatory costs and levies.

Risk management and control: The most significant element of our expense base is staff costs. These are controlled through modelling staff requirements against forecast business volumes, factoring in efficiencies that it is expected will emerge through platform development. Any expenditure request that deviates from plan is rigorously challenged and must be approved before it is incurred.

6. **Capital strain:** Unexpected, additional capital requirements imposed by regulators may negatively impact our solvency coverage ratio.

   Risk management and control: The Group has allocated specific resources to continuously monitor the current and expected future regulatory environment and ensure that all regulatory obligations are or will be met. This provides a proactive control to mitigate this risk. Additionally, the Group carries out its own assessment of capital requirements, which includes assessing the capital required for the unlikely event of regulatory failure. This provides a capital buffer over and above the regulatory minimum solvency capital requirements.

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 (IFRS) 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 the 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;
- they are not aware of any relevant audit information of which the auditor is unaware;
- to the best of their 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 issuer and the undertakings included in the consolidation taken as a whole;
- the management report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- 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 performance, strategy and business model of the company and Group.

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

Helen Wakeford
Company Secretary

17 December 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Revenue			
Fee income	**4**	99,165	91,194
Cost of sales		(806)	(824)
Gross profit		**98,359**	**90,370**
Administrative expenses	**6**	(49,726)	(49,651)
Impairment losses on financial assets		(20)	(32)
Net income attributable to policyholder returns	**8**	7,115	5,309
Operating profit		**55,728**	**45,996**
Operating profit attributable to policyholder returns		**7,115**	**5,309**
Operating profit attributable to shareholder returns		**48,613**	**40,687**
Investment returns		37	23
Interest income		308	211
Profit on ordinary activities before taxation		**56,073**	**46,230**
Profit on ordinary activities before taxation attributable to policyholder returns		**7,115**	**5,309**
Profit on ordinary activities before taxation attributable to shareholder returns		**48,958**	**40,921**
Policyholder tax	**8**	(7,115)	(5,178)
Tax on profit on ordinary activities	**7**	(8,811)	(8,146)
Profit for the financial year		**40,147**	**32,906**
Other comprehensive income			
Exchange gains/(losses) arising on translation of foreign operations		(20)	(66)
Total other comprehensive income for the period		**(20)**	**(66)**

Total comprehensive income for the financial year		**40,127**	**32,840**
Earnings per share			
Earnings per share - basic and diluted	**5**	12.1p	9.9p

All activities of the Group are classed as continuing.

Consolidated Statement of Financial Position

	Note	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Non-current assets			
Loans		1,185	1,189
Intangible assets		12,951	12,966
Property, plant and equipment		2,405	1,813
Deferred tax asset		157	44
Deferred acquisition costs		50,443	46,073
		67,141	62,085
Current assets			
Financial assets at fair value through profit or loss		5,066	6,219
Other prepayments and accrued income		13,082	11,471
Trade and other receivables		6,510	4,058
Investments and cash held for the benefit of policyholders	**9**	16,665,048	14,489,933
Cash and cash equivalents		132,340	116,849
		16,822,046	14,628,530
Current liabilities			
Trade and other payables		17,024	14,764
Liabilities for linked investment contracts	**9**	16,665,048	14,489,933
Current tax liabilities		3,342	3,195
		16,685,414	14,507,892
Non-current liabilities			
Provisions	**10**	24,564	19,137
Deferred income liability		50,443	46,073
Deferred tax liabilities		13,248	12,570
		88,255	77,780
Net assets		**115,518**	**104,943**
Capital and reserves			
Called up equity share capital	**11**	3,313	3,313
Capital redemption reserve		2	2
Share-based payment reserve	**12**	1,008	530
Employee Benefit Trust reserve	**13**	(275)	-
Foreign exchange reserve		(44)	(24)
Non-distributable reserves	**14**	5,722	5,722
Non-distributable insurance reserves		501	501
Profit or loss account		105,291	94,899
Total equity		**115,518**	**104,943**

