INTERIM RESULTS

SIX MONTHS ENDED
31 MARCH 2020

IntegraFin Holdings plc

Company registration number: 08860879

IntegraFin Holdings plc - Interim Results for the Six Months Ended 31 March 2020

IntegraFin Holdings plc today announces its Interim Results for the six months to 31 March 2020.

Highlights

- Revenue up 13.0% to £53.8m (HY2019: £47.6m)
- Profit before tax profits up 21.9% to £27.3m (HY2019: £22.4m)
- Earnings per share up 23.6% to 6.8 pence (HY2019: 5.5p)
- Interim dividend 2.7 pence per share (HY2019: 2.6pps)
- Funds under direction up 1.7% to £34.99bn (HY2019: £34.41bn)
- Gross inflows up 14.0% to £3.2bn (HY2019: £2.8bn)
- Client numbers up 8.1% to 187k (HY2019: 173k)

Alex Scott, Chief Executive Officer, commented:

"Results for the first half of the year are positive. We have seen our highest ever gross inflows and record first half year profits.

Strong inflow growth has contributed to a year on year increase in Funds Under Direction (FUD), despite the COVID-19 pandemic causing substantial, downward movements in world equity markets from late February. Prior to these market falls, FUD growth had been solid.

The growth in net flows and higher daily average FUD over the period (£38.3bn) have driven strong revenue growth. Coupled with sensible expense management, this has enabled us to deliver an increase in profit before tax.

Performance in the second half of the year will very much depend upon the effects of measures taken to combat COVID-19 and their impact upon the economy, the equity markets, FUD and flows.

Against this backdrop, the business continues to be well positioned. The number of clients on the platform increased from 173k to 187k year on year, an increase of 8.1%. In the same period the number of advisers using the platform increased by 6.3%.

The welfare of our staff and the maintenance of services to clients are, of course, my primary concerns. All staff are currently working from home, from where they continue to do a fantastic job, providing as good a quality service as possible to clients and their advisers.

We are not utilising any schemes under the National Temporary Framework for State Aid and none of our staff have been furloughed.

After careful consideration, the Board has declared a first interim dividend in accordance with the Company's dividend policy. In respect of the six months to 31 March 2020, an interim dividend of 2.7 pence per ordinary share (H1 2019: 2.6 pence) will be payable on 26 June 2020 to ordinary shareholders on the register on 5 June 2020. The ex-dividend date will be 4 June 2020."

Financial Highlights

	Change	Six months ended 31 March 2020 £m	Six months ended 31 March 2019 £m	Year ended 30 September 2019 £m
Funds under direction	+1.7%	34,990	34,406	37,799
Revenue	+13.0%	53.8	47.6	99.2
Profit before tax	+21.9%	27.3	22.4	49.0
Basic and diluted earnings per share	+23.6%	6.8p	5.5p	12.1p
Operating profit	+22.5%	27.2	22.2	48.6
Operating margin	+8.5%	51%	47%	49%

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Analyst Presentation

IntegraFin Holdings plc will be hosting an analyst presentation on 21 May 2020, following the release of these results for the half year ended 31 March 2020. Attendance is by invitation only. Slides accompanying the analyst presentation will be available on the IntegraFin Holdings plc website.

Cautionary Statement

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

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

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

Financial Review

Operational performance

Transact achieved record platform inflows in the first half of financial year 2020. The strong inflows in the period helped negate the effect of market falls and contributed to a small increase in Funds Under Direction over the year, ending £0.6bn higher than at 31 March 2019. FUD ended the interim period £2.8bn lower than at 2019 financial year end, due to the substantial, downward movements in world equity markets since late February.

FUD, inflows and outflows

	Six months ended 31 March 2020 £m	**Six months ended 31 March 2019 £m**	**Year ended 30 September 2019 £m**
Opening FUD	**37,799**	**33,113**	**33,113**
Inflows	3,234	2,837	5,700
Outflows	(1,172)	(1,027)	(2,203)
Net flows	**2,062**	**1,810**	**3,497**
Market movements	(4,872)	(515)	1,197
Other movements[1]	1	(2)	(8)
Closing FUD	**34,990**	**34,406**	**37,799**

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

Gross inflows for the six months to 31 March 2020 increased by £397m (14.0%) compared with the same period in the prior year. Gross outflows increased by £145m (14.1%) in the six months, representing an annualised outflow of 6.2% of opening FUD, which remained broadly consistent with both March 2019 (6.2%) and financial year 2019 (6.7%). The net result of the increase in both inflows and outflows was in an increase in net flows of £252m (13.9%).

Financial performance

Total gross profit in the six months to 31 March 2020 increased by £6.3m (13.4%) from the same period in financial year 2019. This growth was driven by an uplift in the average value of FUD through the period, strong inflows and an increase in the number of tax wrappers.

Profit before tax grew from £22.4m at half year March 2019 to £27.3m at March 2020, an increase of 21.9% year on year. This can be attributed to increased revenue and prudent expense management.

