EQUINITI

12 March 2020

EQUINITI GROUP PLC RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Equiniti Group plc ("Equiniti" or "the Group"), an international technology-led services and payments specialist, today publishes its full year results for the twelve months to 31 December 2019.

CONTINUING STRATEGIC PROGRESS IN A CHALLENGING MARKET ENVIRONMENT

Financial Highlights	2019	2018[1] Proforma	Change[2]
Revenue (£m)	**555.7**	530.9	**4.7%**
Underlying EBITDA* (£m)	**136.0**	129.5	**5.0%**
Underlying EBITDA* margin (%)	***24.5***	*24.4*	***0.1%***
Operating cash flow conversion*[3] (%)	***91***	*102*	**(11%)**
Earnings before interest and tax (EBIT)*	**55.9**	41.1	**36.0%**
Profit before tax (£m)	**39.8**	24.3	**63.8%**
Profit after tax (£m)	**32.4**	20.4	**58.8%**
Diluted earnings per share (EPS)* (pence)	**8.4**	4.6	**82.6%**
Underlying EPS* (pence)	**18.1**	17.8	**1.7%**
Dividend per share (pence)	**5.49**	5.32	**3.2%**
Net debt (£m)	**343.6**	352.0	**(2.4%)**
Leverage (x)	**2.5**	2.7	**(0.2x)**

Financial Progress:

- Revenue growth of 4.7% including a full year of North American[4] operations, with organic revenue* growth of 1.4%, underlying EBITDA growth of 5.0% and an increase in underlying EBITDA margin of 0.1% to 24.5%
- Solid financial progress despite:
    - A global slowdown in corporate activity impacting both Investment Solutions and EQ US
    - US interest rate cuts
    - A reduction in trading volumes in our execution-only brokerage service as a result of the uncertain equity market trading conditions
    - An expected price reduction relating to the MyCSP contract in Pension Solutions
    - Intelligent Solutions performing below its recent trend suppressed by the delay in commissioning of new projects over the UK election period
- Cessation of non-operating charges following the separation of Wells Fargo Shareowner Services (WFSS) in May 2019
- Statutory profit after tax growth of 58.8% driven by underlying business growth, margin advancement and completion of WFSS acquisition
- Operating cash flow conversion of 91% with strong cash flow in H2 offset by the end of the beneficial US TSA arrangements and a further reduction in the use of the receivables financing facility from £10.3m in 2018 to £8.0m in 2019
- Reduction in net debt to £343.6m (31 December 2018: £352.0m) with leverage of 2.5x on a post-IFRS 16 basis (31 December 2018: 2.7x) and 2.3x pre-IFRS 16 (31 December 2018: 2.5x)

Strategic Progress:

- Separation of North American operations from Wells Fargo completed in May 2019:
    - Successful new product launches generated wins in private company M&A and equity compensation plans with strong pipeline for 2020
    - Retention of all clients with key renewals including Comcast, Hewlett Packard and Proctor & Gamble, with strong service underpinning recurring revenues
    - New client wins including Cincinnati Financial, Change Healthcare and Listo Solutions with a number of material competitive bids underway for 2020
    - New operating capacity launched with additional facilities in Milwaukee, Wisconsin, creating scale for further growth
    - Delivery of synergies in line with plan, with $5m achieved in 2019 and on track to deliver $10m in 2020
- Continued strong client retention with new wins across all UK divisions:
    - Share registration renewals including Associated British Foods, Centrica and RSA Group
    - More new share registrations commenced than in any prior period including AFI Development, Deltex Medical, Marshalls, National Grid, Petrofac, Vitec Group and WM Morrison
    - New IPO mandates including DWF, Trainline and Watches of Switzerland with several mandates for early 2020
    - New client wins in Intelligent Solutions for both software and services including Bamboo Finance, Roland Berger and J Sainsbury
    - Pleasing progress in Pension Solutions with revenue stabilised and renewed or extended relationships including Aviva, Fidelity and HP, and new clients wins including a 10 year contract to provide outsourced administration to an international reinsurance company, a software licence sale to The Sovereign Group and a large calculation automation project with Diligenta

- A nearshore technology centre established in Krakow, Poland, accelerating development of web and mobile applications
- A second offshore operations and technology centre launched in Bangalore, India, increasing operational resilience and scale
- Continued selective acquisition of new capabilities including:
  - Richard Davies Investor Relations (RD:IR), an independent investor relations business based in London, providing the UK's most advanced mobile enabled investor relations platform for issuers, banks and IR professionals
  - Corporate Stock Transfer Inc. (CST), a transfer agent in Denver, Colorado, providing capability for the small and micro-cap space

Use of Capital:

- £48.5m of capital investment relating to the separation of our North American business, new office openings (Bangalore, Milwaukee and Krakow), a high level of IT projects and investing in new portals and asset tracing services in the US
- Recommended final dividend of 3.54 pence per share, to give a total dividend for the year of 5.49 pence per share, representing growth of 3.2% in line with progressive dividend policy

Commenting on the Group's results, Guy Wakeley, Chief Executive, said:
"2019 has been a year of solid progress where we have surmounted the challenges of separating and integrating our North American business whilst sustaining progress in the uncertain operating environment in the United Kingdom. Equiniti continues to be distinguished by our commitment to client relationships and technology investment, with the singular purpose of improving service for the 30 million people who use our platforms.

"This progress was despite a global slowdown in corporate activity in the second half of the year, affecting both Investment Solutions and EQ US, and a reduction in US interest rates. Trading volumes in our execution-only brokerage service were supressed by the uncertain equity market trading conditions. Elsewhere Intelligent Solutions performed below its recent trend suppressed in the main by the delay in the commissioning of new projects over the UK election period, and Pension Solutions was impacted by expected price reduction relating to the MyCSP contract.

"During 2019 strong foundations have been built to support the growth of our UK and US franchises with increased market share and new product sales along with the significant opportunity to increase the digitisation and automation of our core services. Investment has been maintained to strengthen our competitive position. Continuing regulatory pressure ensures that our products and services have never been more relevant, and our intent remains to deliver organic revenue progression along with increasing margins and strong operating cash flow conversion."

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[1]The Group has applied IFRS 16 for the first time to the period beginning 1 January 2019 and has transitioned by adopting the modified retrospective approach. Therefore comparatives in the condensed consolidated financial statements have not been restated. In order to provide like-for-like comparators for the prior period, comparatives on pages 1 to 16 have been presented as if IFRS 16 had applied throughout 2018 – see Appendix A on pages 19 to 21 for details.
[2]Change at actual foreign exchange rates. Revenue change at constant foreign exchange rates is 4.0% and underlying EBITDA is 4.5%.
[3]Operating cash flow conversion is calculated after allowing for use of a £20.0m receivables financing facility the Group has in place of which £8.0m (2018: £10.3m) was utilised at the end of the period. Details of the facility can be found on page 14.
[4]The acquisition of EQ US completed on 1 February 2018 and results were consolidated into the Group from that date. Prior period performance is from 1 February 2018 to 31 December 2018.
**The Group uses alternative performance measures to provide additional information on the underlying performance of the business. See pages 17 to 18 for further detail.*

OUTLOOK

The long-term growth drivers of our markets remain unchanged which, combined with our strong position with our major clients, underpin the resilience of our principal businesses in the UK. We remain enthusiastic about the level of opportunities in the US and look forward to reporting further progress in the coming years.

Our interest income will be affected by reductions in central bank rates partially offset by hedging and a reduction in interest payables, therefore weighing on organic growth. Additionally, the unpredictable spread of the Covid-19 virus introduces further uncertainty to the current year, particularly from delays in corporate decision-making and financial market volatility affecting corporate activity. However the recurring nature of much of our revenue and the diversity of our client base provide valuable stability as the wider economy reacts to its inevitable effects.

