IntegraFin

INTERIM RESULTS

SIX MONTHS ENDED
31 MARCH 2021

IntegraFin Holdings plc

Company registration number: 08860879

IntegraFin Holdings plc - Interim results for the six months ended 31 March 2021

IntegraFin Holdings plc (IHP) today announces its interim results for the six months to 31 March 2021.

Highlights

- Group revenue up 10% to £59.4m (H1 2020: £53.8m)
- Group profit before tax attributable to shareholder returns up 12% to £31.2m (H1 2020 restated*: £27.9m)
- Platform profit before tax up 19% to £30.7m (H1 2020 restated*: £25.8m)
- Earnings per share up 9% to 7.5 pence (H1 2020 restated*: 6.9 pence)
- Interim dividend 3.0 pence per share (H1 2020: 2.7pps)
- Funds under direction up 34% to £46.93bn (H1 2020: £34.99bn)
- Gross inflows up 15% to £3.73bn (H1 2020: £3.23bn)
- Client numbers up 7% to 201k (H1 2020: 187k)

* H1 2020 restated to reflect the pro-rated effect to 31 March 2020 of the release of tax relief on corporate expenses due to shareholders, recognised at year end 2020

H1 2021 represents the six months to 31 March 2021, H1 2020 represents the six months to 31 March 2020. YE 2020 represents the 12 months to 30 September 2020

Alex Scott, Chief Executive Officer, commented:

"We are pleased to announce our results for the first half of the year. Demonstrating our strength and continuing growth, we have delivered record first half year profits.

Our Transact platform has again seen its highest ever gross and net inflows over the period. Coupled with increased confidence in world equity markets, driven by the positive outcomes from Covid-19 vaccination programmes, these flows have helped drive growth in FUD, generating record revenue in the period. This helps support our approach of delivering continuous improvement in price to clients, as our fees have once again been reduced to make our service even better value for money.

The number of clients on the platform increased from 187k to 201k year on year, an increase of 7%. In the same period the number of advisers using the platform increased by 5%.

In January we took the opportunity to invest in our strategy of delivering the highest quality financial services infrastructure and associated services to UK advisers and our mutual clients by acquiring Time for Advice Limited (T4A). We see the T4A offering, CURO, as complementary to Transact. CURO is already highly capable and, with IHP providing the necessary investment and support, we believe T4A will be a great long term fit that will deliver positive outcomes for all.

Whilst the general outlook has improved from that prevailing this time last year, we still face many uncertainties in the second half of the year as we contemplate the easing of lockdown restrictions. The key challenges will be the safe return to the office of our staff and the implementation of a flexible working plan, whilst continuing to deliver award winning service.

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 2021, an interim dividend of 3.0 pence per ordinary share (H1 2020: 2.7 pence) will be payable on 25 June 2021 to ordinary shareholders on the register on 28 May 2021. The ex-dividend date will be 27 May 2021."

Financial highlights

	Change	H1 2021 £m	H1 2020 Restated £m	YE 2020 £m
Revenue	+10%	59.4	53.8	107.3
Profit before tax attributable to shareholder returns	+12%	31.2	27.9	55.3
Basic and diluted earnings per share	+9%	7.5p	6.9p	13.7p
Operating margin		53%	52%	52%

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Analyst presentation

IntegraFin Holdings plc will be hosting an analyst presentation on 20 May 2021, following the release of these results for the half year ended 31 March 2021. 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 – FUD, inflows and outflows

Transact's platform inflows surpassed any other year in the six months to 31 March 2021 and, coupled with market recovery from the lows of March 2020, this has led to a 34% increase in FUD year on year.

	H1 2021 £m	H1 2020 £m	YE 2020 £m
Opening FUD	**41,093**	**37,799**	**37,799**
Inflows	3,734	3,234	5,750
Outflows	(1,427)	(1,172)	(2,160)
Net flows	**2,307**	**2,062**	**3,590**
Market movements	3,632	(4,872)	(224)
Other movements[1]	(103)	1	(72)
Closing FUD	**46,929**	**34,990**	**41,093**

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

Gross inflows for the six months to 31 March 2021, which were all organic, increased by £500m (15%) compared with the same period in the prior year. Gross outflows increased by £255m (22%) in the six months, representing an annualised outflow of 7%, which remains in the range we expect. The net result of the increase in both inflows and outflows was an increase in net flows of £245m (12%).

Strategic developments

On 11 January 2021, IntegraFin Holdings plc completed the acquisition of T4A, a specialist software provider for financial planning and wealth management. The acquisition supports IHP's strategy to provide platform and associated services to clients and their advisers.

The acquisition provides IHP with ownership of T4A's CURO software (which is an adviser back office system) plus access to T4A's existing base of users, their system development expertise and service support. Over time IHP's Transact platform will integrate with CURO in selected areas where this will further enhance service to advisers and clients.

The acquisition cost comprised an up-front cash payment of £8.6 million, plus £8.6 million of deferred consideration, payable in phases over the next four years. Additional consideration of up to £8.6 million may also be payable in January 2025, although this is contingent on T4A meeting certain performance targets over each of the next four years.

The cash payments, plus £0.4 million of the deferred and additional consideration, were considered part of the purchase cost, whilst the remaining fair value of £12.5 million deferred and additional consideration is required, under IFRS 3 – Business Combinations, to be treated as post-combination remuneration over the four years from January 2021 to December 2024.

The fair value of identifiable assets and liabilities acquired was £0.1 million, leading to the recognition of £8.9 million goodwill. The main reason the goodwill has arisen is the value of the T4A software, CURO, which is a complementary offering to Transact and is expected to enhance the overall service that can be offered to advisers and clients. As explained in Note 9, the purchase price allocation exercise is still being finalised, and it is therefore possible that the goodwill will be revised if additional intangible assets are recognised.

With effect from the date of acquisition on 11 January, T4A's accounts have been consolidated into IHP's results, resulting in the inclusion of £732k of revenue achieved from that date to 31 March 2021, and losses after tax of £271k in the same period.

T4A will require enhanced investment for the next two years, due to the business investing in its software development through recruitment of developers, and also through growing the sales and support teams to ensure the growing customer base is fully supported. T4A is therefore expected to generate a loss in financial year 2021 and financial year 2022.

