RNS Number : 7454J
IntegraFin Holdings plc
14 December 2022

LEI Number: 213800CYIZKXK9PQYE87

14 December 2022

**AMENDMENT**

The following amendments have been made to the 'Announcement of annual results for IntegraFin Holdings plc ("IHP Group") for the year ended 30 September 2022' announcement, released on 14 December 2022 at 07:00 under RNS No 6123J.

All references to a 'final dividend' have been corrected to 'second interim dividend' and the following wording has been added in relation to the interim dividend declaration:

"The dividend is payable on 27 January 2023 to ordinary shareholders on the register on 23 December 2022. The ex-dividend date will be 22 December 2022."

All other details remain unchanged.

The full amended text is shown below.

**Announcement of annual results for IntegraFin Holdings plc ("IHP Group") for the year ended 30 September 2022**

**Continued commercial momentum in spite of volatile markets**

**Headlines**

- Group revenue increase of 8% to £133.6m (2021: £123.7m)
- Underlying Group profit before tax increase of 1% to £65.8m (2021: £65.2m)
- Underlying Group earnings per share increase of 2% to 16.3 pence (2021: 16.0 pence). The underlying result is after adjusting for non-underlying expenses including, in particular, the payment to HMRC of prior year VAT and interest on software services of £8.8m.
- IFRS profit before tax £54.3m (2021: £63.6m)
- IFRS profit after tax £44.0m (2021: £51.1m)
- We remain on schedule with the planned, and pre-announced, IT and software development recruitment, which we target to complete by the end of FY23. We reiterate that after this IT investment is completed we then do not expect material recruitment in these areas in the period to FY27.
- The detailed cost guidance, which we disclosed in July 2022, for financial years ending 30 September 2023 and 30 September 2024 remains unchanged.
- Proposed second interim dividend of 7.0 pence per share (2021: 7.0 pps), resulting in a full year dividend of 10.2 pence per share, a 2% increase on prior year (2021: 10.0 pps). The proposed dividend has been calculated by reference to underlying profit, excluding, in particular, the expense adjustment for prior years' VAT on software services.
- The Transact platform business continues to grow:
    - Gross inflows on to the Transact platform for FY22 of £7.3bn
    - Net inflows on to the Transact platform for FY22 of £4.4bn
    - A 5% increase in the Transact platform's adviser base to c.7.5k advisers registered on the Transact platform (30 September 2021: 7.2k)

- An 8% increase in the number of clients using the Transact platform to c.225k (30 September 2021: 209k)
- Launched the Transact-BlackRock Model Portfolio Service

· The Time4Advice business plan remains on schedule:

  - Time4Advice's next generation CURO software is now live with an adviser firm for beta testing
  - The roll out to adviser firms of the next generation CURO software will commence during the second half of FY23

## Financial highlights

### IHP Group

| | **Year to 30 September 2022** | Year to 30 September 2021 | Change (%) |
|---|---|---|---|
| **Total Group revenue** | **£133.6m** | £123.7m | +8% |
| **Underlying profit before tax** | **£65.8m** | £65.2m | +1% |
| **IFRS profit before tax** | **£54.3m** | £63.6m | -15% |
| **Underlying earnings per share** | **16.3p** | 16.0p | +2% |
| **Total dividend per share** | **10.2p** | 10.0p | +2% |

### Transact net inflows and FUD

| | **Year to 30 September 2022** | Year to 30 September 2021 | Change (%) |
|---|---|---|---|
| **Net new business inflows** | **£4.4bn** | £4.9bn | -11% |
| **Closing funds under direction ('FUD')** | **£50.1bn** | £52.1bn | -4% |
| **Average daily FUD for the year** | **£52.5bn** | £47.2bn | +11% |

Alex Scott, IHP Group Chief Executive Officer, commented:

''I am very pleased with the resilience shown by the IHP Group during the past financial year.

During a period of significant volatility in asset markets, we have grown Group revenue, and recorded substantial net flows on to the Transact platform. This is thanks largely to the continued hard work and commitment to clients, from our staff, and the advisers we work with.

We have delivered a resilient financial outcome for the financial year ended 30 September 2022, with an underlying profit after tax result of £54.1m, being 2% higher than the prior year (2021: £53.0m).

In line with our dividend policy of paying out c.60-65% of earnings as a dividend, we propose a second interim dividend of 7.0 pence, thereby increasing the dividend for the year to 10.2 pence, a 2% increase on prior year (2021: 10.0 pence). The dividend is payable on 27 January 2023 to ordinary shareholders on the register on 23 December 2022. The ex-dividend date will be 22 December 2022.

Looking ahead, I believe that the outlook remains positive for the Group, with demand for independent financial advice expected to remain strong. Prior experience has shown that during periods of economic uncertainty new clients will continue to seek independent financial advice to facilitate the setup and implementation of their financial plans. In respect of our current clients, we expect they will continue to rely on the support and knowledge provided by their financial adviser.

We are mindful of the difficult economic environment. However, we expect the performance of the IHP Group to remain resilient during financial year 2023, with new clients and advisers joining, continued robust flows onto the Transact platform, and the commencement of the rollout of the next generation CURO software.''

**Enquiries**

**Investors**
Luke Carrivick, IHP Head of Investor Relations +44 020 7608 5463

**Media**
Lansons: Tony Langham +44 (0)7979692287
Lansons: Maddy Morgan-Williams +44 (0)7947364578

**2022 Full year results presentation**

IHP will be hosting a virtual analyst audio presentation at 09:30am on 14 December 2022. This will be available at https://brrmedia.news/IntegraFin_FY. A recording of the presentation will be available for playback after the event at https://www.integrafin.co.uk/. Slides accompanying the analyst presentation will also be available this morning at https://www.integrafin.co.uk/annual-reports/.

## Chief Executive Officer's statement

### Overview

The business has remained resilient throughout the year, with robust net flows and strong adviser and client growth. This is an achievement in a financial year that has seen a serious downturn in investor sentiment.  Any positivity from the lifting of COVID restrictions has been eroded by increasing levels of geopolitical tension, inflation levels not experienced in 30 years, industrial unrest and political turmoil.

At such times of economic uncertainty, clients rely even more on the support and knowledge of their financial adviser. Our business model is centred on providing long-term support for our clients and financial advisers, enabling them to stay on track with their long-term financial plans, helping retain business on our investment platform.

For the delivery of that support to clients and advisers we combine our leading proprietary technology with high quality client service.  Our employees, who deliver that service, have been impacted by the current economic climate, especially the effects high interest rates are having on mortgage and rent payments, coupled with the significant rise in the general cost of living. We have managed these concerns by assessing and reshaping our remuneration packages to provide greater certainty of income for employees, whilst adding modest additional cost to the Group. Our focus has been on retention of key employees and on recruitment into roles that drive efficiency.

### Headlines

With our consistent approach, we have continued to grow Transact, with the platform's adviser base increasing by 5% over the period, leading to over 7.5k advisers being registered on the Transact platform at the end of the year.  Advisers have brought a further 17k clients to the platform, an increase of 8% over the year, with 224.7k clients now using Transact to manage their financial plans.

Gross inflows eased over the year, falling back from the previous year's record high of £7.70 billion to £7.28 billion. The first quarter of this year continued to benefit from the positive market sentiment seen in FY21, but there was a gradual slowing from the second quarter onwards as economic and political impacts took effect.  The Transact platform is utilised by clients and advisers for long-term financial planning and this long-term view has helped outflows remain relatively stable during the course of the year. This resulted in robust net inflows to the Transact platform for the financial year ended 30 September 2022 of £4.40 billion, relative to the prior year £4.95 billion.

Even with strong positive net inflows, the impact of negative market movements resulted in a decrease of 4% in FUD at the year-end, finishing at £50.07 billion.

Revenue in the year has increased to £133.6 million (+8%). The Group's revenue is predominantly generated by the value of funds under direction (FUD) held on Transact. The average daily FUD on the Transact platform during the financial year was £52.5 billion, compared with an average during the prior financial year of £47.2 billion. This has helped drive revenues up, despite the year end FUD being below the level at the prior year end, as markets fell sharply from mid-August through to our year end.

Core expenses have increased, mainly due to employee costs, driven by growth in employee numbers to support and develop the business and inflationary pressure on salary levels required to recruit and retain high quality employees. Additionally, HMRC upholding its original decision, at second review, of our VAT dispute has added £1.8 million to our core expenses this year.

The VAT decision has also had a significant impact on non-underlying expenses, as we have paid all prior year contested VAT and interest, £8.8 million in total, in order to allow us to formally appeal the findings to the First-tier Tribunal (Tax Chamber).

After these costs, the Group's profit before tax has decreased by 15%, to £54.3 million. Removing non-underlying VAT and T4A expenses, in both 2021 and 2022, shows a modest increase in underlying profit from £65.2 million in FY21 to £65.8 million in FY22.

**Market background**

Equity market performance was strong in the first quarter of our financial year and this was reflected in the advised platform market, with strong year-on-year growth of gross inflows in the quarter. There was a gradual slowdown in the second quarter, which resulted in tax year end flows falling below prior year levels across the sector.

The second half of the year deteriorated more rapidly, as the combined economic effects of Russia's invasion of Ukraine, trade tensions between the US and China and the longer-term costs of COVID lockdowns took hold. Interest rate increases, made globally in an attempt to quell persistent inflation, have further added to negative sentiment among investors.

Activity in the investment platform market slowed considerably in the second half of the year, following several changes of platform ownership in the first half. Over the full year, the retail advised platform market FUD fell by 7% from £553.28 billion (September 2021) to £516.65 billion (September 2022).

**Our activity**

Our focus through the year has been on organic platform growth, service quality and the addition of incremental platform functionality. We have also been working to enhance our platform operating efficiencies in a hybrid working model. Amongst many enhancements to our platform were further additions to our online Guided Applications capabilities, accelerated portfolio creation and anti-money laundering checking, which has allowed us to switch off the use of paper forms in line with our environmental strategy.

The employment market has continued to be buoyant, with an excess of jobs over available quality recruits. We have been able to leverage our reputation to continue to attract quality employees, but we are not immune to the salaries being offered to attract our employees away. Money isn't enough by itself to retain good employees, for whom job fulfilment and feeling they are accepted as themselves, are both valued highly, even more so following COVID lockdowns. We foster a culture of belonging, where everyone's views are important and listened to. Expanding our employee engagement programme, to better demonstrate this on issues such as flexible working, performance structures and office environment, has proven beneficial in retaining employees.

We have increased the breadth of our services for Transact clients, with the September launch of the Transact - BlackRock Model Portfolio Servicer (MPS). Available exclusively to investment platform clients, this will extend the choice of Discretionary Investment Managers available on our platform even further. The Transact - BlackRock MPS will use BlackRock's market leading investment process, at a highly competitive ongoing cost for investments. We expect this to contribute both to the retention of our current clients and financial advisers, as well as being attractive to new clients and financial advisers.

We have again been able to reduce the cost of Transact to clients. Reductions were made to both *ad valorem* and buy transaction charges, further increasing the value of the offering to clients.

Development of T4A's next generation CURO software has progressed well, with a beta client live by the end of the year. A live testing period will then follow, before rollout to pipeline clients commences later in 2023. In the meantime, the current CURO3 product has been selling well, with a good flow of new clients opting to implement this system ahead of the new release.

Throughout the financial year, we have been continuing work with our external consultants, Willis Towers Watson, to help the Group establish a prioritised and thoughtful environmental plan. This will be aligned to our ambitions, supports a low carbon-emissions economy and remains flexible enough to accommodate changes in regulation. With these criteria in mind, we have set out a phased approach. The first phase, in which we are making progress, clarifies the best opportunities across the IHP Group over the short, medium and longer-term to directly influence and shape the scope 1, 2 and relevant elements of scope 3 carbon emissions arising from our business.

**The outlook**

We are mindful of the difficult economic environment, with inflation and interest rate stresses expected to persist, leading to continued volatility in asset markets. However, given the strength of our proposition and its careful management, we expect the performance of the Transact platform to remain robust during the forthcoming financial year, with new clients and advisers joining and continued resilient flows onto the Transact platform. Despite the adverse headwinds, the advised platform market is expected to grow in 2023, and we aim to carry on growing our share of it.

In 2023, we will continue to execute on our priorities, investing in the development of our proprietary software, we will train users in how to best use the extensive functionality now available to deliver operational excellence efficiently. All of this will enable our clients, with their advisers, to stay on track with their long-term financial plans.

Once T4A's next generation CURO software has been proven with the beta client, we will begin the implementation process with the adviser firms in the current pipeline. The focus will be on ensuring that new users are properly supported throughout the process, building the foundations of enduring relationships.

July 2023 brings the primary implementation deadline for the FCA's Consumer Duty regulations, with all reviews necessary to meet the consumer outcome rules being complete before the end of April. As the business has always been focused on consumer outcomes, we feel well-positioned for these new rules, but undoubtedly there will be additional costs incurred in demonstrating compliance. We have factored this in to our development plans and costs.

We will take a measured approach to our appeal to the First-tier Tribunal (Tax Chamber) on the VAT ruling, ensuring both legal costs and management time are kept to a minimum.

We do not underestimate the uncertainty of our environment, however, we focus on what we can control. Continuing to invest in our people and our infrastructure, whilst managing our societal impact, will ensure we are well positioned to face the challenges ahead, enabling us to continue to deliver for all of our stakeholders.

### Ian Taylor

I cannot close without a few words about my long-time friend and colleague, who sadly passed away in October. Ian was an incredible individual who, with Mike Howard, set out to completely transform the delivery of financial plans in the UK market.

Ian's focus was always to deliver the best outcome for "Mrs Miggins". This focus built a principled business, years ahead of the RDR curve and the forthcoming Consumer Duty rules.

Ian was always happy to share his thoughts and experience and equally willing to listen to others, but never diverted from his principles. We continue to drive the business on those principles: "Do the right thing" and "Stick to our knitting".

**Alexander Scott**
**CEO**
13 December 2022

## Financial review

In a fundamentally solid year for core operations, Group revenue increased by 8% to £133.6 million.

There was steady growth in investment platform clients (+8%), investment platform advisers (+5%) and T4A licence users (+ 46%).

Profit before tax was £54.3 million (-15%). The year on year reduction is due to investment in people, recognition of current year VAT on software fees and an increase in non-underlying expenses of £8.2 million to £11.5 million, as we recognised and settled backdated VAT and interest thereon.

Underlying PBT is £65.8 million (FY21: £65.2 million), an increase of 1% on underlying PBT for FY21, after VAT of £1.7 million is included in FY21.

EPS is 13.3p (FY21: 15.4p). After removing all non-underlying expenses in FY22, underlying EPS is 16.3p and it was 16.0p in FY21.

### Transact platform operational performance

| | YE 2022 £m | YE 2021 £m |
|---|---|---|
| **Opening FUD** | 52,112 | 41,093 |
| Inflows | 7,275 | 7,695 |
| Outflows | (2,873) | (2,744) |
| **Net flows** | **4,402** | **4,951** |
| Market movements | (6,248) | 6,297 |
| Other movements[1] | (196) | (229) |
| **Closing FUD** | **50,070** | **52,112** |

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

Transact's gross inflows for 2022 financial year were £7.28 billion and outflows were £2.87 billion, leading to net flows of £4.40 billion, which is a year on year decrease of 11%. FUD has ended the year down 4% at £50.07 billion, impacted by £6.25 billion of negative market movements.

Inflows for the majority of the first half of the year were strong, at £4.07 billion (FY21: £3.73 billion), and contributed 56% of the full year inflows. However, as markets fell and inflation took hold, inflows were impacted and each month subsequent to February 2022 was lower than the same month in the year before. This was due to client sentiment weakening and the value of asset transfers onto the platform falling, resulting in a full year inflow reduction of £420.0 million (5%), when compared against FY21.

The year-on-year reduction in net flows is due to the fall in inflows, and the annualised rate of platform outflows remains within the range we expect at 6% (FY21 7%). The steadiness of the outflow rate is supported by the continuing strength in client numbers and advisers using the platform.

### T4A operational performance

T4A was acquired by IHP in January 2021 and, therefore, this is the first full financial year of T4A being part of the IHP Group.

In the 12 months to September 2022, T4A has increased CURO licence users by 44%, from 1,566 at 30 September 2021, to 2,253 at September 2022. These numbers exclude a large user that had commenced the process of terminating their CURO licences at the point T4A was acquired by IHP.

## Group financial performance

### Revenue

Following the acquisition of T4A in January 2021, there have been two streams of Group revenue: investment platform revenue (97% of total revenue) and T4A revenue (3% of total revenue).

### Investment platform revenue

Investment platform revenue has increased by 7% year-on-year to £129.7 million and comprises three elements, 98% (FY21: 98%) of which is from a recurring source.

Annual commission income (an annual, *ad valorem* tiered fee on FUD) and wrapper administration fee income (quarterly fixed wrapper fees for each of the tax wrapper types available) are recurring. Other income is composed of buy commission and dealing charges.

| | YE 2022 | YE 2021 |
|---|---|---|
| **Investment platform revenue** | **£m** | **£m** |
| Annual commission income (recurring) | 115.9 | 107.7 |
| Wrapper fee income (recurring) | 11.6 | 10.6 |
| Other income | 2.2 | 3.0 |
| **Total platform revenue** | **129.7** | **121.3** |

Annual commission income increased by £8.2 million (8%) versus the prior financial year. Annual commission revenue was impacted by: financial markets weakening from February onwards, demonstrated by daily average FUD of £53.04 billion for the first half of the financial year reducing to £52.05 billion for the second half of the financial year; and, we reduced the annual commission rate from 0.27% to 0.26%, with effect from 1 July 2022.

Recurring wrapper administration fee income increased by £1.0 million (9%) year-on-year (FY21: 9%), reflecting the increase in the number of open tax wrappers and broadly in line with the increase in client numbers.

Buy commission, included in other income, reduces as a component of revenue each year and was £1.5 million (FY21: £2.3 million) in FY22. We reduced the threshold at which clients receive a rebate of buy commission with effect from 1 March 2022, from £0.3 million which effected on 1 March 2021, to £0.2 million from 1 March 2022.

### T4A revenue

T4A's revenue was £3.9 million for FY22, compared with £2.4 million from 11 January 2021 to 30 September 2021.

### Operating expenses

| | YE 2022<br>£m | YE 2021<br>£m |
|---|---|---|
| Employee costs | 47.1 | 41.6 |
| Occupancy | 2.3 | 1.4 |
| Regulatory and professional fees | 9.8 | 7.6 |
| Other income - tax relief due to shareholders | (2.4) | (2.2) |

| | | |
|---|---|---|
| Current year VAT | 3.2 | 1.2 |
| Other costs | 3.2 | 2.8 |
| Non-underlying expenses - backdated VAT and interest | 8.8 | - |
| Non-underlying expenses - other | 2.7 | 3.3 |
| **Total expenses** | **74.7** | **55.7** |
| Depreciation and amortisation | 3.0 | 3.1 |
| **Total operating expenses** | **77.7** | **58.8** |

Operating expenses have increased by £18.7 million, or 32%. This is attributable to the following notable increases in expense categories. Note that FY22 includes a full year of T4A expenses of £5.3 million, versus £3.4 million for nine months in FY21.

*Non-underlying expenses - backdated VAT (£8.0 million) and interest (£0.8 million)*
*Other non-underlying expenses - £2.7 million*
In our FY20 and FY21 Annual Report, we disclosed a contingent liability in respect of potential reverse charge VAT payable on services provided by our wholly owned Australian software development Company, Integrated Application Development Pty (IAD).

The contingent liability arose because HMRC had notified us in January 2020 that the inclusion of IAD in our VAT Group was terminated with effect from July 2016.

We have been unsuccessful in two stages of requesting HMRC review their original decision to exclude IAD Pty from our VAT Group, as detailed in a Regulatory News Announcement released on 20 September 2022, and as a result we have had to settle backdated VAT of £8.0 million for the period to September 2021. We have also paid non-recurring interest on the VAT due of £800k.

We are appealing the original decision to the First-tier Tribunal (Tax Chamber), however, we will be required to recognise and pay VAT on software fees going forward whilst our appeal progresses, as such we have also recognised an ongoing VAT liability in the current year of £1.8 million,

Other non-underlying expenses of £2.7 million comprise a credit of £0.3 million upon the release of a dilapidations accrual for the Clement's Lane office, which has now been confirmed as not required, and £3.0 million of ongoing expenses due to the IFRS requirement that we recognise the post combination deferred and additional consideration payable to the original T4A shareholders in relation to the acquisition of T4A as remuneration over the four years from January 2021 to December 2024. The remuneration cost is expected to be £3.0 million in both FY23 and FY24, and will reduce to £760k in FY25.

*Employee costs £47.1 million (+£5.5 million (+13%))*
Employee costs have increased from £41.6 million to £47.1 million (+13%), including T4A employee costs of £4.1 million (FY21 nine months: £2.5 million). Average monthly employee costs have risen 8% from £3.6 million to £3.9 million and average Group employee numbers through the year have also increased by 8% (FY21: 2%) from 543 in FY21 to 594 in FY22.

