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Annual Report
and
Financial Statements

30 September 2019

IntegraLife UK Limited
Registered in England No. 00798365

IntegraLife UK Limited
Financial Statements
For the year ended 30 September 2019

Contents

IntegraLife UK Limited
Company Information
For the year ended 30 September 2019

Executive Directors	I A Taylor A Scott
Non-executive Directors	N Holden J McKenzie
Company Secretary	D G C Johnson
Auditor	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM99 1HN
Registered office	29 Clement's Lane London United Kingdom EC4N 7AE
	Registered in England No. 00798365

IntegraLife UK Limited
Strategic Report
For the year ended 30 September 2019

The Directors present their Strategic Report for the year ended 30 September 2019.

Review of the business

The principal activity of the Company is the transaction of ordinary long term insurance business within the United Kingdom through the Transact Personal Pension, Executive Pension, Section 32 Buy Out Pension Bond, Onshore Bond and Qualifying Savings Plan ("the Transact business").

The Company is a 100% owned subsidiary of Integrated Financial Arrangements Ltd (IFAL) with the ultimate parent company being Integrafin Holdings plc.

The Company is authorised to undertake long term insurance business by the Prudential Regulatory Authority (PRA). It is regulated by the PRA and the Financial Conduct Authority (FCA).

IntegraLife UK Limited's (ILUK) purpose is to provide the onshore, long-term insurance business, tax efficient savings wrappers to the clients of IFAL as an integral part of the wrap service that trades as Transact.

ILUK, therefore, is complementary to the other tax efficient savings elements of the Transact platform offering, with the non-insured elements being offered directly by IFAL through ISA and SIPP authorisations and the offshore insurance contracts being provided to the platform by IntegraLife International Limited, a related party of ILUK and 100% subsidiary of IFAL.

Our goal is to provide a service that makes the process of financial planning easier for clients and their financial advisers. At the heart of this, but not restricted to this alone, is the provision of the wrap service called Transact.

Transact operates, and continues to be improved, in such a way that it provides a high quality and indispensable service for its clients. Whilst we will never put barriers in the way of clients who no longer wish to use Transact, our aim is to ensure they should never need or want to leave.

We operate with flexibility and entrepreneurship while ensuring compliance with law and regulation. We will always act fairly and honestly with all parties.

These principles align to IntegraFin Group's strategy and as such they provide a framework for the way IntegraFin Group operates. This in turn sets the tone for IntegraFin Group's risk management framework.

Performance review and financial results

As at 30 September 2019, linked funds under direction (FUD) were £15.12 billion (2018: £13.08 billion). During the year inflows decreased by £254 million to £2,361 million and outflows increased by £104 million to £776 million. Whilst inflows have decreased due to current geopolitical uncertainty, outflows remain well within expectation, as a percentage of opening funds under direction.

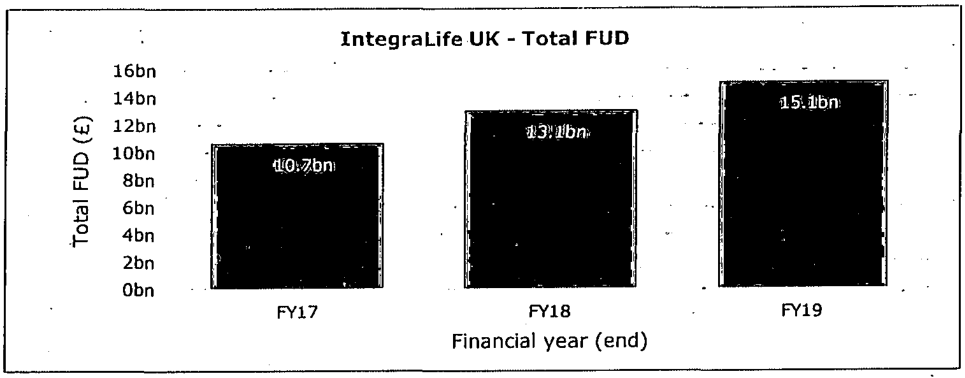
As at 30 September 2019, the Company had a total in force policy count of 71,614 pensions (2018: 64,874), 5,503 onshore bonds (2018: 5,024) and 48 qualifying savings plans (2018: 55). The Company continues to increase the number of clients and advisers on the platform and FUD continues to grow year on year.

The Company recorded a profit after tax of £18.7 million in the current year (2018: £16.2 million). At year end the Company's net assets were £28.7 million (2018: £24.1 million).

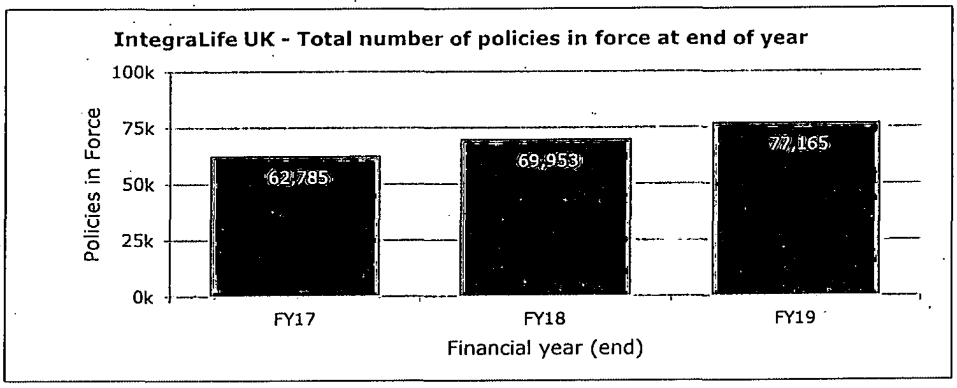
Key performance indicators

The Board of ILUK (The Board) has set key performance indicators which it uses to measure the performance of the Company. A summary of the key performance indicators illustrating the three year trends is shown in the charts below.

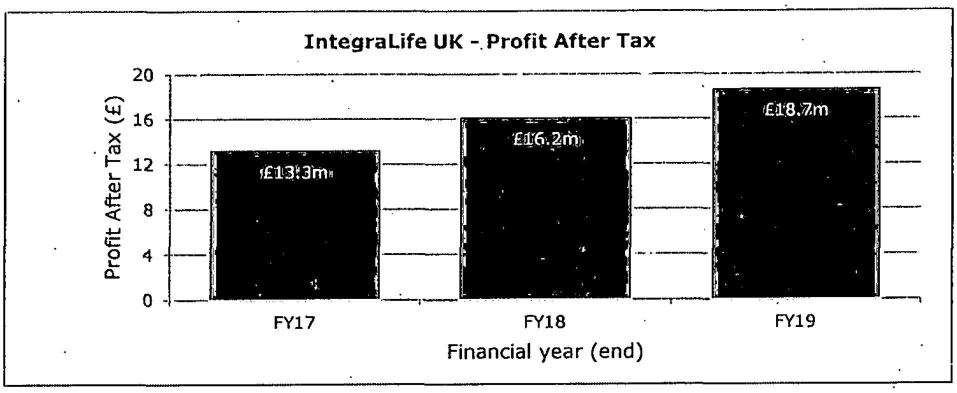
Funds under direction
Funds under direction has increased by 15% to £15.12 billion at the end of the year (2018: £13.08 billion). This is due to net inflows of £1,585 million (2018: £1,943 million) and market growth.



Policies in force at year end
The number of policies in force has shown stable growth, and grew 10% year on year.



Earnings
Earnings grew by £2.5m in the financial year to £18.7 million (2018: £16.2 million), growth of 15%. This demonstrates the strength of the business model and expense management.



Risk and risk management

Overview

Risk management assists the Board in understanding its current and future risks and provides appropriate risk management information that is incorporated into its strategic decision making and business planning process. Risk management activities encompass all financial, strategic and operational risks that may prevent the Company from fulfilling its business objectives.