Group financial performance

	H1 2021 Group £m	H1 2021 Platform £m	H1 2020 Group (restated) £m	H1 2020 Platform (restated) £m	YE 2020 £m
Revenue	59.4	58.6	53.8	53.8	107.3
Amortisation of deferred income liability	3.8	3.8	3.8	3.8	7.6
Cost of sales	(0.6)	(0.4)	(0.4)	(0.3)	(0.8)
Gross profit	**62.6**	**62.0**	**57.2**	**57.3**	**114.1**
Operating expenses	(25.7)	(27.6)	(25.6)	(27.8)	(51.2)
Amortisation of deferred acquisition costs	(3.8)	(3.8)	(3.8)	(3.8)	(7.6)
Non-underlying expenses	(1.9)	-	-	-	-
Operating profit attributable to shareholder returns	**31.2**	**30.6**	**27.8**	**25.7**	**55.3**
Net interest income	0.0	0.1	0.1	0.1	0.0
Profit before tax attributable to shareholder returns	**31.2**	**30.7**	**27.9**	**25.8**	**55.3**
Tax on ordinary activities	(6.2)	(5.6)	(4.9)	(4.4)	(9.8)
Profit after tax	**25.0**	**25.1**	**23.0**	**21.4**	**45.5**
Operating margin	**53%**	**52%**	**52%**	**48%**	**52%**

Group profit

Gross profit for the six months to 31 March 2021 rose by £5.4 million (9%), to £62.6 million, from £57.2 million. This increase reflects the strong performance of Transact, demonstrated by the upturn in the value of FUD, which is due to record inflows, market recovery and growth in number of clients and tax wrappers held on the platform. The Group gross profit also includes T4A's gross profit of £648k for the period from acquisition on 11 January to 31 March 2021.

Profit after tax for the six months to March 2021 was £25.0 million, an increase from the restated six months to March 2020, of £2.0 million, or 9%.

There were, however, the following non-underlying expenses incurred by IntegraFin Holdings plc in the period. Non-underlying expenses are those outside the normal course of business, which are therefore not reflective of the underlying performance of IHP or the Group.

- £1.2 million relating to the Nucleus process and the acquisition of T4A. These were one-off costs which would not be expected to recur
- £0.7 million post-combination compensation to the original shareholders of T4A. This relates to the deferred and additional consideration payable in relation to the acquisition of T4A, which is recognised as remuneration over the four years from January 2021 to December 2024

The restatement of the six months to March 2020 is due to: pro-rating the policyholder tax provision release of £1.0 million that was effected at 2020 financial year end, this has therefore increased profit after tax to March 2020 by £485k; and the amortisation of the deferred acquisition costs and deferred income liability being shown gross to properly reflect the amortisation of balances shown separately on the statement of financial position, these net off exactly so there is zero net effect on profit.

Profit before tax increased by £3.3 million (normalised: £5.2 million) to £31.2 million (normalised: £33.1 million), or 12% (normalised: 19%) year on year. The normalised profit figures shown exclude the non-underlying expenses noted above.

Platform profit

The Transact platform continues to be the core Group proposition and the primary driver of Group revenue and profitability. As FUD has grown year on year, Transact's profit before tax has risen by a robust 19%, from £25.8 million to £30.7 million. Profit after tax has grown £3.8 million to £25.2 million, an increase of 18%.

Components of revenue

There are now two streams of Group revenue: platform revenue and T4A revenue.

Platform revenue comprises three elements, two of which are recurring. The recurring revenue streams are 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). The third platform revenue stream is other income, which is composed of buy commission and dealing charges.

	H1 2021 £m	H1 2020 £m	YE 2020 £m
Platform revenue			
Annual commission income	51.8	47.4	94.5
Wrapper fee income	5.2	4.8	9.7
Other income	1.6	1.6	3.1
Total platform revenue	**58.6**	**53.8**	**107.3**
T4A revenue	0.7	-	-
Total revenue	**59.4**	**53.8**	**107.3**

Recurring revenue streams constituted 97% (H1 2020: 97%) of total fee income in the six months to 31 March 2021.

Annual commission income increased by £4.4 million (9%) in the period versus the same period in the prior financial year. This resulted from higher average FUD over the period, predominantly due to net inflows, as the markets were still recovering from the lows experienced post March 2020.

Wrapper administration fee income increased by £0.4m (8%) year on year, reflecting the increase in the number of open tax wrappers.

Buy commission, included in other income, reduced by £0.1 million year on year. The primary reason for this fall was the reduction in the buy commission rebate threshold in March 2020 and March 2021. The required portfolio value for client family groups to receive the rebate was reduced from £0.5 million to £0.4 million from 1 March 2020 and further reduced from £0.4 million to £0.3 million from 1 March 2021. The purpose of the reductions was to take an increasing proportion of clients out of the buy commission charge, simplifying the fee structure for them.

T4A's revenue was £732k from 11 January 2021 to 31 March 2021.

Operating expenses

	H1 2021 £m	H1 2020 (restated) £m	YE 2020 £m
Staff costs	20.3	18.3	36.9
Occupancy	0.4	1.0	2.0
Regulatory and professional fees	3.2	3.5	7.0
Non-underlying expenses	1.9	-	-
Other income – tax relief due to shareholders	(1.6)	(0.5)	(1.1)
Other costs	2.0	2.1	3.8
Total expenses	**26.2**	**24.4**	**48.6**
Depreciation and amortisation	1.4	1.2	2.6
Total operating expenses	**27.6**	**25.6**	**51.2**

In the six months to March 2021, total operating expenses increased by £2.0 million (8%), compared with the six months to March 2020.

Total operating expenses includes non-underlying expenses of £1.9 million incurred in the acquisition of T4A and evaluating the Nucleus acquisition. Operating expenses also includes the release of tax relief on corporate expenses that are due to shareholders (£0.5 million) and aged tax reserves that are not due to HMRC (£1.1 million).

Staff costs increased by £2.0 million (11%) to £20.3 million in the six months to March 2021. This is the effect of Group headcount increasing to 557 at the end of March 2021 (H1 2020: 492) which was primarily due to: the inclusion of 53 T4A staff costing £694k in the period 11 January to March 2021; replacement of other leavers in the Group; and, general inflationary cost increases.

Regulatory and professional fees fell year on year by £0.3 million (9%) in the six months to March 2021, mainly due to FSCS levies of £700k that impacted the six months to March 2020.

Occupancy costs are £600k lower, year on year. This is due to receipt of a backdated rates rebate in the six months to March 2021 for the head office at Clement's Lane, the rebate will be ongoing to the expiry of the lease.

Net income attributable to policyholder returns, and policyholder tax

Net income attributable to policyholder returns related to IntegraLife UK Ltd (ILUK, the UK insurance company in the Group), increased by £42.1m from a net expense of £24.3m in March 2020, to net income of £17.8m in March 2021.

ILUK's policyholder tax increased by £42.1m, from a tax credit of £24.3m in March 2020 to a tax charge of £17.8m in March 2021. Both movements were due to an increase in the gains on investments held for the benefit of ILUK's policyholders, as a result of the recovery in financial markets since March 2020.

Financial position

The material items on the consolidated statement of financial position that merit comment are as follows:

Goodwill

As noted in the strategic developments section above, goodwill of £8.9 million has been recognised in respect of the acquisition of T4A.

Investments and cash held for the benefit of policyholders and liabilities for linked investment contracts

ILUK and IntegraLife International Limited (ILInt, the offshore insurance company in the Group) only write 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 they have zero net effect on the financial statements.