Notable headcount additions are 15 roles across the Group in software development and information technology areas, with more roles being recruited over the coming months, in line with our intent to significantly increase system development capacity across the Group which will drive efficiencies.

We have also added eight roles in order to better support advisers using our investment platform software, in order to increase self-service, which again increases efficiencies.

We awarded our people, excluding T4A, an average pay rise of 7.5% (FY21: 5%) in June 2022, in recognition of the increase in the cost of living in 2022, which also increased employer National Insurance, already impacted by the 1.25% social care levy introduced in April, and contractual enrolment costs.

*Regulatory and professional fees £9.8 million (+£2.2 million (+29%))*
Regulatory fees and FSCS costs have increased by £700k (19%), from £3.5 million in FY21 to £4.2 million in FY22. This is due to an increase in fees levied on two of the regulated entities in the Group: Integrated Financial Arrangements Ltd (IFAL) and IntegraLife UK Ltd (ILUK). The uplift in these costs arises due to increasing business volumes and impacts the financial services industry as a whole.

Professional fees have increased year-on-year by £1.5 million (37%), from £4.1 million in FY21 to £5.6 million in FY22. The uplift in professional fees relates to one-off consultancy and advisory engagements, which have been necessary in order to progress Corporate projects, such as the Group restructure.

*Occupancy £2.3 million (+£0.9 million (+64%))*
Occupancy costs have increased by £0.9 million in FY22, due to a reduction in the rates rebate for the Clement's Lane Head Office of £0.5 million to £0.2 million in FY22. There has also been a very sharp inflationary increase in energy costs from December 2021 onwards, resulting in an increase in FY22 of £0.4 million. These inflated energy costs are projected to continue for the foreseeable future.

*Current year VAT (£3.2 million (+£2.0 million (+167%))*
Current year VAT has increased by £2.0 million, largely due to recognition of VAT on software fees in FY22. This cost will be ongoing, whilst the next stage appeal process progresses.

## Tax

The Group has operations in three tax jurisdictions: UK, Australia and Isle of Man. This results in profits being subject to tax at three different rates. However, the vast majority of the Group's income, 96%, is earned in the UK.

Shareholder tax on ordinary activities for the year decreased by £2.2 million, or 18%, to £10.3 million (FY21: £12.5 million) due to the reduction in taxable profit. Our effective rate of tax over the period was 18% (FY21: 20%). The decrease in effective rates compared to FY21 was due to the increase in allowable non-underlying expenses incurred in FY22, as the backdated, non-recurring VAT was tax deductible.

Our tax strategy can be found at: https://www.integrafin.co.uk/legal-and-regulatory-information/

## Profit

Group gross profit for the year to September 2022 rose by £9.3 million to £131.5 million, from £122.2 million, an increase of 8%.

Group profit before tax (PBT) has reduced by 15% to £54.3 million. Excluding all non-underlying expenses, Group PBT has risen by 1%, or £0.6 million, year on year, to £65.8 million, including a full year of T4A losses of £1.9 million (FY21 nine months: £1.2 million).

Group profit after tax has reduced by £7.1 million (14%) year on year, from £51.1 million to £44.0 million.

## Earnings per share

| | YE 2022 £m | YE 2021 £m |
|---|---|---|
| Profit after tax for the period | 44.0 | 51.1 |
| Average number of shares - basic EPS | 331.0m | 331.0m |
| Average number of shares - diluted EPS | 331.3m | 331.3m |
| Earnings per share - basic and diluted | 13.3p | 15.4p |

Earnings per share have fallen by 2.1p per share to 13.3p, a fall of 14%.

## Consolidated statement of financial position

Net assets have grown 17%, or £8.9 million, in the year, and the material movements on the consolidated statement of financial position are as follows:

*Cash and significant cash flows*
Shareholder cash has increased by £6.9 million year on year to £183.0 million (FY21: £176.1 million). Growth of 4% (FY21: 14%) reflects the cash generative nature of the business and ongoing Group liquidity, but is offset by dividends paid in the year of £33.8 million (FY21: £28.5 million) and the one off payment of £8.8 million of backdated VAT and interest, plus £1.4 million paid in respect of VAT due for ten months of FY22.

*Deferred tax asset, non-current provisions and non-current deferred tax liability*
The large increases in the deferred tax asset of £5.3 million to £6.0 million (FY21: £0.7 million), the non-current provisions of £34.9 million to £41.9 million (FY21: £7.0 million) offset by the reduction of the non-current deferred tax liabilities of £28.6 million to £0.9 million (FY21: 29.5 million) are all a function of the realised and unrealised losses that have arisen on policyholder assets, as the value of linked funds has fallen year on year.

ILUK holds tax charges deducted from ILUK policyholders in reserve to meet future tax liabilities and the tax reserve may be paid back to policyholders if asset values do not recover such that the tax liability unwinds.

*Investments and cash held for the benefit of policyholders and liabilities for linked investment contracts (notes 17, 18 and 20)*
ILUK and ILInt write only unit-linked insurance policies. They match the assets and liabilities of their linked policies such that, in their own individual statements of financial position, these items always net off exactly. These line items are required to be shown under IFRS in the consolidated statement of comprehensive income, the consolidated statement of financial position and the consolidated statement of cash flows, but have zero net effect.

Cash and investments held for the benefit of ILUK and ILInt policyholders have fallen to £22.17 billion (FY21: £23.05 billion). This fall of 4% is entirely consistent with the fall in total FUD on the investment platform.

## Capital resources and capital management

To enable the Group to offer a wide range of tax wrappers, there are three regulated entities within the Group: a UK investment firm, a UK life insurance Company and an Isle of Man life insurance Company.

Each regulated entity maintains capital well above the minimum level of regulatory capital required, ensuring sufficient capital remains available to fund ongoing trading and future growth. Cash and investments in short-dated gilts are held to cover regulatory capital requirements and tax liabilities.

The regulatory capital requirements and resources in ILUK and ILInt are calculated by reference to economic capital-based regimes.

IFAL, from the 1 January 2022, has been subject to new regulatory capital and liquidity rules with the implementation in the UK of the MIFIDPRU rule book. The new prudential rules introduce revised approach for the calculation of capital requirements reflecting new 'K' factor requirements that cover potential harms arising from business activities.  The K factors are calculated on formulas for assets and cash under administration

### Regulatory Capital as at 30 September 2022

| | Regulatory Capital requirements £m | Regulatory Capital resources £m | Regulatory cover % |
|---|---|---|---|
| IFAL | 32.2 | 39.7 | 123.2 |
| ILUK | 193.5 | 245.7 | 127.0 |
| ILInt | 25.1 | 44.0 | 175.3 |

All of the Company's regulated subsidiaries continue to hold regulatory capital resources well in excess of their regulatory capital requirements. We will maintain sufficient regulatory capital and an appropriate level of working capital. We will use retained capital to further invest in the delivery of our service to clients, pay dividends to shareholders and provide fair rewards to employee.

### Capital as at 30 September 2022

| | £m |
|---|---|
| Total equity | 173.2 |
| Loans and receivables, intangible assets and property, plant and equipment | (30.6) |
| Available capital pre dividend | 142.6 |
| Interim dividend declared | (23.2) |
| Available capital post dividend | 119.4 |
| Additional risk appetite capital | (76.2) |
| Surplus | 43.2 |

Additional risk appetite capital is capital the board considers to be appropriate for it to hold to ensure the smooth operation of the business such that it is able to meet future risks to the business plan and future changes to regulatory capital requirements without recourse to additional capital.

The board considers the impact of regulatory capital requirements and risk appetite levels on prospective dividends from all of its regulated subsidiaries.

Our Group's Pillar 3 document contains further details and can be found on our website at: https://www.integrafin.co.uk/legal-and-regulatory-information/ Pillar 3 Disclosures.

As stated in the Chair's report, the board has declared a second interim dividend for the year of 7.0 pence per ordinary share, taking the total dividend for the year to 10.2 pence per share (2021: 10.0p)

### Dividends

During the year to 30 September 2022, IHP (the Company) paid a second interim dividend of £23.2 million to shareholders in respect of financial year 2021 and a first interim dividend of £10.6 million in respect of financial year 2022.

In respect of the second interim dividend for financial year 2022, the board has declared a dividend of 7.0 pence per ordinary share (FY21: 7.0p).

The financial year 2022 total dividends paid and declared of £33.8 million compares with full year interim dividends of £33.1 million in respect of financial year 2021.

## Principal risks and uncertainties

The directors, in conjunction with the board and ARC, have undertaken a review of the potential risks to the Group that could undermine the successful achievement of its strategic objectives, threaten its business model or future performance and considered non-financial risks that might present operational disruption.

The tables below set out the Group's principal risks and uncertainties, the risk trend for 2022 together with a summary of how we manage and mitigate the risks.

## Business and strategic risks

| Principal risk and uncertainty | Management and controls | 2022 risk trend: |
|---|---|---|
| **Service standard failure**<br>(including unexpected outflow risk) - 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. There is a potential risk for a net outflow (i.e. greater level of withdrawals or transfers) than expected impacting profitability.<br><br>**Aligned to strategic objectives**<br>1. Drive Growth<br>2. Grow Earnings | We manage the risk of service standards failure by ensuring our service standards do not deteriorate. This is achieved by 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. Service standards are also dependent on resilient operations, both current and forward looking, ensuring that risk management is in place. | **Increase**<br><br>We remain a recognised top platform service provider by the industry, with steady increases in the number of advisers and clients on our core platform system. The challenges facing the business and the wider industry, have increased during the year, however monitoring service metrics has allowed us to identify the areas where processing backlogs have arisen and to deliver targeted remediation plans to ensure customer outcomes and service standards are maintained.<br><br>T4A continues to develop the delivery of NEXT GENERATION CURO and the team has grown to meet client demand. |
| **Diversion of platform development resources** - Maintaining our quality and relevance requires ongoing investment. Any reduction in investment due to diversion of resources to other non-discretionary expenditure (for example, regulatory developments) may affect our competitive position.<br><br>**Aligned to strategic objectives**<br>1. Drive growth<br>2. Invest in the business<br>3. Grow earnings | 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. UK Financial Services Compensation Scheme (FSCS) levies, which ensures we do not need to compromise on investment in our platform to a degree that affects our offering. | **Stable**<br><br>The risk has remained broadly unchanged over the year. We remain proactive in embedding regulatory changes (e.g. IFPR, Operational Resilience) through our business as usual model. Our platform developers remain responsive to the business and have increased developer resources over the year. We are responsive to tax rate changes relevant to our products without lengthy Platform development lead times. |
| **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.<br><br>**Aligned to strategic objectives**<br>1. Drive growth<br>3. Grow earnings | Competitor risk is mitigated by focusing on providing exceptionally high levels of service and being responsive to client and financial adviser demands through an efficient process and operational base. We continue to develop our digital strategy expanding our Transact on-line interface allowing advisers direct processing onto the platform. This is more cost effective and allows us to continue to increase the value-for-money of our service by reducing client charges, subject to profit and capital parameters when deemed appropriate.<br><br>The Group continues to review its business strategy and growth potential. In this regard, it primarily considers organic opportunities that will enhance or complement its current service offerings to the adviser market. | **Increase**<br><br>The market remains competitive with an increasing number of on-line application based products available to individuals. In addition the FCA undertake ongoing reviews on the delivery of the "Investment platforms market study" from 2019 which encourages the transparency of communication to clients and advisers on pricing and charging structures. The new FCA Consumer Duty rules further raise expectations for platform providers to test and assess value-for-money products, services and fee advice.<br>The advised market remains our key target and our platform service and developments remain award winning. Positioning and delivering our digital TOL services forms a key part to our business strategy |

| | | |
|---|---|---|
| | | improving both functionality and service efficiency.<br><br>T4A continues to broaden our service offering to advisers. We also continue to support the diversification of the adviser market through the Vertus scheme which continues to be successful. |

| **Financial risks** | | |
|---|---|---|
| **Principal risk and uncertainty** | **Management and controls** | **Change over the year** |
| **Stock and bond market volatility (Market Risk)** - our core business revenue is derived from our platform business which has a fee structure based upon a percentage of our FUD. Sustained equity and bond volatility has an impact on the revenue streams of the platform business.<br><br>**Aligned to strategic objectives**<br>1. Drive growth<br>3. Grow earnings<br>4. Maintain cash generation<br>5. Maintain strong balance sheet<br>6. Deliver on dividend policy | The risk of stock and bond market volatility, and the impact on revenue, is mitigated through a wide asset offering which ensures we are not wholly correlated with 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 not impacted by market volatility as they are based on a fixed quarterly charge. We retain a good insight of our business processes in order to ensure efficiencies are captured which coupled with further online processing allows us to closely monitor and control expenses. A strong investment platform service and sales and marketing activity ensures we attract new advisers and clients. Sustaining positive net inflows during turbulent times presents the potential for longer term profitability.<br><br>Our average daily FUD for the financial year has increased at £52.5bn (2021: £47.2bn). The Transact platform is utilised by clients and advisers for long-term financial planning and outflows have remained relatively stable during the course of the year. However, the closing value of FUD year on year has reduced by 3.9% which is a direct reflection of the downward market movements in the first six months of 2022. Net inflows onto the platform remained robust throughout the year and represents a strong pipeline for future platform growth. | **Increase**<br><br>The risk to FUD from stock and bond market volatility remains high. External factors continue to influence equity markets in 2022 which have significantly unwound much of the post COVID 2021 re-bound. The Ukraine/Russia war has set inflationary and economic shockwaves globally, impacting energy prices and supply chains. The changes in Prime Ministers in the UK has seen a shift in policy on tax and fiscal support at a macro-economic level as well as for individuals and businesses. A significant level of uncertainty remains in the success the measures taken by Governments and Central Banks, who are facing decade highs in interest rates in their attempts to tackle inflation, will have. Stock and bond market volatility is expected to continue for the foreseeable future with a consequential impact on the value of our FUD. |
| **Uncontrolled expense risk** - Higher expenses than expected and budgeted for would adversely impact cash profits. Economic drivers e.g. sustained levels of high inflation can impact the cost base of the business irrespective of business volumes e.g. through salary rises, premises, utility bills and external levies and legal fees. The suppliers are also wrestling with the requirements of climate initiatives with unit costs for sustainable or green energy and supplies likely to attract a premium as organisations stride toward a net zero carbon footprint. Such costs are difficult to control directly and also | The most significant element of our expense base is employee costs. These are controlled through modelling employee requirements against forecast business volumes. Planned investment in IT and software development deliver enhancements to our proprietary platform enabling us to implement enhanced straight through processing of operational activities. A robust multi-year costing plan is produced which reflects the strategic initiatives of the business. This captures planned investment expenditure which build our operational capability and cost effective scalability of the | **Increase**<br><br>The risk has increased over the year as a direct result of inflationary pressures on the UK and Global economy. The Group has made supportive cost of living salary increases to employees, and actively recruited IT and developers to support the business. Occupancy and utility costs as a result of inflation and |

| | | |
|---|---|---|
| unexpectedly impact the base case budget.<br><br>**Aligned to strategic objectives**<br>4. Maintain cash generation<br>6. Deliver on dividend policy | business. Cost base variance analysis is completed with any expenditure that deviates unexpectedly from plan being rigorously reviewed to assess the likely trend with reforecasts completed accordingly. | employees returning to the office have increased. Regulatory fees and professional fees have also increased during the year as a result of the broad regulatory agenda. Slower rates of increase are expected in 2023. |
| **Capital strain** (including Liquidity) - Unexpected, additional capital or liquidity requirements imposed by regulators may negatively impact our solvency coverage ratio.<br><br>**Aligned to strategic objectives**<br>5. Maintain strong balance sheet<br>6. Deliver on dividend policy | We 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, we carry out an assessment of our capital requirements, which includes assessing the regulatory capital required. We retain a capital buffer over and above the regulatory minimum solvency capital requirements. | **Stable**<br><br>The expectation for capital and liquidity requirements meets regulatory expectation. |
| **Credit risk** - loss due to defaults from holdings of cash and cash equivalents, deposits, formal loans and reinsurance treaties with banks and financial institutions.<br><br>**Aligned to strategic objectives**<br>5. Maintain strong balance sheet | The Group seeks to invest its shareholder assets in high quality, highly liquid, short-dated investments. Maximum counterparty limits are set for banks and minimum credit quality steps are also set. The Vertus loan scheme has an agreed commitment level and the value of the drawn and undrawn balances are monitored regularly. Loans are made on approved business cases. | **Stable**<br><br>No change. |

| **Non-financial risks** | | |
|---|---|---|
| **Principal risk and uncertainty** | **Management and controls** | **Change over the year** |
| **Reputational risk** - the risk that current and potential clients' desire to do business with the Group reduces due to a lower perception in the market place of the Group's offered services covering the Transact platform and T4A adviser support software.<br><br>**Aligned to strategic objectives**<br>1. Drive growth | The Risk Management Framework provides the monitoring mechanisms to ensure that reputational damage controls operate effectively and reputational risk is mitigated, to some extent, by internal operational risk controls, error management and complaints handling processes as well as root cause analysis investigations. | **Stable**<br><br>Unchanged for the year. |
| **Operational risk** (including operational resilience and the environment, social and governance (ESG) agenda) - the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.<br><br>**People**<br>The inability to attract, retain and motivate employees within the business. Significant attrition rates of experienced employees or an inability to attract new employees can have a detrimental impact on the service provided as well as poor adherence to regulatory procedures and requirements resulting in reputational damage and potential compliance breaches.<br><br>**IT Infrastructure and software**<br>An aging and underinvested IT infrastructure and software has the potential for causing the Company disruption through systems outages, a failure to plan and maintain operational capacity and create vulnerabilities to operational resilience and loss of a competitive market share as newer technology emerges. | **People**<br>We are very aware of our need to retain and attract experienced and competent people within the business. The business announced a new performance management and talent recognition programme which seeks to reward high performing employee members and identify future leaders and talent within the business. We maintain a comprehensive career and training development programme and provide a flexible working environment that meets our employee and business needs. These are supported by robust Group HR policies and practices.<br><br>**IT Infrastructure and software**<br>The continuous and evolving sophistication of the cyber threat to our IT infrastructure and maintaining business resilience remain high on the operational risk agenda. Cyber detection tools are deployed, penetration testing and the assessment of controls to NIST standards is regularly undertaken. | **Increase**<br><br>The "great resignation" from mid-2021 into the early part of 2022 presented some initial difficulties with the retention of employees and the ability to attract new recruits in our UK and Australian operations. Through a strong group engagement process we have been able to identify and address the gaps.<br><br>Initiatives that include, a supportive cost of living pay increase; implementation of a new performance management approach; defined future talent mapping with a focus on training and career development; the adoption of flexible |

| | | |
|---|---|---|
| **IT Resiliency and Information Security**<br>The nature of the business requires the Group to store and retrieve significant volumes of information some of which is highly sensitive.<br><br>**Regulatory risk**<br>The regulated entities within the Group have a full and stretching agenda. A range of pronouncements made during the last 18 months need transitioning effectively into business as usual, including FCA PS22/9 Consumer Duty and FCA PS21/3 Operational Resilience. It is imperative that these activities remain on plan and meet the high standards expected.<br><br>**Aligned to Strategic Objectives**<br>1. Drive growth<br>2. Invest in the business<br>3. Grow earnings<br>4. Maintain cash generation | Awareness training is provided to ensure employee understand and recognise threats to our business systems.<br><br>**IT Resiliency and Information Security**<br>The Group aims to minimise its operational risks at all times through a strong and well-resourced control and operational structure. In particular, the Group has in place a dedicated financial crime team and an on-going fraud and cyber risk awareness programme. Additionally, the Group carries out regular IT system maintenance, and system vulnerability testing. The Crisis Management Team (CMT) reviews the Group's business continuity plans during the course of the year.<br><br>Beyond IT and cyber security, the Company also has a function lead by the Company's data protection officer to manage information security risk and compliance with UK GDPR.<br><br>**Regulatory focus**<br>The Group has established a series of projects to deliver against the regulatory requirements it faces. We use our subject matter experts to interpret and business lines to implement policies and procedures aligned to expectations. In addition, Group Internal Audit undertake thematic reviews of the regulatory projects throughout the course of delivery to ensure scoping, gap analysis and delivery plans and actions are adequately covered. This review also reflects on our internal governance ensuring the board retain ownership receiving effective communication and updates.<br><br>Operations form an integral part of the ESG agenda and we are embracing the developments by continuing to work towards understanding the impact of climate change on the business operations and ensuring diversity and inclusion is actively embedded across all areas of the business. A consistent application of the risk management framework, has supported the Group allowing management to make effective and informed risk based operational decisions. | working arrangements between the office and home, have collectively managed the risk position.<br><br>Key developments in our IT infrastructure are due to complete at the end of 2022 with the full commissioning of new datacenters giving more capacity and operational resilience.<br><br>Continued investment in IT and software development will deliver enhancements to our proprietary investment platform and back office software - with enhanced functionality for UK clients and their advisers. Furthermore, this investment will enable us to implement enhanced straight through processing of our operational activities, meaning that we improve our operational efficiencies and the cost effective scalability of our investment platform. This will reduce the additional operational employees required to service additional clients and advisers over the next 3 years.<br><br>Meeting the regulatory agenda is primary to our operations for our core platform business. The agenda remains challenging but we remain on track to deliver in line with required target dates. |
| **Geopolitical risk** - the risk of changes in the political landscape disrupting the operations of the business or resulting in significant development costs.<br><br>**Aligned to strategic objectives**<br>1. Drive growth<br>2. Invest in the business<br>3. Grow earnings<br>4. Maintain cash generation<br>5. Maintain strong balance sheet<br>6. Deliver on dividend policy | Geopolitical risk cannot be directly mitigated by the Group. However, through close monitoring of developments through its risk horizon scanning process, potential impacts are taken into consideration as part of the business planning process. | **Increase**<br><br>The external geo-political environment in 2022 has become increasingly uncertain through a series of significant global events including the Ukraine/Russia war, trade tensions between USA and China, global energy crisis and supply chain issues. Within the UK, political events are causing disruption to markets and macroeconomics with a direct impact on FUD for the Group. |

## Emerging risk focus

The management approach to risk ensures that we identify and monitor a series of emerging risks. These have a degree of uncertainty around the likelihood and impact on the business. The more significant emerging risks in the near, medium and longer term are set out below and are regularly reported and assessed through the governance Committees.