Consolidated Statement of Cash Flows

	Year ended 30 September	Year ended 30

	2019	September 2018
	£'000	£'000
Cash flows from operating activities		
Profit before tax	56,073	46,230
Adjustments for:		
Amortisation and depreciation	669	608
Share-based payment charge	1,237	350
Interest on cash held	(308)	(211)
Investment returns	(37)	(23)
(Increase) in trade and other receivables	(4,064)	(3,871)
Increase/(decrease) in trade and other payables	2,260	(444)
Decrease in current asset investments	1,153	2,676
(Decrease)/increase in provisions	5,993	9,101
Increase in liabilities for linked investment contracts	2,175,115	2,542,281
Increase in investments and cash held for the benefit of policyholders	(2,175,115)	(2,542,281)
Cash generated from operations	**62,976**	**54,416**
Income taxes paid	(15,779)	(12,932)
Net cash flows from operating activities	**47,197**	**41,484**
Investing activities		
Acquisition of tangible assets	(1,246)	(542)
Decrease/(increase) in loans	3	684
Interest on cash held	308	211
Investment returns	37	23
Net cash used in investing activities	**(898)**	**376**
Financing activities		
Purchase of own shares in Employee Benefit Trust	(275)	-
Settlement of share-based payment reserve	(706)	-
Equity dividends paid	(29,807)	(30,780)
Net cash used in financing activities	**(30,788)**	**(30,780)**
Net increase in cash and cash equivalents	**15,511**	**11,080**
Cash and cash equivalents at beginning of period	**116,849**	**105,829**
Exchange gains/(losses) on cash and cash equivalents	(20)	(60)
Cash and cash equivalents at end of period	**132,340**	**116,849**

Consolidated Statement of Changes in Equity

	Share capital	Other reserves	Share-based payment reserve	Non-distributable reserves	Non-distributable insurance reserves	Employee Benefit Trust	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 October 2017	**57**	**44**	**308**	**5,722**	**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 1 October 2018	**3,313**	**(22)**	**530**	**5,722**	**501**	**-**	**94,899**	**104,943**
Comprehensive income for the year:								
Profit for the year	-	-	-	-	-	-	40,147	40,147
Movement in currency translation	-	(20)	-	-	-	-	-	(20)
Total comprehensive income for the year	**-**	**(20)**	**-**	**-**	**-**	**-**	**40,147**	**40,127**
Distributions to owners:								
Dividends	-	-	-	-	-	-	(29,807)	(29,807)
Share-based payment expense	-	-	1,237	-	-	-	-	1,237
Settlement of share-based payment expense	-	-	(707)	-	-	-	-	(707)
Purchase of own shares in EBT	-	-	-	-	-	(275)	-	(275)
Other movements	-	-	(52)	-	-	-	52	-
Total distributions to owners	**-**	**-**	**478**	**-**	**-**	**(275)**	**(29,755)**	**(29,552)**
Balance at 30 September 2019	**3,313**	**(42)**	**1,008**	**5,722**	**501**	**(275)**	**105,291**	**115,518**

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 2019 Annual Report and Financial Statements, which have been approved by the Board of Directors on 17 December 2019 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.

Key risks

The Group's key risks are listed in the report.

Basis of consolidation

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

New accounting standards

The Group has adopted both IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the period. These standards are effective for accounting periods beginning on or after 1 January 2018, and have therefore been adopted for the accounting period beginning on 1 October 2018.

Due to the method of transition selected comparative figures have not been restated in order to reflect the requirements of these new standards.

IFRS 9 Financial Instruments

(i) Reclassification and re-measurement

IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities, introduces a new expected loss model for recognising impairments and requires enhanced disclosures in the financial statements. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

Debt instruments that meet the following two conditions are measured at amortised cost:

- Business model test: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows; and

- Cash flow characteristics test: the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Reclassification and re-measurement requirements have been assessed against the financial instruments of the Group and, whilst certain financial instruments have been reclassified in line with the new categories, no financial instruments required re-measurement.

The below table highlights the key financial instruments and their reclassifications:

Financial instrument	**IAS 39 classification**	**IFRS 9 classification**	**IAS 39 carrying value £'000**	**IFRS 9 carrying value £'000**
Trade and other receivables	Loans and receivables	Amortised cost	6,510	6,510
Accrued fees	Loans and receivables	Amortised cost	9,783	9,768
Cash and cash equivalents	Loans and receivables	Amortised cost	132,340	132,340
Unit-linked investments	Fair value through profit or loss	Fair value through profit or loss	16,665,048	16,665,048
Other investments	Fair value through profit or loss	Fair value through profit or loss	5,066	5,066
Trade and other payables	Amortised cost	Amortised cost	17,024	17,024
Loans	Loans and receivables	Amortised cost	1,209	1,185

(ii) Impairment model

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss model. For assets within the scope of the IFRS 9 impairment model, impairment losses have generally increased and become more volatile.