Our medium-term guidance remains as follows:

- Organic revenue growth of 3 – 7% per annum supplemented by capability-enhancing acquisitions, with 2020 organic growth comparable to 2019 held back by interest rates.
- Gradual margin improvement of c25 bps per annum.
- Progressive dividend policy which targets distributing c30% of underlying profit attributable to ordinary shareholders.
- Cash tax rate of c15% for 2020 and c17% thereafter.
- Operating cash flow conversion of c95%.
- Capital expenditure of 6 – 7% of revenue.
- Net debt/underlying EBITDA ratio of 2.0 – 2.5x post-IFRS 16.

Analyst and Investor presentation

Equiniti's management will host an analyst and investor presentation at 9.15am UK time today. There will be a conference call and webcast of the event. This will be broadcast live on Equiniti's website, www.equiniti.com and an archive version of the presentation will be available on the website later today.

Conference call details:

Please dial into the call in time to allow for registration.
Participant dial-in: +44 (0) 20 3003 2666 Password: Equiniti

For further information please contact:
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CHAIRMAN'S STATEMENT

This was another year of progress for Equiniti. We completed the separation of the US business and delivered growth in that market, while continuing to expand in the UK as the non-discretionary nature of our products and services helped to insulate us to a degree from an undoubtedly tougher external environment, particularly in the second half.

Revenue increased by 4.7% in the year with organic revenue growth of 1.4%, and underlying EBITDA growth of 5.0%. Progress was held back by a number of factors, notably a slowdown in corporate activity impacting both Investment Solutions and EQ US, and a reduction in US interest rates. Trading volumes in our execution-only brokerage service were supressed by the uncertain equity market trading conditions. Elsewhere Intelligent Solutions grew below its recent trend, suppressed by the delay in commissioning new projects over the UK election period, and Pension Solutions was impacted by the expected price reduction relating to the MyCSP contract. Profit after tax increased by 58.8% driven by underlying business growth, margin advancement and a significant fall in non-recurring items as we completed the integration of our US acquisition. The ratio of our net debt to underlying EBITDA improved from 2.7x in 2018 to 2.5x at year end, both figures reflecting the new accounting standard IFRS 16.

The US is the world's largest capital market and the progress EQ US has made this year has confirmed we are well on our way to proving the investment case we set out when we acquired the business. We are making further progress with cross-selling our UK capabilities to US clients and have plans to continue expanding the range of services we provide. We have also bolstered our position in the US with the acquisition of CST in November 2019. CST provides transfer agent services to micro-cap companies, complementing our existing US operations.

Our strategy of acquiring small bolt-on technologies to add new capabilities to the Group was also reflected in the acquisition of RD:IR in the UK. This business offers a wide range of investor relations related analysis, research and advisory services and will provide our share registration business with a proprietary technology platform for investor analytics, which is relevant across our client base.

The Board remains fully engaged in evaluating our strategic opportunities both organic and inorganic. Capital expenditure has been maintained above its long-term trend to support our US integration and further offshoring. Small bolt-on acquisitions are delivering both value and options for further growth and are part of the investment thesis for our core shareholder services businesses. Given shareholder caution concerning debt ratios we aim to demonstrate continued progress in debt reduction without foregoing the most value accretive opportunities which can be delivered.

DIVIDEND

The Board continues to adopt a progressive dividend policy, which targets distributing c30% of the Group's underlying profit attributable to shareholders each year. Having paid an interim dividend of 1.95 pence per share, we are proposing a final dividend of 3.54 pence per share. This will give a total dividend for the year of 5.49 pence, up 3.2% on the 5.32 pence paid in respect of 2018.

Subject to shareholder approval at the Annual General Meeting on 7 May 2020, the final dividend will be paid on 26 May 2020, to shareholders on the register at close of business on 17 April 2020. We continue to offer a dividend reinvestment plan and any shareholders wishing to participate should submit their election to do so by 1 May 2020.

BOARD AND GOVERNANCE

The composition of the Board was unchanged in 2019, after the appointment of a number of non-executive Directors in the previous year. Our Audit and Risk Committees are populated with experienced directors who are actively involved in monitoring key activities during a period of continued change and heightened scrutiny of business and data security.

Towards the end of the year, we relaunched our employee engagement forum. This has been combined with our communications forum, to make it more communication focused and more responsive to employee feedback. Dr Tim Miller, our Board-appointed non-executive Director for Employee Voice, attends the forum, ensuring the Board hears directly from our people about their experience of working for Equiniti.

The Board recognises the crucial importance of culture to sustainable business success and we continue to focus on the Group's culture and supporting the Chief Executive's initiatives in that regard.

MANAGEMENT ORGANISATION

During the year, our Chief Executive, Guy Wakeley, made some important changes to the organisation of our senior leadership. The Executive Committee has been expanded with the addition of a Chief Customer Officer and Chief Commercial Officer and its remit has been adjusted so its primary focus is on strategy rather than business performance. These changes give broader collective ownership of the strategy and have the added benefit of improving gender diversity on the Committee. We have also introduced a Business Committee, made up of Guy, John Stier, our Chief Financial Officer, and our divisional CEOs. Its purpose is to oversee our business planning and performance, and to direct resources so we achieve our business goals.

One of the more important changes in our organisation has seen the re-orientation of our Intelligent Solutions business to being market-led rather than product-led and the integration of technology and support functions into the wider group functions. This allows the leadership to focus better on the cross-selling opportunities that our wider geographic footprint now offers.

On behalf of shareholders and the Board I want to thank the executive team and all of our people for their dedication and their contribution to the Group’s success this year.

LOOKING FORWARD

The Board remains positive about future prospects. The long-term growth drivers of our markets remain unchanged which, combined with our strong position with our major clients, underpin the resilience of our principal businesses in the UK. We remain enthusiastic about the level of opportunities in the US and look forward to reporting further progress in the coming years.

Our interest income will be affected by reductions in central bank rates partially offset by hedging and a reduction in interest payables, therefore weighing on organic growth. Additionally, the unpredictable spread of the Covid-19 virus introduces further uncertainty to the current year, particularly from delays in corporate decision-making and financial market volatility affecting corporate activity. However the recurring nature of much of our revenue and the diversity of our client base provide valuable stability as the wider economy reacts to its inevitable effects.

Philip Yea
Chairman

12 March 2020

GROUP RESULTS

	2019	2018 Proforma[1]	Reported Change %	Organic Change %
Revenue (£m)				
Investment Solutions	149.7	142.5	5.1	3.7
Intelligent Solutions	170.9	165.9	3.0	3.0
Pension Solutions	127.0	129.0	(1.6)	(5.5)
Interest Income	14.1	12.1	16.5	16.5
Total UK & Europe	461.7	449.5	2.7	1.1
EQ US	94.0	81.4	15.5	2.7
Group Revenue	**555.7**	**530.9**	**4.7**	**1.4**
Underlying EBITDA (£m)				
Investment Solutions	50.2	48.5	3.5	
Intelligent Solutions	43.5	41.1	5.8	
Pension Solutions	19.5	22.3	(12.6)	
Interest Income	14.1	12.1	16.5	
Total UK & Europe	**127.3**	124.0	2.7	
EQ US	23.1	20.3	13.8	
Divisional Total	**150.4**	144.3	4.2	
Central Costs	(14.4)	(14.8)	(2.7)	
Group Underlying EBITDA	**136.0**	**129.5**	**5.0**	
Underlying EBITDA margin (%)				
Investment Solutions	*33.5*	*34.0*	*(0.5)*	
Intelligent Solutions	*25.5*	*24.8*	*0.7*	
Pension Solutions	*15.4*	*17.3*	*(1.9)*	
Total UK & Europe	*27.6*	*27.6*	*-*	
EQ US	*24.6*	*24.9*	*(0.3)*	
Group underlying EBITDA margin	***24.5***	***24.4***	***0.1***	

[1]The Group has applied IFRS 16 for the first time to the period beginning 1 January 2019 and has transitioned by adopting the modified retrospective approach, therefore comparatives in the condensed consolidated financial statements have not been restated. In order to provide like-for-like comparators for the prior period, comparatives on pages 1 to 16 have been presented as if IFRS 16 had applied throughout 2018 – see Appendix A on pages 17 to 19 for details.
Reported change is at actual foreign exchange rates. Organic change % is at constant foreign exchange rates.
Reported revenue change at constant foreign exchange rates is 4.0% and underlying EBITDA is 4.5%.
EQ US reported revenue change at constant foreign exchange rates is 11.0% and underlying EBITDA is 10.5%.
The acquisition of EQ US completed on 1 February 2018 and results were consolidated into the Group from that date. Prior period performance is from 1 February 2018 to 31 December 2018.
Organic revenue growth is reported revenue growth adjusted for acquisitions and changes to FX rates to compare growth on a like-for-like basis. Here we adjust 2018 for the prior period acquisitions had they been owned in 2018 to create a like-for-like comparison of year-on-year progress.