We have classified the profile of these risks as follows; Near-term is considered to represent the next 12 months; Medium-term between 1 and 3 years and longer-term is 3 years and beyond.

| | | |
|---|---|---|
| Near-term risks | · Prolonged poor economic outlook for the UK | · A sustained level of UK economic disruption with high inflation and interest rates, volatile bond and equity markets and potential house price slumps is expected to impact investing clients' confidence. Investors might seek to withdraw funds to meet their cost of living increase which would impact the value of our FUD and future income streams. |
| | · Geopolitical risk | · The potential for further geopolitical global shocks is increasing. In addition to the humanitarian impact of the Ukraine/Russia war, a severe energy crisis has emerged impacting European countries which is impacting the post COVID economic recovery and cost of living. The potential for a further deterioration in USA and China trading arrangements may well impact supply chains especially the computer chip market. Sanctions reprisals with Russia might lead to technology reprisals through cyber threats on the financial services sector. |
| | · Financial Crime Fraud | · The emergence of more sophisticated instances of financial crime impacting our security and reputation across the client base. |
| | · Disruptive market influences | The independent adviser model is dramatically impacted as a result of prolonged economic factors, new technological entrants and a more aggressive acquisition by vertically integrated firms reducing our adviser/client base. |
| Medium-term risks | · Climate change | · A disorderly transition towards a low carbon economy might lead to additional and burdensome regulation and policies being imposed on companies. This has the potential to have two impacts, firstly on the value of other companies and, hence, our FUD with the consequence of impacting our revenues; secondly on the cost base from our suppliers imposing a premium as we strive to deliver our operational climate strategies in terms of premises, workforce travel, energy suppliers and the supply and disposal of consumables, e.g. IT equipment, paper, water. |
| | · Regulatory changes and a shifting focus | · Changing expectations of the UK and Isle of Man regulators. Increasing regulatory scrutiny or focus impacting our platform business model.<br>· Shift in tax regime which may alter the tax benefits of pensions and ISAs. The shift in the tax treatment of savings commonly referenced as EET and TEE[1].<br>· Changes in international tax rules and the impact on the Group's Isle of Man Company, ILInt, with the potential for IOM corporate profits to be taxed at 15%. |
| Longer-term risks | · Generational shift in customers and expectations | · The aging population is shifting the longer term savings habits and expectations. The cost of an aging demographic population suggests that higher taxes may be required of a smaller working population creating less savings opportunities. Surveys suggest that Gen-X and Millennials are more conservative investors with many indicating a preference to hold cash. The further advancement of technology may well impact the employment markets and our target markets in the longer term. |

The directors have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity, and have concluded that the Group is well positioned to manage these risks.

## Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and parent Company financial statements in accordance with UK-adopted international accounting standards ("IFRSs"). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- in respect of the Group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent Company financial statements, state whether *UK-adopted international 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/ or the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and the Group and enable them to ensure that the Company and the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

### Directors' responsibilities pursuant to DTR4

The directors confirm, to the best of their knowledge:

- that the consolidated financial statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit of the parent Company and undertakings included in the consolidation taken as a whole;
- that the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

By order of the board,

**Helen Wakeford**
**Company Secretary**
13 December 2022

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | 2022 £'m | 2021 £'m |
|---|---|---|---|
| **Revenue** | | | |
| Fee income | **5** | 133.6 | 123.7 |
| Cost of sales | | (2.1) | (1.5) |
| **Gross profit** | | 131.5 | 122.2 |
| | | | |
| **Expenses** | | | |
| Administrative expenses | **8** | (77.7) | (58.8) |
| Credit loss allowance on financial assets | **22** | (0.2) | (0.2) |
| **Operating profit** | | **53.6** | **63.2** |
| | | | |
| Interest expense | **25** | (0.1) | (0.2) |
| Interest income | **9** | 0.8 | 0.1 |

| | | | |
|---|---|---|---|
| **Net policyholder returns**[1] | | | |
| Net income/(loss) attributable to policyholder returns | | (38.5) | 31.5 |
| Change in investment contract liabilities | | 2,770.3 | (2,736.1) |
| Fee and commission expenses | **18** | (192.6) | (204.1) |
| Policyholder investment returns | **10** | (2,577.7) | 2,940.2 |
| **Net policyholder returns** | | (38.5) | 31.5 |
| **Profit on ordinary activities before taxation attributable to policyholders and shareholders** | | **15.8** | **94.6** |
| Policyholder tax credit/(charge) | | 38.5 | (31.0) |
| **Profit on ordinary activities before taxation attributable to shareholders** | | **54.3** | **63.6** |
| Total tax attributable to shareholder and policyholder returns | **11** | 28.2 | (43.5) |
| Less: tax attributable to policyholder returns | | (38.5) | 31.0 |
| **Shareholder tax on profit on ordinary activities** | | **(10.3)** | **(12.5)** |
| **Profit for the financial year** | | **44.0** | **51.1** |
| **Other comprehensive (loss)/income** | | | |
| Exchange (losses)/gains arising on translation of foreign operations | | 0.1 | (0.1) |
| **Total other comprehensive (losses)/income for the financial year** | | **0.1** | **(0.1)** |
| **Total comprehensive income for the financial year** | | **44.1** | **51.0** |
| **Earnings per share** | | | |
| Earnings per share - basic and diluted | **7** | 13.3p | 15.4p |

[1] See note 1 for details on the presentational changes to policyholder balances.

All activities of the Group are classed as continuing.

**Notes 1 to 35 form part of these Financial Statements.**

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | 2022<br>£'m | 2021<br>£'m |
|---|---|---|---|
| **Non-current assets** | | | |
| Loans | **16** | 5.5 | 3.4 |
| Intangible assets | **12** | 21.8 | 22.3 |
| Property, plant and equipment | **13** | 1.2 | 1.8 |
| Right-of-use assets | **14** | 2.1 | 3.6 |
| Deferred tax asset | **26** | 6.0 | 0.7 |
| | | **36.6** | **31.8** |
| **Current assets** | | | |
| Financial assets at fair value through profit or loss | **21** | 3.1 | 5.1 |
| Other prepayments and accrued income | **22** | 17.2 | 16.0 |
| Trade and other receivables | **23** | 2.0 | 3.7 |
| Cash and cash equivalents | **19** | 183.0 | 176.1 |
| Current tax asset | | 15.0 | 1.1 |
| | | **220.3** | **202.0** |
| **Current liabilities** | | | |
| Trade and other payables | **24** | 21.5 | 17.4 |
| Provisions | **28** | 10.7 | 11.6 |
| Lease liabilities | **25** | 1.9 | 2.3 |
| | | **34.1** | **31.3** |
| **Non-current liabilities** | | | |
| Provisions | **28** | 46.1 | 6.2 |
| Contingent consideration | **29** | 1.7 | 0.8 |
| Lease liabilities | **25** | 0.9 | 2.7 |
| Deferred tax liabilities | **26** | 0.9 | 29.5 |
| | | **49.6** | **39.2** |
| **Policyholder assets and liabilities**[1] | | | |
| Cash held for the benefit of policyholders | **20** | 1,458.6 | 1,266.3 |
| Investments held for the benefit of policyholders | **17** | 20,715.8 | 21,787.1 |
| Liabilities for linked investment contracts | **18** | (22,174.4) | (23,053.4) |
| | | **-** | **-** |
| **Net assets** | | **173.2** | **163.3** |

| | | | |
|---|---|---|---|
| **Equity** | | | |
| Called up equity share capital | | 3.3 | 3.3 |
| Share-based payment reserve | **30** | 2.6 | 2.4 |
| Employee Benefit Trust reserve | **31** | (2.4) | (2.1) |
| Foreign exchange reserve | **32** | - | (0.1) |
| Non-distributable reserves | **32** | 5.7 | 5.7 |
| Non-distributable insurance reserves | **32** | - | 0.5 |
| Retained earnings | | 164.0 | 153.6 |
| **Total equity** | | **173.2** | **163.3** |

[1] See note 1 for details on the presentational changes to policyholder balances.

These Financial Statements were approved by the Board of Directors on 13 December 2022 and are signed on their behalf by:

**Alexander Scott**
**Director**
Company Registration Number: 08860879

Notes 1 to 35 form part of these Financial Statements

## COMPANY STATEMENT OF FINANCIAL POSITION

| | Note | 2022 £'m | 2021 £'m |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in subsidiaries | **15** | 33.3 | 31.6 |
| Loans receivable | **16** | 5.5 | 3.4 |
| | | **38.8** | **35.0** |
| **Current assets** | | | |
| Prepayments | **22** | 0.1 | - |
| Other receivables | **23** | 0.2 | 0.1 |
| Cash and cash equivalents | | 33.1 | 31.0 |
| | | **33.4** | **31.1** |
| **Current liabilities** | | | |
| Trade and other payables | **24** | 2.4 | 2.4 |
| Loans payable | **16** | 1.0 | 1.0 |
| | | **3.4** | **3.4** |
| **Non-current liabilities** | | | |

| | | | |
|---|---|---|---|
| Contingent consideration | **29** | 1.7 | 0.8 |
| Loans payable | **16** | 7.0 | 8.0 |
| | | **8.7** | **8.8** |
| **Net assets** | | **60.1** | **53.9** |
| **Equity** | | | |
| Called up equity share capital | | 3.3 | 3.3 |
| Share-based payment reserve | **30** | 2.2 | 1.7 |
| Employee Benefit Trust reserve | **31** | (2.1) | (1.8) |
| *Profit or loss account* | | | |
| Brought forward retained earnings | | 50.7 | 42.0 |
| Profit for the year | | 39.8 | 37.2 |
| Dividends paid in the year | | (33.8) | (28.5) |
| Profit or loss account | | 56.7 | 50.7 |
| **Total equity** | | **60.1** | **53.9** |

The Company has taken advantage of the exemption in section 408 (3) of the Companies Act 2006 not to present its own income statement in these financial statements.

These Financial Statements were approved by the Board of Directors on 13 December 2022 and are signed on their behalf by:

**Alexander Scott**
**Director**
Company Registration Number: 08860879

**Notes 1 to 35 form part of these Financial Statements.**

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | 2022 £'m | 2021 £'m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit on ordinary activities before taxation | | 54.3 | 63.6 |
| **Adjustments for income statement non-cash movements:** | | | |
| Amortisation and depreciation | | 3.0 | 3.1 |
| Share-based payment charge | | 2.0 | 1.9 |
| Release of actuarial provision | | (0.5) | - |
| **Adjustments for cash effecting investing activities:** | | | |
| Interest on cash and loans | | (0.8) | (0.1) |
| Interest charged on lease | | 0.1 | 0.2 |
| Decrease/(increase) in current asset investments | | 2.0 | (0.1) |
| **Adjustments for statement of financial position movements:** | | | |
| Decrease / (increase) in trade and other receivables | | 0.5 | (1.3) |
| Increase / (decrease) in trade and other payables | | 4.0 | (2.1) |
| Increase in contingent consideration | | 0.9 | 0.7 |
| Decrease in share-based payment reserve | | (1.3) | (1.2) |
| Increase / (decrease) in provisions | | 39.0 | (7.4) |
| **Adjustments for policyholder balances:** | | | |
| (Decrease)/ increase in investments held for the benefit of policyholders | | 1,071.3 | (5,059.9) |
| Increase in liabilities for linked investment contracts | | (879.0) | 4,940.5 |
| (Decrease)/increase in policyholder tax recoverable | | (44.5) | 19.4 |
| **Cash generated (used in)/generated from operations** | | **251.0** | **(42.7)** |
| Income taxes paid | | (13.5) | (13.3) |
| Interest paid on lease liabilities | | (0.1) | (0.2) |
| **Net cash flows (used in)/generated from operating activities** | | **237.5** | **(56.2)** |
| **Investing activities** | | | |
| Acquisition of tangible assets | | (0.4) | (0.7) |
| Acquisition of subsidiary, net of cash acquired | | - | (7.9) |
| Increase in loans | | (2.1) | (0.8) |
| Interest on cash held | | 0.8 | 0.1 |

| | | |
|---|---|---|
| **Net cash used in investing activities** | **(1.7)** | **(9.3)** |
| **Financing activities** | | |
| Purchase of own shares in Employee Benefit Trust | (0.5) | (1.0) |
| Equity dividends paid | (33.7) | (28.5) |
| Repayment of lease liabilities | (2.4) | (2.3) |
| **Net cash used in financing activities** | **(36.6)** | **(31.8)** |

## CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

| | | |
|---|---|---|
| **Net (decrease)/increase in cash and cash equivalents** | **199.2** | **(97.3)** |
| **Cash and cash equivalents at beginning of year** | **1,442.4** | **1,539.8** |
| Exchange (losses)/gains on cash and cash equivalents | - | (0.1) |
| **Cash and cash equivalents at end of year** | **1,641.6** | **1,442.4** |

| | | |
|---|---|---|
| **Cash and cash equivalents consist of:** | | |
| Cash and cash equivalents | 183.0 | 176.1 |
| Cash held for the benefit of policyholders | 1,458.6 | 1,266.3 |
| **Cash and cash equivalents** | **1,641.6** | **1,442.4** |

**Notes 1 to 35 form part of these Financial Statements.**

## COMPANY STATEMENT OF CASH FLOWS

| | Note | 2022 £'000 | 2021 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before interest and dividends | | (4.9) | (4.8) |
| **Adjustment for statement of financial position movements:** | | | |
| Decrease/(increase) in trade and other receivables | | (0.2) | 0.2 |
| Increase/(decrease) in trade and other payables | | - | 1.7 |
| Increase in contingent consideration | | 0.9 | 0.7 |
| Settlement of share-based payment reserve | | (1.3) | (1.1) |
| **Net cash flows used in operating activities** | | **(5.5)** | **(3.3)** |
| **Investing activities** | | | |
| Acquisition of subsidiary | | - | (8.6) |
| Purchase of subsidiary share capital | | - | (4.0) |
| Dividends received | | 45.0 | 42.1 |
| Interest received | | 0.2 | 0.1 |
| Increase in loans receivable | | (2.0) | (0.8) |
| **Net cash generated from investing activities** | | **43.3** | **28.8** |
| **Financing activities** | | | |
| Purchase of own shares in Employee Benefit Trust | | (0.5) | (0.9) |
| Increase in loans payable | | - | 10.0 |
| Repayment of loans | | (1.0) | (1.0) |
| Interest expense on loans | | (0.2) | (0.2) |
| Equity dividends paid | | (33.8) | (28.5) |
| **Net cash used in financing activities** | | **(35.5)** | **(20.6)** |
| **Net increase in cash and cash equivalents** | | **2.2** | **4.9** |
| **Cash and cash equivalents at beginning of year** | | **31.0** | **26.1** |
| **Cash and cash equivalents at end of year** | | **33.2** | **31.0** |

**Notes 1 to 35 form part of these Financial Statements.**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital £'m | Non-distributable insurance and other reserves £'m | Share-based payment reserve £m | Employee Benefit Trust £'m | Retained earnings £'m | Total equity £'m |
|---|---|---|---|---|---|---|
| **Balance at 1 October 2020** | **3.3** | **6.2** | **1.7** | **(1.1)** | **130.8** | **140.9** |
| **Comprehensive income for the year:** | | | | | | |
| Profit for the year | - | - | - | - | 51.1 | 51.1 |
| Movement in currency translation | - | (0.1) | - | - | - | (0.1) |
| **Total comprehensive income for the year** | **-** | **(0.1)** | **-** | **-** | **51.1** | **51.0** |
| Share-based payment expense | - | - | 1.9 | - | - | 1.9 |
| Settlement of share based payment | - | - | (1.2) | - | - | (1.2) |
| Purchase of own shares in EBT | - | - | - | (1.0) | - | (1.0) |
| Excess tax relief charged to equity | - | - | 0.1 | - | - | 0.1 |
| Other movement | - | - | (0.1) | - | 0.1 | - |
| **Distributions to owners - Dividends paid** | **-** | **-** | **-** | **-** | **(28.5)** | **(28.5)** |
| **Balance at 30 September 2021** | **3.3** | **6.2** | **2.4** | **(2.1)** | **153.5** | **163.3** |
| **Balance at 1 October 2021** | | | | | | |
| **Comprehensive income for the year:** | | | | | | |
| Profit for the year | **-** | **-** | **-** | **-** | 44.0 | 44.0 |
| Movement in currency translation | **-** | **0.1** | **-** | **-** | **-** | 0.1 |
| **Total comprehensive income for the year** | **-** | **0.1** | **-** | **-** | **44.0** | **44.1** |
| Share-based payment expense | **-** | **-** | 2.0 | **-** | **-** | 2.0 |
| Settlement of share based payment | **-** | **-** | (1.5) | **-** | **-** | (1.5) |
| Purchase of own shares in EBT | **-** | **-** | - | (0.5) | **-** | (0.5) |
| Excess tax relief charged to equity | **-** | **-** | (0.3) | **-** | **-** | (0.3) |
| Exercised share options | **-** | **-** | - | 0.2 | (0.2) | **-** |
| Release of actuarial reserve | **-** | (0.5) | | **-** | 0.5 | **-** |
| Other movement | **-** | **-** | - | **-** | **-** | **-** |
| **Distributions to owners - Dividends paid** | **-** | **-** | **-** | **-** | **(33.9)** | **(33.9)** |
| **Balance at 30 September 2022** | **3.3** | **5.7** | **2.6** | **(2.4)** | **164.0** | **173.2** |

**Notes 1 to 35 form part of these Financial Statements.**

## COMPANY STATEMENT OF CHANGES IN EQUITY

| | Share capital £'m | Share-based payment reserve £'m | Employee Benefit Trust £'m | Retained earnings £'m | Total equity £'m |
|---|---|---|---|---|---|
| **Balance at 1 October 2020** | **3.3** | **1.1** | **(0.9)** | **42.0** | **45.5** |
| **Comprehensive income for the year:** | | | | | |
| Profit for the year | - | - | **-** | 37.2 | 37.2 |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **37.2** | **37.2** |
| Settlement of share-based payments | - | 0.6 | **-** | - | 0.6 |
| Purchase of own shares in EBT | - | - | (0.9) | - | (0.9) |
| **Distributions to owners - dividends** | **-** | **-** | **-** | **(28.5)** | **(28.5)** |

| | | | | | |
|---|---|---|---|---|---|
| **Balance at 30 September 2021** | **3.3** | **1.7** | **(1.8)** | **50.7** | **53.9** |
| **Comprehensive income for the year:** | | | | | |
| Profit for the year | - | - | - | 40.0 | 40.0 |
| **Total comprehensive income for the year** | - | - | - | **40.0** | **40.0** |
| Settlement of share-based payments | - | 0.5 | - | - | 0.5 |
| Purchase of own shares in EBT | - | - | (0.5) | - | (0.5) |
| **Distributions to owners - dividends** | - | - | - | **(33.8)** | **(33.8)** |
| **Balance at 30 September 2022** | **3.3** | **2.2** | **(2.3)** | **56.9** | **60.1** |

**Notes 1 to 35 form part of these Financial Statements.**

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Basis of preparation and significant accounting policies

**General information**

IntegraFin Holdings plc (the "Company"), a public limited Company incorporated and domiciled in the United Kingdom ("UK"), along with its subsidiaries (collectively the "Group"), offers a range of services which are designed to help financial advisers and their clients to manage financial plans in a simple, effective and tax efficient way.

The registered office address, and principle place of business, is 29 Clement's Lane, London, EC4N 7AE.

**a) Basis of preparation**

The consolidated Financial Statements have been prepared and approved by the directors in accordance with UK-adopted International Accounting Standards.

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.

Climate risks have been considered where appropriate in the preparation of these Financial Statements, with particular consideration given to the impact of climate risk on the fair value calculations and impairment assessments. This has concluded that the impact of climate risk on the financial statements is not material.

The effects of the Ukraine/Russia war has been considered in the preparation of these Financial Statements, and the impact is not material.

**Going concern**

The financial statements have been prepared on a going concern basis, following an assessment by the board.