Accrued fees
For fees owed by clients, the impairment policy adopted by the Group, in line with IAS 39, was to fully impair all pending fees 3 months or more past due, as well as fees due on portfolios made up of limited liquidity assets. Both of these were considered to be current indicators of impairment. In the current year the group recognised an impairment reversal of £20k (2018: impairment of £32k) as a number of old pending fees were collected.

Under IFRS 9, a forward-looking approach is required, and consideration has therefore also been given to potential losses on pending fees one and two months past due. For these, historical loss rates have been used to estimate expected future losses. This led to an additional impairment of £15k.

Loans
Whilst there have been no indications of impairment or financial difficulty with regard to any of the loans held by the company, management has concluded that, based on the new expected credit loss model, an impairment should be recognised to account for future uncertainty. On a forward looking basis, the maximum credit loss associated with the recoverability of the loans has been assessed to be £24k.

IFRS 15 Revenue from Contracts
The standard provides a comprehensive new model for revenue recognition, based on the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the obligations in the contract; and
- Recognise revenue when the entity has satisfied its performance obligations.

It is the view of management that the revenue recognition methods previously employed by the company already satisfied the requirements of IFRS 15. This is because the contract, performance obligations and transaction price for all revenue streams can be clearly identified in the Transact terms and conditions, and all revenue has always been recognised only after all performance obligations have been satisfied. There was therefore no impact on the Group on adoption of the standard.

Future standards, amendments to standards, and interpretations not early-adopted in the 2019 consolidated interim statements

At the date of authorisation of these Financial Statements the following standards, amendments to standards, and interpretations, which are relevant to the Group, have been issued by the International Accounting Standards Board.

IFRS 16 Leases
IFRS 16 brings most leases on-balance sheet for lessees under a single lessee accounting model, eliminating the distinction between operating and finance leases.

The Group adopted IFRS 16 on 1 October 2019. The Group used the cumulative catch-up method of transition, which uses the net effect of applying IFRS 16 on the first day of the first accounting period in which the new standard is applied. The net effect is recognised through an adjustment of retained earnings or other relevant parts of shareholder's equity.

On adoption the Group recognised right of use assets of £5.6m and lease liabilities of £8.4m. Liabilities of £2.5m previously recognised in relation to the rent free reserve were also derecognised and adjusted through retained earnings.

The overall reduction in retained earnings on 1 October 2019 was therefore £0.1m, which is the cumulative effect of recognising the asset and corresponding liabilities for each of the leases, and the release of the rent free reserve.

This reduction is caused by a change in the timings of expenses, as operating lease accounting requires straight line recognition of expenses, whereas under IFRS 16 the effective interest method is used. This means that the interest expense on the lease liability is higher at first and reduces year on year. The negative impact will therefore reverse over the lives of the leases.

IFRS 17 Insurance Contracts
IFRS 17 was issued in May 2017 and will replace IFRS 4 Insurance Contracts. An exposure draft was issued in June 2019. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. The Group would be required to provide information that faithfully represents those contracts, such that users of the Financial Statements can assess the effect insurance contracts have on the entity's financial position, financial performance and cash flows. The standard is effective for accounting periods beginning on or after 1 January 2021, subject to EU endorsement, though the IASB has proposed that the effective date is deferred to 1 January 2022.

The Group has performed a preliminary assessment regarding the impact of IFRS 17 on the Financial Statements and, due to the vast majority of contracts written by the business being investment contracts, it is expected such impact will be negligible.

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**	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	-	-	132,340	116,849
Listed shares and securities	69	48	-	-
Loans	-	-	1,185	1,189
Investments in quoted debt instruments	4,997	6,171	-	-

Accrued income	-	-	9,768	8,857
Trade and other receivables	-	-	2,766	1,519
Investments and cash held for the policyholders	16,665,048	14,489,933	-	-
Total financial assets	**16,670,114**	**14,496,152**	**146,059**	**128,414**

Financial liabilities:

	Fair value through profit or loss		**Amortised cost**	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Trade and other payables	-	-	5,889	3,157
Accruals	-	-	6,908	6,599
Liabilities for linked investments contracts	16,665,048	14,489,933	-	-
Total financial liabilities	**16,665,048**	**14,489,933**	**12,798**	**9,756**

(i) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, accrued fees, loans, trade and other receivables, and trade and other payables. Due to their short-term nature and/or expected credit losses recognised, the carrying value of these financial instruments approximates their fair value.

(ii) Financial instruments measured at fair value - fair value hierarchy

The table below classifies financial assets that are recognised on the statement of financial position at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels of hierarchy are disclosed on the next page.