Overview

2019 was another year of progress for Equiniti. We successfully completed the carve-out of EQ US in the first half of the year. We are well on our way to proving our investment thesis for North America, with EQ US delivering organic growth supported by client wins and the launch of new products into the US market, particularly in respect of equity compensation and proxy services. We are also realising the material synergies we set out in our acquisition case, with $5m delivered in 2019 and remain on track to deliver $10m in 2020. This is contributing to significant profit growth in the US business.

At the same time, the UK business remains solid and resilient, demonstrating that it is largely insulated from the cycle by generating organic growth despite the undoubtedly tougher external environment, particularly in the second half of the year. We have continued to retain all our major clients, win new clients across all of our divisions and we have mobilised some very substantial names in the core share registration business including National Grid and WM Morrison.

Revenue grew by 4.7% to £555.7m (2018: £530.9m) during the year, with revenue adjusted for acquisitions and foreign exchange rates growth of 1.4%. We were pleased with this level of growth as the operating environment presented us with a number of significant challenges, particularly in the second half of the year. Those challenges and impact on revenue can be summarised as follows:-

- a global slowdown in corporate activity impacting both Investment Solutions and EQ US (£8m);
- US interest rate cuts (£3m);
- a reduction in trading volumes in our execution-only brokerage service as a result of the uncertain equity market trading conditions (£3m); and
- an expected price reduction relating to the MyCSP contract in Pension Solutions (£2m).

Underlying EBITDA, which excluded the final non-operating charges of £5.5m relating to the integration of EQ US, increased by 5.0% to £136.0m (2018: £129.5m).

Investment Solutions delivered solid growth driven by our high fidelity client base and increasing market share in registration and share plan services offset by a lower level of corporate activity in the second half of the year. Intelligent Solutions delivered modest growth despite a delay in the commissioning of new projects over the UK election period with remediation services and software sales in credit services particular drivers of growth. As expected, Pension Solutions contracted due to restructuring costs, change in scope of the NHS contract and the expected price reduction relating to the MyCSP contract. Pleasingly, Pension Solutions revenue stabilised in the second half of the year. EQ US delivered a good performance notwithstanding a lower level of corporate activity and interest rate cuts in the second half of the year, with interest income and new product launches contributing to growth.

Interest income was 16.5% higher than the prior year on average UK client balances of £1.7bn (2018: £1.7bn) and benefitted from the increased yield across the accounts which included the full year effect of the 25bps interest rate rise in August 2018. Interest receivable is partially fixed with instruments secured to July 2020 (£380.0m), September 2021 (£215.0m), September 2022 (£215.0m) and September 2023 (£215.0m).

Central costs in the period declined by 2.7% to £14.4m (2018: £14.8m) as the Group aims to keep these costs broadly flat over time.

Operating cash flow conversion of 91% (2018: 102%) reflected strong cash flow in H2 offset by the end of the beneficial US TSA arrangements and a further reduction in the use of the receivables financing facility from £10.3m in 2018 to £8.0m in 2019. Net debt of £343.6m (2018: £352.0m) represents a ratio of 2.5x net debt/underlying EBITDA (2018: 2.7x). Pre-IFRS 16, net debt/underlying EBITDA was 2.3x (2018: 2.5x). As the separation of our North American operations is now complete, we expect the Group to continue its deleveraging profile and guidance on leverage remains at 2.0 – 2.5x post-IFRS 16.

The Board has proposed a final dividend of 3.54 pence per share which, subject to shareholder approval at the Annual General Meeting on 7 May 2020, will result in a total dividend for the year of 5.49 pence per share (including the interim dividend of 1.95 pence per share). The final dividend will be paid on 26 May 2020 to shareholders on the register of members at close of business on 17 April 2020. This represents growth of 3.2% when compared to the total dividend for 2018 (5.32 pence per share). Any shareholder wishing to participate in the Equiniti Dividend Reinvestment Plan should submit their election to do so by 1 May 2020. We maintain our progressive dividend policy which targets distributing c30% of our underlying profit attributable to ordinary shareholders each year.

OPERATIONAL REVIEW

We serve our clients through four divisions: Investment Solutions, Intelligent Solutions, Pension Solutions and EQ US. The integrated nature of our client base and strong client relationships result in shared clients across the Group. This provides the opportunity for us to continually enhance our performance through cross-selling and up-selling. Our entry point is often the provision of share registration services, with clients taking further services from us over time.

In addition to our four divisions, the Group earns interest income on balances we administer on our clients' and customers' behalf.

Investment Solutions

Investment Solutions offers a broad range of services, including share registration for around half of the FTSE 100, and the administration of SAYE schemes and share incentive plans for approximately 1.2 million employees. The division also provides share dealing, wealth management and international payments to corporate clients and their employees, as well as direct to retail customers.

	2019	2018 Proforma	Change %
Revenue (£m)	**149.7**	142.5	**5.1**
Underlying EBITDA (£m)	**50.2**	48.5	**3.5**
Underlying EBITDA margin (%)	***33.5***	*34.0*	***(0.5)***

Revenue in Investment Solutions increased by 5.1% to £149.7m (2018: £142.5m) with organic revenue growth of 3.7%. The acquisition of RD:IR in September 2019 contributed to reported growth. Revenue growth was primarily driven by a strong performance in registration and share plan services. Corporate action revenue was lower at £11.6m (2018: £18.8m), reflecting the uncertain economic environment in the second half of the year.

Underlying EBITDA increased by 3.5% to £50.2m (2018: £48.5m) driven by strong growth in share plans with a margin decline of 0.5% due to weaker higher margin corporate activity.

Our share registration business performed well. Key renewals in the year included Associated British Foods, Centrica, Draper Esprit, Ferguson, Fresnillo, Iberdrola, Melrose and RSA Group. There was strong progress with competitor wins with more new share registrations commenced than in any prior period as the division was either appointed or transferred registers for clients including AFI Development, Deltex Medical, Marshall of Cambridge, Morgan Advanced Materials, National Grid, Petrofac, Vitec Group and WM Morrison. It was also successful in winning IPOs with new mandates including Cameron Investors Trust, Distribution Finance Capital, DWF, Essensys, Induction Healthcare, Trainline and Watches of Switzerland.

Our share plans services had an excellent year and cemented its position as the leading provider in the UK market. Wins or transfers in 2019 included AstraZeneca, Cobham, Compass, DWF, Morgan Advanced Materials, National Grid, Next, Rentokil Initial, Santander, TheWorks.co.uk, Trainline and WM Morrison, and the launch of a global share plan for Dixons Carphone. Renewals of existing mandates included BT, Centrica and Scottish Power.

In September 2019, we completed the acquisition of RD:IR, which offers a range of investor relations services and has a proprietary investor analytics platform. Boudicca and RD:IR, together with our Prism company secretariat offering, gives us a broad offering in the governance market, supporting clients with shareholder identification and proxy solicitation, and provides scope for expansion in European markets as well as in the UK.

Our International Payments business had a strong year, winning a notable contract with Lloyds Bank, demonstrating its potential to win work with larger organisations. The division also entered into a partnership with SWIFT which will deliver clients a suite of products and services that include the widest and most cost-effective range of payment methods.

EQi, the division's execution-only brokerage service, delivered solid growth despite the reduction in trading volumes as a result of the uncertain equity market trading conditions.