Income	Six months ended 31 March 2020 £m	Six months ended 31 March 2019 £m	Year ended 30 September 2019 £m
Revenue	53.8	47.6	99.2
Cost of sales	(0.4)	(0.5)	(0.8)
Gross profit	**53.4**	**47.1**	**98.4**
Operating expenses	(26.2)	(24.9)	(49.8)
Operating profit attributable to shareholder returns	27.2	22.2	48.6
Investment returns and interest income	0.1	0.2	0.4
Profit before tax attributable to shareholder returns	**27.3**	**22.4**	**49.0**
Tax on ordinary shareholder only activities	(4.8)	(4.2)	(8.9)
Profit after tax	**22.5**	**18.2**	**40.1**

The above table does not include income, expenses or tax charges relating to policyholders as their net impact on profit is £nil. For more details on policyholder returns please see note 7.

Components of revenue

Our revenue comprises three elements: annual commission income, wrapper fee income and other income.

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 clients hold) constitute our recurring revenue. Other income includes buy commission charged on asset purchases.

	Six months ended 31 March 2020 £m	Six months ended 31 March 2019 £m	Year ended 30 September 2019 £m
Annual commission income	47.4	41.3	86.7
Wrapper fee income	4.8	4.4	9.0
Other income	1.6	1.9	3.5
Total revenue	**53.8**	**47.6**	**99.2**

Recurring revenue streams constituted 97.0% of total fee income in the six months to 31 March 2020, which is a small increase from 96.0% in the same period in the prior year.

Annual commission income increased by £6.1m (14.8%) in the period versus the same period in the prior financial year. This resulted from higher average FUD over the period (the downturn in the markets only affected asset values towards the end of the period).

Wrapper administration fee income increased by £0.4m (9.1%) year on year, reflecting the increase in the number of open tax wrappers.

Other income, mainly buy commission and dealing charges, reduced by £0.3 million (15.8%) year on year. The primary reason for this fall was the reduction in the buy commission rebate threshold in March 2019 and March 2020. The required portfolio value for client family groups to receive the rebate was reduced from £1.0 million to £0.5 million, with effect from 1 March 2019, and was reduced again from £0.5 million to £0.4 million from 1 March 2020.

Operating expenses

	Six months ended 31 March 2020 £m	Six months ended 31 March 2019 £m	Year ended 30 September 2019 £m
Staff costs	18.3	18.4	36.3
Occupancy	1.0	1.8	3.6
Regulatory and professional fees	3.5	2.5	5.5
Other costs	2.2	1.9	3.7
Total expenses	25.0	24.6	49.1
Depreciation and amortisation	1.2	0.3	0.7
Total operating expenses	**26.2**	**24.9**	**49.8**

In the six months to March 2020, total operating expenses increased by £1.3m (5.2%), compared with the six months to March 2019.

Staff costs decreased by £0.1m (0.5%) to £18.3m in the six months to March 2020. This was the net effect of Group headcount reducing to 492 at the end of March 2020 (March 2019: 514) and general, inflationary cost increases. The reduction in headcount resulted from natural attrition and efficiency gains delivered through platform development.

Regulatory and professional fees increased by £1.0m in the six months to March 2020, mainly due to changes in regulatory fee tariff data calculations. These include Financial Services Compensation Scheme levies, which increased by £0.7m (197.8%).

The Group adopted IFRS 16 (Leases) from the start of the new financial year. This standard requires recognition and subsequent depreciation of right of use assets – in our case buildings leased by the Group - and it means that we no longer recognise building rent expense. The year to date, financial impact of IFRS 16 is a reduction in occupancy costs of £0.8m and an increase in depreciation and amortisation costs of £0.9m.

Profit before tax attributable to shareholder returns

Profit before tax increased by £4.9m (21.9%) year on year.

	Six months ended 31 March 2020 £m	Six months ended 31 March 2019 £m	Year ended 30 September 2019 £m
Operating profit attributable to shareholder returns	**27.3**	**22.2**	**48.6**

The operating margin increased to 50.6% (March 2019: 46.6%) in the six months to 31 March 2020. The increase is due to higher revenue, as a result of the increase in average FUD, and controlled expenses.

Financial position

The material items on the consolidated statement of financial position that merit comment include the following:

IFRS 16 (Leases)
On adoption of IFRS 16, the Group recognised right of use assets of £5.6m and corresponding lease liabilities of £8.3m. Liabilities of £2.5m previously recognised in relation to the rent free reserve were also derecognised and adjusted through retained earnings.

The overall reduction in retained earnings on 1 October 2019 was therefore £0.2m, which is the cumulative effect of recognising the asset and corresponding liabilities for each of the leases and the release of the rent free reserve.

Deferred tax

Deferred policyholder tax liabilities decreased by £12.7m to £0.5m, while deferred policyholder tax assets increased by £7.9m to £8.1m. These movements have arisen from the deemed capital losses on policyholder assets, as a result of the market falls in relation to the COVID-19 pandemic.

Dividends

During the six month period to 31 March 2020, the Company paid a second interim dividend of £17.2m to shareholders in respect of financial year 2019. This was in addition to the first interim dividend of £8.6m, which was paid in June 2019. The financial year total of £25.8m compares with a full year interim dividend of £21.2m in respect of the full financial year 2018.