Investments held for the benefit of policyholders are stated at fair value and reported on a separate line in the statement of financial position. The assets are classified using the 'fair value through profit or loss' option with any resultant gain or loss recognised through the statement of profit or loss and other comprehensive income.

Assets held at fair value also comprises investments held in gilts, and these are held at fair value through profit and loss.

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).

2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Investments and assets held for the benefit of policyholders				
Policyholder cash	1,213,371	-	-	1,213,371
Investments and securities	444,076	140,991	2,447	587,514
Bonds and other fixed-income securities	4,485	9,320	3,005	16,810
Holdings in collective investment schemes	14,731,562	109,714	6,077	14,847,353
	16,393,494	**260,025**	**11,529**	**16,665,048**
Other investments	5,066	-	-	5,066
Total	**16,398,560**	**260,025**	**11,529**	**16,670,114**

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**

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. The key unobservable input is the pre-tax operating margin needed to price asset holdings.

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 during the year under review.

Transfers between Levels
The company's policy is to assess each financial asset it holds at the current financial year end, based on the last known price and market information, and assign it to a Level.

The company recognises transfers between Levels of the fair value hierarchy at the end of the reporting period in which the changes have occurred. Changes occur due to the availability of (or lack thereof) quoted prices, whether a market is now active or not, and whether there are indications of impairment.

Transfers between Levels between 30 September 2019 and 30 September 2018 are presented in the table below at their valuation at 30 September 2019:

		2019	**2018**
Transfers from	**Transfers to**	**£'000**	**£'000**
Level 1	Level 2	9,642	16,153
Level 2	Level 1	38,194	19,172

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

	2019	**2018**
	£'000	**£'000**
Opening balance	**12,190**	**4,214**
Unrealised gains or losses in the year	(218)	(737)
Transfers in to Level 3	5,938	8,644
Transfer out of Level 3	(6,040)	(173)
Purchases, sales, issues and settlement	(341)	242
Closing balance	**11,529**	**12,190**

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

	2019	**2018**
	£'000	**£'000**
Revenue		
Investment administration services	52,045	48,833
Insurance and life assurance business	47,120	42,361
	99,165	**91,194**
Administrative expenses		
Investment administration services	29,304	29,705
Insurance and life assurance business	20,422	19,946
	49,726	**49,651**

Interest income		
Investment administration services	145	101
Insurance and life assurance business	163	110
	308	**211**
Shareholder tax on profit on ordinary activities		
Investment administration services	4,230	3,890
Insurance and life assurance business	4,581	4,256
	8,811	**8,146**

	2019 £'000	**2018 £'000**
Profit before tax		
Investment administration services	22,392	18,700
Insurance and life assurance business	33,682	27,530
	56,073	**46,230**
Net assets		
Investment administration services	61,009	57,857
Insurance and life assurance business	54,509	47,086
	115,518	**104,943**

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

	2019	**2018**
Profit		
Profit for the year used in basic and diluted earnings per share	£40.1m	£32.9m
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	12.1p	9.9p

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 as if it were in place for the full year.

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

	2019 £'000	**2018 £'000**
Depreciation	654	588
Amortisation	15	20
Wages and employee benefits expense	36,093	34,282
Other staff costs	241	704
Auditor's remuneration (BDO):		
- Auditing of the Financial Statements of the company pursuant to the legislation	70	49
- auditing of the Financial Statements of subsidiaries	91	84
- other assurance services	100	90
- non-audit services	-	502
Other Auditor's remuneration (KPMG):		
- auditing of the Financial Statements of subsidiaries	115	146
- other assurance services	147	141
Other professional fees	2,314	3,681
Regulatory fees	2,689	2,058

Operating lease costs:		
- Land and buildings	1,822	2,044
- Equipment	3	9
Other occupancy costs	1,817	1,580
Other costs	3,555	3,673
Total administrative expenses	**49,726**	**49,651**

7. Tax on profit on ordinary activities

The income tax expense comprises:

	2019 £'000	2018 £'000
Corporation tax		
Current year - corporation tax	8,856	8,173
Adjustment in respect of prior years	7	(33)
	8,863	**8,140**
Deferred Tax		
Current year	29	6
Adjustment in respect of prior years	(96)	-
Change in deferred tax (credit)/charge as a result of lowered tax rate	15	-
Total tax charge for the year	**8,811**	**8,146**