Our bereavement service continues to gain momentum, with the majority of the UK's largest banks now signed up to the 'tell us once' service. The offering has received positive media coverage and will continue to grow, with new value-added services being developed.

Intelligent Solutions

Intelligent Solutions targets complex or regulated activities to help organisations manage their interactions with customers, citizens and employees. The division offers enterprise workflow for case and complaints management, credit services, on-boarding new clients and specialist resource for rectification and remediation.

	2019	**2018 Proforma**	**Change %**
Revenue (£m)	**170.9**	165.9	**3.0**
Underlying EBITDA (£m)	**43.5**	41.1	**5.8**
Underlying EBITDA margin (%)	***25.5***	*24.8*	***0.7***

Intelligent Solutions delivered modest growth despite a delay in the commissioning of new projects over the UK election period. Revenue increased by 3.0% to £170.9m (2018: £165.9m) whilst underlying EBITDA increased by 5.8% to £43.5m (2018: £41.1m) with growth driven by remediation services and software sales in credit services.

Remediation services remained a primary driver of the division's growth, with numerous large-scale remediation and fulfilment projects with major UK banks. Other wins included a review of store card fees and charges on behalf of a large retailer and a re-review of closed complaints on behalf of a large automotive services provider. The division also deployed its complaints management system internationally for the first time, on behalf of HSBC. This creates further opportunity for more business in other english-speaking countries, particularly the US.

Credit services had a very good year with significant software license sales. This included contracts with Bamboo Finance Credit Servicing, DXC, Lloyds Banking Group, MBNA, MYJAR Loans and Yorkshire Building Society. There was further traction with our risk analytics platform as we continued to cross-sell this technology into our US client base.

KYC continued to provide services to existing clients and won its first client in Germany, Roland Berger. Although growth in this service line was impacted by the completion of a large project in the period, Intelligent Solutions sees further opportunities for Northern European expansion in the KYC market.

During the year, Intelligent Solutions launched the EQ Insider platform as part of its data services offering. This technology enables clients to administer Persons Discharging Managerial Responsibilities dealing and has been cross-sold to J Sainsbury and a number of other share registration clients.

In the final quarter of the year, the division was restructured to be market-led rather than product-led and the technology and other support functions were integrated into the wider Group functions. This allows the leadership to focus better on cross-selling opportunities that our wider geographic footprint now offers.

Pension Solutions

Pension Solutions offers administration and payment services to pension schemes, as well as pension software, data solutions, and life and pensions' administration. The division is a scale provider of pension technology and operates some of the largest pension schemes in the UK. These include the National Health Service scheme, which has more than 2.6 million members, and the Armed Forces Veterans, which we have served continuously since 1836.

	2019	**2018 Proforma**	**Change %**
Revenue (£m)	**127.0**	129.0	**(1.6)**
Underlying EBITDA (£m)	**19.5**	22.3	**(12.6)**
Underlying EBITDA margin (%)	***15.4***	*17.3*	***(1.9)***

As expected, Pension Solutions revenue declined by 1.6% to £127.0m (2018: £129.0m), with a decrease in underlying EBITDA of 12.6% to £19.5m (2018: £22.3m), representing a margin of 15.4% (2018: 17.3%). The decline was due to restructuring costs, the full-year impact of the change in scope of the NHS contract, which took effect in 2018, the expected price reduction relating to the MyCSP contract, and a reduction in and delays to project work.

Action taken during the year has stabilised the division's revenue performance and, together with new client wins, position it for modest recovery during 2020. The division actively managed its cost base in 2019 with initiatives including the further integration of MyCSP and Aquila into the wider Pension Solutions business. Pension Solutions has also continued to rationalise its property footprint, consolidating Aquila's team into Equiniti's Crawley office and downsizing its Bristol operation.

During the year, Pension Solutions successfully renewed or extended relationships with clients including Aon Hewitt, Aviva, Bank of England, Fidelity, HP, Leeds Building Society, Lloyds Banking Group, MetLife, North West Anglia NHS Foundation Trust, Royal Papworth Hospital, Sensata, TSB and UNUM.

The division also secured a number of new clients, in particular as a result of the 2018 acquisition of Aquila, a UK-based life and pensions' technology provider. The business has generated multiple sales of its Administrator platform, contributing to market share gains. Significant Administrator wins included a 10 year contract to provide outsourced administration to an international reinsurance company, a software licence sale to The Sovereign Group and a large calculation automation project with Diligenta. In addition, the division secured an outsourced administration contract and a significant license sale on its EQ Compendia platform. The division also secured several new contracts to provide flexible benefits and payroll services through its HR Solutions business.

During 2019, the division introduced the latest automation technology for two clients won in 2018, giving it a benchmark to provide similar automation for other clients. It has also invested to deploy existing technology to more clients. In particular, Pension Solutions has deployed its market-leading self-service capability to several pension schemes, as part of its commitment to evolve its service. It has also strengthened its technology development and testing capabilities in Chennai and in the new Krakow centre opened in November 2019.

The MyCSP contract was due to run until the end of 2021. As a result of the McCloud judgement, the re-procurement process has been put on hold and Pension Solutions is in discussions on a multi-year contract extension. Any remedy to the discrimination identified in the McCloud judgement is likely to require significant rectification work, which Pension Solutions is well placed to support.

EQ US

EQ US offers a range of transfer agent services that enable our clients to manage share registers, communicate with shareowners and undertake significant corporate actions – simply and effectively.

	2019	**2018* Proforma**	**Proforma Change %**
Revenue (£m)	**94.0**	81.4	15.5
Underlying EBITDA (£m)	**23.1**	20.3	13.8
Underlying EBITDA margin (%)	***24.6***	*24.9*	*(0.3)*

** 1 February 2018 to 31 December 2018.*

EQ US Reported revenue change at constant foreign exchange rates is 11.0% and underlying EBITDA is 10.5%.

The acquisition of EQ US completed on 1 February 2018 and results were consolidated into the Group from that date. Prior period performance is from 1 February 2018 to 31 December 2018.

Revenue in the period increased by 15.5% to £94.0m (2018: £81.4m) and includes £11.0m from a full year of earnings and foreign exchange impact. Organic growth at constant foreign exchange rates was 2.7%, driven by strong growth in interest income and new product launches. Corporate action revenue declined by 11.4% to £10.9m, (2018: £12.3m). Notwithstanding the interest rate cuts in the second half of the year, revenue from interest income increased by 37.8% to £12.4m (2018: £9.0m) on average client balances of £534m (2018: £453m).

Underlying EBITDA increased by 13.8% to £23.1m (2018: £20.3m), representing a margin of 24.6% (2018: 24.9%). This reflected strong revenue growth, an increase in interest income, the stable client base and good cost discipline, offset by continued investment for growth, interest rate cuts in the second half of the year and a lower level of corporate activity.

The division retained all of its major clients in 2019, with key renewals including Apollo, Comcast, CTS, Hewlett Packard, Otelco, Procter & Gamble, Wabtec and Zinpro. New client wins included Change Healthcare, Cincinnati Financial, Listo Solutions and Sprout Social. The division also supported clients including Occidental Petroleum, Smith & Nephew, Bristol Myers and CBS Corporation in large corporate actions.

The separation of the business from Wells Fargo completed in May 2019 for a total cost of £45.1m and the division is now focused on innovation and launching Equiniti's technology capabilities. For example, the new shareholder and issuer portals offer a much-enhanced digital customer experience, with simplified journeys and improved functionality, and are designed to be mobile first. The division has also launched EQ Unified, an asset reunification and tracing platform, and will follow it with an enhanced asset location service. In 2020, EQ US will introduce a new portal, designed and built by our Intelligent Solutions division, to service private M&A transactions.

Along with the cross-selling of UK developed products and services to the US, EQ US launched four new products in 2019, equity compensation, proxy, asset reunification and private M&A services, and those products have been sold into 70 clients, 29 of which were new client wins. The business has also recruited industry experts to support its proxy, asset reunification and equity compensation businesses. The equity compensation business launched in the year has sold to clients including Dorman Products and Johnson Outdoors. As well as offering equity compensation services for US corporates, the business has won work with UK-listed companies who want to offer a sharesave-style plan to their US employees. Notable wins here included BT.