In respect of the six months to 31 March 2020, and in line with dividend policy, the Board has declared a first interim dividend of £8.9 million, or 2.7 pence per ordinary share. This compares with an interim dividend of £8.6 million, or 2.6 pence per ordinary share, in respect of the same period in the prior year.

Earnings Per Share

	Six months ended 31 March 2020	**Six months ended 31 March 2019**
Profit after tax for the period	£22.5m	£18.2m
Number of shares in issue	331.3m	331.3m
Earnings per share – basic and diluted	6.8p	5.5p

Earnings per share grew to 6.8p per share up 23.6% on the six months to 31 March 2019.

Going Concern

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

When making this assessment the Directors have taken into consideration the reduction in FUD of £2.8bn in the interim period, due to the substantial, downward movements in world equity markets since late February. Market volatility and uncertainty is expected to continue for some time, due to the COVID-19 pandemic and the effect of measures taken to combat it. Operations continue as near as possible to usual, whilst being in compliance with Government guidelines. The Group continues to maintain a robust financial position.

Having conducted detailed cash flow and working capital projections, and stress-tested liquidity, profitability and regulatory capital, taking account of the impact of the COVID-19 pandemic and further possible adverse changes in trading performance, the Directors are satisfied that the Group is well placed to manage its business risks.

The Directors are 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 of Man Financial Services Authority (IoM FSA). Accordingly, after considering the effects of the COVID-19 pandemic, the Directors do 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.

Principal Risks and Uncertainties

Following the onset of the COVID-19 pandemic, we implemented a number of business continuity measures. In particular, following the Government announcement on 24 March 2020 that the public should not leave homes to travel to work if they could work at home, we limited office attendance to short visits by essential IT colleagues and other key workers necessary to maintain the continuity of operations and systems. All other staff support the business through remote home working.

The pandemic has created many uncertainties and we have adapted the business rapidly to reflect the sudden change in its risk profile. This has resulted in changes to our operational risk profile. However, in other respects the key risks and uncertainties associated with our strategic objectives remain broadly the same. An overview of those risks, along with the associated risk management and controls, follows:

1. Increased operational risk: The remote working of staff and the inaccessibility of the Group's normal offices presents heightened operational risks. The extent of use of remote IT access has increased threat of external fraud and cyber-attack. Our critical business services have been reviewed and, in some instances, it has been necessary to amend the usual routines and procedures.

Risk management and control: All modifications to operating procedures were reviewed by management and assessed by Risk Management for impact, prior to approval. Management also considered any potential impact on clients with the aim to avoid client detriment. Where necessary, external regulatory approval was sought to ensure documentation and data met requirements. A revised IT strategy was put in place which includes enhanced remote access controls.

2. Stock market volatility: The COVID-19 pandemic and Brexit have created uncertainty in stock markets and are expected to continue to have a negative impact for some time. This has an effect upon the value of FUD.

Risk management and control: Stock market volatility, and its impact on revenue, is partly mitigated by the wide range of assets in which FUD is invested. This ensures that FUD based revenue is not wholly correlated to any one market. Clients are also able to switch into cash, and this is likely to remain on platform. The wrapper fees are also not reduced by falls in the value of assets, as they are levied at a fixed rate. Expenses are also closely monitored and controlled.

3. Service standards failure: Our high levels of client and adviser retention are dependent to a great extent upon our consistently reliable and high quality service. Failure to maintain these service levels would affect our ability to attract and retain business. As discussed above, recent events have resulted in changes to working practices - so making this service harder to deliver.

Risk management and control: The risk of service standards failure is managed by providing client service teams with extensive initial and ongoing training, supported by experienced subject matter experts and managers. During the working at home phase, the monitoring and checking of service levels and capacity has continued and any deviation from the expected has been addressed by management.

4. Increased competition: The market is competitive. 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. The COVID-19 pandemic has added to this uncertainty. The level of client and adviser activity may be adversely impacted for some time.

Risk management and control: Competition is countered by focussing on providing exceptionally high levels of service and being responsive to client and financial adviser demands. The efficient management of expenses also helps make possible a continued proposition of "value for money" involving the reduction of charges.

5. Reduced investment: The maintenance of quality and relevance requires ongoing investment. Any reduction in investment due to diversion of resources to other non-discretionary expenditure may affect our competitive position.

Risk management and control: This risk has not significantly increased as a result of the COVID-19 pandemic as minimal additional unexpected expenses have been incurred so far Otherwise, the risk of reduced investment in the business is managed through a disciplined approach to expense management and forecasting. In particular, forthcoming regulatory and taxation regime changes are noted and planned for and a contingency sum is maintained to allow for unexpected expenses.

6. Expense overrun: Expenses that were higher than expected and budgeted for could adversely impact profits. Whilst the key constituent of expenses is salary cost, other expenses, such as legal, compliance or regulatory costs and levies are more likely to change unexpectedly. The outcome of a reconsideration of HMRC's view that Integrated Application Development Pty Ltd should be excluded from a UK VAT group is currently awaited. Following that, a formal review may be required and, possibly, a referral to the Tribunal and/or litigation before the matter is finally resolved. It is possible that a retrospective additional VAT charge (plus interest and/or a penalty) and/or a prospective increase in VAT charges might be applied. Further details are set out in the RNS issued on 28 January 2020.