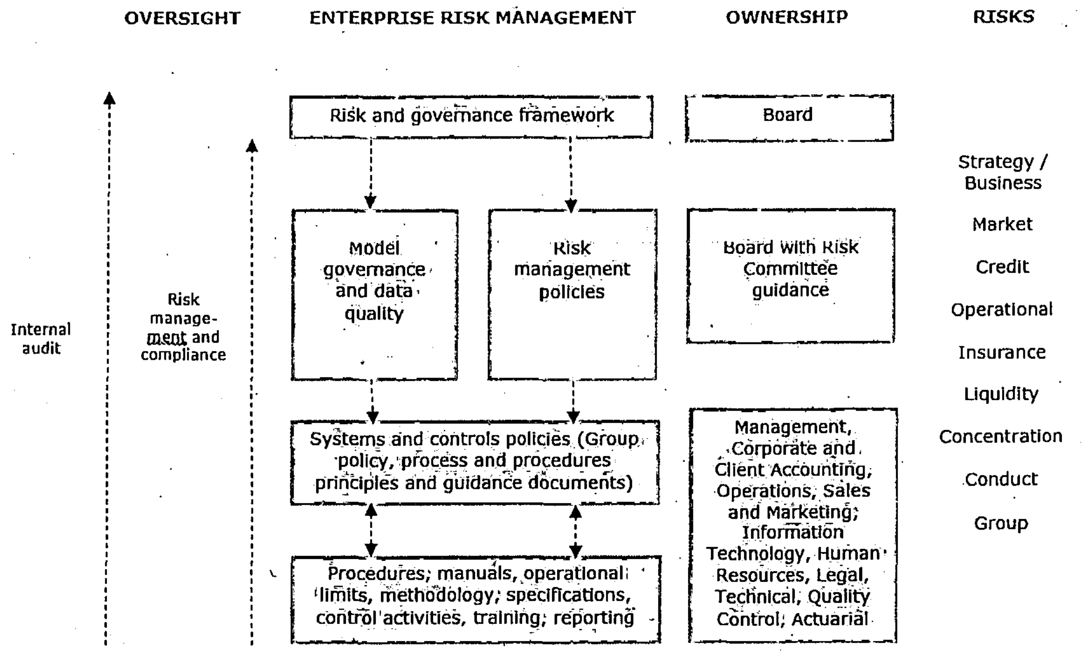
Our clients can access their investments on demand but, because we fully match the surrender value, movements in investment values as well as changes in mortality, morbidity and longevity rates have little impact on our ability to meet liabilities though they can have a second order impact on the emergence of profit. The Company has a prudent capital management approach and currently invests surplus shareholder assets in high quality, highly liquid, short-dated investments.

How risks are managed

The Risk Management Policy provides general guidelines for the design and implementation of the Risk Management Framework with the Board responsible for establishing the risk strategy and senior management responsible for its implementation. The Risk Management Policy is reviewed at least on an annual basis and all material changes to this policy are considered by the IFAL Group Risk Committee ("Risk Committee") and approved by the Board.

The Board, through the IFAL Group Risk Committee, is responsible for and provides oversight of the Company's Risk Management Framework and Own Risk and Solvency Assessment ("ORSA") process. We have established our framework with consideration of the Committee of Sponsoring Organisation of the Treadway Commission ("COSO") Integrated Framework Principles, providing a consistent approach to identification, assessment, mitigation and reporting of risks throughout the Company and the wider group. The ORSA is a key part of the framework and by applying the ORSA process the Company actively manages its current and future risks.

The Risk Management Framework is shown below:



Risk culture

Risk culture is defined by the following statements:

- The Company adopts a risk culture that has risk management informing its strategic decision making and business planning process.

- The Company pro-actively seeks to identify risks through its risk horizon scanning process.

- The Risk Committee assists the Board in fostering a culture within the Company that encourages good stewardship of risk and emphasises and demonstrates the benefits of a risk-based approach to internal control and management of the Company.

- The Company manages its risks within a robust and embedded risk culture. This is achieved by:

    - continuous risk management training and communication at all levels;

    - close relationship and coaching from the Risk Management function to all areas of the business; and

    - incorporating risk management objectives in the job descriptions and roles and responsibilities.

- We believe training is essential to integrate the risk management culture into the business.

Risk appetite

Reviewed and approved at least annually by the Board, the risk appetites define the degree of risk the Company is prepared to accept in pursuit of its strategic and operational objectives subject to meeting regulatory capital requirements.

The Company has generally adopted a conservative approach which is reflected in its risk appetite values and in the overall approach to risk management. The Company's actual risk exposures are assessed against risk appetite using a comprehensive set of indicators and reported to the Risk Committee. Risk assessments are addressed within this body and reported to the Board, to ensure the Company remains within its agreed risk appetite as defined by the Board.

The Company's risk preferences are articulated as follows:

- The Company ensures risks that are taken are aligned with our strategic aims and provide an acceptable level of return.
- The Company accepts certain business risks (e.g. lapse, market, expense, operational, new business) and ensures these are appropriately managed and mitigated if required.
- The Company has a preference for products with low capital requirements and without financial guarantees. Additionally, the Company has a preference for secondary market risk through charges determined based on clients' linked policy values. This is central to the Company's proposition and we accept the potential impact on financial performance.
- The Company has limited preference for life liability risks provided it fits within our strategic aims.
- The Company does not actively seek to take operational risk to generate returns. It accepts a level of operational risk that means the controls in place should prevent material losses, but should not excessively restrict business activities.
- The Company has very limited risk appetite for unfair client outcomes arising from systematic failures in its cultural outlook or in any element of the client life cycle.
- The Company has very limited risk appetite for material regulatory breaches.

Risk governance

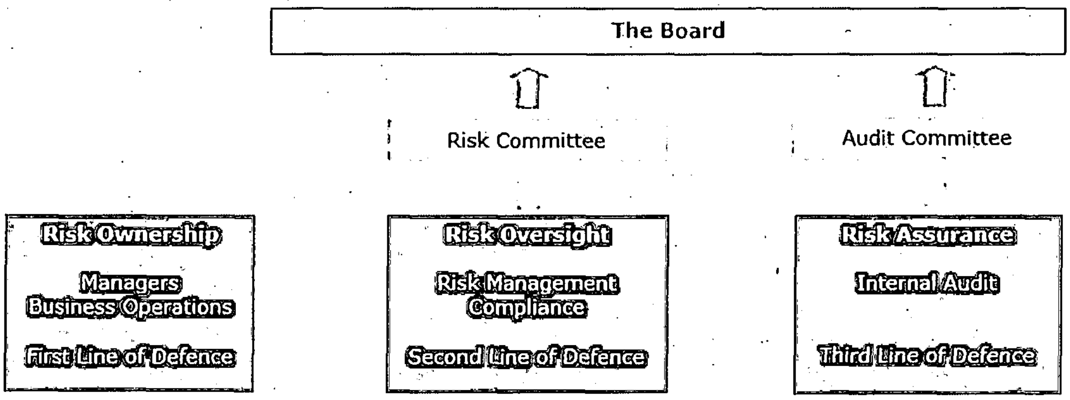
The Risk Management Framework defines risk governance as the combination of processes and structures implemented by the Board in order to inform, direct, manage and monitor the activities of the Company towards the achievement of its objectives.

The Risk Committee is made up of independent Non-Executive Directors ("NEDs") of IFAL and is responsible for reviewing the manner in which the Company implements, and monitors the adequacy of, the Risk Management Framework. The Risk Committee assists in fostering a culture that encourages good stewardship of risk and emphasises and demonstrates the benefits of a risk-based approach to management of the Company.

The Company implements a comprehensive "top-down" and "bottom-up" approach to managing risks through regular monitoring (including horizon scanning) and reporting in conjunction with senior management and risk owners. Risk Management reports to the Risk Committee, on at least a quarterly basis, information and analysis on the key risks the Company faces (including forward looking risks), solvency capital requirements and comparison against risk appetite.

For risk management to be effective it is important that the roles and responsibilities of all those involved are clearly defined. Accordingly the Risk Management Framework is designed along the 'three lines of defence' model (illustrated on the next page) which aims to ensure at least three stages of oversight to ensure that the Company operates within the risk appetite defined by the Risk Committee and approved by the Board.

The "Three Lines of Defence" Risk Governance Model of ILUK



The first line of defence is its business departments which have responsibility for managing and controlling their risks in accordance with agreed risk appetites through the implementation of a sound set of processes and controls.

Responsibility for risk management resides at all levels within the Company's business lines, from the senior management team to department and team managers. All staff members are accountable for managing risks within the business areas for which they are responsible, ensuring compliance with prescribed company plans, policies and prevailing regulatory and legislative requirements.

The business lines are also responsible for complying with the policies and standards which comprise the Risk Management Framework. Current key risks and issues facing the Company are considered by the management team, with each key risk owned by the member of the management team who is responsible for the strategic management of that risk.

The second line of defence comprises of two functions: the Risk Management function and the Compliance function.

The Risk Management function is responsible for co-ordinating all the risk management activities within the business. This includes the development, maintenance and enhancement of the Risk Management Policy and Framework, as well as Risk Management reporting. The Risk Management function provides regular risk reports to the Risk Committee, which is comprised solely of independent NEDs.