Investments and cash held for the benefit of ILUK and ILInt policyholders and the corresponding liabilities for linked investment contracts have increased by £2.65bn (15%) due to high net inflows over the period and market recovery.

Deferred acquisition costs and deferred income liability

Deferred acquisition costs and deferred income liability for financial year 2020 have been restated to show the split between current and non-current assets and liabilities based on the expected life of the underlying contracts.

Deferred tax

Deferred ILUK policyholder tax liabilities have increased by £11.6 million from £8.8 million at 30 September 2020 to £20.4 million at 31 March 2021. The increase is due to market recovery in the six months to March 2021. Sufficient cash is held by ILUK to meet this liability.

Provisions

Provisions have decreased by £9.2 million. This is largely due to tax charges deducted from ILUK policyholders being paid to HMRC in the period, due to the recovery in the financial markets.

Dividends

During the six month period to 31 March 2021, the Company paid a second interim dividend of £18.6 million to shareholders in respect of financial year 2020. This was in addition to the first interim dividend of £8.9 million, which was paid in June 2020. The financial year total of £27.5 million compares with a full year interim dividend of £25.8 million in respect of the full financial year 2019.

In respect of the six months to 31 March 2021 (and in line with dividend policy), the Board has declared a first interim dividend of £9.9 million, or 3.0 pence per ordinary share. This compares with an interim dividend of £8.9 million, or 2.7 pence per ordinary share, in respect of the same period in the prior year.

Earnings per share

	H1 2021	H1 2020 (restated)
Profit after tax for the period	£25.0m	£23.0m
Number of shares in issue	331.3m	331.3m
Earnings per share – basic and diluted	7.5p	6.9p

Earnings per share grew to 7.5p per share up 9% on the restated six months to 31 March 2020.

Principal risks and uncertainties

The COVID-19 pandemic has created many uncertainties that have necessitated the adaptation of business operations and the implementation of a number of business continuity measures. We initiated a rapid remote home working response following the UK Government announcement on 24 March 2020 which has been effectively maintained throughout the lockdown period. We have continued to follow the UK Government guidelines across all jurisdictions in which we have offices with limited onsite attendance by essential IT colleagues and other key workers necessary to maintain the continuity of operations and systems. The UK Government announced a "Roadmap out of lockdown" consisting of a four step process for easing restrictions across England. Whilst we have a strong indication on the objectives of each step, the detail within the updates will be crucial in our planning of future operations.

Throughout the lockdown period we have continued to monitor the effectiveness of our processes and procedures. Our focus has been on maintaining a positive client experience as well as safeguarding the operational capability of the business with an emphasis on identifying and managing promptly any material changes in its risk profile. However, as the lockdown unwinds a return to a pre-pandemic operating model is unlikely with the expectation that there may be a permanent shift in working behaviours and cultural expectations impacting the way businesses conduct their operations; this is likely to be seen in working locations, flexible working patterns, the use of technology as a business enabler and a shift in adviser and client expectations in the way business is conducted. Collectively these are likely to bring new and emerging operational risks.

Notwithstanding the post lockdown uncertainty, 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 evolution of a hybrid remote and office based flexible workforce is likely to present new operational risks. The Group fully embraces diversity and inclusion in order to retain and attract the right staff. The extensive use of portable IT equipment with remote access is an essential feature for the future operating model and as such will continue to increase the inherent threat of external fraud and cyber-attack. Information security risk is potentially heightened with highly confidential, personal or price sensitive information at risk of being transported offsite as part of flexible working arrangements. The delivery under a hybrid model of our critical business services may need to be reviewed and, in some instances, it may be necessary to amend the usual routines and procedures.

Risk management and control: The return to office strategy will involve the senior management team from across the business as part of the planning and delivery approach in line with the UK Government's four step process out of lockdown. All modifications to operating procedures are expected to be reviewed by senior management and assessed by Risk Management for impact, prior to approval. Senior management will also consider any potential impact on clients with the aim to avoid client detriment. Where necessary, external regulatory approval will be sought to ensure documentation and data meets requirements. A full IT and facilities campus review will be undertaken to support an efficient and safe office and remote site communication interface is in place. Key phases of the IT strategy have been delivered which includes backup servers, a more robust WiFi service and enhanced remote access controls. A series of pilot arrangements will be implemented to test on a phased basis the office and remote working interface together with any flexible working arrangements with colleagues. Clear success factors will be agreed and established before a full transition is made.

2. Stock market volatility: The post Brexit stock market after over a year of the COVID-19 pandemic has experienced a bullish response. However, there remains a significant amount of uncertainty on the underlying factors which include the extent of the economic recovery, employment rates, inflation rates, the potential for new COVID variants and delays in vaccine rollout and financial distress at individual and corporate levels all potentially having an impact. Whilst the sentiment for global growth over 2021 and 2022 remains positive it is also fragile and any unexpected outcomes individually or collectively from these factors will create uncertainty and potentially volatile movements in stock markets. 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. Additionally, expenses are 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 and crystallised a fuller understanding and appreciation of the dependencies on the services and resiliency of third party suppliers. The changing and uncertain external environment makes the sustainability of our high service levels 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 full time 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 senior management. Key business processes have been reviewed for efficiency and as a means of identifying opportunities for investment to improve delivery. Counter measures have been established to reduce the dependency on third party suppliers in the event of their operational failure which is supported by a rigorous supplier due diligence process to assess operational resilience.

4. Increased competition: The market is competitive. Increased levels of competition for clients and advisers; improvements in offerings from other investment platforms; new entrants to the advised investment platform space; and consolidation in the financial adviser market may all make it more challenging to attract and retain business. The post Brexit environment after over a year of the COVID-19 pandemic has not immediately reduced this uncertainty and may have heightened the short term acquisition of financial adviser firms by larger vertically integrated organisations reducing our access to the client base. 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. Our service quality over the last year of the pandemic has continued to be of paramount importance to the Group with record levels of inflows acting as testament that this has been strategically a sound and successful approach.

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, whilst not significantly increasing has been brought more sharply into focus after over a year of the COVID-19 pandemic. Retaining a strong investment strategy is paramount to maintaining the operational resilience and capability of the Group, an example being the recent acquisition of Time for Advice. Our IT strategy is investing in the technological enablers to support the operating model whilst reducing the dependency on legacy systems. 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 the UK VAT group, as set out in the RNS issued on 28 January 2020, 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.

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 developments. Expenditure requests that deviate from plan are rigorously challenged and must receive prior approval. The consolidated group costs are expected to increase as a result of the acquisition of Time for Advice, which are reflected in the updated group financial planning model. The Group has also incurred one off costs associated with other acquisition opportunities, which although not pursued, provided invaluable support for the Board’s strategic decision. 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 and liquidity strain: Unexpected, additional capital or liquidity requirements imposed by regulators could negatively impact solvency and liquidity 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 and liquidity 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. The majority of corporate assets are highly liquid, such as UK Gilts and instant access deposits with regulated UK retail banks. No term deposits exceed 95 days with Board risk appetites set to monitor the adequacy of the liquidity profile.