In November 2019, EQ US acquired CST, a US transfer agent based in Denver, Colorado. CST was founded in 1985 and acts primarily for domestic and international micro-cap companies, which are those with market capitalisations between $50m and $300m. The acquisition offers important benefits for EQ US. It expands the division's addressable market by opening up a new growth area in the micro -cap client space.

The synergies outlined in Equiniti's acquisition case for EQ US are on track for delivery in their entirety. EQ US achieved its planned synergies of $5m in 2019 and on track to deliver $10m in 2020. Cost savings are being delivered from depositary insurance, IT, operations and back office services, including the use of the Group's second offshore captive in Bangalore, its nearshore centre in Krakow and the mobilisation of EQ US's second centre in Milwaukee.

FINANCIAL REVIEW

Group Income Statement

£m	2019	2018 Proforma
Revenue	**555.7**	**530.9**
Underlying EBITDA	**136.0**	**129.5**
Depreciation	(12.9)	(12.0)
Amortisation – software	(29.9)	(23.9)
Amortisation – acquired intangibles	(31.8)	(31.7)
EBIT prior to non-operating charges	**61.4**	**61.9**
Non-operating charges	(5.5)	(20.8)
EBIT	**55.9**	**41.1**
Net finance costs	(16.1)	(16.8)
Profit before income tax	**39.8**	**24.3**
Tax	(7.4)	(3.9)
Profit from continuing operations	**32.4**	**20.4**
Non-controlling interests	(1.6)	(3.2)
Profit attributable to ordinary shareholders	**30.8**	**17.2**
EPS (pence)		
Diluted	**8.4**	4.6
Underlying diluted	**18.1**	17.8

Revenue
Revenue increased by 4.7% to £555.7m (2018: £530.9m) during the year whilst organic revenue growth was 1.4%. Organic revenue growth is reported revenue growth adjusted for acquisitions and changes to foreign exchange rates to compare growth on a like-for-like basis. Here we adjust 2018 for the prior period acquisitions had they been owned in 2018 to create a like-for-like comparison of year-on-year progress. This is calculated as follows:

Revenue (£m)	2018 Reported	2018 Adjustment	2018 Organic
Investment Solutions	142.5	1.8[1]	144.3
Intelligent Solutions	165.9	-	165.9
Pension Solutions	129.0	5.4[2]	134.4
Interest Income	12.1	-	12.1
Total UK & Europe	**449.5**	7.2	**456.7**
EQ US	81.4	10.1[3]	91.5
Equiniti Group	**530.9**	**17.3**	**548.2**

[1]Acquisition of Boudicca Proxy and RD:IR.
[2]Acquisition of Aquila.
[3]Acquisition of Wells Fargo Shareowner Services and Corporate Stock Transfer.
**EQ US is translated at 2019 constant exchange rates to provide like-for-like comparison.*

Underlying EBITDA
Underlying EBITDA prior to non-operating charges of £5.5m increased by 5.0% to £136.0m (2018: £129.5m) reflecting solid progress despite a global slowdown in corporate activity impacting both Investment Solutions and EQ US, interest rate cuts in the US, Intelligent Solutions performing below its recent trend suppressed by the delay in the commissioning of new projects over the UK election period, and the price reduction relating to the MyCSP contract in Pension Solutions.

Amortisation of software and acquired intangibles
Amortisation of software in the period increased to £29.9m (2018: £23.9m) due to the completion of the development of a number of significant projects, such as investment in the US, and MiFID II, where the work completed in 2018 and the assets became available to use with amortisation of the assets commencing.

Amortisation of acquired intangibles in the period was stable at £31.8m (2018: £31.7m).

EBIT prior to non-operating charges
EBIT prior to non-operating charges was £61.4m (2018: £61.9m), reflecting a higher level of amortisation of software in the period.

Non-operating charges
Non-operating charges are defined as expense items, which if included in EBIT, would otherwise obscure the understanding of the underlying performance of the Group. Non-operating charges of £5.5m incurred in the period (2018: £20.8m) comprise £0.3m of transaction costs and £5.2m of integration costs, and relate entirely to the acquisition of the EQ US business. Included within this were £1.9m of costs in relation to permanent project staff, which on completion of the integration project have been absorbed into vacant positions, replaced contractors in the business or otherwise left the Group. As the separation of the US business completed in May 2019, there will be no further non-operating charges absent any transformational transactions.

EBIT
EBIT remains an important measure of the Group's performance, reflecting profit before net finance costs and taxation. In 2019, EBIT was £55.9m (2018: £41.1m).

Net finance costs
Group net finance costs decreased by £0.7m to £16.1m (2018: £16.8m).

Taxation
Profit before tax of £39.8m at the UK corporation tax rate of 19% gives an expected total tax charge of £7.6m. The actual tax charge is £7.4m and the difference is largely explained by a current tax benefit in respect of 2018, following claims to accelerate tax relief on capitalised development costs.

Taxes paid in the period were £2.7m. Of this, £2.4m was primarily due to UK payments on account. The remainder of the taxes paid are overseas taxes relating to the Group's operations in India, the Netherlands and the US.

The Group also received £1.5m from HM Revenue & Customs which represents a working capital benefit of the Group's claim to R&D expenditure credits.

The Group has recognised deferred tax on £767.1m of gross tax attributes representing future tax deductions which will reduce the cash effective tax rate as compared to the underlying effective tax rate over time. Net future deductions are expected to be in the region of £128.5m, on which a net deferred tax asset of £20.3m has been recognised at the relevant local statutory rate.

The gross tax attributes totalling £767.1m are represented by:

Future tax deductions on tax losses carried forward	£200.7m
Future tax deductions on intangible assets	£479.7m
Future tax deductions on property, plant and equipment	£28.3m
Future tax deductions on employee benefits and other timing differences	£58.4m

The tax impact of these attributes is recognised as deferred tax on the statement of financial position. Included within the intangible assets tax attribute is the customer relationship and goodwill intangibles related to the acquisition of the trade and assets of the EQ US from 1 February 2018. The future tax deductions on employee benefits and other timing differences have increased in the period due to the adoption of IFRS 16, effective from 1 January 2019.

A cash effective tax rate of 12% applies for 2019 and is estimated to be in the region of c15% for 2020 rising to c17% thereafter, reflecting the completion of the integration, and forecast growth, of EQ US. The cash tax rate is determined through a detailed calculation, estimating the future expected cash tax liabilities of the Group against our profit forecasts, adjusting for known variables such as changes in tax rates, changes in tax legislation and full implementation of the Group transfer pricing policy.

We consider the underlying cash effective tax rate to be an appropriate measure, as it best reflects the anticipated economic outflows from the business, taking into account our assessment of how our deferred tax attributes will unwind and reduce our cash tax liabilities over time.

Profit attributable to ordinary shareholders
The Group made a profit attributable to ordinary shareholders of £30.8m (2018: £17.2m).

EPS
Basic EPS of 8.4 pence (2018: 4.7 pence) is based on the weighted average number of shares totalling 368.3m (2018: 358.4m). Diluted EPS of 8.4 pence (2018: 4.6 pence) is based on the weighted average number of shares totalling 368.3m (2018: 371.8m).

Underlying EPS increased by 1.7% to 18.1 pence compared to the prior period of 17.8 pence, suppressed by higher amortisation of software costs and higher share count versus the prior period.