The Compliance function is primarily responsible for supporting the Company to ensure that its activities are conducted in accordance with all applicable regulatory requirements.

The third line of defence is the Internal Audit department, which provides independent assurance on the adequacy and effectiveness of the Company's risk management and major business process control arrangements. The Head of Internal Audit reports directly to the Chairman of the IFAL Group Audit Committee, which is comprised solely of independent NEDs.

Internal Audit conducts regular audits on the implementation and effectiveness of the Risk Management Policy and Framework across the business. The results of these audits are reported to the Audit Committee and the Board. The Board is satisfied that Internal Audit provides sufficient assurance about the Risk Management Policy and Framework.

Stress and scenario testing

Risk models are used as part of stress and scenario testing to determine the financial stability of the Company. This involves testing beyond normal operational capacity, often to a breaking point, in order to observe the outcomes and evaluate available management actions. The stress testing outcomes provide additional information to adjust the Company's strategy and business planning.

The Company carries out different types of testing:

- Sensitivity testing, where one risk factor is assumed to vary mildly and others are assumed to remain unchanged;
- Stress testing, where one risk factor is assumed to vary more severely and others are assumed to remain unchanged;
- Scenario testing, where a combination of risk factors are assumed to vary to generate an extreme but plausible event; and
- Reverse stress testing, where risk factors are assumed to be stressed to such an extent as to break the business model.

Principal risks and uncertainties

There have been no significant changes in the principal risks for the Company in the past year. Due to the nature of the policies written by the Company, i.e. carrying limited mortality risks, its profitability arises primarily from charges on the assets held in the linked policies less the expenses of administering those policies. Thus, the predominant risk types arising from the Company's ORSA are lapse risk, expense risk, market risk and operational risk.

The Company seeks to limit its exposure to any other insurance and financial risks.

The process of negotiation relating to the UK's exit from the EU following the service of notice under Article 50 of the EU Treaty in March 2017 has resulted in uncertainty in relation to the eventual outcome of those negotiations, which is giving rise to some delays or deferrals of investment decisions by businesses and individuals. This uncertainty is likely to continue until clarity is obtained in relation to the precise terms on which the UK is expected to leave the EU, the likely form and shape of its trading relationships with the EU and other countries with whom it has, or wishes to have, significant trading relationships thereafter and the length of any transitional period prior to the UK's ultimate departure taking effect. In addition, as a significant proportion of the current and anticipated regulatory regime applicable to ILUK is derived from EU Directives and Regulations, the UK exiting the EU could materially change the legal and regulatory framework applicable to the Group's operations because ILUK may no longer be required to adhere to the Directives and Regulations, including in relation to regulatory capital requirements.

The following tables (split between financial and non-financial) describe the key risks of the Company with a summary description of how the Company manages and mitigates the risks:

Financial Risks	
Key risk description	**Management and controls**
Lapse risk – loss of future profits due to more clients than expected terminating policies.	Lapse risk is mitigated by focusing on providing exceptionally high levels of service. Lapse rates are closely monitored and unexpected experience is investigated. Despite the current challenging and uncertain economic and geopolitical environment, policy lapse rates remain stable and within historical norms.
Expense risk – administration costs exceed expense allowance, which can occur due to costs increasing faster than expected or from one-off expense "shocks".	Expense risk is mitigated through regular stress testing, monitoring of expenditure and closely managing expenses in line with the business plan, which is set and approved by the Board on an annual basis.

Market risk - the impact changes in equity and property market values, currency exchange rates, credit spreads, interest rates and inflation, may have on the value of clients' portfolios, resulting in a reduction in future charges or an increase in future expenses.	The Company only suffers a second order impact from market movements as future charges are predominantly determined based on clients' linked policy values. Clients hold the primary investment risk on these asset types as the assets and liabilities are fully matched and the Company does not offer any guarantees on policy values. The Company mitigates the second order market risk by applying fixed per policy charges in addition to the charges determined based on clients' linked policy values, offering an element of diversification to its income stream. Furthermore, the Company currently invests its shareholder assets in high quality, highly liquid, short-dated investments. Expense inflation risk is mitigated through regular stress testing, monitoring of expenditure and closely managing expenses in line with the business plan.
Liquidity risk – this is the risk of the Company not having available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.	There are robust controls in place to mitigate liquidity risk, for example, holding corporate cash across a range of banks in order to mitigate the risk of a single point of counterparty default failure and associated liquidity denial.
Credit risk – this is the risk of loss due to defaults from holdings of cash and cash equivalents, deposits, formal loans and reinsurance treaties with banks and financial institutions.	The Company currently invests its shareholder assets in high quality, highly liquid, short-dated investments. Maximum counterparty limits are set for banks and minimum credit quality steps are set for both banks and reinsurers.

Non-financial Risks	
Key risk description	**Management and Mitigation**
Regulatory risk – the risk of new regulatory requirements having adverse impacts on the business model, or failing to comply with existing or new regulations resulting in a fine or regulatory censure.	Regulatory risk is mitigated through regular monitoring of regulatory developments and maintaining open and transparent dialogue with the regulators. On-going compliance with existing rules is monitored by the Compliance Function with additional assurance provided by the Internal Audit function for the key regulatory risks on a regular basis.
Operational risk – the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.	Operational risk arises mainly from the Company's compliance requirements it needs to meet whilst administering its business and from the third party administrator arrangements with IntegraFin Services Limited (ISL) and IFAL. The key operational risks are information security, IT infrastructure and business continuity related, all of which include exposures to cyber risks. The Company aims to minimise operational risk at all times through a strong and well-resourced control and operational structure, combined with continuous investment in both people and systems. This is supported by the strong corporate governance

	structure that is embedded in ILUK and the IntegraFin Group as a whole. In particular, the IntegraFin Group has in place a dedicated financial crime team and an on-going fraud and cyber risk awareness programme. Additionally, the Group carries out regular IT system maintenance, business continuity planning testing and system vulnerability testing.
Competition risk – the risk of competitor activity resulting in loss of new business, increased lapse of existing business or pressure on profit margins.	Competitor risk is mitigated by focusing on providing exceptionally high levels of service and being responsive to client and financial adviser demands through an efficient expense base.
Geopolitical risk – the risk of changes in the political landscape disrupting the operations of the business or resulting in significant development costs	Geopolitical risk cannot be directly mitigated by the Company, but through close monitoring of developments through its risk horizon scanning process, potential impacts are taken into consideration as part of the business planning process.
Reputational risk – the risk that current and potential clients' desire to do business with the Company reduces due to perception of the Transact service in the market place.	Clients don't directly purchase policies from ILUK – they are provided as part of the Transact wrap service. Therefore the reputation of the Transact brand is where the risk lies. The Transact brand is exposed to a wide range of future events which may have a significant adverse impact on its reputation. These include consequences of operational risk events e.g. errors, fraud or regulatory fines. In these cases, reputational risk would be triggered on the event of the operational risk failure becoming public knowledge. External reputational risk could also arise from public opinion of the wrap sector as a whole diminishing. Reputational risk can be triggered by a one-off event resulting in a significant loss or could be the result of a gradual decline in how the Company is perceived. The Risk Management Framework provides the monitoring mechanisms to ensure that reputational damage controls operate effectively and reputational risk is mitigated, to some extent, by internal operational risk controls, error management and complaints handling processes as well as root cause analysis investigations.

Viability statement

The Directors have assessed the Company's prospects by reference to the three-year planning period to September 2022 and have reasonable expectation that the Company will continue to operate and meet its liabilities as they fall due over the period of this assessment.

This is based on the Company's business plan and ORSA, which are produced on an annual basis, covering a three year period. The assessments cover projected performance of the Company with regards to profitability, solvency and liquidity, including under stress and scenario tests. Assessments of the economic, regulatory and competitive environments are also included, as well as the current and potential future impact of the principal risks faced by the Company benchmarked against its risk appetite.

By order of the Board

David Johnson
Company Secretary
Registered Office
29 Clement's Lane
London
EC4N 7AE

11 December 2019

IntegraLife UK Limited
Directors' Report
For the year ended 30 September 2019

The Directors present their report and financial statements for the year ended 30 September 2019.

The Directors of the Company who served during the financial year and to date are listed on page 1.

The review of the business and principal risks and uncertainties are disclosed within the Strategic Report.

Directors' interests and emoluments
According to the Register of Directors' Interests in the Company, no rights to subscribe for shares or share options were granted or exercised by any of the Directors or their immediate families during the financial year or to date.