All other principal risks and uncertainties not mentioned above are materially unchanged from those disclosed in the Annual Report for the year ending 30 September 2020.

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, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

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 2021 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 2021 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 2021

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

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Note	Six months to 31 March 2021 £'000	Six months to 31 March 2020 (restated) £'000
Revenue			
Fee income	**4**	59,393	53,824
Amortisation of deferred income liability	**12**	3,841	3,774
Cost of sales		(575)	(382)
Gross profit		**62,659**	**57,216**
Administrative expenses		(27,572)	(25,602)
Amortisation of deferred acquisition costs	**12**	(3,841)	(3,774)
Credit loss allowance on financial assets		(33)	(57)
Operating profit attributable to shareholder returns		**31,213**	**27,783**
Net income/(expense) attributable to policyholder returns	**8**	17,802	(24,312)
Operating profit/(loss) attributable to policyholder returns		**17,802**	**(24,312)**
Change in investment contract liabilities		(1,594,215)	2,143,070
Fee and commission expenses		(81,204)	(64,870)
Investment returns		1,675,404	(2,078,170)
Interest income		43	186
Interest expense		(90)	(126)
Profit on ordinary activities before taxation		**48,953**	**3,561**
Profit/(loss) on ordinary activities before taxation attributable to policyholder returns		**17,802**	**(24,312)**
Profit on ordinary activities before taxation attributable to shareholder returns		**31,151**	**27,873**
Policyholder tax	**8**	(17,802)	24,312
Tax on profit on ordinary activities	**6**	(6,176)	(4,899)
Profit for the period		**24,975**	**22,974**
Other comprehensive income			
Exchange (losses) arising on translation of foreign operations		(18)	(131)
Total other comprehensive income for the period		**(18)**	**(131)**
Total comprehensive income for the period		**24,957**	**22,843**
Earnings per share			
Ordinary shares – basic and diluted	**5**	7.5p	6.9p

All activities of the Group are classed as continuing.

Unaudited Condensed Consolidated Statement of Financial Position

	Note	31 March 2021 £'000	30 September 2020 £'000
Non-current assets			
Loans		2,842	2,647
Intangible assets	**9**	21,802	12,951
Property, plant and equipment		2,199	2,313
Right of use assets		3,148	3,961
Deferred tax assets	**7**	489	489
Deferred acquisition costs	**13**	51,588	49,700
		82,068	72,061
Current assets			
Financial assets at fair value through profit or loss		5,109	5,051
Other prepayments and accrued income		14,802	14,412
Trade and other receivables	**15**	7,342	3,556
Investments held for the benefit of policyholders	**11**	19,456,967	16,727,208
Cash and cash equivalents	**14**	1,460,555	1,539,843
Current tax asset		-	53
Deferred acquisition costs	**13**	3,926	3,782
		20,948,701	18,293,905
Current liabilities			
Trade and other payables	**16**	18,173	18,366
Lease liabilities		2,261	2,375
Liabilities for linked investment contracts	**12**	20,764,695	18,112,935
Current tax liabilities		3,992	-
Deferred income liability	**13**	3,926	3,782
		20,793,047	18,137,458
Non-current liabilities			
Provisions	**10**	16,012	25,208
Lease liabilities		2,667	3,712
Deferred income liability	**13**	51,588	49,700
Deferred tax liabilities	**7**	20,545	8,968
		90,812	87,588
Net assets		**146,910**	**140,920**
Capital and reserves			
Called up equity share capital		3,313	3,313
Capital redemption reserve		2	2
Share-based payment reserve		1,701	1,698
Employee Benefit Trust reserve		(1,542)	(1,103)
Foreign exchange reserve		(40)	(22)
Non-distributable reserves		5,722	5,722
Non-distributable insurance reserves		501	501
Profit or loss account		137,253	130,809
Total equity		**146,910**	**140,920**

These interim financial statements were approved by the Board of Directors on 20 May 2021 and are signed on their behalf by:

Alexander Scott, Director
Company Registration Number: 08860879

Unaudited Condensed Consolidated Statement of Cash Flows

	Six months to 31 March 2021 £'000	Six months to 31 March 2020 (restated) £'000
Cash flows from operating activities		
Profit before tax	48,953	3,561
Adjustments for:		
Amortisation and depreciation	1,356	1,250
Share-based payments charge	920	814
Interest on cash held	(43)	(186)
Interest charged on lease liability	89	126
Investment returns	15	(30)
(Increase)/decrease in policyholder tax recoverable	(6,225)	3,128
Increase in current asset investments	(58)	(29)
	45,007	**8,634**
(Increase)/decrease in receivables	(973)	3,405
(Decrease)/increase in payables	(1,423)	3,941
(Decrease)/increase in provisions	(7,469)	12,348
Decrease in share-based payment reserve	(916)	-
(Increase)/decrease in investments held for the benefit of policyholders	(2,889,259)	(958,429)
Increase/(decrease) in liabilities for linked investment contracts	2,811,260	1,254,859
Cash (used in)/generated from operations	**(43,773)**	**324,758**
Income taxes paid	(6,802)	(8,099)
Interest paid on lease liabilities	(89)	(126)
Net cash flows from operating activities	**(50,664)**	**316,533**
Investing activities		
Acquisition of tangible assets	(408)	(314)
Acquisition of subsidiary	(7,903)	-
Increase in loans	(195)	(1,056)
Interest on cash held	43	186
Investment returns	(15)	30
Net cash used in investing activities	**(8,478)**	**(1,154)**
Financing activities		
Purchase of own shares in Employee Benefit Trust	(438)	(265)
Settlement of share-based payment reserve	-	(860)
Equity dividends paid	(18,532)	(17,215)
Repayment of lease liabilities	(1,159)	(1,111))
Net cash used in financing activities	**(20,129)**	**(19,451)**
Net decrease in cash and cash equivalents	**(79,272)**	**295,928**
Cash and cash equivalents at beginning of period	**1,539,843**	**1,342,619**
Exchange losses on cash and cash equivalents	(18)	(170)
Cash and cash equivalents at end of period	**1,460,555**	**1,638,377**