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:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	56,073	46,230
Less: policyholder tax	(7,115)	(5,178)
Effect of gross overseas withholding tax	-	(133)
	48,958	40,919
Profit on ordinary activities multiplied by the standard rate of Corporation Tax 19% (2018: 19%)	9,302	7,775
Effects of:		
Non-taxable dividends	(71)	(106)
Group relief	-	-
Expenses not deductible for tax purposes	12	604
Adjustments in respect of prior years	(459)	(75)
Effect of lower tax rate	15	(185)
Rate differences	12	-
Overseas tax	-	133
	8,811	**8,146**

Changes in tax rates

The main rate of UK Corporation Tax is due to be reduced 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

	2019 £'000	2018 £'000
Net income attributable to policyholder returns	7,115	5,309
Policyholder tax charge	(7,115)	(5,178)

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 in the prior year related to the overseas tax charge and the movement on policyholder deferred tax, which were included within the shareholder tax charge in the statement of profit or loss and other comprehensive income.

9. Investments and cash held for the benefit of policyholder

	2019 Cost	2019 Fair value	2018 Cost	2018 Fair value
ILInt	**£'000**	**£'000**	**£'000**	**£'000**

Cash and cash equivalents held for the benefit of the policyholder	101,065	101,065	83,494	83,494
Investments held for the benefit of the policyholder	1,218,143	1,440,852	1,124,244	1,324,860
	1,319,208	**1,541,917**	**1,207,738**	**1,408,354**
ILUK				
Cash and cash equivalents held for the benefit of the policyholder	1,109,214	1,109,214	1,029,957	1,029,957
Investments held for the benefit of the policyholder	11,994,153	14,013,917	10,249,290	12,051,622
	13,103,367	**15,123,131**	**11,279,247**	**13,081,579**
Total		**16,665,048**		**14,489,933**

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.

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. Provisions

	Group 2019 £'000	Group 2018 £'000
Balance brought forward	19,137	11,831
Increase in dilapidations provision	38	52
Increase in ILInt non-linked unit provision	3	7
Increase/(Decrease) in ILUK tax provision	5,585	7,150
Release of rent provision	(102)	-
Other provisions	(97)	97
Balance carried forward	**24,564**	**19,137**
Dilapidations provisions	413	374
ILInt non-linked unit provision	39	36
ILUK tax provision	24,112	18,527
Rent provision	-	102
Other provisions	-	97
	24,564	**19,137**

The dilapidation provisions relate to 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 related to potential litigation regarding disputed rent. This was released in March 2019 as the legal time frame for making a claim had passed.

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	**2019 Number**	**2018 Number**	**2019 £'000**	**2018 £'000**
Ordinary shares of £0.01 each	331,322,014	331,322,014	3,313	3,313

Prior to admission to the London Stock Exchange in March 2018, 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 an Ordinary Share of £0.01 each.

12. Share-based payment reserve

	2019 £'000	2018 £'000
Balance brought forward	530	308
Movement in the year	531	350
Transfer to profit and loss reserve	(53)	(128)
Balance carried forward	**1,008**	**530**

The reduction in reserves of £53k (2018: £128k) is due to former members of staff leaving the SIP 2005 scheme.

Share schemes

(i) SIP 2005

The company implemented a SIP trust scheme for its staff in October 2005. The SIP is an approved scheme under Schedule 2 of the Income Tax (Earnings & Pensions) Act 2003.

This scheme entitles all the staff who were employed in October 2005 to Class C shares in the company, subject to their remaining in employment with the company until certain future dates.

The Trustee for this scheme is IntegraFin Limited, a wholly owned non-trading subsidiary of Integrated Financial Arrangements Ltd.

Shares issued under the SIP may not be sold until the earlier of three years after issue or cessation of employment by the Group. If the shares are held for five years they may be sold free of income tax or capital gains tax. There are no other vesting conditions.

The cost to the company in the financial year to 30 September 2019 was £nil (2018: £nil). All options have been exercised, and there have been no new share options granted.

(ii) SIP 2018

The company implemented an annual SIP awards scheme in January 2019. This 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 are held in a UK Trust.

The scheme includes the following awards:

Free Shares

The company may give Free Shares up to a maximum value, calculated at the date of the award of such Free Shares, of £3,600 per employee in a tax year.

The share awards are made by the company each year, dependent on 12 months continuous service at 30 September. The cost to the Group in the financial year to 30 September 2019 was £641k (2018: £350k).

Partnership and Matching Shares

The company provides employees with the opportunity to enter into an agreement with the company to enable such employees to use part of their pre-tax salary to acquire Partnership Shares. If employees acquire Partnership Shares, the Board grants relevant Matching Shares at a ratio of 2:1.