Details of the Director emoluments are provided in note 8.

Dividends
During the year the Directors recommended and paid a dividend of £14m (2018: £13m) and since the accounting year-end the Company continues to be profitable.

Employees
The Company has no employees (2018: nil). Management and administrative services are provided to the Company by IntegraFin Services Limited, a related party of IntegraLife UK Limited and part of the IntegraFin Holdings plc group.

Political donations
No political contributions were made during the year (2018: £nil).

Auditor
KPMG Audit LLC have indicated their willingness to continue in office. In line with section 485 of the Companies Act 2006, a resolution to reappoint KPMG Audit LLC as auditor for the ensuing year will be proposed at the next General Meeting.

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant information and to establish that the Company's auditor is aware of that information.

By order of the Board

David Johnson
Company Secretary
Registered Office
29 Clement's Lane
London
EC4N 7AE

11 December 2019

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Integralife UK Limited

1 Our opinion is unmodified

We have audited the financial statements of IntegraLife UK Limited ("the Company") for the year ended 30 September 2019 which comprise the Statement of Profit and Loss and Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by The Directors on 30 June 2005. The period of total uninterrupted engagement is for the 13 financial years ended 30 September 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2018), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Valuation of unquoted investments (£253m; 2018: £261m) *Refer to page 3 of the Strategic report, note 2 (q) (accounting policies) and note 26 (financial disclosures).*	**Subjective valuation** 1.7% (£253m) of the Company's total assets (by value) are held in investments where no quoted market price is available. Unquoted investments are measured at fair value, which is established by using comparison to similar instruments for which observable prices exist. There is a significant risk over the valuation of these investments	Our procedures included: **Control design:** - Documenting and assessing the design and implementation of the investment valuation processes and controls; **Control operation:** - Testing the operating effectiveness of the control in place for the automated price import from third party pricing feeds and testing the operating effectiveness of controls in place for the identification of stale prices; **Our investment pricing expertise:** - We engaged our pricing specialists on a sample basis to independently price the unquoted investments using observable input parameters derived from the assets directly (i.e. as prices) or indirectly (i.e. derived from prices) **Our results:** We found the valuation of unquoted investments to be acceptable (2018: acceptable).
Valuation of quoted investments (£13.8bn; 2018: £11.8bn) *Refer to page 3 of the Strategic report, note 2 (q) (accounting policies) and note 26 (financial disclosures).*	**Low risk, high value** The Company's portfolio of quoted investments makes up 91% (£13.8bn) of the Company's total assets (by value - £15.1bn) and is considered to be one of the key drivers of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our procedures included: **Control design:** - Documenting and assessing the design and implementation of the investment valuation processes and controls; **Control operation:** - Testing the operating effectiveness of the control in place for the automated price import from third party pricing feeds; and **Our investment pricing expertise:** - Using our own pricing specialists to agree 100% of the quoted investments in the portfolio to externally obtained prices. **Our results:** We found the valuation of quoted investments to be acceptable (2018: acceptable).

Split of investments and cash held for the benefit of the policyholders between other group entities (£15.1bn; 2018: £13.1bn) *Refer to page 3 of the Strategic report, note 2 (g) (accounting policies) and note 16 (financial disclosures).*	**Appropriate input** The investments and cash held for the benefit of the policyholders are held within group pooled account facilities. There lies a risk that the policyholder investments and cash could be inappropriately allocated to the incorrect entity sharing the pooled facility.	Our procedures included: **Control operation:** - Testing the operating effectiveness of key internal controls and general IT controls over the policy system which tracks each policyholder investment and cash transaction. - We also tested the system generated reconciliation which details the investment and cash holdings balance per entity utilising the pooled facility; and **Tests of details:** - We agreed 100% of cash held to independent bank confirmations in respect of relevant pooled cash balances. We also agreed the Company balances into the Group cash reconciliations. - We agreed individual investment holdings making up the total pooled facility on a sample basis to independent custodian confirmations. **Our results:** We found the split of investments and cash held for the benefit of the policyholders to be acceptable (2018: acceptable).

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Company's financial statements has been set at £1.1m, determined with reference to a benchmark of Profit before tax, of which it represents 5%. In prior year Company's financial statements materiality was set at £1.4m, determined with reference to total assets.

The change in benchmark is a result of reassessment of the benchmark which is most relevant to the user of the financial statements.

In addition, we have set a higher materiality at £109.4m (2018:£94.6m) solely for the purpose of identifying and evaluating the effect of misstatements that lead to a reclassification between line items within policyholder assets and liabilities. This has been determined with reference to 0.75% (2018:0.75%) of total assets.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £43,000 (2018: £35,000), in addition to other identified misstatements that warranted reporting on qualitative grounds. For certain financial statement captions, as referred to above, any corrected or uncorrected identified misstatements exceeding £3m (2018: £2.5m) have been reported to the Audit Committee.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of a disorderly Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the Directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements;

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the Strategic Report and the Directors' Report

The Directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 13, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view;

such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience through discussion with the Directors (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, we had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and the Prudential Regulation Authority (PRA) requirements. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. In particular, we considered the impact of laws and regulations in the specific areas of solvency requirements, recognising the financial and regulated nature of the Company's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the Directors and inspection of regulatory and legal correspondence.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Nicholas Quayle (Senior Statutory Auditor)
for and on behalf of KPMG Audit LLC, Statutory Auditor
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man
IM99 1HN

16 December 2019

IntegraLife UK Limited
Statement of Comprehensive Income
For the year ended 30 September 2019

	Note	2019 £'000	2018 £'000
Revenue			
Interest income		99	49
Fee income	5	43,146	38,545
Investment return	6	15	10
Amortisation of deferred income liability	25	6,951	6,675
Total revenue		**50,211**	**45,279**
Cost of sales		(200)	(210)
Gross profit		**50,011**	**45,069**
Expenses			
Amortisation of deferred acquisition costs	18	(6,951)	(6,675)
Administrative expenses	7	(20,131)	(18,536)
Impairment losses on financial assets		(3)	(9)
Total expenses		**27,085**	**25,220**
Other income and expenses			
Other income	9	17,149	13,580
Other expenses	10	(10,034)	(8,271)
		7,115	**5,309**
Profit before policyholder and shareholder tax		**30,041**	**25,158**
Policyholder taxation	12	(7,115)	(5,178)
Profit before shareholder taxation		**22,926**	**19,980**
Shareholder taxation	12	(4,246)	(3,803)
Profit after policyholder and shareholder tax		**18,680**	**16,177**
Other comprehensive income		-	-
Total comprehensive income for the financial year		**18,680**	**16,177**

The notes on pages 23 to 43 form an integral part of these financial statements.

The Directors consider that all results derive from continuing activities.

IntegraLife UK Limited
Statement of Changes in Equity
For the year ended 30 September 2019

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Non-distributable reserves £'000	Total equity-shareholders funds £'000
Balance at 1 October 2017		**1,000**	**700**	**19,151**	**36**	**20,887**
Profit for the year		-	-	16,177	-	16,177
Dividends paid	11	-	-	(13,000)	-	(13,000)
Balance at 1 October 2018		**1,000**	**700**	**22,328**	**36**	**24,064**
Profit for the year		-	-	18,680	-	18,680
Dividends paid	11	-	-	(14,000)	-	(14,000)
Balance at 30 September 2019		**1,000**	**700**	**27,008**	**36**	**28,744**

Non-distributable reserves arose due to transition from UK GAAP to IFRS in financial year 2015, whereupon actuarial reserving required under the old standards became impermissible under new standards.

The notes on pages 23 to 43 form an integral part of these financial statements.

IntegraLife UK Limited
Statement of Financial Position
As at 30 September 2019

	Note	2019 £'000	2018 £'000
Assets			
Cash and cash equivalents	13	56,652	47,480
Other investments	14	2,996	3,001
Other prepayments and accrued income	15	5,688	5,099
Other receivables	16	3,833	2,503
Investments and cash held for the benefit of policyholders	17	15,123,131	13,081,579
Deferred acquisition costs	18	48,789	44,372
Total assets		**15,241,089**	**13,184,034**
Liabilities			
Other payables	21	1,973	2,028
Current tax liability		1,153	894
Tax provisions	22	24,112	18,527
Liabilities for linked investment contracts	23	15,123,131	13,081,579
Deferred tax liabilities	24	13,187	12,570
Deferred income liabilities	25	48,789	44,372
Total liabilities		**15,212,345**	**13,159,970**
Net assets		**28,744**	**24,064**
Capital and reserves			
Share capital	19	1,000	1,000
Share premium account	20	700	700
Non-distributable reserves		36	36
Retained earnings		27,008	22,328
Total equity attributable to equity holders		**28,744**	**24,064**

The notes on pages 23 to 43 form an integral part of these financial statements.