Unaudited 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 2019	**3,313**	**5,722**	**(42)**	**1,008**	**501**	**(275)**	**105,291**	**115,518**
Correction of retained earnings	-	-	-	-	-	-	6,368	6,368
Balance at 1 October 2019 (restated)	**3,313**	**5,722**	**(42)**	**1,008**	**501**	**(275)**	**111,659**	**121,886**
Impact of IFRS 16	-	-	-	-	-	-	(240)	(240)
Deferred tax on IFRS 16	-	-	-	-	-	-	31	31
Adjusted balance at 1 October 2019	**3,313**	**5,722**	**(42)**	**1,008**	**501**	**(275)**	**111,450**	**121,677**
Comprehensive income for the year:								
Profit for the year	-	-	-	-	-	-	22,974	22,974
Movement in currency translation	-	-	(131)	-	-	-	-	(131)
Other movement	-	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(131)**	**-**	**-**	**-**	**22,974**	**22,843**
Distributions to owners:								
Dividends	-	-	-	-	-	-	(17,216)	(17,216)
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)**	**(17,216)**	**(17,526)**
Balance at 31 March 2020 (restated)	**3,313**	**5,722**	**(173)**	**962**	**501**	**(540)**	**117,209**	**126,994**
Balance at 1 October 2020	**3,313**	**5,722**	**(20)**	**1,698**	**501**	**(1,103)**	**130,809**	**140,920**
Comprehensive income for the year:								
Profit for the year	-	-	-	-	-	-	24,975	24,975
Movement in currency translation	-	-	(18)	-	-	-	-	(18)
Other movement	-	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(18)**	**-**	**-**	**-**	**24,975**	**24,957**
Distributions to owners:								
Dividends	-	-	-	-	-	-	(18,531)	(18,531)
Share-based payment expense	-	-	-	919	-	-	-	919
Settlement of share-based payment	-	-	-	(916)	-	-	-	(916)
Purchase of own shares in EBT	-	-	-	-	-	(439)	-	(439)
Total distributions to owners	**-**	**-**	**-**	**3**	**-**	**(439)**	**(18,531)**	**(18,967)**
Balance at 31 March 2021	**3,313**	**5,722**	**(38)**	**1,701**	**501**	**(1,542)**	**137,253**	**146,910**

Notes to the Financial Statements (unaudited)

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 10-11.

The comparative financial information for the year ended 30 September 2020 in this interim report does not constitute statutory accounts for that year.

The statutory accounts for 30 September 2020 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 2021 as were applied in the Audited Annual Financial Statements for the year ended 30 September 2020.

Going Concern

The interim 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 Interim Results are approved, and the board has concluded that the Group has adequate resources 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 31 March 2021, the Group had £153 million of shareholder cash (£33m of which is set aside to cover ILUK policyholder tax liabilities) on the balance sheet, 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, including the impact of COVID-19, in order to understand the potential financial impacts of severe, yet plausible, scenarios on the Group.

When making this assessment, the board has taken into consideration both the Group's current performance and the future outlook, including the impact of the COVID-19 pandemic. Market volatility and uncertainty is expected to continue for some time, due to the pandemic and the effect of measures taken to combat it, but the Group's fundamentals remain strong.

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 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 interim financial statements on a going concern basis.

Principal risks and uncertainties

The Group's principal risks and uncertainties are listed on pages 6-8

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

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. 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 in the statement of comprehensive income across the periods to which the services relate.

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 interim 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.

The only material revision to the Group's critical accounting estimates and judgements methodology compared to those disclosed in the Annual Report for the year ending 30 September 2020 is regarding the acquisition of T4A.

In accordance with IFRS 3, the Company has remeasured the assets and liabilities acquired through the business combination to fair value, and has considered the existence and valuation of new assets and liabilities that did not meet the criteria for recognition before, such as intangible assets. No additional assets or liabilities have been recognised at this point, but the purchase price allocation exercise is still being finalised, and it is therefore possible that additional intangible assets will be recognised. Valuation of these rely on various assumptions and estimate which could have a material effect on the accounts.

Further details regarding the business combination can be seen in note 9.

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 2021 £'000	**30 Sep 2020 £'000**	**31 Mar 2021 £'000**	**30 Sep 2020 £'000**
Cash and cash equivalents	-	-	1,460,555	1,539,843
Listed shares and securities	124	92	-	-
Loans	-	-	2,842	2,647
Investments in quoted debt instruments	4,985	4,959	-	-
Accrued income	-	-	11,284	10,244
Trade and other receivables	-	-	2,610	786
Investments held for the policyholders	19,456,967	16,727,208	-	-
Total financial assets	**19,462,076**	**16,732,259**	**1,477,291**	**1,553,520**

Financial liabilities:

	Fair value through profit or loss		Amortised cost	
	31 Mar 2021 £'000	**30 Sep 2020 £'000**	**31 Mar 2021 £'000**	**30 Sep 2020 £'000**
Trade and other payables	-	-	9,307	8,660
Accruals	-	-	6,314	7,792
Lease liabilities	-	-	4,928	6,087
Liabilities for linked investments contracts	20,764,694	18,112,935	-	-
Total financial liabilities	**20,764,694**	**18,112,935**	**20,549**	**22,539**

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.

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

Assets held at fair value also comprises investments held in gilts, and these are held at fair value through profit and loss.
The following table shows the 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	Cash and cash equivalents, 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	Actively traded unlisted equity securities where there is no significant unobservable inputs,

	(i.e. as prices) or indirectly (i.e. derived from prices)	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 fair values of the assets may be based on estimates and assumptions that cannot be corroborated with observable market data.

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

At 31 March 2021	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments and assets held for the benefit of policyholders				
- Policyholder cash	1,307,728	-	-	1,307,728
- Investments and securities	603,064	170,724	1,001	774,789
- Bonds and other fixed-income securities	15,107	100	-	15,207
- Holdings in collective investment schemes	18,510,675	155,761	535	18,666,971
	20,436,574	**326,585**	**1,536**	**20,764,695**
Other investments	4,982	-	-	4,982
Total	**20,441,556**	**326,585**	**1,536**	**20,769,677**

At 30 September 2020	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments and assets held for the benefit of policyholders				
- Policyholder cash	1,385,736	-	-	1,385,736
- Investments and securities	506,286	154,810	751	661,847
- Bonds and other fixed-income securities	12,404	1,891	15	14,310
- Holdings in collective investment schemes	15,930,106	120,026	910	16,051,042
	17,834,532	**276,727**	**1,676**	**18,112,935**
Other investments	4,959	-	-	4,959
Total	**17,839,491**	**276,727**	**1,676**	**18,117,894**

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
The majority of the £1.5m of financial assets assessed as Level 3 are historical investments which are either in liquidation or were exchange trade company shares that have since cancelled their listing. In line with the Group's pricing policy the last available price is used and, where applicable, liquidator annual reports are reviewed to identify possible returns to shareholders. The company believes that any change to the unobservable inputs used to measure fair value of these assets would not result in a significantly higher or lower fair value measurement at the period end as Level 3 assets account for 0.01% of total assets held.

Changes to valuation methodology
Since 30 September 2020 there have been two changes to the valuation methodology used. Assets that price daily were previously assigned to Level 1, however, if an asset cannot be traded daily as no active market exists it is now assigned to Level 2. Assets that have not been priced, using observable data or not, in over a year are now assigned to Level 3.