Capital structure
The Group's consolidated statement of financial position at 31 December 2019 is summarised as follows:

£m	**31 December 2019**	**31 December 2018 Proforma**
Assets		
Non-current assets	910.2	918.3
Current assets	198.3	214.8
Total assets	**1,108.5**	**1,133.1**
Liabilities		
Non-current liabilities	439.8	471.3
Current liabilities	148.7	152.0
Total liabilities	**588.5**	**623.3**
Total equity	**520.0**	**509.2**

Current assets include £85.6m of trade receivables and accrued income at 31 December 2019 (31 December 2018: £88.0m). Accrued income represents amounts recognised as revenue but not yet billed and is driven by mix in business including corporate actions, software sales and remediation services, and growth in the business. No income is accrued without a contract in place. The blue chip nature of our client base results in minimal bad debts being recorded and the expense incurred in 2019 was £0.3m (2018: £0.2m).

Cash flow
The Group generated a free cash flow attributable to equity holders of £37.1m (2018: £38.6m) and delivered an operating cash flow conversion of 91% (2018: 102%), reflecting strong cash flow in H2 offset by the end of the beneficial US TSA arrangements and a further reduction in the use of the receivables financing facility from £10.3m in 2018 to £8.0m in 2019. The main movements in cash flow are summarised below:

£m	**2019**	**2018 Proforma**
Underlying EBITDA	**136.0**	**129.5**
Working capital movement	(12.9)	2.3
Operating cash flow prior to non-operating charges	**123.1**	**131.8**
Operating cash flow conversion	***91%***	***102%***
Cash outflow on non-operating charges	(11.0)	(17.6)
Capital expenditure	(48.5)	(39.8)
Net interest costs	(16.9)	(10.3)
Taxes paid	(2.7)	(4.5)
Employee benefit trust (EBT) – share purchase	-	(13.9)
Finance lease liabilities	(6.9)	(7.1)
Free cash flow attributable to equity holders	**37.1**	**38.6**
Net (reduction) / increase in borrowings	(21.4)	139.3
Net costs arising from rights issue	-	(0.8)
Investment in current and prior year acquisitions	(3.3)	(177.6)
Payments relating to prior year acquisitions	(8.2)	(4.0)
Dividends paid (including payment to non-controlling interest)	(21.9)	(20.2)
Net cash movement	**(17.7)**	**(24.7)**

The Group has access to a £20.0m receivables financing facility of which £8.0m (2018: £10.3m) was utilised at the end of the period and included within cash balances. This is used to match receipts against costs, especially where clients require extended payment terms and is driven by project flow in Intelligent Solutions. The facility, which affords the Group credit protection, is with Lloyds Banking Group at a rate of 1.75% over LIBOR. The facility is forecast to reduce further subject to commercial requirements.

Reconciliation of underlying EBITDA to total cash generated from operations (statutory cash flow statement)

£m	2019	2018 Proforma
Underlying EBITDA	**136.0**	**129.5**
Operating working capital movements:		
Decrease in receivables and accrued income	4.9	(16.4)
Decrease in operating payables	(16.5)	15.2
Share-based payment expense	1.6	4.9
Other	(2.9)	(1.4)
Operating cash flow prior to non-operating charges	**123.1**	**131.8**
Non-operating charges:		
Non-operating P&L expense	(5.5)	(20.8)
Net change in non-operating payables	(5.5)	1.7
Non-operating share-based payments expense	-	1.5
Total cash generated from operations	**112.1**	**114.2**
Interest paid	(13.2)	(10.5)
Income tax paid	(2.7)	(4.5)
Net cash inflow from operating activities	**96.2**	**99.2**

Payables

The decrease in operating payables in the period reflects the unwinding of the WFSS TSA arrangements in the US, a reduction in performance related employee bonus accruals and timing of sales affecting VAT payments.

Capital expenditure

Net expenditure on tangible and intangible assets was £48.5m (2018: £39.8m). This represents 8.7% of revenue (2018: 7.5%). Included within capital expenditure is £7.0m associated with the establishment and integration of EQ US relating to IT servers and software development to enable the business to operate on a standalone basis. Excluding costs relating to the US integration, capital expenditure was 7.5% of revenue, slightly higher than our 6 - 7% guidance as a result of new office openings (Bangalore, Milwaukee and Krakow) and a high level of IT projects being progressed such as introducing Workday to the Group for all HR and finance reporting and investing in new portals and asset tracing services in the US. Going forward, we expect capex to revert to our mid-term guidance.

Net interest costs

Net interest costs paid in the period were higher at £16.9m (2018: £10.3m) mainly due to fees paid relating to refinancing of the Group's Senior Debt Facilities.

Investment in current and prior year acquisitions

Net cash outflow on current and prior year acquisitions was £3.3m (2018: £177.6m). A further £8.2m (2018: £4.0m) was spent on deferred consideration for prior year acquisitions.

Free cash flow attributable to equity holders

Free cash flow attributable to equity holders represents our cash flow prior to any acquisition, refinancing or share capital cash flows. It is a key measure of cash earned for the shareholders of the Group. The Group delivered free cash flow to equity holders of £37.1m (2018: £38.6m). This was impacted by £18.0m of costs associated with the separation of EQ US which completed in May 2019. In H2 2019, the Group generated £33.6m of free cash flow to equity holders.

EQUINITI

Bank borrowings and financial covenants

£m	2019 Reported	2018 Proforma	2018 Reported
Term loan	260.1	322.6	322.6
Revolving credit facility	115.0	76.7	76.7
Lease liabilities	41.1	43.6	1.1
Cash and cash equivalents	(72.6)	(90.9)	(90.9)
Net debt	**343.6**	**352.0**	**309.5**
Net debt/underlying EBITDA (times)	**2.5**	**2.7**	**2.5**

At 31 December 2019, net debt was £352.0m (31 December 2018: £352.0m), representing a ratio of 2.5x net debt/underlying EBITDA (31 December 2018: 2.7x post-IFRS 16). As the separation of EQ US is now complete, we expect the business to continue its deleveraging profile and guidance on leverage is 2.0 – 2.5x post-IFRS 16.

In July 2019, the Group refinanced its Senior Debt Facilities to provide ongoing committed funding beyond the October 2020 maturity. The £520.0m term loan and revolving credit facility has been extended to July 2024 with an initial margin of 150pts and fees of £3.6m paid in July 2019. The Group has substantial liquidity to support its growth ambitions and ongoing working capital requirements.

Acquisitions

During the year, the Group completed two acquisitions.

On 5 September 2019, the Group purchased the entire issued share capital of Richard Davies Investor Relations Limited (RD:IR) for cash consideration of £4.0m, plus contingent consideration of up to £2.0m payable in 2021. RD:IR is an independent investor relations business, providing the UK's most advanced mobile enabled investor relations platform for issuers, banks and IR professionals.

On 31 October 2019, the Group purchased the entire issued share capital of Corporate Stock Transfer, Inc. (CST) for cash consideration of £0.2m ($0.2m), plus deferred consideration of £3.2m ($4.3m) payable in 2020 and contingent consideration of up to £1.6m ($1.8m) payable in 2022. CST is a transfer agent in Denver, Colorado, providing niche capability in the small and micro-cap space.

Post balance sheet item

In February 2020, the Group purchased the entire issued share capital of Monidee B.V. (Monidee). Initial consideration of £3.3m (€4.0m) was paid in February 2020 and deferred consideration of £3.3m (€4.0m) is payable in February 2021. Monidee is a highly complementary share plans business that currently services more than 200,000 employees across 210 corporate clients in 50 countries. This acquisition will allow us to answer current client demand and provides us with a leading proprietary platform to attract new international clients.

ALTERNATIVE PERFORMANCE MEASURES

The Group uses alternative performance measures (APMs) to provide additional information on the underlying performance of the business. Management use these measures to monitor performance on a monthly basis and the adjusted performance measures enable better comparability between reporting periods.

The APMs used to manage the Group are as follows.

Organic revenue growth

Organic revenue growth is reported revenue growth adjusted for acquisitions and changes to FX rates to compare growth on a like-for-like basis. Part of the Group's strategy is to deliver growth and develop and acquire new capabilities. As such, a measure of like-for-like growth is a key performance indicator. See page 12 for calculation.

EBITDA and underlying EBITDA

EBITDA is considered to be the most suitable indicator to explain the operating performance of the Group. The definition of EBITDA is earnings before net financing interest costs, income tax, depreciation of property, plant and equipment, amortisation of software and amortisation of acquired intangible assets.