These financial statements were approved at the meeting of the Board of Directors on 11 December 2019 and signed on its behalf by:

Ian Taylor
Director

Company registered number: 00798365

IntegraLife UK Limited
Statement of Cash Flows
For the year ended 30 September 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Profit before taxation	30,041	25,158
Adjustments for:		
Amortisation of deferred income liability	(6,951)	(6,675)
Amortisation of deferred acquisition costs	6,951	6,675
Interest	(144)	(88)
Movement in provisions	5,586	7,150
Decrease in payables	(56)	(603)
Increase in trade & receivables	(1,919)	(3,437)
Cash generated from operations	**33,508**	**28,180**
Net tax paid	(11,361)	(8,981)
Movement in current tax liability	258	179
Movement in tax on deferred acquisition costs	618	1,788
	(10,485)	**(7,014)**
Net cash from operating activities	**23,023**	**21,166**
Cash flows from investing activities		
Gain/(loss) on other investments	5	(67)
	5	**(67)**
Returns on investment and servicing of finance		
Interest received	144	88
	144	**88**
Cash flows from financing activities		
Equity dividends paid	(14,000)	(13,000)
Net *cash used in financing* activities	**(14,000)**	**(13,000)**
Increase in cash	9,172	8,187
Cash and cash equivalents at the beginning of the year	47,480	39,293
Cash and cash equivalents at the end of the year	**56,652**	**47,480**

The notes on pages 23 to 43 form an integral part of these financial statements.

1 General information

IntegraLife UK Limited ("the Company") is a limited company incorporated in England. The address of the registered office is disclosed in the company information section on page 1. The principal activities of the Company are disclosed in the Strategic Report.

2 *Significant accounting policies*

a) Statement of compliance

As permitted under relevant company law, the Company has chosen to prepare these financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by IASB and as endorsed by the European Union (EU).

The IFRS adopted by the EU and applied by the Company are those that were effective as at 30 September 2019. These have been consistently applied for the preparation of the financial statements.

b) Basis of preparation

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

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

The financial statements have been prepared on a going concern basis following an assessment by the Directors. The Company has a net asset position, strong solvency position, is currently profitable and, based on the latest forecasts, expects to remain profitable.

As a result, the Board has reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approving these financial statements.

c) New accounting standards

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

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

IFRS 9 Financial Instruments

(i) Reclassification and re-measurement

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

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

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

- Business model test: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- Cash flow characteristics test: the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial instrument	**IAS 39 classification**	**IFRS 9 classification**	**IAS 39 carrying value £'000**	**IFRS 9 carrying value £'000**
Trade and other receivables	Loans and receivables	Amortised cost	3,833	3,833
Accrued fees	Loans and receivables	Amortised cost	4,606	4,602
Cash and cash equivalents	Loans and receivables	Amortised cost	56,652	56,652
Unit linked investments	Fair value through profit or loss	Fair value through profit or loss	15,123,131	15,123,131
Other Investments	Fair value through profit or loss	Fair value through profit or loss	2,996	2,996
Trade and other payables	Amortised cost	Amortised cost	1,973	1,973

(ii) Impairment model

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

For fees owed by clients, the impairment policy adopted by the Company, in line with IAS 39, was to fully impair all pending fees 3 months or more past due, as well as fees due on portfolios made up of limited liquidity assets. Both of these were considered to be current indicators of impairment. In the current year the Company recognised an impairment reversal of £1k (2018: impairment of £9k) as a number of old pending fees were collected.

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

In addition to the above, an amount of £101k (2018: £100k) relates to accrued fees that are past due but not impaired. Management believes that these fees are likely to be received, and an impairment is therefore not required.

IFRS 15 Revenue from Contracts with Customers

The standard provides a comprehensive new model for revenue recognition, based on the following steps:

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

An assessment of the impact of IFRS 15 was conducted, and management concluded that the revenue recognition methods currently employed by the Company satisfy the requirements of IFRS 15. This is because the contract, performance obligations and transaction price for all revenue streams can be clearly identified in the Transact terms and conditions, and all revenue is currently recognised only after all performance obligations have been satisfied. There was therefore no impact on the Company on adoption of the standard.

Further information regarding the performance obligations for each of the Company's revenue streams is set out in section (m) of this note.

d) Future standards, amendments to standards, and interpretations not early-adopted in the 2019 annual financial statements.

IFRS 16 Leases

IFRS 16 is effective for periods commencing on or after 1 January 2019. The company has performed an assessment regarding the impact of IFRS 16 and, due to there being no lease agreements entered into by the company, there is no impact.

IFRS 17 Insurance Contracts

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

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

e) Investment contracts - classification

The Company writes unit linked investment business classified as investment contracts. Investment contracts are financial instruments that do not meet the definition of an insurance contract as they do not transfer significant insurance risk from the policyholder to the company. The Company has performed an assessment of the policy types offered, and due to the transfer of risk being not significant and immaterial, it is considered appropriate to treat all contracts as investment contracts.

Investment contracts
Investment contracts are comprised of unit-linked contracts. Investment contracts result in financial liabilities whose fair value is dependent on the fair value of underlying financial assets. They are designated at inception as financial liabilities at 'fair value through profit or loss' and are subsequently treated as such.

Valuation techniques are used to establish the fair value at inception and each reporting date. The Company's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data where available.

The financial liability is measured both initially and subsequently at fair value. The fair value of a unit-linked financial liability is determined using the fair value of the financial assets contained within the funds linked to the financial liability.

f) Other investments

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

g) Investments held for the benefit of policyholders

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 income statement. Investments held for the benefit of policyholders also includes cash and cash equivalents held within policyholders' portfolios of assets.

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

As all investments held for the benefit of policyholders are matched entirely by corresponding linked liabilities, any gain or loss on assets recognised through the income statement are offset entirely by the gains and losses on linked liabilities. The net impact on profit through the income statement is therefore £nil.

h) Deferred acquisition costs and deferred income liabilities

Incremental costs directly attributable to securing investment contracts are deferred. These costs consist of establishment charges paid to policyholders' financial advisers. The costs relating to Pension and Life contracts are capitalised as deferred acquisition costs and are amortised over the Directors' best estimates of the lives of the contracts which are deemed to be fourteen and sixteen years respectively (2018: fourteen and sixteen years respectively), over which the services are provided. Equal service provision is assumed over the lifetime of the contract and, as such, the deferred costs are amortised on a linear basis over the expected life of the contract, adjusted for expected persistency.

A corresponding deferred income liability is recognised in respect of charges taken from customers of the Company at the contract's inception to meet obligations to financial advisers. Deferred income liabilities are also amortised over the Directors' best estimates of the lives of the Pension and Life contracts, which are again deemed to be fourteen and sixteen years respectively (2018: fourteen and sixteen years respectively).

At the end of each reporting period, deferred acquisition costs are reviewed for recoverability, against future margins from the related contracts at the statement of financial position date. An impairment loss is recognised in the statement of profit or loss and other comprehensive income if the carrying amount of the deferred acquisition costs is greater than the future margins from the related contracts.

i) Other receivables

Other receivables are non interest-bearing and are stated at their amortised cost, less appropriate allowances for estimated irrecoverable amounts which approximates to fair value.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, money market Open Ended Investment Companies (OEIC) funds and other short-term deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

k) Provisions

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

l) Other payables

Other payables are short-term, not interest-bearing and are stated at their amortised cost which is not materially different from cost and approximates to fair value.

m) Revenue from contracts with customers

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

The Company has discharged all of its obligations in relation to contracts with customers, and the amounts received or receivable from customers equal the amount of revenue recognised on the contracts. All amounts due from customers are therefore recognised as receivables within accrued income, and the Company has no contract assets or liabilities.

Fee income comprises:

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

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

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

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

n) Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding, and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that financial asset's carrying amount.

o) Taxation

The taxation charge is based on the taxable result for the year and comprises both shareholder and policyholder tax, calculated at different rates. The taxable result for the year is determined in accordance with enacted legislation and taxation authority practice for calculating the amount of corporation tax payable.

Policyholder tax comprises corporation tax payable at the policyholder rate on the policyholders' share of the taxable result for the year, together with deferred tax at the policyholder rate on temporary timing differences relating to policyholder items.