Going concern is assessed over the 12 month period from when the Annual Report is approved, and the board has concluded that the Group has adequate resources, liquidity and capital to continue in operational existence for the next 12 months. This is supported by:

- The current financial position of the Group:
  - The Group maintains a conservative balance sheet and manages and monitors solvency and liquidity on an ongoing basis, ensuring that it always has sufficient financial resources for the foreseeable future.
  - As at 30 September 2022, the Group had £183.0 million of shareholder cash on the statement of financial position, demonstrating that liquidity remains strong.
- Detailed cash flow and working capital projections; and

- stress-testing of liquidity, profitability and regulatory capital, taking account of possible adverse changes in trading performance.

## 1. Basis of preparation and significant accounting policies (continued)

When making this assessment, the board has taken into consideration both the Group's current performance and the future outlook, including the impact of events in Ukraine and rising inflation rates. Market volatility and uncertainty is expected to continue for some time, due to these evolving world events and the effect of measures taken to combat it, but the Group's fundamentals remain strong.

Stress and scenario testing has been carried out, in order to understand the potential financial impacts of severe, yet plausible, scenarios on the Group. This assessment incorporated a number of stress tests covering a broad range of scenarios, including external market shocks, internal system and security failures, and the worsening of the COVID pandemic.
Having conducted detailed cash flow and working capital projections, and stress-tested liquidity, profitability and regulatory capital, the board is satisfied that the Group is well placed to manage its business risks.

The board is also satisfied that it will be able to operate within the regulatory capital limits imposed by the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), and Isle Man Financial Services Authority (IoM FSA). Accordingly, the board does not believe a material uncertainty exists that would have an effect on the going concern of the Group and have prepared the financial statements on a going concern basis.

**Basis of consolidation**

The consolidated Financial Statements incorporate the Financial Statements of the Company and its subsidiaries. Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is presumed to exist where the Group owns the majority of the voting rights of an entity. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases. Acquisitions are accounted for under the acquisition method. Intercompany transactions, balances, income and expenses, and profits and losses are eliminated on consolidation.

The Financial Statements of all of the wholly owned subsidiary companies are incorporated into the consolidated Financial Statements. Two of these subsidiaries, IntegraLife International LTD (ILInt) and IntegraLife UK Limited (ILUK) issue contracts with the legal form of insurance contracts, but which do not transfer significant insurance risk from the policyholder to the Company, and which are therefore accounted for as investment contracts.

In accordance with IFRS 9, the contracts concerned are therefore reflected in the consolidated statement of financial position as investments held for the benefit of policyholders, and a corresponding liability to policyholders.



**Presentational changes to Policyholder items**

Presentational changes have been made to the consolidated statement of comprehensive income and the consolidated statement of financial position in order to provide information that is more relevant to users of the financial statements, by splitting out the policyholder and shareholder values. This revised structure is likely to continue going forward and prior year comparative information has also been reclassified.

**Changes in accounting policies**

i) There have been no new standards, amendments to standards or interpretations adopted during the financial year that had a material effect.

ii) Future standards, amendments to standards, and interpretations not yet effective are noted below.

**The following amendments are effective for the period beginning 1 January 2023:**

***IFRS 17 Insurance Contracts***

In June 2022, the IASB issued amendments to IFRS 17 which will replace IFRS 4 Insurance Contracts. 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 Group has performed an assessment regarding the impact of IFRS 17 on the Financial Statements and, while the insurance companies in the Group do administer insurance business and hold capital relating to the risks associated with this, the vast majority of contracts written by the insurance companies are investment contracts under IFRS 9, and the impact of IFRS 17 will therefore be negligible.

***Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)***
In January 2020, the IASB issued amendments to IAS 1 regarding the presentation of liabilities in the statement of financial position. Presentation between current and non-current liabilities is to be based on rights in existence at year end to defer settlement. The standard now explains that settlement includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument, separate from the liability component the instrument. The surrounding wording is expected to reflect any right to defer the settlement by at least 12 months. Classifications are not expected to be impacted by expectations on whether the right to defer settlement will be exercised or not.

The Group has assessed the impact of this amendment and does not note any significant impact.

**1. Basis of preparation and significant accounting policies (continued)**

***Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)***
In February 2021, the IASB issued amendments to IAS 1 to assist in determining which accounting policies to disclose, with reference to materiality and how to determine which policies fall into this category. IFRS Practice Statement 2 includes guidance to support this.

The Group has assessed the impact of this amendment and does not note any significant impact.

***Definition of Accounting Estimates (Amendments to IAS 8)***
In February 2021, the IASB issued amendments to IAS 8 to clarify how to distinguish changes in accounting policies from changes in accounting estimates. That distinction being that changes in accounting estimates are applied prospectively to future transactions and events, but changes in accounting policies are applied retrospectively to past transactions and events.

The Group has assessed the impact of this amendment and does not note any significant impact.

***Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)***
In May 2021, the ISAB issued amendments to IAS 12 which will require recognition of deferred taxes on particular transactions which, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The Group has assessed the impact of this amendment and does not note any significant impact.

No other future standards, amendments to standards, or interpretations are expected to have a material effect on the financial statements.

**b) Principal accounting policies**

**Revenue from contracts with customers**

Revenue represents the fair value of services supplied by the Company. All fee income is recognised as revenue on an accruals basis and in line with the provision of the services.

Fee income comprises:

*Annual commission income*
Annual commission is charged for the administration of products on the Transact platform, and is levied monthly in arrears on the average value of assets and cash held on the platform in the month.

**1. Basis of preparation and significant accounting policies (continued)**

*Wrapper fee income*
Wrapper fees are charged for each of the tax wrappers held by clients, and are levied quarterly in arrears based on fixed fees for each wrapper type.

Annual commission and wrapper fees relate to services provided on an on-going basis, and revenue is therefore recognised on an on-going basis to reflect the nature of the performance obligations being discharged.

Accrued income on both annual commission and wrapper fees is recognised as a trade receivable on the statement of financial position, as the Group's right to consideration is conditional on nothing other than the passage of time.

*Licence income*
Licence income is the rental charge for use of access to T4A's CRM software. The rental charge is billed monthly in advance, based on the number of users. Revenue is recognised in line with the provision of the service.

*Consultancy income*
Consultancy income relates to consultancy services provided by T4A on an as-needs basis. Revenue is recognised when the services are provided.

*Other income*
This comprises buy commission and dealing charges. These are charges levied on the acquisition of assets, due upon completion of the transaction. Revenue is recorded on the date of completion of the transaction, as this is the date the services are provided to the customer.

**Investment income**
Interest on shareholder cash, policyholder cash and coupon on shareholder gilts are the three sources of investment income received. These are recognised in the Consolidated Statement of Comprehensive Income in interest income and within policy holder returns. Interest income is recognised using the effective interest method.

**Fee and commission expenses**
Fee and commission expenses are paid by ILUK and ILInt policyholders to their financial advisers. Expenses comprise annual commission which is levied monthly in arrears on the average value of assets and cash held on the platform in the month and upfront fees charged on new premiums on the platform.

**Investments**
Fixed asset investments in subsidiaries are stated at cost less any provision for impairment.

Other investments comprise UK Government fixed interest securities backing insurance contracts or held as shareholder investments. These investments are mandatorily held at 'fair value through profit or loss' at initial recognition and are stated at quoted bid prices which equates to fair value, with any resultant gain or loss recognised in profit or loss. Purchases and sales of securities are recognised on the trade date.

**1. Basis of preparation and significant accounting policies (continued)**

***Investment contracts - investments held for the benefit of policyholders***
Investment contracts held for the benefit of policy holders are comprised of unit-linked contracts. Investments held for the benefit of policyholders are stated at fair value and reported on a separate line in the statement of financial position, see accounting policy on financial instruments for fair value determination. Investment contracts result in financial liabilities whose fair value is dependent on the fair value of underlying financial assets. They are designated at inception as financial liabilities at 'fair value through profit or loss' in order to reduce an accounting mismatch with the underlying financial assets. Gains and losses arising from changes in fair value are presented in the consolidated profit and loss and other comprehensive income statement within "investment returns".

Investment inflows received from policyholders are invested in funds selected by the policyholders. The resulting liabilities for linked investment contracts are accounted for under the 'fair value through profit or loss' option, in line with the corresponding assets as permitted by IFRS 9.

As all investments held for the benefit of policyholders are matched entirely by corresponding linked liabilities, any gain or loss on assets recognised through the consolidated profit and loss and other comprehensive income statement are offset entirely by the gains and losses on linked liabilities, which are recognised within the "change in investment contract liabilities" line. The overall net impact on profit is therefore £nil.

Valuation techniques are used to establish the fair value at inception and each reporting date. The Company's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data. The financial liability is measured both initially and subsequently at fair value. The fair value of a unit-linked financial liability is determined using the fair value of the financial assets contained within the funds linked to the financial liability.

**Dividends**

Dividends are usually announced with the Group's interim and annual results. Equity dividends paid are recognised in the accounting period in which the dividends are declared and approved. The reduction in equity in the year therefore comprises the prior year second interim dividend and the current year interim dividend.

**Intangible non-current assets**
Intangible non-current assets, excluding goodwill, are stated at cost less accumulated amortisation and comprise intellectual property software rights. The software rights were amortised over seven years on a straight line basis, as it was estimated that the code would be replaced every seven years, and therefore have a finite useful life. The software rights are now fully amortised, but due to ongoing system development and coding updates no replacement is required. Goodwill is held at cost and, in accordance with IFRS, is not amortised but is subject to annual impairment reviews.

**1. Basis of preparation and significant accounting policies (continued)**

**Property, plant and equipment**
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the

Company and the cost can be measured reliably. Repairs and maintenance costs are charged to the profit and loss and other comprehensive income statement during the period in which they are incurred.

The major categories of property, plant, equipment and motor vehicles are depreciated as follows:

| **Asset class** | **All UK and Isle of Man entities** | **Australian entity** |
|---|---|---|
| Leasehold improvements | Straight line over the life of the lease | Straight line over 40 years |
| Fixtures & Fittings | Straight line over 10 years | Reducing balance over 2 to 8 years |
| Equipment | Straight line over 3 to 10 years | Reducing balance over 3 to 10 years |
| Motor vehicles | N/A | Reducing balance over 2 to 8 years |

Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

**Business combinations**
The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the statement of comprehensive income.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange.

**1. Basis of preparation and significant accounting policies (continued)**

The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in the statement of comprehensive income.

Contingent arrangements payable to selling shareholders that continue providing services are assessed to determine if there is an element of payment for post-combination services. The element that is determined to relate to post-combination services is recognised in the statement of comprehensive income across the periods to which the services relate.

**Goodwill and goodwill impairment**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired entity at the date of acquisition. Goodwill is recognised as an asset at cost at the date when control is achieved and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is allocated to one or more cash generating units (CGUs) expected to benefit from the synergies of the combination, where the CGU represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Goodwill is reviewed for impairment at least once annually, and also whenever circumstances or events indicate there may be uncertainty over this value. The impairment assessment compares the carrying value of goodwill to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

**Intangible assets acquired as part of a business combination**

Intangible assets acquired as part of a business combination are recognised where they are separately identifiable and can be measured reliably.

Acquired intangible assets consist of contractual customer relationships, software and brand. These items are capitalised at their fair value, which are based on either the 'Relief from Royalty' valuation methodology or the 'Multi-period Excess Earnings Method', as appropriate for each asset. Subsequent to initial recognition, acquired intangible assets are measured at cost less accumulated amortisation and any recognised impairment losses.

Amortisation is recognised in the consolidated statement of comprehensive income within administration expenses on a straight line basis over the estimated useful lives of the assets, which are as follows:

| **Asset class** | **Useful life** |
|---|---:|
| Customer relationships | 15 years |
| Software | 7 years |
| Brand | 10 years |

**1. Basis of preparation and significant accounting policies (continued)**

The method of amortisation and useful lives of the assets are reviewed annually and adjusted if appropriate.

**Impairment of non-financial assets**

Property, plant and equipment, right-of-use assets and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying

amount may not be recoverable. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset).
The Group evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Goodwill is tested for impairment annually, and once an impairment is recognised this cannot be reversed. For more detailed information in relation to this, please see note 12.

**Pensions**

The Group makes defined contributions to the personal pension schemes of its employees. These are chargeable to profit or loss in the year in which they become payable.

**Foreign currencies**

Transactions in foreign currencies are translated into the functional currency at the exchange rate in effect at the date of the transaction. Foreign currency monetary assets and liabilities are translated to sterling at the yearend closing rate. Foreign exchange rate differences that arise are reported net in profit or loss as foreign exchange gains/losses.

The assets and liabilities of foreign operations are translated to sterling using the year end closing exchange rate. The revenues and expenses of foreign operations are retranslated to sterling at rates approximating the foreign exchange rates ruling at the relevant month of the transactions. Foreign exchange differences arising on retranslation are recognised directly in the reserves.

**Taxation**

The taxation charge is based on the taxable result for the year. The taxable result for the year is determined in accordance with enacted legislation and taxation authority practice for calculating the amount of corporation tax payable.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base. Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

**1. Basis of preparation and significant accounting policies (continued)**

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax assets/liabilities are recovered/settled.

*Policyholder Tax*

HMRC requires ILUK to charge basic rate income tax on its life insurance policies (FA 2012, s102). ILUK collects this tax quarterly, by charging 20% tax (2021: 20%) on gains from assets held in the policies, based on the policyholder's acquisition costs and market value at each quarter end. Additional charges are applied on any increases

in the previously charged gain. The charge is adjusted by the fourth financial year quarter so that the total charge for the year is based on the gain at the end of the financial year. When assets are sold at a loss, or reduce in market value by the financial year end, a refund of the charges may be applied. Policyholder tax is recorded as an expense in the statement of comprehensive income, with a corresponding liability recognised on the statement of financial position (under IAS 12).

**Segmental reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Chief Executive Officer of the Company.

For the year ended 30 September 2022, the business of ILUK and ILInt was the direct insurance of investment linked pensions business written by single premium in the United Kingdom, and single premium life assurance linked bonds and linked qualifying investment plans written in the United Kingdom and Isle of Man. Insurance risk is minimal as all contracts have been classed as investment contracts.

**Client assets and client monies**

Integrated Financial Arrangements Ltd (IFAL) client assets and client monies are not recognised in the parent and consolidated statements of financial position (see note 27) as they are owned by the clients of IFAL.

**Lease assets and lease liabilities**

*Right-of-use assets*
The Group recognises right-of-use assets on the date the leased asset is made available for use by the Group. These assets relate to rental leases for the office of the Group, which have varying terms clauses and renewal rights. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date.

Depreciation is applied in accordance with IAS 16: Property, Plant and Equipment. Right-of-use assets are depreciated over the lease term. See note 13 and 14.

**1. Basis of preparation and significant accounting policies (continued)**

*Lease liabilities*

The Group measures lease liabilities in line with IFRS 16 on the balance sheet as the present value of all future lease payments, discounted using the incremental borrowing rate of 3.2% at the date of commencement. After the commencement date, the amount of lease liabilities is increased to reflect the addition of interest and reduced for the lease payments made. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. See note 25.

*Short-term leases*
The Group defines short-term leases as those with a lease term of 12 months or less and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expenses on a straight line basis over the term of lease.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances from instant access and notice accounts, call deposits, and other short-term deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value. Cash and cash equivalents held for the benefit of the policyholders are held to cover the liabilities for unit linked investment contracts. These amounts are 100% matched to corresponding liabilities.

**Financial instruments**

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

At initial recognition, the Company classifies its financial instruments in the following categories, based on the business model in which the assets are managed and their cash flow characteristics:

(i) *Financial assets and liabilities at fair value through profit or loss*
This category includes financial assets and liabilities acquired principally for the purpose of selling or repurchasing in the short-term, comprising of listed shares and securities and investments in quoted debt instruments.

Financial instruments in this category are recognised on the trade date, and subsequently measured at fair value. Purchases and sales of securities are recognised on the trade date. Transaction costs are expensed in the consolidated profit and loss and other comprehensive income statement. Gains and losses arising from changes in fair value are presented in the consolidated profit and loss and other comprehensive income statement within "investment returns" for corporate assets and "net income attributable to policyholder returns" for policyholder assets in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realised or paid beyond twelve months of the balance sheet date, which are classified as long-term.

**1. Basis of preparation and significant accounting policies (continued)**

*(ii) Financial assets at amortised cost*

These assets comprised of accrued fees, trade and other receivables, loans, and cash and cash equivalents. These are included in current assets due to their short-term nature, except for the element of the loan payable to subsidiary which is to be settled after 12 months, which is included in non-current assets.

Financial assets are measured at amortised cost when they are held within the business model whose objective is to hold assets to collect contractual cash flows and their contractual cash flows represent solely payments of principal and interest.

The carrying value of assets held at amortised cost are adjusted for impairment arising from expected credit losses.

*(iii) Financial liabilities at amortised cost*
Financial liabilities at amortised cost comprise trade and other payables and loans payable. These are initially recognised at fair value. Subsequent measurement is at amortised cost using the effective interest method. Trade and other payables are classified as current liabilities due to their short-term nature. The loan is split between current and non-current liabilities, based on the repayment terms.

*Impairment of financial assets*
Expected credit losses are required to be measured through a loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses from possible default events within 12 months after the reporting date); or

- full lifetime expected credit losses (expected credit losses from all possible default events over the life of the financial instrument).

A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables, where the simplified approach is applied to assets that do not contain a significant financing component.

For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

Impairment losses on financial assets carried at amortised cost are reversed in subsequent periods if the expected credit losses decrease.

**Provisions**

Provisions are recognised when the Company has an obligation, legal or constructive, as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are estimated at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present values where the effect is material.

**1. Basis of preparation and significant accounting policies (continued)**

The ILUK policyholder reserves, which are part of the provisions balance, arises from tax reserve charges collected from life insurance policyholders, which are held to cover possible future tax liabilities. If no tax liability arises the charges are refunded to policyholders, where possible. As these liabilities are of uncertain timing or amounts, they are recognised as provisions on the statement of financial position.

Balances due to HMRC are considered under IAS 12 Income Taxes, whereas balances due to policyholders are considered under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

**Share-based payments**

Equity-settled share-based payment awards granted to employees are measured at fair value at the date of grant. The awards are recognised as an expense, with a corresponding increase in equity, spread over the vesting period of the awards, which accords with the period for which related services are provided.

The total amount expensed is determined by reference to the fair value of the awards as follows:

*(i) Share Incentive Plan (SIP) shares*
The fair value is the market price on the grant date. There are no vesting conditions, as the employees receive the shares immediately upon grant.

*(ii) Performance share plan (PSP) share options*
The fair value of share options is determined by applying a valuation technique, usually an option pricing model, such as Black Scholes. This takes into account factors such as the exercise price, the share price, volatility, interest rates, and dividends.

At each reporting date, the estimate of the number of share options expected to vest based on the non-market vesting conditions is assessed. Any change to original estimates is recognised in the statement of comprehensive income, with a corresponding adjustment to equity reserves.

**2. Critical accounting estimates and judgements**

Critical accounting estimates are those where there is a significant risk of material adjustment in the next 12 months, and critical judgements are those that have the most significant effect on amounts recognised in the accounts.

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. Management uses its knowledge of current facts and applies estimation and assumption techniques that are aligned with relevant accounting policies to make predictions about the future. Actual results may differ from these estimates.

Estimates and judgements are reviewed on an ongoing basis and revisions are recognised in the period in which the estimate is revised. There are no assumptions made about the future, or other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## 2. Critical accounting estimates and judgements (continued)

*Judgements which do not involve estimates*

The assessment to recognise the ILUK policyholder provision comes from an evaluation of the likelihood of a constructive or legal obligation, and whether that obligation can be estimated reliably. The provision required has been calculated based on an assessment of tax payable to HM Revenue & Customs (HMRC) and refunds payable back to policyholders.