Underlying EBITDA is used to explain the sustainable operating performance of the Group and its respective divisions, where EBITDA is adjusted for non-operating charges which are defined as expense items, which if included in EBITDA, would otherwise obscure the understanding of the underlying performance of the Group. These items represent material restructuring, integration and costs that are transformational in nature.

Reconciliation of profit before tax to underlying EBITDA (£m)	2019	2018 Proforma
Profit before tax	**39.8**	**24.3**
Plus: Depreciation	12.9	12.0
Plus: Amortisation of software	29.9	23.9
Plus: Amortisation of acquisition-related intangible assets	31.8	31.7
Less: Finance income	-	(0.2)
Plus: Finance costs	16.1	17.0
EBITDA	**130.5**	**108.7**
Adjustment for non-operating charges:		
Plus: Transaction costs	0.3	6.1
Plus: Integration costs	5.2	14.7
Underlying EBITDA	**136.0**	**129.5**

Transaction costs of £0.3m relate to deal advisory and legal fees which were contingent on successful completion of EQ US which completed in February 2018. Integration costs of £5.2m relate entirely to the US business and represent programme delivery, the development of standalone functions and delivery of systems and processes to run the business. Included within this were £1.9m of costs in relation to permanent project staff, which on completion of the integration project have been absorbed into vacant positions, replaced contractors in the business or otherwise left the Group. Post completion of the US integration programme, there will be no further non-operating charges absent any transformational transactions.

Underlying EBITDA margin

Underlying EBITDA margin is earnings before interest, tax, depreciation, amortisation and non-operating charges as a percentage of revenue. This is a key measure of Group profitability and demonstrates ability to improve efficiency, as well as the quality of work won.

Operating cash flow conversion

Operating cash flow conversion represents underlying EBITDA plus change in working capital as a percentage of underlying EBITDA. This measures the Group's cash generative characteristics from its underlying operations and is used to evaluate the Group's management of working capital. See page 14 for calculation.

Free cash flow attributable to equity holders

Free cash flow attributable to equity holders represents our cash flow prior to any acquisition, refinancing or share capital cash flows. It is a key measure of cash earned for the shareholders of the Group. See page 14 for calculation.

Earnings before interest and tax (EBIT)
EBIT is used to measure the financial performance of the Group excluding expenses that are determined by capital structure and tax regulations, instead of the underlying trading. In addition to this, net interest costs are impacted by fair valuation re-measurements of certain financial liabilities that are dependent on external market factors rather than the Group's core operations. See page 12 for calculation.

Cash tax rate
The cash tax rate is determined through a detailed calculation, estimating the future expected cash tax liabilities of the Group against our profit forecasts, adjusting for known variables such as changes in tax rates, changes in tax legislation (loss restriction rules) and implementation of the Group transfer pricing policy. We consider the cash tax rate to be an appropriate measure, as it best reflects the anticipated economic outflows from the business, taking into account our assessment of how our deferred tax attributes will unwind and reduce our cash tax liabilities over time.

Leverage and net debt
Leverage represents the ratio of net debt to underlying EBITDA. This is a key measure that evaluates the Group's capital structure and its ability to meet financial covenants. See page 16 for calculation of net debt.

Underlying profit attributable to ordinary shareholders
The Group has a progressive dividend policy which targets distributing c30% of underlying profit attributable to ordinary shareholders each year. See below for calculation of underlying profit attributable to ordinary shareholders.

Underlying EPS
Underlying EPS represents underlying EBITDA, less depreciation of property, plant and equipment, amortisation of software, net interest costs, cash tax and minority interests.

Reconciliation to underlying EPS (£m)	**2019**	**2018 Proforma**
Underlying EBITDA	136.0	**129.5**
Less: Depreciation	(12.9)	(12.0)
Less: Amortisation of software	(29.9)	(23.9)
Plus: Finance income	-	0.2
Less: Finance costs	(16.1)	(17.0)
Cash tax at 12%	(8.9)	(9.2)
Minority interest	(1.6)	(3.2)
Underlying profit attributable to ordinary shareholders	**66.6**	**64.4**
Weighted average number of ordinary shares	**368.3**	**360.8**
Underlying EPS (pence)	**18.1**	**17.8**

PRINCIPAL RISKS AND UNCERTAINTIES
The Directors have considered the principal risks and uncertainties affecting the Group's financial position and prospects in 2019. As described on pages 48 to 51 of the Group's Annual Report for 2018, the Group continues to be exposed to a number of risks and has well established systems and procedures in place to identify, assess and mitigate those risks. The principal risks include those arising from: change and development; information technology; markets and competition; data protection; regulatory requirements; product development, channel and pricing; conduct; security; purchasing, supply and outsourcing; business continuity and resilience; and people.

By order of the Board

Guy Wakeley
Chief Executive

John Stier
Chief Financial Officer

12 March 2020

APPENDIX A – 2018 PROFORMA FINANCIAL STATEMENTS ON A POST-IFRS 16 BASIS

The Group has applied IFRS 16 for the first time to the period beginning 1 January 2019 and has transitioned by adopting the modified retrospective approach which does not require restatement of the comparatives. In order to provide like-for-like comparators for the prior period, comparatives on pages 1 to 16 have been presented as if IFRS 16 had applied throughout 2018. A reconciliation has been provided below.

CONSOLIDATED INCOME STATEMENT

	Reported FY 2018	IFRS 16 Impact	Proforma FY 2018
Total Revenue - £m	**530.9**	**-**	**530.9**
Underlying EBITDA - £'m			
Investment Solutions	47.3	1.2	48.5
Intelligent Solutions	39.8	1.3	41.1
Pension Solutions	19.7	2.6	22.3
Interest	12.1	-	12.1
Total UK & Europe	**118.9**	**5.1**	**124.0**
EQ US	19.2	1.1	20.3
Divisional Total	**138.1**	**6.2**	**144.3**
Central Costs	(15.8)	1.0	(14.8)
Total Underlying EBITDA	**122.3**	**7.2**	**129.5**
Total Underlying EBITDA margin	**23.0%**	**1.4%**	**24.4%**
Underlying EBITDA	**122.3**	**7.2**	**129.5**
Depreciation	(6.0)	(6.0)	(12.0)
Amortisation - software	(23.9)	-	(23.9)
Amortisation - acquired intangibles	(31.7)	-	(31.7)
EBIT	**60.7**	**1.2**	**61.9**
Non-operating charges	(20.8)	-	(20.8)
Reported EBIT	**39.9**	**1.2**	**41.1**
Finance costs	(15.3)	(1.5)	(16.8)
Profit before Tax	**24.6**	**(0.3)**	**24.3**
Tax	(3.9)	-	(3.9)
Profit after Tax	**20.7**	**(0.3)**	**20.4**
Minority interest	(3.2)	-	(3.2)
Net Income	**17.5**	**(0.3)**	**17.2**

KEY MEASURES

	Reported FY 2018	IFRS 16 Impact	Proforma FY 2018
EPS - reported (p)	4.8	(0.05)	4.8
EPS - underlying (p)	17.9	(0.10)	17.8
DPS (p)	5.32	(0.03)	5.29
Net debt	309.5	42.5	352.0
Leverage (x)	2.5	0.2	2.7x