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

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

Transfers between Levels 1 and 2 between 31 March 2021 and 30 September 2020 are presented in the table below at their valuation at 31 March 2021:

Transfers from	**Transfers to**	**£'000**
Level 1	Level 2	39,209
Level 2	Level 1	6,879

The large movement from Level 1 to Level 2 is due to the suspension of several property funds as a result of the COVID-19 pandemic, consequently these funds are no longer actively trading.

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

	£000
Opening balance	**1,676**
Unrealised gains or losses in the year ended 30 September 2020	(219)
Transfers in to Level 3 at 30 September 2020 valuation	590
Transfers out of Level 3 at 30 September 2020 valuation	(511)
Purchases, sales, issues and settlement	-
Closing balance	**1,536**

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 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.

4. Segmental reporting

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

The Group has three classes of business as follows:
- provision of investment administration services
- transaction of ordinary long term insurance and underwriting life assurance
- provision of adviser back-office technology

The third class of business listed above is new for financial year 2021, and relates to the services provided by T4A to its clients since it was acquired by the Company on 11 January 2021.

Analysis by class of business is given below.

Statement of profit or loss – segmental information for the six months ended 31 March 2021:

	Investment administration services	Insurance and life assurance business	Adviser back-office technology	Other income	Consolidation adjustments	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue						
Fee income	30,546	28,102	732	14	-	59,393
Amortisation of deferred income liability	-	3,841	-	-	-	3,841
Cost of sales	(280)	(211)	(84)	-	-	(575)
Expenses						
Admin expenses	(32,539)	(28,302)	(918)	-	34,188	(27,572)
Amortisation of deferred acquisition costs	-	(3,841)	-	-	-	(3,841)
Impairment losses	(21)	(11)	-	-	-	(32)
Net income attributable to policyholders	-	17,802	-	-	-	17,802
Change in investment contract liabilities	-	(1,594,215)	-	-	-	(1,594,215)
Fee and commission expenses	-	(81,204)	-	-	-	(81,204)
Investment returns	-	1,675,404	-	-	-	1,675,404
Interest expense	(46)	(43)	-	-	-	(89)
Interest income	20	93	-	-	(70)	43
Profit/(loss) before tax	**21,688**	**43,341**	**(271)**	**14**	**(15,818)**	**48,954**
Policyholder tax	-	(17,802)	-	-	-	(17,802)
Tax on profit on ordinary activities	(2,796)	(3,380)	-	-	-	(6,176)
Profit/(loss) for the financial year	**18,892**	**22,159**	**(271)**	**14**	**(15,818)**	**24,975**

Statement of profit or loss – segmental information for the six months ended 31 March 2020:

	Investment administration services £'000	Insurance and life assurance business £'000	Other income £'000	Consolidation adjustments £'000	Total £'000
Revenue					
Fee income	28,051	25,773	-	-	53,824
Amortisation of deferred income liability	-	3,774	-	-	3,774
Cost of sales	(247)	(135)	-	-	(382)
Expenses					
Admin expenses	(30,288)	(27,949)	-	32,635	(25,602)
Amortisation of deferred acquisition costs	-	(3,774)	-	-	(3,774)
Impairment losses	(36)	(21)	-	-	(57)
Net income attributable to policyholders	-	(24,312)	-	-	(24,312)
Change in investment contract liabilities	-	2,143,070	-	-	2,143,070
Fee and commission expenses	-	(64,870)	-	-	(64,870)
Investment returns	-	(2,078,170)	-	-	(2,078,170)
Interest expense	(65)	(61)	-	-	(126)
Interest income	-	-	-	-	-
Profit before tax	19,663	(2,441)	-	(13,662)	3,561
Policyholder tax	-	24,312	-	-	24,312
Tax on profit on ordinary activities	(2,445)	(2,455)	-	-	(4,900)
Profit for the financial year	**17,218**	**19,418**	**-**	**(13,662)**	**22,974**

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.

Disaggregation of revenue by segment - For the six months ended 31 March 2021

	Investment administration services £'000	**Insurance and life assurance business £'000**	**Licences £'000**	**Other £'000**	**Total £'000**
Annual commission income	28,368	23,479	-	-	51,847
Wrapper fee income	1,253	3,936	-	-	5,190
Other income	824	787	732	14	2,357
Total fee income	**30,445**	**28,202**	**732**	**14**	**59,393**

Disaggregation of revenue by segment - For the six months ended 31 March 2020

	Investment administration services £'000	**Insurance and life assurance business £'000**	**Licences £'000**	**Other £'000**	**Total £'000**
Annual commission income	26,024	21,396	-	-	47,420
Wrapper fee income	1,144	3,639	-	-	4,783
Other income	844	778	-	-	1,621
Total fee income	**28,012**	**25,812**	**-**	**-**	**53,824**

Statement of financial position – segmental information for the periods ended 31 March 2021 and 30 September 2020:

	31 March 2021 £'000	30 September 2020 £'000
Net assets		
Investment administration services	68,788	68,434
Insurance and life assurance business	74,292	72,486
Licenses	3,830	-
	146,910	**140,920**

5. Earnings per share

	Six months to 31 March 2021	Six months to 31 March 2020 (restated)
Profit		
Profit for the year and earnings used in basic and diluted earnings per share	£25.0m	£23.0m
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	(0.2m)	(0.1m)
Weighted average number of Ordinary Shares for the purposes of basic EPS	**331.1m**	**331.2m**
Adjustment for dilutive share option awards	0.2m	0.1m
Weighted average number of Ordinary Shares for the purposes of diluted EPS	**331.3m**	**331.3m**
Earnings per share		
Basic earnings per share	7.5p	6.9p
Diluted earnings per share	7.5p	6.9p

6. Tax on profit on ordinary activities

The UK estimated weighted average effective tax rate was 19% for the six month period ended 31 March 2021 (31 March 2020: 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 Asset

	Accelerated capital allowances £'000	Share based payments £'000	Policyholder tax £'000	Other deductible temporary differences £'000	Total £'000
At 30 September 2019	-	110	-	47	157
Adjustment in respect of prior year	-	108	-	18	127
Adjustment to opening balances	-	-	-	32	32
Excess tax relief charged to equity	-	60	-	-	60
Charge to income	-	124	-	(10)	113
At 30 September 2020		402	-	87	489
Charge to income	-	-	-	-	-
As at 31 March 2021	**-**	**402**	**-**	**87**	**489**

Deferred Tax Liability

	Accelerated capital allowances	Share based payments	Policyholder tax	Other deductible temporary differences	Total
	£'000	£'000	£'000	£'000	£'000
At 30 September 2019	60	-	13,188	-	13,248
Charge to income	61	-	(4,341)	-	(4,280)
At 30 September 2020	121	-	8,847	-	8,968
Charge to income	-		11,577	-	11,577
At 31 March 2021	**121**	**-**	**20,424**	**-**	**20,545**

8. Policyholder income and expenses

	Six months to 31 March 2021	Six months to 31 March 2020 (restated)
	£'000	£'000
Net income / (expense) attributable to policyholder returns	17,802	(24,312)
Policyholder tax (charge) / credit	(17,802)	24,312

This relates to income and expenses, and the associated tax charges, on policyholder assets and liabilities.