## 3. Financial instruments

*(i) Principal financial instruments*

The principal financial instruments, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Accrued fees
- Investments in quoted debt instruments
- Listed shares and securities
- Trade and other payables
- Loans

*(ii) Financial instruments by category*

As explained in note 1, 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 statement of comprehensive income. The following tables show the carrying values of assets and liabilities for each of these categories for the Group:

Financial assets:

| | **Fair value through profit or loss** | | **Amortised cost** | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **£'m** | **£'m** | **£'m** | **£'m** |
| Cash and cash equivalents | - | - | 183.0 | 176.1 |
| Cash and cash equivalents policyholder | - | - | 1,458.6 | 1,266.3 |
| Listed shares and securities | 0.1 | 0.1 | - | - |
| Loans | - | - | 5.5 | 3.4 |
| Investments in quoted debt instruments | 3.0 | 5.0 | - | - |
| Accrued income | - | - | 12.1 | 12.0 |
| Trade and other receivables | - | - | 0.6 | 0.9 |
| Investments held for the policyholders | 20,715.8 | 21,787.1 | - | - |
| **Total financial assets** | **20,718.9** | **21,792.2** | **1,659.8** | **1,458.7** |

Financial liabilities:

| | **Fair value through profit or loss** | | **Amortised cost** | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **£'m** | **£'m** | **£'m** | **£'m** |
| Trade and other payables | - | - | 7.4 | 7.1 |
| Accruals | - | - | 3.0 | 7.9 |
| Lease liabilities | - | - | 2.8 | 5.0 |
| Deferred consideration | - | - | 1.7 | 1.7 |
| Contingent consideration | 1.7 | 0.8 | - | - |
| Liabilities for linked investments contracts | 22,174.4 | 23,053.4 | - | - |
| **Total financial liabilities** | **22,176.1** | **23,054.2** | **14.9** | **21.7** |

## 3. Financial instruments (continued)

The following tables show the carrying values of assets and liabilities for each of these categories for the Company:

Financial assets:

| | **Fair value through profit or loss** | | **Amortised cost** | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **£'m** | **£'m** | **£'m** | **£'m** |
| Cash and cash equivalents | - | - | 33.1 | 31.0 |

| | | | | |
|---|---|---|---|---|
| Trade and other receivables | - | - | 0.2 | - |
| Loans | - | - | 5.5 | 3.4 |
| **Total financial assets** | **-** | **-** | **38.8** | **34.4** |

Financial liabilities:

| | **Fair value through profit or loss** | | **Amortised cost** | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **£'m** | **£'m** | **£'m** | **£'m** |
| Trade and other payables | - | - | 0.4 | - |
| Loans | - | - | 8.0 | 9.0 |
| Deferred consideration | - | - | 1.7 | 2.5 |
| Contingent consideration | 1.7 | 0.8 | - | - |
| Accruals | - | - | 0.2 | 0.4 |
| **Total financial liabilities** | **1.7** | **0.8** | **10.3** | **11.9** |

*(iii) 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.

*(iv) 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 recorded at fair value through the profit or loss and reported on a separate line in the statement of financial position.

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

**3. Financial instruments (continued)**

The following table shows the three levels of the fair value hierarchy:

| **Fair value hierarchy** | **Description of hierarchy** | **Types of investments classified at each level** |
|---|---|---|
| Level 1 | Quoted prices (unadjusted) in active markets for identical assets. | Listed equity securities, gilts, actively traded pooled investments such as OEICS and unit trusts. |
| 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). | Actively traded unlisted equity securities where there is no significant unobservable inputs, structured products and regularly priced but not actively traded instruments. |
| Level 3 | Inputs that are not based on observable market data (unobservable inputs). | Unlisted equity securities with significant unobservable inputs, inactive pooled investments. |

For the purposes of identifying level 3 assets, unobservable inputs means that current observable market information is no longer available. Where these assets arise management will value them based on the last known observable market price. No other valuation techniques are applied.

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

| **2022** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **£'m** | **£'m** | **£'m** | **£'m** |
| **Investments and assets held for the benefit of policyholders** | | | | |
| Term deposit | 63.9 | - | - | 63.9 |

| | | | | |
|---|---|---|---|---|
| Investments and securities | 631.9 | 137.9 | 0.3 | 770.1 |
| Bonds and other fixed-income securities | 10.9 | 1.2 | - | 12.1 |
| Holdings in collective investment schemes | 19,730.4 | 137.7 | 1.6 | 19,869.7 |
| | **20,437.1** | **276.8** | **1.9** | **20,715.8** |
| Other investments | 3.0 | - | - | 3.0 |
| **Total** | **20,440.1** | **276.8** | **1.9** | **20,718.8** |

| **2021** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **£'m** | **£'m** | **£'m** | **£'m** |
| **Investments and assets held for the benefit of policyholders** | | | | |
| Investments and securities | 633.6 | 163.9 | 0.4 | 797.9 |
| Bonds and other fixed-income securities | 14.8 | 0.6 | - | 15.4 |
| Holdings in collective investment schemes | 20,859.0 | 113.3 | 1.5 | 20,973.8 |
| | **21,507.4** | **277.8** | **1.9** | **21,787.1** |
| Other investments | 5.0 | - | - | 5.0 |
| **Total** | **21,512.4** | **277.8** | **1.9** | **21,792.1** |

The Group regularly reviews whether a market is active or not, based on available market data and the specific circumstances of each market.

## 3. Financial instruments (continued)

**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**

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 assets have unobservable inputs as the current observable market information is no longer available. Where these assets arise management will value them based on the last known observable market price. No other valuation techniques are applied.

**Level 3 sensitivity to changes in unobservable measurements**

For financial assets assessed as Level 3, based on its review of the prices used, the Group 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 and whether a market is now active or not.

Transfers between Levels between 01 October 2021 and 30 September 2022 are presented in the table below at their valuation at 30 September 2022:

| **Transfers from** | **Transfers to** | **£'m** |
|---|---|---|
| Level 1 | Level 2 | 18.8 |
| Level 2 | Level 1 | 1.3 |

## 3. Financial instruments (continued)

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

| | **2022** | **2021** |
|---|---|---|

| | £'m | £'m |
|---|---|---|
| **Opening balance** | **1.9** | **1.7** |
| Unrealised gains or losses in the year ended 30 September 2022 | (0.4) | (0.2) |
| Transfers in to Level 3 at 30 September 2022 valuation | 0.4 | 1.1 |
| Transfers out of Level 3 at 30 September 2022 valuation | - | (0.7) |
| **Closing balance** | **1.9** | **1.9** |

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

The Group regularly assesses assets to ensure they are categorised correctly and Fair Value Hierarchy (FVH) levels adjusted accordingly. The Group monitors situations that may impact liquidity such as suspensions and liquidations while also actively collecting observable market prices from relevant exchanges and asset managers. Should an asset price become observable following the resumption of trading the FVH level will be updated to reflect this.

(v) *Capital maintenance*

The regulated companies in the Group are subject to capital requirements imposed by the relevant regulators as detailed below:

| **Legal entity** | **Regulatory regime** |
|---|---|
| IFAL | IFRP |
| ILUK | Solvency II |
| ILInt | Isle of Man risk based capital regime |

Group capital requirements for 2022 are driven by the regulated entities, whose capital resources and requirements as detailed below:

| | **IFAL 30 September** | | **ILUK 30 September** | | **ILInt 30 September** | |
|---|---|---|---|---|---|---|
| | **2022 £'m** | **2021 £'m** | **2022 £'m** | **2021 £'m** | **2022 £'m** | **2021 £'m** |
| Capital resource | 39.7 | 37.2 | 244.0 | 268.7 | 42.0 | 43.4 |
| Capital requirement | 32.6 | 25.4 | 186.9 | 214.1 | 23.7 | 23.9 |
| Coverage ratio | 122% | 147% | 131% | 125% | 177% | 181% |

## 3. Financial instruments (continued)

The Group has complied with the requirements set by the regulators during the year. The Group's policy for managing capital is to ensure each regulated entity maintains capital well above the minimum requirement.

## 4. Risk and risk management

**Risk assessment**

The board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's risk function.

Risk assessment is the determination of quantitative values and/or qualitative judgements of risk related to a concrete situation and a recognised threat. Quantitative risk assessment requires calculations of two components of risk, the magnitude of the potential impact, and the likelihood that the risk materialises. Qualitative aspects of risk, despite being more difficult to express quantitatively, are also taken into account in order to fully evaluate the impact of the risk on the organisation.

**(1) Market risk**

Market risk is the risk of loss arising either directly or indirectly from fluctuations in the level and in the volatility of market prices of assets, liabilities and other financial instruments.

***(a) Price risk***

*Market price risk from reduced income*

The Company's dividend income from its regulated subsidiaries, IFAL, ILUK and ILInt, is exposed to market risk. The Group's main source of income is derived from annual management fees and transaction fees which are linked to the value of the clients' portfolios, which are determined by the market prices of the underlying assets. The Group's revenue is therefore affected by the value of assets on the platform, and consequently it has exposure to equity market levels and economic conditions.

The Group mitigates the second order market price risk by applying fixed charges per tax wrapper in addition to income derived from the charges based on clients' linked portfolio values. These are recorded in note 5 as wrapper fee income and annual commission income, respectively. This approach of fixed and variable charging offers an element of diversification to its income stream. The risk of stock market volatility, and the impact on revenue, is also mitigated through a wide asset offering which ensures the Group is not wholly correlated with one market, and which enables clients to switch assets, including into cash on the platform, in times of uncertainty.

**4. Risk and risk management (continued)**

Sensitivity testing has been performed to assess the impact of market movements on the Group's Profit for the year. The sensitivity is applied as an instantaneous shock at the start of the year, and shows the impact of a 10% change in values across all assets held on the platform.

| | **Impact on profit for the year** | |
|---|---|---|
| | **2022** | **2021** |
| | **£'m** | **£'m** |
| 10% increase in asset values | 8.5 | 7.9 |
| 10% decrease in asset values | (8.5) | (7.9) |

*Market risk from direct asset holdings*
The Group and the Company have limited exposure to primary market risk as capital is invested in high quality, highly liquid, short-dated investments.

*Market risk from unit-linked assets*
The Group and the Company have limited exposure to primary market risk from the value of unit-linked assets as fluctuations are borne by the policyholders.

***(b) Interest rate risk***

The Group and the Company's balance sheet and capital requirements are relatively insensitive to first order impacts from movements in interest rates.

***(c) Currency risk***

The Company is not directly exposed to significant currency risk. The table below shows a breakdown of the material foreign currency exposures for the unit-linked policies within the Group:

| | **2022** | **2022** | **2021** | **2021** |
|---|---|---|---|---|
| **Currency** | **£'m** | **%** | **£'m** | **%** |
| GBP | 22,021.1 | 99.3 | 22,914.6 | 99.4 |
| USD | 127.0 | 0.6 | 111.0 | 0.5 |
| EUR | 16.4 | 0.1 | 18.1 | 0.1 |
| Others | 9.8 | 0.0 | 9.7 | 0.0 |
| **Total** | **22,174.3** | **100.0** | **23,053.4** | **100.0** |

99.3% of investments and cash held for the benefit of policyholders are denominated in GBP, its base currency. Remaining currency holdings greater than 0.1% of the total are shown separately in the table. However, it is recognised that the majority of investments held for the benefit of policyholders are in collective investment schemes and some of their underlying assets are denominated in currencies other than GBP, which increases the funds under direction currency risk exposure. A significant rise or fall in sterling exchange rates would not have a significant first order impact on the Group's results since any adverse or favourable movement in policyholder assets is entirely offset by a corresponding movement in the linked liability.

**4. Risk and risk management (continued)**

**(2) Credit (counterparty default) risk**

Credit risk is the risk that the Group or Company is exposed to a loss if another party fails to meet its financial obligations. For the Company, the exposure to counterparty default risk arises primarily from loans directly held by the Company, while for the Group this risk also arises from fees owed by clients.

**Assets held at amortised cost**

**(a)**
**Accrued income**

This comprises fees owed by clients. These are held at amortised cost, less expected credit losses ("ECLs").

Under IFRS 9, a forward-looking approach is required to assess ECLs, so that losses are recognised before the occurrence of any credit event. The Group estimates that pending fees three months or more past due are unlikely to be collected and are written off. Based on management's experience, pending fees one or two months past due are generally expected to be collected, but consideration is also given to potential losses on these fees. Historical loss rates have been used to estimate expected future losses, while consideration is also given to underlying economic conditions, in order to ensure that expected losses are recognised on a forward-looking basis. This has led to the additional recognition of an immaterial amount of ECLs.

Details of the ECLs recognised in relation to accrued income can be seen in note 22.

**(b)**
**Loans**

Loans subject to the 12 month ECL are £5.5m (2021: £3.6m). While there remains a level of economic uncertainty in the current climate, leading to potentially higher credit risk, there is not considered to be a significant increase in credit risk, as all of the loans are currently performing to schedule, and there are no significant concerns regarding the borrowers. There is therefore no need to move from the 12 month ECL model to the lifetime ECL model. Expected losses are recognised on a forward-looking basis, which has led to the additional recognition of an immaterial amount of ECLs.

In addition to the above, the Company has committed a further £5.6m in undrawn loans.

Details of the ECLs recognised in relation to loans can be seen in note 16. No ECLs have been recognised on the undrawn loan commitments, as any ECLs would not be considered to be material.

**(c) Cash and equivalents**

The Group has a low risk appetite for credit risk, which is mainly limited to exposures to credit institutions for its bank deposits. A range of major regulated UK high street banks is used. A rigorous annual due diligence exercise is undertaken to assess the financial strength of these banks with those used having a minimum credit rating of A (Fitch).

**4. Risk and risk management (continued)**

In order to actively manage the credit and concentration risks, the Board has agreed risk appetite limits for the regulated entities of the amount of corporate and client funds that may be deposited with any one bank; which is represented by a set percentage of the respective bank's total customer deposits. Monthly monitoring of these positions along with movements in Fitch ratings is undertaken, with reports presented to the Directors for review. Collectively these measures ensure that the Group diligently manages the exposures and provide the mitigation scope to be able to manage credit and concentration exposures on behalf of itself and its customers

***Counterparty default risk exposure to loans***

The Company has loans of £5.5m (2021: £3.4m). There are no other loans held by the Group.

***Counterparty default risk exposure to Group companies***

As well as inconvenience and operational issues arising from the failure of the other Group companies, there is also a risk of a loss of assets. The Company is due £160k (2021: £130k) from other Group companies.

***Counterparty default risk exposure to other receivables***

The Company has no other receivables arising, due to the nature of its business, and the structure of the Group.

Across the Group, there is exposure to counterparty default risk arising primarily from:
- corporate assets directly held by the Group;
- exposure to clients; and
- exposure to other receivables.

The other exposures to counterparty default risk include a credit default event which affects funds held on behalf of clients and occurs at one or more of the following entities:

- a bank where cash is held on behalf of clients;
- a custodian where the assets are held on behalf of clients; and
- Transact Nominees Limited (TNL), which is the legal owner of the assets held on behalf of clients.

There is no first order impact on the Group from one of the events in the preceding paragraph. This is because any credit default event in respect of these holdings will be borne by clients, both in terms of loss of value and loss of liquidity. Terms and conditions have been reviewed by external lawyers to ensure that these have been drafted appropriately. However, there is a second order impact where future profits for the Group are reduced in the event of a credit default which affects funds held on behalf of clients.
There are robust controls in place to mitigate credit risk, for example, holding corporate and client cash across a range of banks in order to minimise the risk of a single point of counterparty default failure. Additionally, maximum counterparty limits and minimum credit quality steps are set for banks.

**4. Risk and risk management (continued)**

***Corporate assets and funds held on behalf of clients***
There is no significant risk exposure to any one UK clearing bank.

***Counterparty default risk exposure to clients***
The Group is due £11.8m (2021: £12.0m) from fee income owed by clients.

**Impact of credit risk on fair value**

Due to the limited direct exposure that the Group and the Company have to credit risk, credit risk does not have a material impact on the fair value movement of financial instruments for the year under review. The fair value movements on these instruments are predominantly due to changes in market conditions.

**(3) Liquidity risk**

Liquidity risk is the risk that funds are not accessible such that the Company, although solvent, does not have sufficient liquid financial resources to meet obligations as they fall due, or can secure such resources only at excessive cost.

As a holding company, the Company's main liquidity risk is related to paying out shareholder dividends and operating expenses it may incur. Additionally, the Company has made short term commitments, in the form of a capped facility arrangement, to Vertus Capital SPV1 Limited ('Vertus') (as one of Vertus' sources of funding) to assist Vertus in developing its business, which is to provide tailored niche debt facilities to adviser firms to fund acquisitions, management buy-outs and other similar transactions.

Across the Group, the following key drivers of liquidity risk have been identified:

- liquidity risk arising due to failure of one or more of the Group's banks;
- liquidity risk arising due to the bank's system failure which prevents access to Group funds; and
- liquidity risk arising from clients holding insufficient cash to settle fees when they become due.

The Group's liquidity risk arises from a lack of readily realisable cash to meet debts as they become due. This takes a number of forms - clients' liabilities coming due, other liabilities (e.g. expenses) coming due, insufficient liquid assets to meet loan repayments to subsidiary companies and future payment commitments over the next three years following the acquisition of T4A.

The first of these, clients' liabilities is primarily covered through the terms and conditions with clients' taking their own liquidity risk, if their funds cannot be immediately surrendered for cash.

Payment of other liabilities depends on the Group having sufficient liquidity at all times to meet obligations as they fall due. This requires access to liquid funds, i.e. working banks and it also requires that the Group's main source of liquidity, charges on its clients' assets, can also be converted into cash.

The payment of loan obligations is covered by the upward dividends from subsidiary entities which were assessed against the financial plans and capital projections of the regulated entities to ensure the level of affordability of the future dividends.



The purchase price for T4A comprised three elements, a fixed sum payable on deal completion which has been settled, a further fixed sum to be paid in four equal annual instalments and a variable amount by reference to T4A's performance over that four year period. The payment of these future obligations is expected to be met from the company's own reserves and dividends it expects to receive from its subsidiaries.

The Company has set out two key liquidity requirements: first, to ensure that clients maintain a percentage of liquidity in their funds at all times, and second, to maintain access to cash through a spread of cash holdings in bank accounts.

There are robust controls in place to mitigate liquidity risk, for example, through regular monitoring of expenditure, closely managing expenses in line with the business plan, and, in the case of the Vertus facility, capping the value of loans. Additionally, the Group holds corporate and client cash across a range of banks in order to mitigate the risk of a single point of counterparty default failure.

***Maturity schedule***

The following table shows an analysis of the financial assets and financial liabilities by remaining expected maturities as at 30 September 2022 and 30 September 2021.

In addition to the financial assets and financial liabilities shown in the tables below, the Company committed a further £5.6m in undrawn loans. These are available to be drawn down immediately.

Financial assets:

| **2022** | **Up to 3 months £'m** | **3-12 months £'m** | **1-5 years £'m** | **Over 5 years £'m** | **Total £'m** |
|---|---|---|---|---|---|
| Investments held for the policyholders | 20,715.8 | - | - | - | 20,715.8 |
| Investments | 124.2 | - | 3.1 | - | 127.3 |
| Accruals and deferred income | 12.1 | - | - | - | 12.1 |
| Trade and other receivables | 2.0 | 0.2 | - | - | 2.2 |
| Loans | - | - | 5.5 | - | 5.5 |
| Cash and cash equivalents | 183.0 | - | - | - | 183.0 |
| Cash held for the benefit of policyholders | 1,458.6 | - | - | - | 1,458.6 |
| **Total** | **22,495.7** | **0.2** | **8.6** | **-** | **22,504.5** |

| **2021** | **Up to 3 months £'m** | **3-12 months £'m** | **1-5 years £'m** | **Over 5 years £'m** | **Total £'m** |
|---|---|---|---|---|---|
| Investments held for the policyholders | 21,787.1 | - | - | - | 21,787.1 |
| Investments | 0.2 | - | 5.0 | - | 5.2 |
| Accruals and deferred income | 12.0 | - | - | - | 12.0 |
| Trade and other receivables | 0.8 | 0.2 | - | - | 1.0 |
| Loans | - | - | 3.4 | - | 3.4 |
| Cash and cash equivalents | 176.1 | - | - | - | 176.1 |
| Cash held for the benefit of policyholders | 1,266.3 | - | - | - | 1,266.3 |
| **Total** | **23,242.5** | **0.2** | **8.4** | **-** | **23,251.1** |

Financial liabilities:

| **2022** | **Up to 3 months** | **3-12 months** | **1-5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|
| | **£'m** | **£'m** | **£'m** | **£'m** | **£'m** |
| Liabilities for linked investment contracts | 22,174.4 | - | - | - | 22,174.4 |
| Trade and other payables | 11.8 | 3.7 | - | - | 15.5 |
| Lease liabilities | 0.6 | 1.3 | 0.9 | - | 2.8 |
| Deferred consideration | - | 1.5 | 0.2 | - | 1.7 |
| Contingent consideration | - | - | 1.7 | - | 1.7 |
| **Total** | **22,186.8** | **6.5** | **2.8** | **-** | **22,196.1** |

| **2021** | **Up to 3 months** | **3-12 months** | **1-5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|
| | **£'m** | **£'m** | **£'m** | **£'m** | **£'m** |
| Liabilities for linked investment contracts | 23,053.4 | - | - | - | 23,053.4 |
| Trade and other payables | 9.9 | 5.1 | - | - | 15.0 |
| Lease liabilities | 0.6 | 1.9 | 2.8 | - | 5.3 |
| Deferred consideration | - | 1.6 | 0.2 | - | 1.8 |
| Contingent consideration | - | - | 0.8 | - | 0.8 |
| **Total** | **23,063.9** | **8.6** | **3.8** | **-** | **23,076.3** |

**(4) Outflow risk**

Outflows occur when funds are withdrawn from the platform for any reason. Outflows typically occur where clients' circumstances and requirements change. However, these outflows can also be triggered by operational failure, competitor actions or external events such as regulatory or economic changes.

Outflow risk is mitigated by focusing on providing exceptionally high levels of service. Outflow rates are closely monitored and unexpected experience is investigated. Despite the current challenging and uncertain economic and geopolitical environment, outflow rates remain stable and within historical norms.

**(5) Expense risk**

Expense risk arises where costs increase faster than expected or from one-off expense "shocks".