Risk management and control: Expenses have not significantly increased as a result of the COVID-19 pandemic. The most significant element of the expense base is staff cost. This is controlled through modelling staff requirements against forecast business volumes and factoring in expected efficiencies from platform and other systems development. Expenditure requests that deviate from plan are rigorously challenged and must receive prior approval. With regard to the HMRC VAT issue, the Group has taken and continues to take specialist legal and tax advice. Financial projections assuming an unfavourable outcome, including those used to demonstrate viability, have been cast.

7. Capital strain: Unexpected, additional capital requirements imposed by regulators could negatively impact solvency coverage ratios.

Risk management and control: Specific resources are allocated to monitor the current and anticipated regulatory environment to ensure that all regulatory obligations are met. Assessments of capital requirements are also undertaken, which includes running extreme stress and scenario tests to the point of regulatory failure. A buffer over and above the regulatory minimum solvency capital requirements is maintained. The capital position has not significantly changed as a result of the COVID-19 pandemic and the regulated companies within the Group continue to maintain healthy solvency coverage ratios.

Directors' Responsibility Statement

The Directors are responsible for preparing the interim financial statements in accordance with applicable law and regulations. A list of current directors is maintained on the Group's website: https://www.integrafin.co.uk.

The Directors confirm that, to the best of their knowledge, the interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4 R.

The Directors further confirm that the interim financial statements include a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

By Order of the Board

Helen Wakeford
Company Secretary

Registered Office
29 Clement's Lane
London
EC4N 7AE
20 May 2020

Independent Review Report to IntegraFin Holdings plc

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2020 which comprises the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Cash Flows and Condensed Consolidated Statement of Changes in Equity and related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities
The half-yearly financial report is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, ''Interim Financial Reporting'', as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP
Chartered Accountants
London
United Kingdom
20 May 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Condensed Consolidated Statement of Comprehensive Income

	Note	Six months to 31 March 2020 £'000	Six months to 31 March 2019 £'000
Revenue			
Fee income	**4**	53,824	47,615
Cost of sales		(382)	(456)
Gross profit		**53,442**	**47,159**
Administrative expenses		(26,137)	(24,879)
Impairment losses on financial assets		(57)	(19)
Net income/(expense) attributable to policyholder returns	**8**	(24,312)	(5,098)
Operating profit		**2,936**	**17,163**
Operating profit/(loss) attributable to policyholder returns		**(24,312)**	**(5,098)**
Operating profit attributable to shareholder returns		**27,248**	**22,261**
Investment returns		30	25
Interest income		186	149
Interest expense		(126)	-
Profit on ordinary activities before taxation		**3,026**	**17,337**
Profit/(loss) on ordinary activities before taxation attributable to policyholder returns		**(24,312)**	**(5,098)**
Profit on ordinary activities before taxation attributable to shareholder returns		**27,338**	**22,435**
Policyholder tax	**8**	24,312	5,098
Tax on profit on ordinary activities	**6**	(4,849)	(4,241)
Profit for the period		**22,489**	**18,194**
Other comprehensive income			
Exchange gains/(losses) arising on translation of foreign operations		(131)	(25)
Total other comprehensive income for the period		**(131)**	**(25)**
Total comprehensive income for the period		**22,358**	**18,169**
Earnings per share			
Ordinary shares – basic and diluted	**5**	6.8p	5.5p

All activities of the Group are classed as continuing.

Condensed Consolidated Statement of Financial Position

	Note	31 March 2020 £'000	30 September 2019 £'000
Non-current assets			
Loans	**12**	2,242	1,185
Intangible assets		12,951	12,951
Property, plant and equipment		2,307	2,405
Right of use assets		4,741	-
Deferred tax assets	**7**	8,084	157
Deferred acquisition costs	**11**	52,886	50,443
		83,211	67,141
Current assets			
Financial assets at fair value through profit or loss		5,094	5,066
Other prepayments and accrued income		12,956	13,082
Trade and other receivables	**13**	3,232	6,510
Investments and cash held for the benefit of policyholders	**10**	15,410,189	16,665,048
Cash and cash equivalents		131,668	132,340
		15,563,139	16,822,046
Current liabilities			
Trade and other payables	**14**	18,449	17,024
Finance lease liabilities		2,379	-
Liabilities for linked investment contracts	**10**	15,410,189	16,665,048
Current tax liabilities		91	3,342
		15,431,108	16,685,414
Non-current liabilities			
Provisions	**9**	36,912	24,564
Finance lease liabilities		4,807	-
Deferred income liability	**11**	52,886	50,443
Deferred tax liabilities	**7**	528	13,248
		95,133	88,255
Net assets		**120,109**	**115,518**
Capital and reserves			
Called up equity share capital		3,313	3,313
Capital redemption reserve		2	2
Share-based payment reserve		961	1,008
Employee Benefit Trust reserve		(540)	(275)
Foreign exchange reserve		(175)	(44)
Non-distributable reserves		5,722	5,722
Non-distributable insurance reserves		501	501
Profit or loss account		110,325	105,291
Total equity		**120,109**	**115,518**