9. Intangible assets

Cost	**Software and IP rights £'000**	**Goodwill £'000**	**Total £'000**
At 1 October 2020	12,505	12,951	25,456
Additions	-	8,851	8,851
At 31 March 21	**12,505**	**21,802**	**34,307**
Amortisation			
At 1 October 2020	12,505	-	12,505
Charge for the year	-	-	-
At 31 March 21	**12,505**	**-**	**12,505**
Net Book Value			
At 30 September 2020	-	12,951	12,951
At 31 March 2021	-	21,802	21,802

Cost	**£'000**	**£'000**	**£'000**
At 1 October 2019	12,505	12,951	25,456
At 30 September 2020	**12,505**	**12,951**	**25,456**
Amortisation			
At 1 October 2019	12,505	-	12,505
Charge for the year	-	-	-
At 30 September 2020	**12,505**	**-**	**12,505**
Net Book Value			
At 30 September 2019	-	12,951	12,951
At 30 September 2020	-	12,951	12,951

Amortisation of the software and IP rights is recognised within administrative expenses in the statement of comprehensive income.

Business combinations - acquisition of Time for Advice Limited (T4A)

On 11 January 2021, the Company acquired 100% of the voting equity instruments of T4A, a specialist software provider for financial planning and wealth management. The principal reason for the acquisition was to support IHP's strategy of providing platform and associated services to clients and their advisers.

With effect from the date of acquisition, T4A's accounts have been consolidated into the Group's consolidated results, resulting in the inclusion of £732k of revenue achieved from that date to 31 March, and losses after tax of £271k in the same period.

Had the acquisition of T4A taken place at the beginning of the reporting period, the consolidated revenue of the Group for the six months to 31 March 2021 would have been £60.4 million, and the consolidated profit after tax would have been £24.4 million.

T4A generates cash inflows that are independent of the cash inflows from the rest of the Group, and it is therefore considered to be a separate cash generating unit.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Fair value £'000
Cash and cash equivalents	697
Trade and other receivables	373
Property, plant and equipment	22
Current liabilities	(991)
Total net assets	101
Fair value of consideration	8,952
Goodwill	**8,851**

All contractual cash flows are expected to be received, and the gross contractual amounts receivable therefore equal the fair value of receivable shown above.

The purchase price allocation exercise is still being finalised, and it is therefore possible that the fair value of the above assets and liabilities will be revised, or that additional intangible assets will be recognised. While management believes that the main value of the T4A offering will only be realised in combination with Transact and with support from the Company, the final assessment will consider whether there are any elements relating to T4A that are identifiable and capable of providing future economic benefits independently, and that should therefore be recognised as intangible assets.

The acquisition cost comprised up-front cash payments of £8.6 million, plus £8.6 million of deferred consideration, payable in phases over the next four years. Additional consideration between £0 and £8.6 million is also be payable in January 2025. The amount is contingent on T4A meeting certain performance targets over the next four years, and management have estimated the fair value as 50% of the maximum amount, or £4.3m.

The allocation of the above costs between consideration and post-combination remuneration can be seen below:

	Consideration £'000	**Remuneration £'000**
Up-front cash consideration	8,600	-
Deferred consideration	238	8,342
Additional consideration	114	4,171
Total	**8,952**	**12,513**

An assessment has been performed by management regarding the deferred and contingent arrangements payable to selling shareholders that continue providing services, and it has been determined that these relate to payment for post-combination services and should therefore be treated as remuneration across the four year period to which the services relate, from January 2021 to December 2024. The deferred and additional arrangements that have been treated as consideration relate to amounts payable to a selling shareholder who does not provide services to T4A.

The overall cash outflow upon acquisition of T4A can be seen below:

	£'000
Up-front cash consideration	8,600
T4A cash and cash equivalents at acquisition date	(697)
Total cash outflow	**7,903**

The goodwill has arisen as the investment supports the Group's strategy of delivering the highest quality financial services infrastructure and associated services to advisers and clients. Management sees the T4A offering, CURO, as complementary to Transact. Whilst still undergoing further development CURO has already proven to be highly capable and, with the Company's support, providing the necessary investment and direction, it is believed that T4A will be a great long term fit that will deliver positive outcomes for all.

The goodwill has not been tested for impairment during the current period, due to the fact that the acquisition was only completed recently. It will be tested for impairment annually going forward.

10. Provisions

	31 March 2021 £'000	30 September 2020 £'000
Balance brought forward	25,208	18,231
Increase in dilapidations provision	26	52
Increase in ILInt non-linked unit provision	-	2
(Decrease)/increase in ILUK tax provision	(9,565)	6,924
Other provisions	343	-
Balance carried forward	**16,012**	**25,208**
Dilapidations provisions	490	464
ILInt non-linked unit provision	41	41
ILUK tax provision	15,138	24,703
Other provisions	343	-
	16,012	**25,208**

ILUK tax provision comprises claims received from HMRC that are yet to be returned to policyholders and other tax reserves which includes charges taken from unit-linked funds that will either become payable to HMRC or, if no tax liability raises, refunded to policyholders.

11. Investments held for the benefit of policyholders

	2021 Cost £'000	2021 Fair value £'000	2020 Cost £'000	2020 Fair value £'000
ILInt				
Investments held for the benefit of policyholders	1,541,586	1,834,941	1,346,990	1,534,080
	1,541,586	**1,834,949**	**1,346,990**	**1,534,080**
ILUK				
Investments held for the benefit of policyholders	14,757,653	17,622,026	13,482,294	15,193,128
	14,757,653	**17,622,026**	**13,482,294**	**15,193,128**
Total	**16,299,239**	**19,456,967**	**14,829,284**	**16,727,208**

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.

12. Investments held for the benefit of policyholders

	31 March 2021 Fair value £'000	30 September 2020 Fair value £'000
ILInt		
Unit linked liabilities	1,942,505	1,636,781
	1,942,505	**1,636,781**
ILUK		
Unit linked liabilities	18,822,190	16,476,154
	18,822,190	**16,476,154**
Total	**20,764,695**	**18,112,935**

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.

13. Deferred acquisition costs and deferred income liability

Deferred acquisition costs

	31 March 2021 £'000	30 September 2020 £'000
Opening balance	53,482	50,443
Capitalisation of deferred income	5,873	10,615
Amortisation of deferred income	(3,841)	(7,576)
Change in deferred acquisition costs	2,032	3,039
Current asset	3,926	3,782
Non-current asset	51,588	49,700
Closing balance	**55,514**	**53,482**

Deferred income liability

	31 March 2021 £'000	30 September 2020 £'000
Opening balance	53,482	50,443
Capitalisation of deferred income	5,873	10,615
Amortisation of deferred income	(3,841)	(7,576)
Change in deferred income liability	2,032	3,039
Current asset	3,926	3,782
Non-current asset	51,588	49,700
Closing balance	**55,514**	**53,482**

The current and non-current split of the deferred acquisition costs and deferred income liability is based on the expected life of the underlying contracts.