With regard to capital gains tax on policyholders' future tax obligations, management has determined that reserves should be to held to cover this, based on a reserve charge rate of 18%.

Deferred taxes are calculated according to the statement of financial position method, based on temporary timing differences between reported and tax values of assets and liabilities.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax liabilities are not discounted.

Deferred tax assets are recognised for all temporary timing differences to the extent that it is probable that taxable profit will be available against which the deductible temporary timing difference can be utilised.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

p) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign currency monetary assets and liabilities are translated to sterling at the year end closing rate.

q) Financial instruments

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

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

(i) *Financial assets at fair value through profit or loss*
This category includes financial assets acquired principally for the purpose of selling or repurchasing in the short-term.

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

(ii) *Financial assets at amortised cost*
This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This is comprised of accrued fees, trade and other receivables and cash and cash equivalents, all of which are included in current assets due to their short-term nature.

Assets held at amortised cost are initially recognised at fair value. Subsequent measurement is at amortised cost using the effective interest method less any expected credit losses.

(iii) *Financial liabilities at amortised cost*
Financial liabilities at amortised cost comprise trade and other payables. These are initially recognised at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortised cost using the effective interest method. They are classified as current liabilities due to their short-term nature.

Impairment of financial assets

Expected credit losses are required to be measured through a loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses from possible default events within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses from all possible default events over the life of the financial instrument).

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

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

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

r) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market exit prices and offer prices for liabilities, at the close of business on the reporting date, without deduction for transaction costs.

i. For units in unit trusts and shares in open ended investment companies, fair value is determined by reference to published exit values in active markets.
ii. For equity and debt securities not actively traded in organised markets and where the price cannot be retrieved, the fair value is determined using comparison to similar instruments for which market observable prices exist.
iii. For assets that have been suspended from trading on active markets, the last published price is used. Many suspended assets are still regularly priced. At the date of the Statement of Financial Position, suspended assets are assessed for indications of impairment and adjusted where appropriate.
iv. Where the assets are private company shares the value disclosed in the latest available set of audited financial statements is used.

s) Dividends

Equity dividends are recognised in the accounting period in which the dividends are declared.

3 Critical accounting estimates and judgements

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the Company's business that typically require such estimates are the determination of the fair value for financial assets and liabilities, impairment charges relating to financial instruments, the amortisation period of deferred acquisition costs, deferred income liabilities and deferred taxes. Each of these are discussed in more detail in the relevant accounting policies and notes to the financial statements.

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

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

4 Risk and risk management

This note supplements the details provided in the 'Risk and risk management' section of this report on pages 4 to 10.

Risk assessment

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

(1) Market risk

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

Market risk from reduced income
ILUK's income is exposed to market risk. As the unit-linked policies are fully matched, any fall in asset prices will cause a fall in the value of the unit-linked policies of equal magnitude. The Company's main source of income is derived from a tiered fee structure where the annual fee is directly linked to the value of the unit-linked policies.

The Company mitigates the second order market risk by applying fixed per policy charges in addition to the charges determined based on clients' linked policy values, offering an element of diversification to its income stream.

Market risk from direct asset holdings
ILUK has limited exposure to primary market risk as:

- The Company only writes unit-linked insurance and has only unit-linked insurance business in force.
- Linked assets are invested as per the policyholders' instructions. ILUK maintains the right to limit policyholders' investment options.
- The Company fully matches the liabilities underlying the unit-linked products so there is no asset-liability mismatch risk.

The Company currently invests its shareholder assets in high quality, highly liquid, short-dated investments.

(a) Interest rate risk

ILUK's balance sheet and capital requirements are relatively insensitive to first order impacts from movements in interest rates. ILUK mitigates interest rate risk by investing its surplus capital in high quality, highly liquid, short-dated investments.

(b) Currency risk

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

Currency	2019 £'000	2019 %	2018 £'000	2018 %
GBP	15,035,851	99.4	13,007,863	99.4
USD	69,232	0.5	58,980	0.5
EUR	11,962	0.1	8,909	0.1
Others	6,086	0.0	5,827	0.0
Total	**15,123,131**	**100.0**	**13,081,579**	**100.0**

99.4% of investments and cash held for the benefit of policyholders in ILUK are denominated in GBP, its base currency. Remaining currency holdings greater than 0.1% of the total are shown separately in the table. A significant rise or fall in sterling exchange rates would not have a significant first order impact on its results since any adverse or favourable movement in policyholder assets is entirely offset by a corresponding movement in the linked liability. The Company itself does not have any material assets or liabilities held in a foreign currency.

(c) Inflation risk

The Company has exposure related to expense inflation risk, where actual inflation deviates from expectations. The Company has no exposures to defined benefit staff pension schemes or client related index linked liabilities.

Expense inflation risk is mitigated through regular stress testing, monitoring of expenditure and closely managing expenses in line with the business plan.

(d) Equity price risk

The Company only suffers a second order impact from equity price movements as future charges are predominantly determined based on clients' linked policy values. Clients hold the primary investment risk on these asset types as the assets and liabilities are fully matched and the Company does not offer any guarantees on policy values.

(2) Credit (counterparty default) risk

Credit risk is the risk that the company is exposed to a loss if another party fails to meet its financial obligations. For ILUK, the exposure to counterparty default risk arises primarily from:

- corporate assets directly held by ILUK;
- exposure to policyholders;
- exposure to other receivables.

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

- a bank where cash is held on behalf of policyholders;
- a custodian where the assets are held on behalf of policyholders; and
- Transact Nominees Limited which is the legal owner of the assets held on behalf of policyholders.

There is no first order impact on ILUK from one of the events in the preceding paragraph. This is because any credit default event in respect of these holdings will be borne by policyholders, both in terms of loss of value and loss of liquidity. The Company's policyholder terms and conditions have been reviewed to ensure that these have been drafted appropriately. However, there is a second order impact where future profits for ILUK are reduced in the event of a credit default event which affects funds held on behalf of policyholders.

There are robust controls in place to mitigate credit risk, for example, holding corporate cash across a range of banks in order to mitigate the risk of a single point of counterparty default failure. Additionally, maximum counterparty limits are set for banks and minimum credit quality steps are set for both banks and reinsurers.

Corporate assets and funds held on behalf of policyholders

There is no significant risk exposure to any one UK clearing bank.

Counterparty default risk exposure to policyholders

The Company is due £4,685k (2018: £4,192k) from fee income owed by policyholders. This includes £101k (2018: £100k) in relation to fees past due but not impaired, £83k in relation to impaired fees (2018: £80k) and the remainder is current fees expected to be received.

Counterparty default risk exposure to Group companies

The Company is due £27k (2018: £1k) from other Group companies.

Counterparty default risk exposure to other receivables

The Company has prepayments due (mostly PRA/FCA fees) of £1,086k (2018: £987k).

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

Impact of credit risk on fair value

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

(3) Liquidity risk

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

The following key drivers of liquidity risk for the Company have been identified:

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

ILUK's liquidity risk arises from a lack of readily realisable cash to meet debts as they become due. This takes two forms – policyholders' liabilities coming due and other non-policyholder liabilities coming due.

The first of these, policyholder liabilities, is in the main covered through the terms and conditions as policyholders take their own liquidity risk, if their funds cannot be immediately surrendered for cash.

Payment of mortality benefits and other non-policyholder liabilities depend on ILUK having sufficient liquidity at all times to meet them as they fall due. This requires access to liquid funds, i.e. working banks and it also requires that ILUK's main source of liquidity, charges on its policyholders' assets, can also be converted into cash.

Thus ILUK has two requirements: first, to ensure that policyholders maintain a percentage of liquidity in their funds at all times, and second, to maintain access to cash through a spread of cash holdings in bank accounts.

There are robust controls in place to mitigate liquidity risk, for example, holding corporate cash across a range of banks in order to mitigate the risk of a single point of counterparty default failure.

Maturity schedule

The following table shows an analysis of the financial assets and financial liabilities by remaining maturities as at 30 September 2019 and 30 September 2018.