These interim financial statements were approved by the Board of Directors on 20 May 2020 and are signed on their behalf by:

Alexander Scott, Director
Company Registration Number: 08860879

Condensed Consolidated Statement of Cash Flows

	Six months to 31 March 2020 £'000	Six months to 31 March 2019 £'000
Cash flows from operating activities		
Profit before tax	3,026	17,337
Adjustments for:		
Amortisation and depreciation	1,250	297
Share-based payments expense	814	561
Interest on cash held	(186)	(149)
Interest paid on lease liability	126	-
Investment returns	(30)	(25)
Increase in policyholder tax recoverable	3,663	-
Decrease/(increase) in receivables	3,405	(4,678)
Increase/(decrease) in payables	3,941	(318)
Decrease/(increase) in current asset investments	(29)	(13)
Increase/(decrease) in provisions	12,348	7,118
Decrease/(increase) in investments and cash held for the benefit of policyholders	1,254,859	(597,820)
Increase/(decrease) in liabilities for linked investment contracts	(1,254,859)	597,820
Cash generated from operations	**28,328**	**20,130**
Income taxes paid	(8,099)	(3,034)
Net cash flows from operating activities	**20,229**	**17,096**
Investing activities		
Acquisition of tangible assets	(314)	(574)
(Increase)/decrease in loans	(1,056)	-
Interest on cash held	186	149
Investment returns	30	25
Net cash used in investing activities	**(1,154)**	**(400)**
Financing activities		
Repayment of lease liabilities	(1,111)	-
Interest paid on lease liability	(126)	-
Purchase of own shares in Employee Benefit Trust	(265)	(104)
Settlement of share-based payment reserve	(860)	(377)
Equity dividends paid	(17,215)	(21,197)
Net cash used in financing activities	**(19,577)**	**(21,678)**
Net decrease in cash and cash equivalents	**(502)**	**(4,982)**
Cash and cash equivalents at beginning of period	**132,340**	**116,849**
Exchange losses on cash and cash equivalents	(170)	(25)
Cash and cash equivalents at end of period	**131,668**	**111,842**

Condensed Consolidated Statement of Changes in Equity

	Share capital £'000	Non-distributable reserves £'000	Other reserves £'000	Share-based payment reserve £'000	Non-distributable insurance reserves £'000	Employee benefit trust £'000	Retained earnings £'000	Total equity £'000
Balance at 1 October 2018	**3,313**	**5,722**	**(22)**	**530**	**501**	**-**	**94,899**	**104,943**
Comprehensive income for the year:								
Profit for the year	-	-	-	-	-	-	18,194	18,194
Movement in currency translation	-	-	(25)	-	-	-	-	(25)
Other movement	-	-	-	-	-	-	(1)	(1)
Total comprehensive income for the year	**-**	**-**	**(25)**	**-**	**-**	**-**	**18,193**	**18,168**
Distributions to owners:								
Dividends	-	-	-	-	-	-	(21,197)	(21,197)
Share-based payment expense	-	-	-	561	-	-	-	561
Settlement of share-based payment	-	-	-	(377)	-	-	-	(377)
Purchase of own shares in EBT	-	-	-	-	-	(104)	-	(104)
Total distributions to owners	**-**	**-**	**-**	**184**	**-**	**(104)**	**(21,197)**	**(21,117)**
Balance at 31 March 2019	**3,313**	**5,722**	**(47)**	**714**	**501**	**(104)**	**91,895**	**101,994**
Balance at 1 October 2019	**3,313**	**5,722**	**(42)**	**1,008**	**501**	**(275)**	**105,291**	**115,518**
Effect of adoption of IFRS 16 (note 1)	**-**	**-**	**-**	**-**	**-**	**-**	(239)	(239)
Adjusted balance at 1 October 2019	**3,313**	**5,722**	**(42)**	**1,008**	**501**	**(275)**	**105,052**	**115,279**
Comprehensive income for the year:								
Profit for the year	-	-	-	-	-	-	22,489	22,489
Movement in currency translation	-	-	(131)	-	-	-	-	(131)
Other movement	-	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(131)**	**-**	**-**	**-**	**22,489**	**22,358**
Distributions to owners:								
Dividends	-	-	-	-	-	-	(17,215)	(17,215)
Share-based payment expense	-	-	-	814	-	-	-	814
Settlement of share-based payment	-	-	-	(860)	-	-	-	(860)
Purchase of own shares in EBT	-	-	-	-	-	(265)	-	(265)
Total distributions to owners	**-**	**-**	**-**	**(46)**	**-**	**(265)**	**(17,215)**	**(17,526)**
Balance at 31 March 2020	**3,313**	**5,722**	**(173)**	**962**	**501**	**(540)**	**110,325**	**120,109**

Notes to the Financial Statements

1. Basis of preparation

The consolidated interim financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and in accordance with the International Accounting Standard (IAS) 34 Interim Financial Reporting, and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority (FCA).