Amortisation of deferred income liability and deferred acquisition costs

	Six months to 31 March 2021 £'000	Six months to 31 March 2020 £'000
Amortisation of deferred income liability	3,841	3,774
Amortisation of deferred acquisition costs	(3,841)	(3,774)

This relates to fees paid to policyholders' financial advisers for securing investment contracts, which are deferred and subsequently amortised over the lives of the contracts. A corresponding deferred income liability is recognised in respect of the charges taken from the policyholders at the contract's inception to meet obligations to financial advisers.

14. Cash and cash equivalents

	31 March 2021 £'000	30 September 2020 £'000
Bank balances – Instant access	146,325	148,617
Bank balances – Notice accounts	6,502	5,500
Cash and cash equivalents held for the benefit of the policyholders – instant access - ILUK	1,157,516	1,231,043
Cash and cash equivalents held for the benefit of the policyholders – term deposits - ILUK	42,648	51,982
Cash and cash equivalents held for the benefit of the policyholders – instant access - ILINT	105,055	100,716
Cash and cash equivalents held for the benefit of the policyholders – term deposits - ILINT	2,509	1,985
Total	**1,460,555**	**1,539,843**

Bank balances held in instant access accounts are current and available for use by the Group, though £33m of the balance is set aside to cover ILUK policyholder tax liabilities.

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

The 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.

15. Trade and other receivables

	31 March 2020 £'000	30 September 2020 £'000
Amounts due from HMRC	4,721	2,227
Other receivables	2,621	1,329
	7,342	**3,556**

16. Trade and other payables

	31 March 2021 £'000	30 September 2020 £'000
Trade payables	2,171	1,716
PAYE and other taxation	1,653	1,420
Deferred consideration	698	-
Other payables	7,077	7,436
Accruals and deferred income	6,574	7,794
	18,173	**18,366**

17. Related parties

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

18. Restatement of prior year profit

Profit after tax for the half year to 31 March 2020 has been restated to £23.0 million, an increase from £22.5 million.

As noted in the Annual Report for the year ending 30 September 2020, the restatement of profit after tax across prior years is due to the identification of an error in the calculation of the policyholder tax provision in the subsidiary, ILUK, which is one of the elements of the Group's insurance and life assurance segment. The error was due to corporate expenses being deducted in the policyholder tax calculation resulting in an overprovision of tax reserves due back to policyholders. Profit after tax for financial year 2019 has been restated to £41.1 million, an increase from £40.1 million, and an adjustment to 2019 opening retained earnings has been made of £5.4m.

The above change has been reflected by restating the condensed consolidated statement of comprehensive income and condensed consolidated statement of cash flows as follows:

	31 March 2020	**Adjustment**	**31 March 2020 (restated)**
	£'000	**£'000**	**£'000**
Administration expenses	(26,137)	535	(25,602)
Operating profit attributable to shareholder returns	**27,248**	**535**	**27,783**
Profit on ordinary activities before taxation	**3,026**	**535**	**3,561**
Profit before taxation attributable to shareholder	**27,338**	**535**	**27,873**
Shareholder tax	(4,849)	(50)	(4,899)
Profit after policyholder and shareholder tax	**22,489**	**485**	**22,974**
Earnings per share – basic and diluted	6.8p	0.1p	6.9p

	31 March 2020	**Adjustment**	**31 March 2020 (restated)**
	£'000	**£'000**	**£'000**
Cash flows from operating activities			
Profit before tax	3,026	535	3,561
Increase in policyholder tax recoverable	3,663	(535)	3,128

19. Restatement of presentation

In addition to the restatement explained above, certain comparatives have been reclassified due to an error in presentation in prior years.

Items of income, expenses, gains and losses relating to the Group's insurance and life assurance segment are now reflected on a gross basis, rather than on a net basis.

Amortisation of the deferred income liability and the related deferred acquisition costs had been netted off in previous periods and not shown in the statement of comprehensive income, as the timing and magnitude of movements in the items always nets off exactly, resulting in zero net effect. This is now being shown gross, as the amortisation ultimately relates to balances shown on the statement of financial position.

Deferred income liability and deferred acquisition costs are now split between current and non-current assets and liabilities based on the expected life of the underlying contracts.

These changes have no effect on overall profit.

Details of these changes are shown below.

a) Statement of comprehensive income (extract)

	31 March 2020	Adjustment	31 March 2020 (restated)
	£'000	£'000	£'000
Amortisation of deferred income liability	-	3,774	3,774
Amortisation of deferred acquisition costs	-	(3,774)	(3,774)
Investment returns	30	(2,078,200)	(2,078,170)
Fee and commission expenses	-	(64,870)	(64,870)
Change in investment contract liabilities	-	2,143,070	2,143,070

b) Statement of cash flows (extract)

	31 March 2020	Increase/ (decrease)	31 March 2020 (restated)
	£'000	£'000	£'000
Cash flows from operating activities			
(Increase) in investments held for the benefit of policyholders	-	958,429	958,429
Increase in liabilities for linked investment contracts	-	(1,254,859)	(1,254,859)
(Decrease)/increase in cash	(502)	296,430	295,928
Cash and cash equivalents at the beginning of the year	132,340	1,210,279	1,342,619
Cash and cash equivalents at the end of the year	**131,668**	**1,506,709**	**1,638,377**

c) Statement of financial position (extract)

	30 September 2020	Increase/ (decrease)	30 September 2020 (restated)
	£'000	£'000	£'000
Current assets			
Deferred acquisition costs	-	3,782	3,782
	18,290,121	**3,782**	**18,293,903**
Non-current assets			
Deferred acquisition costs	53,482	(3,782)	49,700
	75,843	**(3,782)**	**72,061**
Current liabilities			
Deferred acquisition costs	-	3,782	3,782
	18,133,676	**3,782**	**18,137,458**
Non-current liabilities			
Deferred acquisition costs	53,482	(3,782)	49,700
	91,370	**(3,782)**	**87,588**

20. Events after the reporting date

There are no events subsequent to the reporting period that require disclosure in, or amendment to the interim financial statements**.**

21. Dividends

During the six month period to 31 March 2021 the Company paid an interim dividend of £18.5m to shareholders in respect of financial year 2020. This was in addition to the first interim dividend of £8.9m in respect of financial year 2020, which was paid in June 2020. The total of £27.4m compares with a full year interim dividend of £25.8m in respect of the full financial year 2019.

DIRECTORS, COMPANY DETAILS, ADVISERS

Executive Directors
Ian Taylor (to 26 February 2021)
Michael Howard
Alexander Scott
Jonathan Gunby

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

Company Secretary
Helen Wakeford

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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.