The Group and the Company has exposure related to expense inflation risk, where actual inflation deviates from expectations. As a significant percentage of the Group's expenses are staff related the key inflationary risk arises from salary inflation. The Group and the Company have no exposures to defined benefit staff pension schemes or client related index linked liabilities.

The Group's expenses are governed at a high level by the Group's Expense Policy. The monthly management accounts are reviewed against projected future expenses by the Board and by senior management and action is taken where appropriate.

## 5. Disaggregation of revenue

The Group has the following categories of revenue:

- Annual commission - based on a fixed percentage applied to the value of the client's portfolio each month.
- Wrapper fee income - based on a fixed quarterly charge per wrapper.
- Other income - buy commission is based on a set percentage charge applied to each transaction. Dealing charges are charged based on a fixed fee for each type of transaction.
- Adviser back-office technology - licence income based on a fixed monthly charge per number of users. Consultancy income is charged based on the services provided.

| | For the financial year ended 30 September | |
|---|---|---|
| | **2022** | **2021** |
| | **£'m** | **£'m** |
| Annual commission income | 115.8 | 107.7 |
| Wrapper fee income | 11.6 | 10.6 |
| Other income | 2.2 | 3.0 |
| Adviser back-office technology | 4.0 | 2.4 |
| **Total fee income** | **133.6** | **123.7** |

## 6. Segmental reporting

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

The Group has three classes of business, which have been organised primarily based on the products they offer, as detailed below:

- **Investment administration services** - this relates to services performed by IFAL, which is the provider of the Transact wrap service. It is the provider of the General Investment Account (GIA), is a Self-Invested Personal Pension (SIPP) operator, an ISA manager and is the custodian for all assets held on the platform (except for those held by third party custodians).
- **Insurance and life assurance business** - this relates to ILUK and ILInt, insurance companies which provide the Transact Personal Pension, Executive Pension, Section 32 Buy-Out Bond, Transact Onshore and Offshore Bonds, and Qualifying Savings Plan on the Transact platform.
- **Adviser back-office technology** - this relates to T4A, provider of financial planning technology to adviser and wealth management firms via the CURO adviser support system. T4A was acquired during the financial period ending 30 September 2021.

Other Group entities relates to the rest of the Group, which provide services to support the Group's core operating segments.

Analysis by class of business is given below.

## 6. Segmental reporting (continued)

### Statement of comprehensive income - segmental information for the year ended 30 September 2022:

| | Investment administration services | Insurance and life assurance business | Adviser back-office technology | Other Group entities | Consolidation adjustments | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| **Revenue** | | | | | | |
| Annual commission income | 63.4 | 52.6 | - | - | - | 116.0 |
| Wrapper fee income | 2.8 | 8.7 | - | - | - | 11.5 |
| Adviser back-office technology | - | - | 3.9 | - | - | 3.9 |
| Other income | 1.3 | 0.9 | - | 64.4 | (64.4) | 2.2 |
| **Gross profit/(loss)** | **67.5** | **62.2** | **3.9** | **64.4** | **(64.4)** | **133.6** |
| Cost of sales | (0.7) | (0.4) | (0.5) | (0.5) | - | (2.1) |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Expenses** | | | | | | |
| Admin expenses | (43.0) | (28.8) | (5.3) | (64.6) | 64.0 | (77.7) |
| Credit loss allowance on financial assets | (0.1) | - | - | (0.1) | - | (0.2) |
| **Operating profit/(loss)** | **23.7** | **33.0** | **(1.9)** | **(0.8)** | **(0.4)** | **53.6** |
| Interest expense | - | - | - | (0.4) | 0.3 | (0.1) |
| Interest income | 0.1 | 1.0 | - | - | (0.3) | 0.8 |
| **Net policyholder returns** | | | | | | |
| Net income/(loss) attributable to policyholder returns | | (38.5) | - | - | - | (38.5) |
| Change in investment contract liabilities | - | 2,770.3 | - | - | - | 2,770.3 |
| Fee and commission expenses | - | (192.6) | - | - | - | (192.6) |
| Policyholder investment returns | - | (2,577.7) | - | - | - | (2,577.7) |
| **Net policyholder returns** | **-** | **(38.5)** | **-** | **-** | **-** | **(38.5)** |
| **Profit on ordinary activities before taxation attributable to policyholders and shareholders** | **23.8** | **(4.5)** | **(1.9)** | **(1.2)** | **(0.4)** | **15.8** |
| Policyholder tax credit/(charge) | - | 38.5 | - | - | - | 38.5 |
| **Profit on ordinary activities before taxation attributable to shareholders** | **23.8** | **34.0** | **(1.9)** | **(1.2)** | **(0.4)** | **54.3** |
| Total tax attributable to shareholder and policyholder returns | (4.4) | 32.6 | 0.3 | (0.4) | 0.1 | 28.2 |
| Less: tax attributable to policyholder returns | - | (38.5) | - | - | - | (38.5) |
| **Shareholder tax on profit on ordinary activities** | **(4.4)** | **(5.9)** | **0.3** | **(0.4)** | **0.1** | **(10.3)** |
| **Profit/(loss) for the financial year** | **19.4** | **28.1** | **(1.6)** | **(1.6)** | **(0.3)** | **44.0** |

## 6. Segmental reporting (continued)

## Statement of comprehensive income - segmental information for the year ended 30 September 2021:

| | Investment administration services | Insurance and life assurance business | Adviser back-office technology | Other Group entities | Consolidation adjustments | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| **Revenue** | | | | | | |
| Annual commission income | 58.9 | 45.3 | - | - | - | 104.2 |
| Wrapper fee income | 2.6 | 8.1 | - | - | - | 10.7 |
| Adviser back-office technology | - | - | 2.4 | - | - | 2.4 |
| Other income | 1.8 | 4.6 | - | 60.4 | (60.4) | 6.4 |
| **Gross profit/(loss)** | **63.3** | **58.0** | **2.4** | **60.4** | **(60.4)** | **123.7** |
| Cost of sales | (0.6) | (0.4) | (0.3) | (0.2) | - | (1.5) |
| **Expenses** | | | | | | |
| Admin expenses | (34.5) | (21.8) | (3.4) | (59.2) | 60.2 | (58.8) |
| Credit loss allowance on financial assets | (0.2) | - | - | - | - | (0.2) |
| **Operating profit/(loss)** | **28.0** | **35.8** | **(1.3)** | **0.9** | **(0.2)** | **63.2** |
| Interest expense | - | - | - | (0.4) | 0.2 | (0.2) |
| Interest income | - | 0.2 | - | 0.1 | (0.2) | 0.1 |
| **Net policyholder returns** | | | | | | |
| Net income/(loss) attributable to policyholder returns | | 31.5 | - | - | - | 31.5 |
| Change in investment contract liabilities | - | (2,736.1) | - | - | - | (2,736.1) |
| Fee and commission expenses | - | (204.1) | - | - | - | (204.1) |
| Policyholder investment returns | - | 2,940.2 | - | - | - | 2,940.2 |
| **Net policyholder returns** | **-** | **31.5** | **-** | **-** | **-** | **0.5** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Profit on ordinary activities before taxation attributable to policyholders and shareholders** | **28.0** | **36.5** | **(1.3)** | **0.6** | **(0.2)** | **63.6** |
| Policyholder tax credit/(charge) | - | (31.0) | - | - | - | (31.0) |
| **Profit on ordinary activities before taxation attributable to shareholders** | **28.0** | **36.5** | **(1.3)** | **0.6** | **(0.2)** | **63.6** |
| Total tax attributable to shareholder and policyholder returns | (5.3) | (37.6) | 0.3 | (0.7) | (0.2) | (43.5) |
| Less: tax attributable to policyholder returns | - | 31.0 | - | - | - | 31.0 |
| Shareholder tax on profit on ordinary activities | (5.3) | (6.6) | 0.3 | (0.7) | (0.2) | (12.5) |
| **Profit/(loss) for the financial year** | **22.7** | **29.9** | **(1.0)** | **(0.1)** | **(0.4)** | **51.1** |

The comparative table has been restated to correct arithmetic errors and to include the 'Other Operating Entities' segment. These errors related only to the segmental reporting table and did not impact any financial statement line items. See further details below.

## 6. Segmental reporting (continued)

| Line in current year | Line in prior year | Segment | Amount in CY (£m) | Amount in PY (£m) | Change (£m) | Explanation of change |
|---|---|---|---|---|---|---|
| Annual Commission Income | Annual Commission Income | Insurance | 45.3 | 48.7 | (3.4) | Reclass amount of 3.4m from Annual commissions to other income |
| Other Income | Other Income | Insurance | 4.6 | 1.2 | 3.4 | Reclass amount of 3.4m from Annual commissions to other income |
| Other Income<br>Total fee income | Other Income<br>Total fee income | Other Group Entities | 60.4 | - | 60.4 | Recharged services of £60.4m to ISL that are eliminated on consolidation that hadn't been included in PY disclosure |
| Other Income<br>Total fee income | Other Income<br>Total fee income | Consolidated adjustments | (60.4) | - | (60.4) | Recharged services of £60.4m to ISL that are eliminated on consolidation not included in PY disclosure |
| Admin expenses | Admin expense | Investment administration services (IAS) | (34.5) | (64.8) | (30.3) | Reclass the amount of admin expense that should be included in other group entities of total 59.2m from IAS (30.3m), Insurance (27.8m) and T4A (1.1m) |
| Admin expenses | Admin expense | Insurance | (21.8) | (49.6) | (27.8) | Reclass the amount of admin expense that should be included in other group entities of total 59.2m from IAS (30.3m), Insurance (27.8m) and T4A (1.1m) |
| Admin expenses | Admin expense | Other Group Entities | (59.2) | - | 59.2 | Reclass the amount of admin expense that should be included in other group entities of total 59.2m from IAS (30.3m), Insurance (27.8m) and T4A (1.1m) |
| Profit/(loss) before tax | Profit/(loss) before tax | IAS | 28.0 | 3.2 | 24.8 | Number changed to correctly sum the revenue - expenses for the segment |
| Profit/(loss) before tax | Profit/(loss) before tax | Insurance | 36.5 | 39.0 | (2.5) | Number changed to correctly sum the revenue - expenses for the segment |
| Profit/(loss) before tax | Profit/(loss) before tax | Consolidation adjustments | (0.2) | 60.2 | (60.4) | Number changed to correctly sum the revenue - expenses for the segment |

| | | | | | | |
|---|---|---|---|---|---|---|
| Profit for the financial year | Profit for the financial year | IAS | 22.7 | 44.1 | (21.4) | Correctly casting the segmental column |
| Profit for the financial year | Profit for the financial year | Insurance | 29.9 | 49.6 | (19.7) | Correctly casting the segmental column |
| Profit for the financial year | Profit for the financial year | Other Group Entities | (0.1) | - | (0.1) | Correctly casting the segmental column |
| Profit for the financial year | Profit for the financial year | Consolidation adjustments | (0.4) | (42.4) | 42.0 | Correctly casting the segmental column |

**Statement of financial position - segmental information for the year ended 30 September 2022:**

| | Investment administration services £'m | Insurance and life assurance business £'m | Adviser back-office technology £'m | Total £'m |
|---|---|---|---|---|
| **Assets** | | | | |
| Non-current assets | 10.4 | 30.6 | 0.8 | 41.8 |
| Current assets | 71.8 | 144.7 | 3.8 | 220.3 |
| **Total assets** | **82.2** | **175.3** | **4.6** | **262.1** |
| **Liabilities** | | | | |
| Current liabilities | 10.5 | 22.5 | 1.1 | 34.1 |
| Non-current liabilities | 1.9 | 52.8 | 0.1 | 54.8 |
| **Total liabilities** | **12.4** | **75.3** | **1.2** | **88.9** |
| **Policyholder assets and liabilities** | | | | |
| Cash held for the benefit of policyholder | **-** | 1,458.6 | **-** | **1,458.6** |
| Investments held for the benefit of policyholders | **-** | 20,715.8 | **-** | **20,715.8** |
| Liabilities for linked investment contracts | **-** | (22,174.4) | **-** | **(22,174.4)** |
| **Total policyholder assets and liabilities** | **-** | **-** | **-** | **-** |
| **Net assets** | 69.8 | 100.0 | 3.4 | 173.2 |
| **Non-current asset additions** | 0.2 | 0.1 | 0.0 | 0.3 |

**6. Segmental reporting (continued)**

**Statement of financial position - segmental information for the year ended 30 September 2021:**

| | Investment administration services £'m | Insurance and life assurance business £'m | Adviser back-office technology £'m | Total £'m |
|---|---|---|---|---|
| **Assets** | | | | |
| Non-current assets | 11.8 | 20.0 | - | 31.8 |
| Current assets | 67.3 | 130.8 | 3.9 | 202.0 |
| **Total assets** | **79.1** | **150.8** | **3.9** | **233.8** |
| **Liabilities** | | | | |

| | | | | |
|---|---|---|---|---|
| Current liabilities | 8.1 | 22.5 | 0.7 | 31.3 |
| Non-current liabilities | 2.6 | 36.6 | - | 39.2 |
| **Total liabilities** | **10.7** | **59.1** | **0.7** | **70.5** |
| **Policyholder assets and liabilities** | | | | |
| Cash held for the benefit of policyholder | - | 1,266.3 | - | 1,266.3 |
| Investments held for the benefit of policyholders | - | 21,787.1 | - | 21,787.1 |
| Liabilities for linked investment contracts | - | (23,053.4) | - | (23,053.4) |
| **Total policyholder assets and liabilities** | - | - | - | - |
| **Net assets** | 68.4 | 91.7 | 3.2 | 163.3 |
| **Non-current asset additions** | 0.3 | 0.3 | - | 0.6 |

**Segmental information: Split by geographical location**

| | 2022 £'m | 2021 £'m |
|---|---|---|
| **Revenue** | | |
| United Kingdom | 128.3 | 118.9 |
| Isle of Man | 5.3 | 4.8 |
| **Total** | **133.6** | **123.7** |

| | 2022 £'m | 2021 £'m |
|---|---|---|
| **Non-current assets** | | |
| United Kingdom | 25.1 | 26.8 |
| Isle of Man | - | 0.1 |
| **Total** | **25.1** | **26.9** |

## 7. Earnings per share

| | 2022 | 2021 |
|---|---|---|
| **Profit** | | |
| Profit for the year and earnings used in basic and diluted earnings per share | £44.0m | £51.1m |
| **Weighted average number of shares** | | |
| Weighted average number of Ordinary shares | 331.3m | 331.3m |
| Weighted average numbers of Ordinary Shares held by Employee Benefit Trust | (0.4m) | (0.3m) |
| **Weighted average number of Ordinary Shares for the purposes of basic EPS** | **330.9m** | **331.0m** |
| Adjustment for dilutive share option awards | 0.4m | 0.3m |
| **Weighted average number of Ordinary Shares for the purposes of diluted EPS** | **331.3m** | **331.3m** |
| **Earnings per share** | | |
| Basic and diluted | 13.3p | 15.4p |

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

Basic EPS is calculated by dividing profit after tax attributable to ordinary equity shareholders of the Company by the weighted average number of Ordinary Shares outstanding during the year. The weighted average number of shares excludes shares held within the Employee Benefit Trust to satisfy the Group's obligations under employee share awards.

Diluted EPS is calculated by adjusting the weighted average number of Ordinary Shares outstanding to assume conversion of all potentially dilutive Ordinary Shares.

## 8. Expenses by nature

The following expenses are included within administrative expenses:

**Group**

| | 2022 | 2021 |
|---|---|---|
| | £'m | £'m |
| Depreciation | 2.6 | 2.8 |
| Amortisation | 0.4 | 0.3 |
| Wages and employee benefits expense | 46.1 | 41.0 |
| Other staff costs | 1.0 | 0.6 |
| | | |
| Auditor's remuneration: | | |
| - auditing of the Financial Statements of the Company pursuant to the legislation | 0.1 | 0.2 |
| - auditing of the Financial Statements of subsidiaries | 0.4 | 0.2 |
| - other assurance services | 0.3 | 0.1 |
| | | |
| Other Auditor's remuneration: | | |
| - auditing of the Financial Statements of subsidiaries | - | 0.2 |
| - other assurance services | - | 0.1 |
| | | |
| Other professional fees | 4.7 | 3.5 |
| | | |
| Regulatory fees | 4.2 | 3.5 |
| | | |
| - Non-underlying expenses - backdated VAT | 8.0 | - |
| - Non-underlying expenses - interest on backdated VAT | 0.8 | - |
| - Other non-underlying expenses | 2.7 | 3.3 |
| | | |
| Short-term lease payments: | | |
| - land and buildings | 0.1 | 0.1 |
| | | |
| Other occupancy costs | 2.3 | 1.2 |
| Other costs | 6.4 | 3.9 |
| Other income - tax relief due to shareholders | (2.4) | (2.2) |
| **Total administrative expenses** | **77.7** | **58.8** |

"Other income - tax relief due to shareholders" relates to the release of policyholder reserves to the statement of comprehensive income.

Non-underlying expenses relate to back dated VAT and interest being due to HMRC after their review concluded that the inclusion of IAD in our VAT group was terminated with effect from July 2016, and reverse charge VAT is therefore payable on services provided by IAD since that date. We have been unsuccessful in two stages of appealing the decision, which resulted in non-underlying expenses of backdated VAT of £8.0 million for the period to September 2021 and non-recurring interest on the VAT due of £0.8m. For further details see the Financial Review.

## 8. Expenses by nature (continued)

Other non-underlying expenses relate professional fees and stamp duty in relation to acquisitions, and post-combination remuneration. The post-combination remuneration payment to the original shareholders of T4A is comprised of the deferred and additional consideration payable in relation to the acquisition of T4A and is recognised as remuneration over four years from January 2021 to December 2024. This non-underlying expense will continue in subsequent years and is expected to be £3 million in financial years 2022 to 2024, before reducing to £0.8 million in financial year 2025.

**Company**

| | 2022 | 2021 |
|---|---|---|
| | £'m | £'m |
| Wages and employee benefits expense | 0.6 | 0.4 |
| Non underlying expenses: | | |
| -Remuneration | 3.0 | 2.2 |
| Auditor's remuneration: | | |
| - auditing of the Financial Statements of the Company pursuant to the legislation | 0.2 | 0.3 |
| Other professional fees | 0.8 | 1.2 |
| Other costs | 0.2 | 0.6 |
| **Total administrative expenses** | **4.8** | **4.7** |

*Wages and employee benefits expense*

The average number of staff (including executive directors) employed by the Group during the financial year amounted to:

| | 2022 No. | 2021 No. |
|---|---|---|
| CEO | 2 | 2 |
| Client services staff | 223 | 231 |
| Finance staff | 69 | 61 |
| Legal and compliance staff | 38 | 33 |
| Sales, marketing and product development staff | 64 | 45 |
| Software development staff | 131 | 122 |
| Technical and support staff | 67 | 49 |
| | **594** | **543** |

The Company has no employees (2021: nil).

Wages and employee (including executive directors) benefits expenses during the year, included within administrative expenses, were as follows:

| | 2022 £'m | 2021 £'m |
|---|---|---|
| Wages and salaries | 36.3 | 32.9 |
| Social security costs | 4.2 | 3.4 |
| Other pension costs | 3.6 | 2.8 |
| Share-based payment costs | 2.0 | 1.9 |
| | **46.1** | **41.0** |

**8. Expenses by nature (continued)**

*Compensation of key management personnel*

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity and as such, only directors are considered to meet this definition.

| | 2022 £'m | 2021 £'m |
|---|---|---|
| Short-term employee benefits* | 2.9 | 2.9 |
| Post-employment benefits | 0.2 | 0.1 |
| Share based payment | 0.4 | 0.4 |
| Social security costs | 0.4 | 0.4 |
| | **4.1** | **3.8** |
| Highest paid director: | 0.6 | |
| Short-term employee benefits* | 0.2 | 0.6 |
| Other benefits | - | 0.1 |
| | **No.** | **No.** |
| Number of directors for whom pension contributions are paid | 8 | 8 |

*Short-term employee benefits comprise salary and cash bonus.