Financial assets:

2019	Up to 3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Unit-linked investments*	15,079,589	43,542	-	-	15,123,131
Other investments	-	-	2,996	-	2,996
Cash	56,652	-	-	-	56,652
Other receivables and accrued income	8,435	-	-	-	8,435
Total	**15,144,676**	**43,542**	**2,996**	**-**	**15,191,214**

2018	Up to 3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Unit-linked investments*	13,046,737	34,842	-	-	13,081,579
Other investments	-	3,001	-	-	3,001
Cash	47,480	-	-	-	47,480
Other receivables and accrued income	6,615	-	-	-	6,615
Total	**13,100,832**	**37,843**	**-**	**-**	**13,138,675**

Financial liabilities:

2019	Up to 3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Unit-linked liabilities*	15,079,589	43,542	-	-	15,123,131
Other payables	1,972	-	-	-	1,972
Total	**15,081,561**	**43,542**	**-**	**-**	**15,125,103**

2018	Up to 3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Unit-linked liabilities*	13,046,737	34,842	-	-	13,081,579
Other payables	2,028	-	-	-	2,028
Total	**13,048,765**	**34,842**	**-**	**-**	**13,083,607**

* Financial assets held in unit-linked investments and the corresponding liabilities for linked investment contracts are deemed to have a maturity of up to three months since the liabilities are repayable on demand. In practice the contractual maturities of the underlying assets may be longer than one year, but the majority of assets held within the unit linked funds are highly liquid.

(4) Insurance risk

Insurance risk is the risk of loss arising from actual experience being different than that assumed when an insurance product was designed and priced. For ILUK, the key insurance risks are lapse risk, expense risk and mortality risk. However, the size of insurance risk is not deemed to be materially significant and as such from an accounting perspective all contracts have been classified as investment contracts.

(a) Lapse risk

Lapses occur when funds are withdrawn from the platform for any reason. Pension transfers and bond surrenders typically occur where policyholders' circumstances and requirements change. However, these types of lapses can also be triggered by operational failure, competitor actions or external events such as regulatory or economic changes.

Pension commencement lump sum payments, drawdown payments, lump sum withdrawals, 'transfers for the purchase of annuities' and bond regular withdrawals also result in funds being withdrawn from the platform but are of less concern as they are expected as part of the product's life-cycle.

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

(b) Expense risk

Expense risk arises where costs increase faster than expected or from one off expense shocks. As ILUK's expenses are primarily staff related the key inflationary risk arises from salary inflation. Expense shocks could arise from events such as system failures or Financial Services Compensation Scheme levies.

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

(c) Mortality risk

Mortality risk is the risk that the number of policyholder deaths is greater than expected in the period. For ILUK, deaths produce a strain when the benefit paid out on death is greater than the value of the policyholder's portfolio. This applies for all insurance bonds (where a death benefit of 0.1% of the portfolio value is payable).

For QSPs, the portfolio value of each policy is greater than the sum assured (which is fixed at the outset of the policy) and therefore there is no death strain as at the reporting date.

As at the reporting date ILUK was exposed to £1.1m of mortality risk which represents the Sum at Risk (i.e. total death benefits payable less value of policyholders' portfolios) for the insurance bonds and £nil for the QSPs.

(5) Solvency II and capital management

ILUK has adopted the Standard Formula approach in calculating the Solvency Capital Requirement (SCR), and has not adopted any of the Transitional Provisions in the calculation of the Solvency II balance sheet or SCR. As at 30 September 2019, ILUK has Own Funds of £227m and an SCR of £173m which gives a solvency coverage ratio of 131%. During the reporting period, ILUK has been fully compliant with the SCR. Additionally, the Solvency II balance sheet and SCR are regularly monitored and in line with standard regulatory requirements reported to the PRA on a quarterly basis.

The Company maintains a sound and appropriate system of capital management in order to meet its strategic capital objectives. The Company has a preference for a simple system of capital management which reflects the nature of the business. At a legal entity level, ILUK is capitalised at the required regulatory minimum under Solvency II plus an adequate buffer defined as part of the Company's capital management, risk appetite and dividend policies.

5 Fee income

	2019 £'000	2018 £'000
From investment contracts		
Annual commission	35,878	31,705
Wrapper fees	5,748	5,156
Other income	1,520	1,684
	43,146	**38,545**

Fee income comprises an annual charge levied on the average value of the policy, a quarterly wrapper charge, and a charge for buying assets. Further information regarding the performance obligations for each of the Company's revenue streams is set out in section m of this note.

6 Investment return on shareholder assets

	2019 £'000	2018 £'000
Investment income		
Interest on fixed-interest securities	45	39
Unrealised losses on fixed-interest securities	(30)	(29)
Total investment return	**15**	**10**

The above investment returns arise on UK gilts. All investment returns reflect gains on financial assets that are designated as fair value through profit or loss.

7 Administrative expenses

	2019 £'000	2018 £'000
Management fees paid to IntegraFin Services Ltd		
Of which:		
Staff	10,486	9,844
Occupancy	1,110	1,051
Other	4,797	4,549
Royalty fees	954	936
Auditor's remuneration:		
Auditing of the Financial Statements of the Company pursuant to the legislation	77	69
Other assurance services	119	114
Directors' emoluments (note 8)	76	69
Other professional fees	35	45
Regulatory fees	1,821	1,272
Other expenses	646	587
	20,131	**18,536**

8 Remuneration of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity and as such, only Directors are considered to meet this definition. Directors' emoluments shown below are included in management fees payable to fellow subsidiary undertakings shown in note 27.

	2019 £'000	2018 £'000
Aggregate Directors' emoluments		
Aggregate emoluments excluding pension contributions	76	69
Emoluments of the highest paid Director		
Aggregate emoluments excluding pension contributions	28	26

The above disclosure includes the remuneration of the Directors in relation to their services to this company. The remuneration for each Director is apportioned on the basis of time spent across the companies of which they are a Director.

9 Other income

	2019 £'000	2018 £'000
Tax recovery from HMRC	449	783
Tax charges reserved from policyholders	16,700	12,797
	17,149	**13,580**

Tax recovery from HMRC is tax claimed on behalf of policyholders for tax deducted at source.

Tax charges reserved from policyholders are charges taken from unit-linked funds to meet future and current policyholder tax liabilities.

10 Other expenses

	2019 £'000	2018 £'000
Tax relief paid to policyholders	1,328	912
Tax reserve to meet future liabilities	8,706	7,359
	10,034	**8,271**

Tax relief paid to policyholders is the return to unit linked funds of tax deducted at source.

Tax reserve to meet future liabilities are provisions to meet future and current policyholder tax liabilities.

11 Dividends

	2019 £'000	2018 £'000
Dividends paid		
Aggregate dividends – equivalent to £14 per share	14,000	13,000
(2018: £13 per share)		

100% of the share capital in the Company is held by Integrated Financial Arrangements Ltd, and as such the dividend has been paid to this entity in its entirety.

12 Taxation

	2019 £'000	2018 £'000
Policyholder taxation		
UK corporation tax at 20% (2018: 20%)	6,331	3,389
Deferred tax at 20% (2018: 20%)	633	1,789
Under accrual from prior year	6	-
Tax deducted on overseas dividends	145	133
Total policyholder taxation	7,115	5,131
Shareholder taxation		
UK corporation tax at 19% (2018: 19%)	4,284	3,711
Over accrual from prior year	(38)	(41)
Total shareholder taxation	4,246	3,670
Total taxation	**11,361**	**8,981**

The total tax charge for the year can be reconciled to the accounting profit as follows:

	2019 £'000	2018 £'000
Pre-tax profit	30,041	25,158
Less: policyholder tax	(7,115)	(5,178)
Effect of gross overseas withholding tax	-	(133)
	22,926	**19,847**
Tax at corporation tax rate 19% (2018:19%)	4,356	3,771
Non-taxable dividends	(72)	(106)
Other adjustments	-	46
Over accrual from prior year	(38)	(41)
Overseas tax	-	133
Shareholder tax	4,246	3,803
Add policyholder tax	7,115	5,178
	11,361	**8,981**

The main rate of UK corporation tax is 19% and is due to be reduced to 17% from April 2020. The reduction in corporation tax rates does not impact on the policyholder rate.

13 Cash and cash equivalents

	2019 £'000	2018 £'000
Bank balances	56,652	47,480

All cash and cash equivalents are current and available.

£33.1m (2018:£28.1m) of the total balance is held in respect of provisions for policyholder tax that will become payable.

14 Other investments

	2019 Cost £'000	2019 Fair Value £'000	2018 Cost £'000	2018 Fair Value £'000
At fair value through the income statement				
Other fixed-income securities	3,000	2,996	3,000	3,001
	3,000	**2,996**	**3,000**	**3,001**

Other fixed-income securities are UK government stocks with an Aa2 (Moody's) rating (2018: Aa2).

None (2018: £3,001k) of the fixed-income securities are due to mature within 12 months and £2,996k (2018: £nil) are classified as non-current.