The financial information contained in these interim financial statements does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The information has been reviewed by the company's auditor, BDO LLP, and their report is presented on pages 7-8.

The comparative financial information for the year ended 30 September 2019 in this interim report does not constitute statutory accounts for that year.

The statutory accounts for 30 September 2019 have been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The same accounting policies, methods of calculation and presentation have been followed in the preparation of the interim financial statements for the six months to 31 March 2020 as were applied in the Audited Annual Financial Statements for the year ended 30 September 2019. The only change is the adoption of IFRS 16 on 1 October 2019, as noted below.

Going Concern
The financial statements have been prepared on a going concern basis following an assessment by the Directors.

When making this assessment the Directors have taken into consideration the reduction in FUD of £2.8bn in the interim period, due to the substantial, downward movements in world equity markets since late February. Market volatility and uncertainty is expected to continue for some time, due to the COVID-19 pandemic and the effect of measures taken to combat it. Operations continue as near as possible to usual, whilst being in compliance with Government guidelines. The Group continues to maintain a robust financial position.

Having conducted detailed cash flow and working capital projections, and stress-tested liquidity, profitability and regulatory capital, taking account of the impact of the COVID-19 pandemic and further possible adverse changes in trading performance, the Directors are satisfied that the Group is well placed to manage its business risks.

The Directors are 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, after considering the effects of the COVID-19 pandemic, the Directors do 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.

Principal risks and uncertainties
The Group's principal risks and uncertainties are listed on pages 5-6, and have changed since year end as a result of the COVID-19 pandemic.

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

New accounting standards
The Group adopted IFRS 16 on 1 October 2019. The Group used the modified retrospective approach of transition, which uses the net effect of applying IFRS 16 on the first day of the first accounting period in which the new standard is applied.

On commencement date, the Group measured the lease liability as the present value of all future lease payments, discounted using the incremental borrowing rate. 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.

The right of use asset was measured at its net book value, assuming it had been capitalised and depreciated from inception. The net effect is recognised through an adjustment to retained earnings. Prior periods have not been restated.

On adoption the Group recognised right of use assets of £5.6m and corresponding lease liabilities of £8.3m. Liabilities of £2.5m previously recognised in relation to the rent free reserve were also derecognised and adjusted through retained earnings.

The overall reduction in retained earnings on 1 October 2019 was therefore £0.2m, which is the cumulative effect of recognising the asset and corresponding liabilities for each of the leases, and the release of the rent free reserve.

Right of use assets - Property:

	£'000
Additions on adoption of IFRS 16 - 1 October 2019	5,582
Depreciation charge	(807)
AUD FX adjustment	(34)
Balance at 31 March 2020	**4,741**

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

Lease liabilities – Property:

	£'000
Lease liability on adoption of IFRS 16 - 1 October 2019	8,336
Lease payments	(1,237)
Interest expense	126
AUD FX adjustment	(40)
Balance at 31 March 2020	**7,185**

The following is a reconciliation of total operating lease commitments at 30 September 2019 (as disclosed in the Annual Report to 30 September 2019) to the lease liabilities recognised at 1 October 2019:

	£'000
Lease commitments - 1 October 2019	8,841
Discounted using incremental borrowing rate	(505)
Lease liabilities on adoption of IFRS 16 – 1 October 2019	**8,336**

2. Critical accounting estimates and judgements

The preparation of interim consolidated financial statements in compliance with IAS 34 requires the use of certain critical accounting estimates. There have been no material revisions to the Group's critical accounting estimates and judgements methodology from year ending 30 September 2019.

3. Financial instruments

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

Financial assets:

	Fair value through profit or loss		Amortised cost	
	31 Mar 2020 £'000	30 Sep 2019 £'000	31 Mar 2020 £'000	30 Sep 2019 £'000
Cash and cash equivalents	-	-	131,668	132,340
Listed shares and securities	104	69	-	-
Loans	-	-	2,242	1,185
Investments in quoted debt instruments	4,990	4,997	-	-
Accrued income	-	-	9,682	9,768
Trade and other receivables	-	-	2,952	2,766
Investments and cash held for the policyholders	15,410,189	16,665,048	-	-
Total financial assets	**15,415,283**	**16,670,114**	**146,544**	**146,059**

Financial liabilities:

	Fair value through profit or loss		Amortised cost	
	31 Mar 2020 £'000	30 Sep 2019 £'000	31 Mar 2020 £'000	30 Sep 2019 £'000
Trade and other payables	-	-	6,777	5,889
Accruals	-	-	6,580	6,909
Liabilities for linked investments contracts	15,410,189	16,665,048	-	-
Total financial liabilities	**15,410,189**	**16,665,048**	**13,357**	**12,798**

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 annual impairment review, the carrying value of these financial instruments approximates their fair value.

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.