**9. Interest income**

| | Group 2022 £'m | Company 2022 £'m | Group 2021 £'m | Company 2021 £'m |
|---|---|---|---|---|
| Interest income on bank deposits | 0.6 | - | - | - |
| Interest income on loans | 0.2 | 0.2 | 0.1 | 0.1 |
| | **0.8** | **0.2** | **0.1** | **0.1** |

**10. Policyholder investment returns**

| | 2022 £'m | 2021 £'m |
|---|---|---|
| Change in fair value of underlying assets | (2,729.2) | 2,810.1 |
| Investment income | 151.5 | 130.1 |
| **Total investment returns** | **(2,577.7)** | **2,940.2** |

### 11. Tax on profit on ordinary activities

**Group**

**a) Analysis of charge in year**

The income tax expense comprises:

| | 2022 £'m | 2021 £'m |
|---|---|---|
| **Corporation tax** | | |
| Current year - corporation tax | 10.0 | 12.2 |
| Adjustment in respect of prior years | 0.7 | 0.4 |
| | **10.7** | **12.6** |
| **Deferred tax** | | |
| Current year | (0.4) | (0.2) |
| Change in deferred tax charge/(credit) as a result of higher tax rate | - | 0.1 |
| **Total shareholder tax charge for the year** | **10.3** | **12.5** |
| **Policyholder taxation** | | |
| UK policyholder tax at 20% (2021: 20%) | - | 11.5 |
| Deferred tax at 20% (2021: 20%) | (33.8) | 19.6 |
| Prior year adjustments | (4.9) | (0.3) |
| Tax deducted on overseas dividends | 0.2 | 0.2 |
| **Total policyholder taxation** | **(38.5)** | **31.0** |
| **Total tax attributable to shareholder and policyholder returns** | **(28.2)** | **43.5** |

### 11. Tax on profit on ordinary activities (continued)

**b) Factors affecting tax charge for the year**

The tax on the Group'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:

| | 2022 £'m | 2021 £'m |
|---|---|---|
| Profit on ordinary activities before taxation attributable to shareholders | 54.3 | 63.6 |
| Profit on ordinary activities multiplied by effective rate of Corporation Tax 19% (2021: 19%) | 10.3 | 12.1 |
| **Effects of:** | | |
| Non-taxable dividends | - | (0.1) |
| Income / expenses not taxable / deductible for tax purposes multiplied by effective rate of corporation tax | (0.2) | 0.7 |
| Adjustments in respect of prior years | 0.7 | (0.1) |
| Effect of change in tax rate | - | 0.1 |
| Effect of lower tax rate jurisdiction | (0.5) | - |
| Other adjustments | - | (0.2) |
| | **10.3** | **12.5** |
| Add policyholder tax | (38.5) | 31.0 |

| | | 2022 | 2021 |
|---|---|---|---|
| | | **(28.2)** | **43.5** |

**Company**

**a) Analysis of charge in year**

| | 2022 £'m | 2021 £'m |
|---|---|---|
| Deferred tax charge/(credit) (see note 26) | - | - |
| Total | **-** | **-** |

**b) Factors affecting tax charge for the year**

| | 2022 £'m | 2021 £'m |
|---|---|---|
| Profit on ordinary activities before tax | 39.9 | 37.2 |
| Profit on ordinary activities multiplied by effective rate of Corporation Tax 19% (2021: 19%) | 7.6 | 7.1 |
| **Effects of:** | | |
| Non-taxable dividends | (8.5) | (8.0) |
| Income / expenses not taxable / deductible for tax purposes multiplied by effective rate of Corporation Tax | 0.6 | 0.6 |
| Group loss relief to ISL | 0.3 | 0.3 |
| | **-** | **-** |

## 12. Intangible assets - Group

| **Cost** | **Software and IP rights £'m** | **Goodwill £'m** | **Customer relationships £'m** | **Software £'m** | **Brand £'m** | **Total £'m** |
|---|---|---|---|---|---|---|
| At 1 October 2021 | 12.5 | 18.3 | 2.1 | 2.0 | 0.3 | 35.2 |
| At 30 September 2022 | **12.5** | **18.3** | **2.1** | **2.0** | **0.3** | **35.2** |
| **Amortisation** | | | | | | |
| At 1 October 2021 | 12.5 | - | 0.1 | 0.2 | 0.1 | 12.9 |
| Charge for the year | **-** | **-** | 0.2 | 0.3 | - | 0.5 |
| At 30 September 2022 | **12.5** | **-** | **0.3** | **0.5** | **0.1** | **13.4** |
| **Net Book Value** | | | | | | |
| At 30 September 2021 | - | 18.3 | 2.0 | 1.8 | 0.2 | 22.3 |
| At 30 September 2022 | **-** | **18.3** | **1.7** | **1.5** | **0.2** | **21.8** |

| **Cost** | | | | | | |
|---|---|---|---|---|---|---|
| At 1 October 2020 | 12.5 | 13.0 | - | - | - | 25.5 |
| Acquisitions through business combinations | - | 5.3 | 2.1 | 2.0 | 0.3 | 9.7 |
| At 30 September 2021 | **12.5** | **18.3** | **2.1** | **2.0** | **0.3** | **35.2** |
| **Amortisation** | | | | | | |
| At 1 October 2020 | 12.5 | - | - | - | - | 12.5 |
| Charge for the year | - | - | 0.1 | 0.2 | 0.1 | 0.4 |
| At 30 September 2021 | **12.5** | **-** | **0.1** | **0.2** | **0.1** | **12.9** |
| **Net Book Value** | | | | | | |
| At 30 September 2020 | - | 13.0 | - | - | - | 13.0 |
| At 30 September 2021 | - | 18.3 | 2.0 | 1.8 | 0.2 | 22.3 |

All intangible assets are externally generated.

**Goodwill impairment assessment**

In accordance with IFRS, goodwill is not amortised, but is assessed for impairment on an annual basis. The impairment assessment compares the carrying value of goodwill to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

The goodwill relates to the acquisition of IAD Pty in July 2016 and T4A in January 2021.

The carrying amount of the IAD Pty goodwill is allocated to the two cash generating units ("CGUs") that relate to the Transact platform, as these are benefitting from the IAD PTY acquisition. The carrying amount of the goodwill for T4A is allocated to the CGU that relates to the CURO software as this is the source of revenue for T4A.

**IAD Pty**

| | 2022 £'m | 2021 £'m |
|---|---|---|
| Investment administration services | 7.2 | 7.2 |

| | | |
|---|---|---|
| Insurance and life assurance business | 5.7 | 5.7 |
| **Total** | **12.9** | **12.9** |

## 12. Intangible assets - Group (continued)

The carrying amount of the T4A goodwill is all allocated to the below CGU:

**T4A**

| | 2022 £'m | 2021 £'m |
|---|---|---|
| Adviser back-office technology | 5.3 | 5.3 |

Other assumptions are as follows:

| | 2022 | 2021 |
|---|---|---|
| Discount rate | 11.6% | 10.0% |
| Period on which detailed forecasts are based | 5 years | 5 years |
| Long-term growth rate | 2.0% | 1.0% |

The recoverable amounts of the above CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five year period to 30 September 2027. Post the five year business plan, the growth rate used to determine the terminal value of the cash generating units was based on a long-term growth rate of 2.0%. The discount rate is assessed on an annual basis and has been calculated using the weighted average cost of capital.

Based on management's experience, the key assumptions on which management has calculated its projections are net inflows, market growth and expense inflation.

The annual impairment tests relating to both acquisitions indicated that there is significant headroom in the recoverable amount over the carrying value of the CGUs. There is therefore no indication of impairment.

Projected cash flows are impacted by movements in underlying assumptions, including equity market levels, number of CURO users, employee numbers and cost inflation. The Group considers that projected cash flows of the investment administration services and insurance and life assurance business CGUs are most sensitive to movements in equity markets, because they have a direct impact on the level of the Group's fee income, while the adviser back-office technology CGU is most sensitive to the number of CURO users, as this forms the basis of its licence income.

A sensitivity analysis has been performed, with key assumptions being revised adversely to reflect the potential for future performance being below expected levels. This estimated that a fall in equity markets of approximately 45%, or a reduction of CURO users of 25% compared to expectations, would be required before the carrying value of any CGU would exceed the recoverable amount.

## 13. Property, plant and equipment - Group

| Cost | Leasehold improvements £'m | Equipment £'m | Fixtures and Fittings £'m | Motor Vehicles £'m | Total £'m |
|---|---|---|---|---|---|
| At 1 October 2021 | 1.7 | 3.6 | 0.2 | - | 5.5 |
| Additions | - | 0.3 | - | - | 0.3 |
| Disposals | - | (0.2) | - | - | (0.2) |
| Foreign exchange | - | - | - | - | - |
| At 30 September 2022 | **1.7** | **3.7** | **0.2** | **-** | **5.6** |
| **Depreciation** | | | | | |
| At 1 October 2021 | 1.3 | 2.3 | 0.1 | - | 3.7 |
| Charge in the year | 0.1 | 0.8 | - | - | 0.9 |
| Disposals | - | (0.2) | - | - | (0.2) |
| Foreign exchange | - | - | - | - | - |
| At 30 September 2022 | **1.4** | **2.9** | **0.1** | **-** | **4.4** |
| **Net Book Value** | | | | | |
| At 30 September 2021 | 0.4 | 1.3 | 0.1 | - | 1.8 |
| At 30 September 2022 | 0.3 | 0.8 | 0.1 | - | 1.2 |
| **Cost** | **£'m** | **£'m** | **£'m** | **£'m** | **£'m** |
| At 1 October 2020 | 1.7 | 3.3 | 0.2 | 0.1 | 5.3 |
| Additions | - | 0.6 | - | - | 0.6 |
| Disposals | - | (0.3) | - | (0.1) | (0.4) |

| | | | | | |
|---|---|---|---|---|---|
| At 30 September 2021 | **1.7** | **3.6** | **0.2** | **-** | **5.5** |
| **Depreciation** | | | | | |
| At 1 October 2020 | 1.2 | 1.6 | 0.1 | 0.1 | 3.0 |
| Charge in the year | 0.1 | 1.0 | - | | 1.1 |
| Disposals | - | (0.3) | - | (0.1) | (0.4) |
| At 30 September 2021 | **1.3** | **2.3** | **0.1** | **-** | **3.7** |
| **Net Book Value** | | | | | |
| At 30 September 2020 | 0.6 | 1.7 | - | - | 2.3 |
| At 30 September 2021 | 0.4 | 1.3 | 0.1 | - | 1.8 |

The Company holds no property, plant and equipment.

### 14. Right-of-use assets - Property - Group

| **Cost** | **£'000** |
|---|---|
| At 1 October 2021 | 6.5 |
| Additions | - |
| Disposals | - |
| Foreign exchange | 0.1 |
| At 30 September 2022 | 6.6 |

| **Depreciation** | **£'000** |
|---|---|
| At 1 October 2021 | 2.8 |
| Charge in the year | 1.7 |
| Disposals | - |
| Foreign exchange | - |
| At 30 September 2022 | 4.5 |
| **Net Book Value** | |
| At 30 September 2021 | 3.6 |
| At 30 September 2022 | 2.1 |

| **Cost** | **£'m** |
|---|---|
| At 1 October 2020 | 5.6 |
| Additions | 1.3 |
| Disposals | (0.4) |
| At 30 September 2021 | 6.5 |

| **Depreciation** | **£'000** |
|---|---|
| At 1 October 2020 | 1.6 |
| Charge in the year | 1.6 |
| Disposals | (0.4) |
| At 30 September 2021 | 2.8 |
| **Net Book Value** | |
| At 30 September 2020 | 4.0 |
| At 30 September 2021 | 3.6 |

Depreciation is calculated on a straight line basis over the term of the lease.

### 15. Investment in subsidiaries

| | **2022** | **2021** |
|---|---|---|
| | **£'m** | **£'m** |
| Carrying value at 1 October | 31.6 | 16.8 |
| Additions | - | 13.0 |
| Share-based payments | 1.7 | 1.8 |

| Carrying value at 30 September | 33.3 | 31.6 |
|---|---|---|

**15. Investment in subsidiaries (continued)**

The Company has investments in the ordinary share capital of the following subsidiaries at 30 September 2022:

| Name of Company | Holding | % Held | Incorporation and significant place of business | Business |
|---|---|---|---|---|
| **Direct holdings** | | | | |
| Integrated Financial Arrangements Ltd | Ordinary Shares | 100% | United Kingdom | Investment Administration |
| IntegraFin Services Limited | Ordinary Shares | 100% | United Kingdom | Services Company |
| Transact IP Limited | Ordinary Shares | 100% | United Kingdom | Software provision & development |
| Integrated Application Development Pty Ltd | Ordinary Shares | 100% | Australia | Software maintenance |
| Transact Nominees Limited | Ordinary Shares | 100% | United Kingdom | Non-trading |
| IntegraLife UK Limited | Ordinary Shares | 100% | United Kingdom | Life Insurance |
| IntegraLife International Limited | Ordinary Shares | 100% | Isle of Man | Life Assurance |
| Transact Trustees Limited | Ordinary Shares | 100% | United Kingdom | Non-trading |
| Objective Funds Limited | Ordinary Shares | 100% | United Kingdom | Dormant |
| Objective Wealth Management Limited | Ordinary Shares | 100% | United Kingdom | Dormant |
| Time For Advice Limited | Ordinary Shares | 100% | United Kingdom | Financial planning software |
| **Indirect holdings** | | | | |
| IntegraFin Limited | Ordinary Shares | 100% | United Kingdom | Non-trading |
| ObjectMastery (UK) Limited | Ordinary Shares | 100% | United Kingdom | Dormant |
| IntegraFin (Australia) Pty Limited | Ordinary Shares | 100% | Australia | Non-trading |

The Group has 100% voting rights on shares held in each of the subsidiary undertakings.

All the UK subsidiaries have their registered office address at 29 Clement's Lane, London, EC4N 7AE. ILInt's registered office address is at 18-20 North Quay, Douglas, Isle of Man, IM1 4LE. IntegraFin (Australia) Pty's registered office address is at Level 4, 854 Glenferrie Road, Hawthorn, Victoria, Australia 3122. Integrated Application Development Pty Ltd's registered office address is 19-25 Camberwell Road, Melbourne, Australia.

The above subsidiaries have all been included in the consolidated Financial Statements.

Integrated Financial Arrangements Ltd is authorised and regulated by the Financial Conduct Authority. The principal activity of the Company and its subsidiaries is the provision of 'Transact', a wrap service that arranges and executes transactions between clients, their financial advisers and financial product providers including investment managers and stockbrokers.

**15. Investment in subsidiaries (continued)**

IntegraFin Services Limited (ISL), is the Group services company. All intra-group service contracts are held by this services company.

Integrated Application Development Pty Ltd (IAD Pty) provides software maintenance services to the Group.

IntegraFin Limited is the trustee of the IntegraSIP Share Incentive Plan, which was set up to allocate Class C Shares in the capital of the Company to staff. IntegraFin Limited undertakes no other activities.

Transact Nominees Limited holds customer assets as a nominee company on behalf of Integrated Financial Arrangements Ltd.

IntegraFin (Australia) Pty Limited is currently non-trading.

Transact IP Limited licenses its proprietary software to other members of the IntegraFin Group.

IntegraLife UK Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Its principal activity is the transaction of ordinary long-term insurance business within the United Kingdom.

IntegraLife International Limited is authorised and regulated by the Isle of Man Financial Services Authority and its principal activity is the transaction of ordinary long-term insurance business within the United Kingdom through the Transact Offshore Bond.

Time For Advice Limited is a specialist software provider for financial planning and wealth management.

*Group restructure*

On 1 July 2022 IFAL transferred the entire issued share capital of six subsidiaries to the Company. These transfers were made for nil consideration, and each of the transfers constituted a distribution in kind by IFAL. The amount of each distribution was taken to be the book value of the relevant shares, being:

- £1.7m for ILUK
- £1.0m for ILInt
- £1 for each of Transact Nominees Limited, Transact Trustees Limited TTL, Objective Funds Limited and Objective Wealth Management Limited

The investments in the Company accounts are valued at cost, which in this case is nil.

### 16. Loans

This note analyses the loans payable by and receivable to the Company. The carrying amounts of loans are as follows:

**Loans receivable**

| | 2022<br>£'m | 2021<br>£'m |
|---|---|---|
| Loans receivable from third parties | 5.7 | 3.5 |
| Interest receivable on loans | - | 0.1 |
| **Total gross loans** | **5.7** | **3.6** |
| Credit loss allowance | (0.2) | (0.2) |
| **Total net loans** | **5.5** | **3.4** |

The loans receivable are measured at amortised cost with the credit loss allowance charged straight to the statement of comprehensive income. The total movement in the credit loss allowance can be seen in Note 22.

**Loans payable**

| | 2022<br>£'m | 2021<br>£'m |
|---|---|---|
| Loan payable to subsidiary | 8.0 | 9.0 |
| | | |
| To be settled within 12 months | 1.0 | 1.0 |
| To be settled after 12 months | 7.0 | 8.0 |
| **Total loan payable** | **8.0** | **9.0** |

The loans payable are initially recognised at fair value. Subsequent measurement is at amortised cost using the effective interest method. The interest charge is recognised on the statement of comprehensive income.

Interest on the loan is paid quarterly, whilst the remaining capital repayments are annual over the next 8 years.

### 17. Investments held for the benefit of policyholders

| **ILInt** | 2022<br>Cost<br>£'m | 2022<br>Fair value<br>£'m | 2021<br>Cost<br>£'m | 2021<br>Fair value<br>£'m |
|---|---|---|---|---|
| Investments held for the benefit of policyholders | 1,988.9 | 2,057.2 | 1,737.5 | 2,102.2 |
| | **1,998.9** | **2,057.2** | **1,737.5** | **2,102.2** |
| | | | | |
| **ILUK** | | | | |
| Investments held for the benefit of policyholders | 19,215.4 | 18,658.6 | 16,146.4 | 19,684.9 |
| | **19,215.4** | **18,658.6** | **16,146.4** | **19,684.9** |
| | | | | |
| **Total** | **21,214.3** | **20,715.8** | **17,883.9** | **21,787.1** |

## 17. Investments held for the benefit of policyholders (continued)

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.

## 18. Liabilities for linked investment contracts

| | 2022 Fair value £'m | 2021 Fair value £'m |
|---|---|---|
| **ILInt** | | |
| Unit linked liabilities | 2,201.4 | 2,199.7 |
| | **2,201.4** | **2,199.7** |
| **ILUK** | | |
| Unit linked liabilities | 19,973.0 | 20,853.7 |
| | **19,973.0** | **20,853.7** |
| **Total** | **22,174.4** | **23,053.4** |

### Analysis of change in liabilities for linked investment contracts

| | 2022 £'m | 2021 £'m |
|---|---|---|
| Opening balance | **23,053.4** | **18,112.9** |
| Investment inflows | 3,113.9 | 3,391.3 |
| Investment outflows | (1,163.1) | (1,130.5) |
| Compensation | - | 0.2 |
| Changes in fair value of underlying assets | (2,729) | 2,940.2 |
| Investment income | 151.5 | - |
| Other fees and charges - Transact | (59.7) | (56.6) |
| Other fees and charges - third parties | (192.6) | (204.1) |
| **Closing balance** | **22,174.4** | **23,053.4** |

The benefits offered under the unit-linked investment contracts are based on the risk appetite of policyholders and the return on their selected collective fund investments, whose underlying investments include equities, debt securities, property and derivatives. This investment mix is unique to individual policyholders. When the diversified portfolio of all policyholder investments is considered, there is a clear correlation with the FTSE 100 index and other major world indices, providing a meaningful comparison with the return on the investments.

The maturity value of these financial liabilities is determined by the fair value of the linked assets at maturity date. There will be no difference between the carrying amount and the maturity amount at maturity date.

## 19. Cash and cash equivalents

| | 2022 £'m | 2021 £'m |
|---|---|---|
| Bank balances - instant access | 173.5 | 169.6 |
| Bank balances - notice accounts | 9.5 | 6.5 |
| **Total** | **183.0** | **176.1** |

Bank balances held in instant access accounts are current and available for use by the Group.

All of the bank balances held in notice accounts require less than 35 days' notice before they are available for use by the Group.

## 20. Cash held for the benefit of policyholders

| | 2022 £'m | 2021 £'m |
|---|---|---|
| Cash and cash equivalents held for the benefit of the policyholders - instant access - ILUK | 1,314.3 | 1,131.6 |
| Cash and cash equivalents held for the benefit of the policyholders - term deposits - ILUK | - | 37.2 |
| Cash and cash equivalents held for the benefit of the policyholders - instant access - ILINT | 144.2 | 96.5 |
| Cash and cash equivalents held for the benefit of the policyholders - term deposits - ILINT | | 1.0 |
| **Total** | **1,458.5** | **1,266.3** |

Cash and cash equivalents held for the benefit of the policyholders are held to cover the liabilities for unit linked investment contracts. These amounts are 100% matched to corresponding liabilities.

## 21. Financial assets at fair value through profit or loss

| | Group 2022 £'m | Group 2020 £'m |
|---|---|---|
| Listed shares and securities | 0.1 | 0.1 |
| Gilts | 3.0 | 5.0 |
| **Total** | **3.1** | **5.1** |

Investments are all UK and sterling based and held at fair value.