15 Other prepayments and accrued income

	2019 £'000	2018 £'000
Accrued income	4,602	4,112
Prepayments	1,086	987
	5,688	**5,099**

16 Other receivables

	2019 £'000	2018 £'000
Other receivables	3,128	1,781
Amount due from HMRC	705	722
	3,833	**2,503**

17 Investments and cash held for the benefit of policyholders

	2019 Cost £'000	2019 Fair Value £'000	2018 Cost £'000	2018 Fair Value £'000
Cash and cash equivalents held for the benefit of policyholders	1,109,214	1,109,214	1,029,957	1,029,957
Investments held for the benefit of policyholders	11,994,153	14,013,917	10,249,290	12,051,622
	13,103,367	**15,123,131**	**11,279,247**	**13,081,579**

These assets are held to cover the liabilities for linked investment contracts as shown in note 23. All amounts are current. Investments and cash held for the benefit of policyholders are matched entirely by liabilities held for unit linked contracts.

18 Deferred acquisition costs

	2019 £'000	2018 £'000
Opening balance	44,372	36,475
Capitalisation of deferred acquisition costs	11,368	14,572
Amortisation of deferred acquisition costs	(6,951)	(6,675)
Change in deferred acquisition costs	4,417	7,897
Closing balance	**48,789**	**44,372**
Current (less than 12 months)	6,822	6,512
Non-current (greater than 12 months)	41,967	37,860
	48,789	**44,372**

19 Share capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid		
1,000,000 ordinary shares of £1 each	1,000	1,000

The Company has one class of ordinary shares which carries no right to fixed income.

20 Share premium

	2019 £'000	2018 £'000
Balance brought forward	700	700
Balance carried forward	**700**	**700**

21 Other payables

	2019 £'000	2018 £'000
Due to group undertakings (see note 27)	1,492	1,573
Other	481	455
	1,973	**2,028**

All amounts are current, interest free and short term. Amounts due to group companies are unsecured and are settled monthly.

22 Tax provisions

	2019 £'000	2018 £'000
Tax relief due to policyholders	4,868	3,421
Other tax reserves	16,207	13,329
Tax reserves due to HMRC	3,037	1,777
	24,112	**18,527**

Tax relief due to policyholders comprises claims received from HMRC that are yet to be returned to policyholders.

Other tax reserves are charges taken from unit-linked funds and claims received from HMRC to meet future policyholder tax obligations.

23 Liabilities for unit-linked investment contracts

	2019 £'000	2018 £'000
At fair value through profit or loss		
Unit-linked liabilities	15,123,131	13,081,579

Analysis of change in liabilities for linked investment contracts

	2019 £'000	2018 £'000
Opening balance	13,081,579	10,697,989
Investment inflows	2,361,203	2,615,248
Investment outflows	(776,319)	(672,389)
Changes in fair value of underlying assets	494,141	482,135[1]
Investment income	120,549	103,783[1]
Other fees and charges Transact	(40,914)	(37,998)
Other fees and charges third parties	(117,108)	(107,189)
Closing balance	**15,123,131**	**13,081,579**

[1] £39m of excess income on distribution has been reclassified from Investment income to Changes in fair value of underlying assets in the 2018 figures, in order to align with the current year presentation

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.

24 Deferred tax liabilities

The following are the deferred tax balances recognised by the company and the movements thereon, during the current and prior reporting period.

	Deferred income & costs £'000	Unrealised gain on investments £'000	Total £'000
Policyholder deferred tax			
Liability/(asset) at 1 Oct 2018	(675)	13,245	12,570
Movement in the year	(5)	623	617
Liability/(asset) at 30 Sept 2019	**(680)**	**13,868**	**13,187**

The value of deferred tax assets not recognised as at 30 September 2019 was £nil (2018: £nil).

25 Deferred income liabilities

	2019 £'000	2018 £'000
Opening balance	44,372	36,475
Capitalisation of deferred fee income	11,368	14,572
Amortisation of deferred fee income	(6,951)	(6,675)
Change in deferred fee income	4,417	7,897
Closing balance	**48,789**	**44,372**
Current (less than 12 months)	6,822	6,512
Non-current (greater than 12 months)	41,967	37,860
	48,789	**44,372**

26 Financial instruments

All financial instruments have been categorised as fair value through profit or loss, except for cash and cash equivalents, accrued income, other receivables and trade and other payables, which have been categorised as amortised cost.

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

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

At 30 September 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Policyholder Assets				
Policyholder cash	1,111,975	-	-	1,111,975
Investments and securities	409,459	139,664	2,352	551,474
Bonds and other fixed-income securities	4,485	9,320	3,005	16,810
Holdings in collective investment schemes	13,343,919	93,467	5,486	13,442,872
	14,869,838	**242,451**	**10,843**	**15,123,131**
Shareholder Assets				
Other investments	2,996	-	-	2,996
	2,996	**-**	**-**	**2,996**
Total	**14,872,834**	**242,451**	**10,843**	**15,126,127**

At 30 September 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Policyholder Assets				
Policyholder cash	1,031,393	-	-	1,031,393
Investments and securities	364,023	126,269	2,655	492,947
Bonds and other fixed-income securities	14,167	504	14	14,685
Holdings in collective investment schemes	11,411,375	122,912	8,267	11,542,554
	12,820,958	**249,685**	**10,936**	**13,081,579**
Shareholder Assets				
Other investments	3,001	-	-	3,001
	3,001	**-**	**-**	**3,001**
Total	**12,823,959**	**249,685**	**10,936**	**13,084,580**

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 Company regularly reviews whether a market is active, based on available market data and the specific circumstances of each market. Where the Company 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 Company 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 assets are valued using the same methodology as set out in note 2(r), using the last known price that the Company has been able to source.

As part of its pricing process, the Company regularly reviews whether each asset can be valued using a quoted price and if it trades on an active market, based on available market data and the specific circumstances of each market and asset.

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

Changes to valuation methodology
There have been no changes in valuation methodology during the year under review.

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

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

Transfers between Levels 1 and 2 between 30 September 2018 and 30 September 2019 are presented in the table below at their valuation at 30 September 2019:

Transfers from	Transfers to	£'000
Level 1	Level 2	9,452
Level 2	Level 1	36,291

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

	Total £'000	Investments and securities £'000	Bonds and other fixed-income securities £'000	Holdings in collective investment schemes £'000
Opening balance	10,936	2,655	14	8,267
Unrealised gains or losses	(99)	(81)	-	(19)
Transfers in to Level 3	5,521	1,794	1,802	1,925
Transfers out of Level 3	(6,039)	(1,268)	-	(4,771)
Purchases, sales, issues and settlement	525	(749)	1,190	85
Closing balance	**10,843**	**2,352**	**3,005**	**5,486**

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

27 Related party transactions

IntegraLife UK Limited has in place an intercompany agreement with IntegraFin Services Limited (ISL). The primary activity of ISL is the provision of staff and services to the rest of the Group. ISL is a wholly owned subsidiary of IntegraFin Holdings plc.

ISL charged the company £16,391k (2018: £15,444k) for expenses associated with the services provided.

As at 30 September 2019 IntegraLife UK Limited owed the following to related parties:

	2019 £'000	2018 £'000
IntegraFin Services Limited	1,385	1,490

Related party transactions with the immediate and ultimate parent company are shown within note 28.

28 Immediate and ultimate parent company

The Company's immediate parent is Integrated Financial Arrangements Ltd, a company registered in England & Wales.

The Company's financial statements are consolidated within the financial statements of IntegraFin Holdings plc, the ultimate parent company and controlling party, registered in England & Wales. The financial statements are available from the Company Secretary.

The Company writes business through the Transact Personal Pension, Executive Pension, Section 32 Buy Out Bond, Onshore Bond and Qualifying Savings Plan. IntegraLife UK Limited is a wholly owned subsidiary of Integrated Financial Arrangements Ltd.

IntegraLife UK Limited has in place an intercompany agreement with Integrated Financial Arrangements Ltd, whereby Integrated Financial Arrangements Ltd recharges all expenses incurred in acting as agent, custodian, and administrator for IntegraLife UK Limited.

Integrated Financial Arrangements Ltd charged the company £1,154k (2018: £1,146k) for expenses associated with the services provided.

As at 30 September 2019 IntegraLife UK Limited owed the following to the immediate and ultimate parent company:

	2019 **£'000**	**2018** **£'000**
Integrated Financial Arrangements Ltd	76	84
IntegraFin Holdings plc	4	(1)
	80	**83**

29 Events after the reporting period

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