The cost to the Group in the financial year to 30 September 2019 was £427k (2018: £nil).

(iii) Performance Share Plan

The company implemented an annual PSP scheme in December 2018. Awards granted under the PSP take the form of options to acquire Ordinary Shares for nil consideration. These are awarded to Executive Directors, Senior Managers and other employees of any Group company, as determined by the Remuneration Committee.

The exercise of the PSP awards is conditional upon the achievement of a performance condition set at the time of grant and measured over a three year performance period.

The cost to the Group in the financial year to 30 September 2019 was £194k (2018: £nil). This is based on the fair value of the share options at grant date, rather than on the purchase cost of shares held in the Employee Benefit Trust reserve, in line with IFRS 2 Share-based Payment.

Details of the share awards outstanding are as follows:

	2019 Shares (number)	2018 Shares (number)

SIP 2018		
Shares in the plan at start of the year	-	-
Granted	264,661	-
Shares withdrawn from the plan	(13,120)	-
Shares in the plan at end of year	251,541	-
Available to withdraw from the plan at end of year	61,446	-

Details of the share options outstanding during the year are as follows:

	2019 Weighted average exercise price (pence)	**2019 Share options (number)**	**2018 Weighted average exercise price (pence)**	**2018 Share options (number)**
SIP 2005				
Outstanding at start of the year	-	2,307,274	-	3,948,175
Shares withdrawn from the plan	342.39	(677,084)	322.48	(1,640,901)
Outstanding at end of year	-	1,630,190	-	2,307,274
Available to withdraw from the plan at end of year	-	1,630,190	-	2,307,274

	2019 Weighted average exercise price (pence)	**2019 Share options (number)**	**2018 Weighted average exercise price (pence)**	**2018 Share options (number)**
PSP				
Outstanding at start of the year	-	-	-	-
Granted	272.9	261,396	-	-
Forfeited	-	(5,970)	-	-
Outstanding at end of year	272.9	255,426	-	-
Exercisable at end of year	-	-	-	-

The expected remaining lives of all outstanding PSP share options are 2-3 years.

The fair value of options granted during the year has been estimated using the Black-Scholes model. The principal assumptions used in the calculation were as follows:

	2019	**2018**
PSP		
Share price at date of grant	276.5p	-
Exercise price	-	-
Expected life	3 years	-
Risk free rate	0.73%	-
Dividend yield	1.4%	-
Weighted average fair value per option	265.1p	-

13. Employee Benefit Trust reserve

	2019 £'000	**2018 £'000**
Balance brought forward	-	-
Purchase of own shares	(275)	-
Balance carried forward	**(275)**	**-**

The Employee Benefit Trust ('EBT') was established by the company pursuant to a trust deed entered into between the company and Intertrust Employee Benefit Trustee Limited ('Trustee'). The company has the power to remove the Trustee and appoint a new trustee. The EBT is a discretionary settlement and is used to satisfy awards made under the PSP.

The Trustee purchases existing Ordinary Shares in the market, and the amount held in the EBT reserve represents the purchase cost of IHP shares held to satisfy options awarded under the PSP scheme. The EBT is being accounted for as an agent of IHP, rather than as a subsidiary. The shares held in the trust are therefore treated as treasury shares in both the individual IHP financial statements and the consolidated financial statements.

14. Non-distributable reserves

	2019	**2018**

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

This relates to share premium held by one of the company's subsidiaries, IFAL, which is classified within other reserves on a Group level.

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

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

17. Dividends
During the year to 30 September 2019 the company paid interim dividends of £21.2m and £8.6m (2018: £19.4m) and no special dividend (2018: £11.4m) to shareholders. The company received dividends from subsidiaries of £30.1m (2018:£40.1m).

DIRECTORS, COMPANY DETAILS, ADVISERS

Executive Directors
Ian Taylor
Michael Howard
Alexander Scott

Non-executive Directors
Richard Cranfield
Christopher Munro
Neil Holden
Caroline Banszky
Victoria Cochrane
Robert Lister

Company Secretary
Helen Wakeford

Independent Auditors
BDO LLP, 150 Aldersgate Street, London, EC1A 4AB

Solicitors
Eversheds Sutherland (International) LLP, One Wood Street, London, EC2V 7WS

Corporate Advisers
Peel Hunt LLP, Moor House, 120 London Wall, London, EC2Y 5ET

Principal Bankers
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Registrars
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