## 22. Other prepayments and accrued income

| | Group 2022 £'m | Company 2022 £'m | Group 2021 £'m | Company 2021 £'m |
|---|---|---|---|---|
| Accrued income | 13.1 | - | 12.8 | - |
| Less: credit loss allowance | (1.0) | - | (0.8) | - |
| Accrued income - net | **12.1** | - | **12.0** | - |
| Prepayments | 5.1 | 0.1 | 4.0 | - |
| **Total** | **17.2** | **0.1** | **16.0** | **-** |

## 22. Other prepayments and accrued income (continued)

Movement in the credit loss allowance (for accrued income, loans receivable and trade and other receivables) is as follows:

| | 2022 £'m | 2021 £'m |
|---|---|---|
| Opening credit loss allowance | (0.8) | (0.6) |
| Reduction in credit loss allowance | - | - |
| Decrease / (Increase) during the year | (0.2) | (0.2) |
| **Balance at 30 September** | **(1.0)** | **(0.8)** |

## 23. Trade and other receivables

| | Group 2022 £'m | Company 2022 £'m | Group 2021 £'m | Company 2021 £'m |
|---|---|---|---|---|
| Other receivables | 2.1 | - | 0.9 | - |
| Less: credit loss allowance | (0.1) | **-** | (0.1) | **-** |
| Other receivables net | **2.0** | **-** | **0.8** | **-** |
| Amounts owed by Group undertakings | - | 0.2 | - | 0.1 |
| Amounts due from HMRC | - | - | 1.8 | - |
| Amount due from policyholders to meet current tax liability | - | - | 1.1 | - |
| **Total** | **2.0** | **0.2** | **3.7** | **0.1** |

Amount due from HMRC is in respect of tax claimed on behalf of policyholders for tax deducted at source.

## 24. Trade and other payables

| | Group 2022 £'m | Company 2022 £'m | Group 2021 £'m | Company 2021 £'m |
|---|---|---|---|---|
| Trade payables | 1.6 | - | 0.4 | **-** |
| PAYE and other taxation | 2.2 | 0.1 | 1.7 | 0.1 |
| Other payables | 7.7 | 0.3 | 5.5 | 0.2 |
| Accruals and deferred income | 8.3 | 0.3 | 8.1 | 0.4 |
| Deferred consideration | 1.7 | 1.7 | 1.7 | 1.7 |
| **Total** | **21.5** | **2.4** | **17.4** | **2.4** |

Other payables mainly comprises £4.8 million (2021: £4.2 million) in relation to bonds awaiting approval.

## 25. Lease liabilities

**Lease liabilities - Property**:

| | 2022 £'m | 2021 £'m |
|---|---|---|
| Opening balance | 5.1 | 6.1 |
| Additions | - | 1.3 |
| Lease payments | (2.4) | (2.5) |
| Interest expense | 0.1 | 0.2 |
| **Balance at 30 September** | 2.8 | 5.1 |
| Amounts falling due within one year | 1.9 | 2.4 |
| Amounts falling due after one year | 0.9 | 2.7 |

The above table provides a reconciliation of the financial liabilities arising from financing activities.

The Group has various leases in respect of property as a lessee. Lease terms are negotiated on an individual basis and run for a period of one to five years.

## 26. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (2021: 20%) on policyholder assets and liabilities and 25% (2021: 25%) on non-policyholder items. The increase in the UK corporation tax rate from the current rate of 19% to 25% was substantively enacted in May 2021. This new rate has been applied to deferred tax balances which are expected to reverse after 1 April 2023, the date on which that new rate becomes effective.

| **Deferred Tax Asset** | **Accelerated Capital Allowances £'m** | **Share based payments £'m** | **Policyholder Unrealised losses/(unrealised gains) £'m** | **Policyholder Excess management expenses and deferred acquisition costs £'m** | **Policyholder Unrealised losses on investment trusts £'m** | **Other deductible temporary differences £'m** | **Total £'m** |
|---|---|---|---|---|---|---|---|
| At 1 October 2020 | - | 0.4 | - | - | - | 0.1 | 0.5 |
| Charge to income | - | 0.2 | - | - | - | - | 0.2 |
| **At 30 September 2021** | **-** | **0.6** | **-** | **-** | **-** | **0.1** | **0.7** |
| Excess tax relief charged to equity | - | (0.3) | - | - | - | - | (0.3) |
| Charge to income | 0.1 | 0.2 | 8.1 | 2.2 | 0.2 | - | 10.8 |
| Offset Deferred Tax Liability | | | (5.2) | | | | (5.2) |
| **At 30 September 2022** | **0.1** | **0.5** | **2.9** | **2.2** | **0.2** | **0.1** | **6.0** |

## 26. Deferred tax (continued)

| **Deferred Tax Liability** | **Accelerated capital allowances £'m** | **Policyholder tax on unrealised gains £'m** | **Other taxable differences £'m** | **Total £'m** |
|---|---|---|---|---|
| At 1 October 2020 | 0.1 | 8.8 | - | 8.9 |
| Charge to income | - | 19.6 | 0.2 | 19.8 |
| Deferred tax acquired through business combination | - | - | 0.8 | 0.8 |
| **At 30 September 2021** | **0.1** | **28.4** | **1.0** | **29.5** |
| Charge to income | (0.1) | (23.2) | (0.1) | (23.4) |
| Offset against Deferred Tax asset | | (5.2) | | (5.2) |
| **At 30 September 2022** | **-** | **-** | **0.9** | **0.9** |

The Company has no deferred tax assets or liabilities.

The deferred tax movement in 2022 arises due to significant falls in the value of equity and bond markets resulting in losses on investments held for the benefit of policyholders (£184.4m), as well as excess management charges (£3.7m). To support the recognition of the policyholder net deferred tax asset of £5.4m, modelling has been carried out to review the likely recovery period for the deferred tax asset. The modelling is based on management forecasts and concludes that the deferred tax asset on losses is expected to be recovered by financial year 2024. An extreme downside case was also modelled based on PRA Solvency II guidance to include a fall in type 1 equity stock markets, and a mass lapse of life insurance products, neither of which impacted the anticipated recovery.

## 27. Client monies and client assets

| 2022 | £'m | | £'m |
|---|---|---|---|
| Client monies | 3,346.8 | Amounts due to clients | 3,346.8 |
| Client assets | 46,723.7 | Corresponding liability | 46,723.7 |

| 2021 | £'m | | £'m |
|---|---|---|---|
| Client monies | 2,901.5 | Amounts due to clients | 2,901.5 |
| Client assets | 49,210.1 | Corresponding liability | 49,210.1 |

The above client monies are held separately (off balance sheet) in client bank and the above client assets are held on behalf of Integrated Financial Arrangements Ltd by Transact Nominees Limited.

## 28. Provisions - Group

| | 2022 | 2021 |
|---|---|---|
| | £'m | £'m |
| Balance brought forward | 17.8 | 25.2 |
| (Decrease)/increase in dilapidations provision | (0.3) | 0.1 |
| Decrease in ILInt non-linked unit provision | (0.1) | - |
| (Decrease)/increase in ILUK policyholder reserves | 45.0 | (7.5) |
| Decrease in other provisions | (5.6) | - |
| Balance carried forward | **56.8** | **17.8** |
| Amounts falling due within one year | 10.7 | 11.6 |
| Amounts falling due after one year | 46.1 | 6.2 |
| Dilapidations provisions | 0.2 | 0.5 |
| ILInt non-linked unit provision | - | 0.1 |
| Current ILUK policyholder reserves | 56.6 | 11.6 |
| Non-current ILUK policyholder reserves | - | 5.6 |
| **Total** | **56.8** | **17.8** |

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.

ILUK policyholder reserve 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. These are expected to be paid to policyholders over the course of the next seven years.

## 29. Contingent consideration - Group and company

| | 2022 | 2021 |
|---|---|---|
| | £'m | £'m |
| Contingent consideration | 1.7 | 0.8 |

The T4A acquisition cost included additional consideration between £0 and £8.6 million, which is payable in January 2025 and contingent on T4A meeting certain performance targets over the next four years.

The fair value of the contingent consideration is remeasured at each reporting date. Management have estimated the fair value at 30 September 2022 as £3.9 million, and this is being recognised across the four year period from January 2021 to December 2024. The contingent consideration balance relates to the element of the additional consideration that has been recognised up to 30 September 2022.

## 30. Share-based payments

*Share-based payment reserve*

| | Group 2022 £'m | Company 2022 £'m | Group 2021 £'m | Company 2021 £'m |
|---|---|---|---|---|
| Balance brought forward | 2.4 | 1.7 | 1.7 | 1.1 |
| Movement in the year | 0.2 | 0.5 | 0.7 | 0.6 |
| Balance carried forward | **2.6** | **2.2** | **2.4** | **1.7** |

*Share schemes*

*(i) SIP 2005*
IFAL 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 entitled all the staff who were employed in October 2005 to Class C shares in IFAL, 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 IFAL.

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 Group in the financial year to 30 September 2022 was £nil (2021: £nil). 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 2022 was £0.6m (2021: £0.7m).

*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.

**30. Share-based payments (continued)**

The cost to the Group in the financial year to 30 September 2022 was £0.5m (2021: £0.5m).

*(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 2022 was £0.8m (2021: £0.7m). 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:

| | 2022 Shares (number) | 2021 Shares (number) |
|---|---|---|
| **SIP 2018** | | |
| Shares in the plan at start of the year | 692,683 | 473,683 |
| Granted | 292,318 | 295,210 |
| Shares withdrawn from the plan | (130,754) | (76,210) |
| **Shares in the plan at end of year** | **854,247** | **692,683** |
| **Available to withdraw from the plan at end of year** | **314,161** | **148,543** |

Details of the movements in the share scheme during the year are as follows:

| | 2022 Weighted average exercise price (pence) | 2022 Shares (number) | 2021 Weighted average exercise price (pence) | 2021 Shares (number) |
|---|---|---|---|---|
| **SIP 2005** | | | | |
| Outstanding at start of the year | 0.00 | 872,709 | 0.00 | 1,201,223 |
| Shares withdrawn from the plan | 0.00 | (67,200) | 0.00 | (328,514) |
| **Shares in the plan at end of year** | **0.00** | **805,509** | **0.00** | **872,709** |
| **Available to withdraw from the plan at end of year** | **0.00** | **805,509** | **0.00** | **872,709** |

The weighted average share price at the date of withdrawal for shares withdrawn from the plan during the year was 425.47 pence (2021: 507.35 pence).

**30. Share-based payments (continued)**

At 30 September 2022 the exercise price was £nil as they were all nil cost options.

| | 2022 Weighted average exercise price (pence) | 2022 Share options (number) | 2021 Weighted average exercise price (pence) | 2021 Share options (number) |
|---|---|---|---|---|
| **PSP** | | | | |
| Outstanding at start of the year | 0.00 | 576,088 | 0.00 | 434,643 |
| Granted | 0.00 | 184,772 | 0.00 | 141,445 |
| Forfeited | 0.00 | - | 0.00 | - |
| Exercised | 0.00 | (85,553) | | |
| **Outstanding at end of year** | **0.00** | **675,307** | **0.00** | **576,088** |
| **Exercisable at end of year** | **0.00** | **183,958** | **0.00** | **-** |

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:

| | 2022 | 2021 |
|---|---|---|
| **PSP** | | |
| Share price at date of grant | 522.5 | 555.0 |
| Exercise price | Nil | Nil |
| Expected life | 3 years | 3 years |
| Risk free rate | 0.69% | 0.00% |
| Dividend yield | 1.91% | 1.50% |
| **Weighted average fair value per option** | **493.3p** | **530.7p** |

**31. Employee Benefit Trust reserve**

**Group:**

| | 2022 £'m | 2021 £'m |
|---|---|---|
| Balance brought forward | (2.1) | (1.1) |
| Purchase of own shares | (0.3) | (1.0) |
| Balance carried forward | **(2.4)** | **(2.1)** |

**Company:**

| | 2022 £'m | 2021 £'m |
|---|---|---|
| Balance brought forward | (1.8) | (0.9) |
| Purchase of own shares | (0.3) | (0.9) |
| Balance carried forward | **(2.1)** | **(1.8)** |

**31. Employee Benefit Trust reserve (continued)**

The Employee Benefit Trust ("EBT") was settled 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. IHP is considered to be the sponsoring entity of the EBT, and the assets and liabilities of the EBT are therefore recognised as those of IHP. Shares held in the trust are treated as own shares and shown as a deduction from equity.

### 32. Other reserves - Group

| | 2022<br>£'m | 2021<br>£'m |
|---|---|---|
| Foreign exchange reserves | - | (0.1) |
| Non-distributable merger reserve | 5.7 | 5.7 |
| Non-distributable insurance reserves | - | 0.5 |

Foreign exchange reserves are gains/losses arising on retranslating the net assets of IAD Pty into sterling.

Non-distributable reserves relate to the non-distributable merger reserve held by one of the Company's subsidiaries, IFAL, which is classified within other reserves on a Group level.

### 33. Related parties

During the year the Company did not render nor receive any services with related parties within the Group, and at the year end the Company had the following intra-Group receivables:

| | Amounts owed by related parties | |
|---|---|---|
| **Company** | **2022<br>£'m** | **2021<br>£'m** |
| Integrated Financial Arrangements Ltd | 0.1 | 0.1 |

A loan of £10 million was issued to the Company by IntegraLife UK Limited in FY21. This is an arm's length transaction as interest is charged at a commercial rate. IHP is paying the loan off over ten years and made the second payment of £1 million, plus accrued interest, during the year. The current loan balance is £8 million.

The Group has not recognised any expected credit losses in respect of related party receivables, nor has it been given or received any guarantee during 2022 or 2021 regarding related party transactions.

### 33. Related parties (continued)

Payments to key management personnel, defined as members of the board, are shown in the Remuneration Report. Directors of the Company received a total of £3.6million (2021: £3.3million) in dividends during the year and benefitted from staff discounts for using the platform of £2k (2021: £2k). The number of IHP shares held at the end of the year by key management personnel was 35,207,874, a increase of 1,123 from last year.

All of the above transactions are commercial transactions undertaken in the normal course of business.

### 34. Events after the reporting date

A second interim dividend of 7.0 pence per share was declared on 13 December 2022. This dividend has not been accrued in the consolidated statement of financial position.

### 35. Dividends

During the year to 30 September 2022 the Company paid interim dividends of £33.8million (2021: £28.5million) to shareholders. The Company received dividends from subsidiaries of £45.0million (2021: £42.1million).

## DIRECTORS, COMPANY DETAILS, ADVISERS

**Executive Directors**
Michael Howard
Alexander Scott
Jonathan Gunby

**Non-Executive Directors**
Richard Cranfield
Christopher Munro

Rita Dhut
Caroline Banszky
Victoria Cochrane
Robert Lister

**Company Secretary**
Helen Wakeford

**Independent Auditors**
Ernst & Young LLP, 25 Churchill Place, Canary Wharf, London, E14 5EY

**Solicitors**
Eversheds Sutherland, One Wood Street, London, EC2V 7WS

**Corporate Advisers**
Peel Hunt LLP, 7th Floor 100 Liverpool Street, London, England, EC2M 2AT
Barclays Bank PLC, 5 The North Colonnade, Canary Wharf, London, E14 4BB

**Principal Bankers**
NatWest Bank Plc, 135 Bishopsgate, London, EC2M 3UR

**Registrars**
Equiniti Group plc, Sutherland House, Russell Way, Crawley, RH10 1UH

**Registered Office**
29 Clement's Lane, London, EC4N 7AE

**Investor Relations**
Luke Carrivick 020 7608 4900

**Website**
www.integrafin.co.uk

**Company number**
8860879

## Glossary of Alternative Performance Measures ("APMs")

Various alternative performance measures are referred to in the Annual Report, which are not defined by IFRS. They are used in order to provide better insight into the performance of the Group. Further details are provided below.

| APM | Definition and purpose |
|---|---|
| **Operational performance measures** | |
| Funds under direction ("FUD") | Calculated as the total market value of all cash and assets on the platform, valued as at the respective year end. |

| Year end | 2022 £bn | 2021 £bn |
|---|---|---|
| Cash | 3.51 | 2.91 |
| Assets | 46.56 | 49.20 |
| FUD | 50.07 | 52.11 |
| % change on the previous year | -4% | 27% |

| Average daily FUD | 2022 £bn | 2021 £bn |
|---|---|---|
| Cash | 3.23 | 2.91 |
| Assets | 49.27 | 44.33 |
| FUD | 52.50 | 47.24 |
| % change on the previous year | 11% | 22% |

The measurement of FUD is the primary driver of the largest component of the Group's revenue. FUD is used to derive the annual commissions due to the Group.

These values are not reported within the financial statements or the accompanying notes.

| APM | Definition and purpose |
|---|---|
| Gross inflows and net inflows | Calculated as gross inflows onto the platform less outflows leaving the platform by clients during the respective financial year. |

Inflows and outflows are measured as the total market value of assets and cash joining or leaving the platform.

| | 2022 £bn | 2021 £bn |
|---|---|---|
| Gross inflows | 4.73 | 7.70 |
| Outflows | 2.53 | 2.74 |
| Net inflows | 2.19 | 4.95 |
| % change on the previous year | -56% | 38% |

The measurement of net inflows onto the platform shows the net movement of cash and assets on the platform during the year. This directly contributes to FUD and therefore revenue.

These values are not reported within the financial statements or the accompanying notes.

| | |
|---|---|
| Adviser and client numbers | Calculated as the total number of advisers or clients as at the financial year end.<br><br>Advisers are calculated as the number of advisers with over £1k of client FUD on the platform.<br><br>Clients are calculated as the total number of clients on the platform.<br><br>T4A licence users calculated as the total number of core licence users active on the CURO platform. |

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Advisers | 6.9 | 6.5 |
| % increase | 5% | 5% |
| Clients | 224.7 | 208.6 |
| % increase | 8% | 9% |
| T4A licence users | 2.2 | 1.5 |
| % increase | 44% | |

This measurement is an indicator of our presence in the market.

These values are not reported within the financial statements or the accompanying notes.

**Income statement measures**

**Non-underlying expenses**

Calculated as costs which have been incurred outside of the ordinary course of the business.

| Non-underlying expenses | 2022 £m | 2021 £m |
|---|---|---|
| Backdated VAT | 8.0 | - |
| Interest on backdated VAT | 0.8 | - |
| Other | 2.7 | 3.3 |
| Non-underlying expenses | 11.5 | 3.3 |

Our non-underlying expenses represent costs which do not relate to our recurring business operations and hence should be separated from operating expenses in the income statement.

Non-underlying expenses relate to back dated VAT and interest being due to HMRC after their review concluded that the inclusion of IAD in our VAT group was terminated with effect from July 2016, and reverse charge VAT is therefore payable on services provided by IAD since that date. We have been unsuccessful in two stages of appealing the decision, which resulted in non-underlying expenses of backdated VAT of £8.0 million for the period to September 2021 and non-recurring interest on the VAT due of £0.8m. For further details see the Financial Review.

Other costs consist of professional fees and stamp duty in relation to acquisitions (FY21 only), and post-combination remuneration. Post-combination remuneration relates to the payment to the original shareholders of T4A. This is comprised of the deferred and additional consideration payable in relation to the acquisition of T4A and is recognised as remuneration over four years from January 2021 to December 2024. This non-underlying expense will continue in subsequent years and is expected to be £3 million in financial years 2022 to 2024, before reducing to £0.8 million in financial year 2025. Other costs in FY22 also include a credit of £0.3 million in relation to the dilapidations provision on the Group's Clement's Lane office, as it has been established that this is no longer required.

**Underlying earnings per share**

Calculated as profit after tax net of non-underlying expenses, divided by called up equity share capital.

| | 2022 £m | 2021 £m |
|---|---|---|
| Profit after tax | 44.0 | 51.1 |
| Non-underlying expenses | 11.5 | 1.6* |
| Tax allowable element of costs | (1.4) | 0.3 |
| Underlying profit after tax | 54.1 | 53.0 |
| Divide by: Called up equity share capital | 3.3 | 3.3 |
| Underlying earnings per share | 16.3p | 16.0p |

* Includes VAT on IAD costs of £1.7 million for FY21, though the actual costs were recorded in FY22

**Underlying profit before tax**

Calculated as profit before tax net of non-underlying expenses.

| | 2022 £m | 2021 £m |
|---|---|---|
| Profit before tax | 54.3 | 63.6 |
| Add: Non-underlying expenses | 11.5 | 1.6* |
| Underlying profit before tax | 65.8 | 65.2 |

* Includes VAT on IAD costs of £1.7 million for FY21, though the actual costs were recorded in FY22.

**Cash flow measures**

**Dividend per share**

Calculated as dividend per share paid to shareholders, which relate to the respective financial years.

| | | | |
|---|---|---|---|
| | | | |
| | | **2022** | **2021** |
| | 1st interim dividend | 3.2 pence | 3.0 pence |
| | 2nd interim dividend | 7.0 pence | 7.0 pence |
| | Shareholder returns | 10.2 pence | 10.0 pence |
| | % increase on previous financial year | 2.0% | 20.5% |

There are generally two dividend payments made relating to each financial year. Shareholder returns is a measurement of the total cash dividend received by each shareholder for each indvidual share held by them.

**Dividend policy**

Calculated as total cash dividends paid in relation to the respective financial year, divided by the post-tax profit relating to that same financial year.

| | **2022 £m** | **2021 £m** |
|---|---|---|
| Total cash dividends paid | 33.8 | 33.1 |
| Profit for the financial year | 44.0 | 51.1 |
| Dividends as a % of profit | 77% | 65% |

Our policy is to pay 60% to 65% of full year profit after tax as two interim dividends. For FY22 the total dividend is 77% of IFRS reported profit for the financial year, but is 62% after excluding non-underlying expenses.

Delivery on dividend policy is a measurement of our performance against the policy and the businesses ability to generate distributable profits.



END

FR QZLFFLLLLFBL