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

At 31 March 2020	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments and assets held for the benefit of policyholders				
- Policyholder cash	1,509,721	-	-	1,509,721
- Investments and securities	389,437	111,905	21,188	522,530
- Bonds and other fixed-income securities	14,189	84	4	14,277
- Holdings in collective investment schemes	13,251,742	111,052	867	13,363,661
	15,165,089	**223,041**	**22,059**	**15,410,189**
Other investments	5,094	-	-	5,094
Total	**15,170,183**	**223,041**	**22,059**	**15,415,283**

At 30 September 2019	Level 1	Level 2	Level 3	Total
	£'000	**£'000**	**£'000**	**£'000**
Investments and assets held for the benefit of policyholders				
- Policyholder cash	1,213,371	-	-	1,213,371
- Investments and securities	444,076	140,991	2,447	587,514
- Bonds and other fixed-income securities	4,485	9,320	3,005	16,810
- Holdings in collective investment schemes	14,731,562	109,714	6,077	14,847,353
	16,393,494	**260,025**	**11,529**	**16,665,048**
Other investments	5,066	-	-	5,066
Total	**16,398,560**	**260,025**	**11,529**	**16,670,114**

Level 1 valuation methodology
Financial assets included in Level 1 are measured at fair value using quoted mid prices that are available at the reporting date and are traded in active markets. These financial assets are mainly collective investment schemes and listed equity instruments.

Level 2 and Level 3 valuation methodology
The Group regularly reviews whether a market is active, based on available market data and the specific circumstances of each market. Where the Group assesses that a market is not active, then it applies one or more valuation methodologies to the specific financial asset. These valuation methodologies use quoted market prices, where available, and may in certain circumstances require the Group to exercise judgement to determine fair value.

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

Otherwise, financial assets are included in Level 3. These are assets where one or more inputs to the valuation methodology are not based on observable market data. The key unobservable input is the pre-tax operating margin needed to price asset holdings.

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

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

Transfers between Levels
There have been no material changes between Levels since year end.

4. Segmental reporting

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

The Group has two classes of business as follows:

- provision of investment administration services
- transaction of ordinary long term insurance and underwriting life assurance

Analysis by class of business is given below:

	Six months to 31 March 2020 £'000	Six months to 31 March 2019 £'000
Revenue		
Investment administration services	28,051	24,959
Insurance and life assurance business	25,773	22,656
	53,824	**47,615**
Administrative expenses		
Investment administration services	15,246	14,549
Insurance and life assurance business	10,891	10,329
	26,137	**24,879**
Interest income		
Investment administration services	86	72
Insurance and life assurance business	100	77
	186	**149**
Shareholder tax on profit on ordinary activities		
Investment administration services	2,446	1,999
Insurance and life assurance business	2,403	2,242
	4,849	**4,241**
Profit before tax		
Investment administration services	12,543	10,174
Insurance and life assurance business	(9,517)	7,163
	3,026	**17,337**

	As at 31 March 2020 £'000	As at 30 September 2019 £'000
Net assets		
Investment administration services	63,109	61,009
Insurance and life assurance business	57,000	54,509
	120,109	**115,518**

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

5. Earnings per share

	Six months to 31 March 2020	Six months to 31 March 2019
Profit		
Profit for the year and earnings used in basic and diluted earnings per share	£22.5m	£18.2m
Number of shares		
Number of shares used in basic and diluted earnings per share	331.3m	331.3m
Earnings per share		
Earnings per share – basic and diluted	6.8p	5.5p

6. Tax on profit on ordinary activities

UK tax is charged at 19% for the six month period ended 31 March 2020 (31 March 2019: 19%), representing the tax rate enacted at the reporting date. For the entities within the Group operating outside of the UK, tax is charged at the relevant rate in each jurisdiction.

7. Deferred tax

Deferred tax liability	Accelerated capital allowances	Share based payments	Policyholder tax	Total
	£'000	**£'000**	**£'000**	**£'000**
At 1 October 2018	-	-	12,570	12,570
Charge to income	61	-	617	678
At 30 September 2019	**61**	**-**	**13,187**	**13,248**
Credit to income	-	-	(12,720)	(12,720)
At 31 March 2020	**61**	**-**	**467**	**528**

Deferred tax asset	Accelerated capital allowances	Share based payments	Other deductible temporary differences	Policyholder tax	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 1 October 2018	44	-	-	-	44
Charge to income	(44)	110	47	-	113
At 30 September 2019	**-**	**110**	**47**	**-**	**157**
Credit to income	-	-	-	7,927	7,927
At 31 March 2020	**-**	**110**	**47**	**7,927**	**8,084**

8. Policyholder income and expenses

	Six months to 31 March 2020 £'000	Six months to 31 March 2019 £'000
Net income / (expense) attributable to policyholder returns	(24,312)	(5,098)
Policyholder tax (charge) / credit	24,312	5,098

This relates to income and expenses, and the associated tax charges, on policyholder assets and liabilities. As any gains and losses on assets are offset entirely by the gains and losses on linked liabilities, the net impact on profit is £nil.

There have been substantial net expenses attributable to policyholder assets in the six month period ended 31 March 2020. This has arisen from the deemed capital losses on policyholder assets, as a result of the market falls in relation to the COVID-19 pandemic. This is offset entirely by the policyholder tax credit, which has arisen because the deferred tax liability from the previous period has been reduced to zero, with a deferred tax asset recognised in its place.

9. Provisions

	31 March 2020 £'000	30 September 2019 £'000
Balance brought forward	24,564	19,137
Increase in dilapidations provision	26	38
Increase in ILInt non-linked unit provision	1	3
Increase/(Decrease) in ILUK tax provision	12,321	5,585
Release of rent provision	-	(102)
Other provisions	-	(97)
Balance carried forward	**36,912**	**24,564**
Dilapidations provisions	439	413
ILInt non-linked unit provision	40	39
ILUK tax provision	36,433	24,112
	36,912	**24,564**

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

10. Investments and cash held for the benefit of policyholders

ILInt	As at 31 March 2020 Cost £'000	As at 31 March 2020 Fair value £'000	As at 30 September 2019 Cost £'000	As at 30 September 2019 Fair value £'000
Cash and cash equivalents held for the benefit of the policyholder	120,571	120,571	101,065	101,065
Investments held for the benefit of the policyholder	1,294,859	1,303,258	1,218,143	1,440,852
	1,415,430	**1,423,829**	**1,319,208**	**1,541,917**
ILUK				
Cash and cash equivalents held for the benefit of the policyholder	1,386,138	1,386,138	1,109,214	1,109,214
Investments held for the benefit of the policyholder	12,698,531	12,600,222	11,994,153	14,013,917
	14,084,669	**13,986,360**	**13,103,367**	**15,123,131**
Total		**15,410,189**		**16,665,048**

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.

11. Deferred acquisition costs and deferred income liability

Deferred acquisition costs

	31 March 2020 £'000	30 September 2019 £'000
Opening balance	50,443	46,073
Capitalisation of deferred income	6,217	11,668
Amortisation of deferred income	(3,774)	(7,298)
Change in deferred acquisition costs	2,443	4,370
Closing balance	**52,886**	**50,443**

Deferred income liability

	31 March 2020 £'000	30 September 2019 £'000
Opening balance	50,443	46,073
Capitalisation of deferred income	6,217	11,668
Amortisation of deferred income	(3,774)	(7,298)
Change in deferred income liability	2,443	4,370
Closing balance	**52,886**	**50,443**

12. Loans

	£'000
At 1 October 2018	1,189
Interest income accrued	3
Interest received	(3)
Loan drawdowns	20
Impairment losses on loans	(24)
At 30 September 2019	**1,185**
Interest income accrued	30
Interest received	(23)
Loan drawdowns	1,071
Impairment losses on loans	(21)
At 31 March 2020	**2,242**

13. Trade and other receivables

	As at 31 March 2020 £’000	As at 30 September 2019 £’000
Other receivables	3,232	6,510
	3,232	**6,510**

14. Trade and other payables

	As at 31 March 2020 £’000	As at 30 September 2019 £’000
Trade payables	2,188	498
PAYE and other taxation	1,324	1,343
Other payables	8,326	8,242
Accruals and deferred income	6,611	6,941
	18,449	**17,024**

15. Related parties

There were no material changes to the related party transactions during the period.

16. Contingent liabilities

In January 2020 the Company received notice from HMRC that the inclusion of Integrated Application Development Pty Ltd (IAD) in the UK VAT group was terminated with effect from 16 July 2016. The Company included IAD in the UK VAT group having taken specialist advice to ensure its actions were in accordance with the relevant laws. The consequence of the exclusion of IAD from the UK VAT group is that the services provided from Australia would now be subject to reverse-charge VAT.

HMRC's notice states that the VAT due since July 2016 will be approximately £4.3m and that going forward there would be an additional annual VAT charge of approximately £1.4m. The Company does not yet know whether HMRC will charge interest and/or a penalty.

The Company has opened a discussion with HMRC about its decision to exclude IAD from the UK VAT group, therefore the financial implications of this notice remain uncertain, pending the outcome of the reconsideration of the exclusion.

Due to the ongoing uncertainty around the additional VAT charges, pending the outcome of the dialogue with HMRC, the Directors do not believe it would be appropriate to recognise a provision in the accounts.

17. Events after the reporting date

There are no events subsequent to the year-end that require disclosure in, or amendment to the financial statements**.**

18. Dividends

During the six month period to 31 March 2020 the Company paid an interim dividend of £17.2m to shareholders in respect of financial year 2019. This was in addition to the first interim dividend of £8.6m in respect of financial year 2019, which was paid in June 2019. The financial total of £25.8m compares with a full year interim dividend of £21.2m in respect of the full financial year 2018.

DIRECTORS, COMPANY DETAILS, ADVISERS

Executive Directors
Alexander Scott
Ian Taylor
Michael Howard
Jonathan Gunby (appointed 2 March 2020)

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

Company Secretary
Helen Wakeford

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

Principal Bankers
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Registrars
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(Registered office: as above; Registered in England and Wales under number: 08860879)
The holding company of the Integrated Financial Arrangements Ltd group of companies.