CONSOLIDATED STATEMENT OF CASH FLOWS

	Reported FY 2018	IFRS 16 Impact	Proforma FY 2018
Profit before income tax	24.6	(0.3)	24.3
Adjustments for:			
Depreciation	6.0	6.0	12.0
Amortisation of software	23.9	-	23.9
Amortisation of acquisition related intangibles	31.7	-	31.7
Finance income	(0.2)	-	(0.2)
Finance costs	15.5	1.5	17.0
Share-based payments expense	6.4	-	6.4
Changes in working capital:			
Net increase in receivables	(12.0)	-	(12.0)
Net increase in contract assets	(3.1)	-	(3.1)
Net increase/(decrease) in payables	18.0	(0.1)	17.9
Net (decrease)/increase in contract liabilities	(2.4)	-	(2.4)
Net decrease in provisions	(1.3)	-	(1.3)
Cash flows from operating activities	107.1	7.1	114.2
Interest paid	(10.5)	-	(10.5)
Income tax paid	(4.5)	-	(4.5)
Net cash inflow from operating activities	**92.1**	**7.1**	**99.2**
Cash flows from investing activities			
Interest received	0.2	-	0.2
Business acquisitions net of cash acquired	(173.6)	-	(173.6)
Payments relating to prior year acquisitions	(4.0)	-	(4.0)
Acquisition of property, plant and equipment	(9.5)	-	(9.5)
Payments relating to developing and acquiring software	(30.3)	-	(30.3)
Net cash outflow from investing activities	**(217.2)**	**-**	**(217.2)**
Cash flows from financing activities			
Proceeds from issue of share capital, less transaction costs	(0.8)	-	(0.8)
Purchase of own shares	(13.9)	-	(13.9)
Proceeds from new bank loans	64.9	-	64.9
Proceeds/(repayment) of revolving credit facility balance	76.1	-	76.1
Payment of loan set-up fees	(0.8)	-	(0.8)
Payment of finance lease liabilities	(0.9)	(7.1)	(8.0)
Dividends paid	(16.5)	-	(16.5)
Dividends paid to non-controlling interests	(1.8)	-	(1.8)
Transactions with non-controlling interests	(5.9)	-	(5.9)
Net cash inflow from financing activities	**100.4**	**(7.1)**	**93.3**
Net decrease in cash and cash equivalents	(24.7)	-	(24.7)
Foreign exchange gains and losses	0.4	-	0.4
Cash and cash equivalents at 1 January	115.2	-	115.2
Cash and cash equivalents at 31 December	**90.9**	**-**	**90.9**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reported FY 2018	IFRS 16 Impact	Proforma FY 2018
Assets			
Non-current assets			
Intangible assets	836.4	-	836.4
Property, plant & equipment	21.9	36.2	58.1
Other financial assets	0.2	-	0.2
Deferred income tax assets	23.6	-	23.6
	882.1	**36.2**	**918.3**
Current assets			
Trade and other receivables	64.1	-	64.1
Contract fulfilment assets	46.2	-	46.2
Agency broker receivables	12.4	-	12.4
Income tax receivable	0.7	-	0.7
Other financial assets	0.5	-	0.5
Cash and cash equivalents	90.9	-	90.9
	214.8	**-**	**214.8**
Total assets	**1,096.9**	**36.2**	**1,133.1**
Liabilities			
Non-current liabilities			
External loans and borrowings	395.2		395.2
Post-employment benefits	22.9		22.9
Provisions	12.8		12.8
Other financial liabilities	4.2	36.8	40.4
	435.1	**36.8**	**471.3**
Current liabilities			
Trade and other payables	112.2	(4.3)	107.9
Contract fulfilment liabilities	16.4	-	16.4
Agency broker payables	12.4	-	12.4
Income tax payable	-	-	-
Provisions	9.1	-	9.1
Other financial liabilities	0.5	5.7	6.2
	150.6	**1.4**	**152.0**
Total liabilities	**585.7**	**38.2**	**623.9**
Net assets	**511.2**	**(2.0)**	**509.2**
Equity			
Equity attributable to owners of the parent			
Share capital	0.4	-	0.4
Share premium	115.9	-	115.9
Other reserves	182.4	-	182.4
Retained earnings	203.2	(2.0)	201.2
	501.9	**(2.0)**	**499.9**
Non-controlling interest	9.3	-	9.3
Total equity	**511.2**	**(2.0)**	**509.2**

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £m	2018 £m
Revenue	3	**555.7**	**530.9**
Administrative costs	4	(425.2)	(429.4)
Depreciation of property, plant and equipment		(6.8)	(6.0)
Depreciation of right of use assets		(6.1)	-
Amortisation of software		(29.9)	(23.9)
Amortisation of acquisition-related intangible assets		(31.8)	(31.7)
Finance income	13	-	0.2
Finance costs	13	(16.1)	(15.5)
Profit before income tax	3	**39.8**	**24.6**
Income tax charge	15	(7.4)	(3.9)
Profit for the year		**32.4**	**20.7**
Profit for the year attributable to:			
- Owners of the parent		30.8	17.5
- Non-controlling interests		1.6	3.2
Profit for the year		**32.4**	**20.7**
Earnings per share attributable to owners of the parent:			
Basic earnings per share (pence)	5	8.4	4.8
Diluted earnings per share (pence)	5	8.4	4.7

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £m	2018 £m
Profit for the year	**32.4**	**20.7**
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Fair value movement through hedging reserve	13.6	4.4
Tax on movement in hedging reserve	(2.1)	(0.9)
Net exchange (loss)/gain on translation of foreign operations	(5.5)	10.9
	6.0	**14.4**
Items that will not be reclassified to profit or loss		
Defined benefit plan actuarial losses	(9.8)	(0.2)
Deferred tax charge on actuarial losses	1.7	-
	(8.1)	**(0.2)**
Other comprehensive (expense)/income for the year	**(2.1)**	**14.2**
Total comprehensive income for the year	**30.3**	**34.9**
Total comprehensive income attributable to:		
- Owners of the parent	28.9	31.7
- Non-controlling interests	1.4	3.2
Total comprehensive income for the year	**30.3**	**34.9**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 £m	2018 £m
Assets			
Non-current assets			
Property, plant and equipment		20.1	21.9
Right of use assets		35.2	-
Goodwill	8	529.9	524.1
Intangible assets	8	293.8	312.3
Other financial assets		10.9	0.2
Deferred income tax assets	15	20.3	23.6
		910.2	**882.1**
Current assets			
Trade and other receivables	9	50.6	64.1
Contract fulfilment assets	10	54.0	46.2
Agency broker receivables		21.1	12.4
Income tax receivable		-	0.7
Other financial assets		-	0.5
Cash and cash equivalents		72.6	90.9
		198.3	**214.8**
Total assets		**1,108.5**	**1,096.9**
Liabilities			
Non-current liabilities			
External loans and borrowings		369.1	395.2
Post-employment benefits	16	31.7	22.9
Provisions	12	5.7	12.8
Lease liabilities		33.3	0.6
Other financial liabilities		-	3.6
		439.8	**435.1**
Current liabilities			
Trade and other payables	11	90.6	112.2
Contract fulfilment liabilities	10	16.3	16.4
Agency broker payables		21.1	12.4
Income tax payable		2.1	-
Provisions	12	10.4	9.1
Lease liabilities		7.8	0.5
Other financial liabilities		0.4	-
		148.7	**150.6**
Total liabilities		**588.5**	**585.7**
Net assets		**520.0**	**511.2**
Equity			
Equity attributable to owners of the parent			
Share capital		0.4	0.4
Share premium		115.9	115.9
Other reserves		194.4	182.4
Retained earnings		199.7	203.2
		510.4	**501.9**
Non-controlling interest		9.6	9.3
Total equity		**520.0**	**511.2**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 2018	**0.4**	**115.8**	**178.0**	**197.9**	**19.6**	**511.7**
Comprehensive income						
Profit for the year per the income statement	-	-	-	17.5	3.2	20.7
Other comprehensive income/(expense)						
Changes in fair value through hedging reserve	-	-	4.4	-	-	4.4
Deferred tax on movement through hedging reserve	-	-	(0.9)	-	-	(0.9)
Net exchange gain on translation of foreign operations	-	-	10.9	-	-	10.9
Actuarial losses on defined benefit pension plans	-	-	-	(0.2)	-	(0.2)
Total other comprehensive income/(expense)	-	-	14.4	(0.2)	-	14.2
Total comprehensive income	**-**	**-**	**14.4**	**17.3**	**3.2**	**34.9**
Issue of share capital, net of transaction costs	-	0.1	-	-	-	0.1
Purchase of own shares	-	-	(13.9)	-	-	(13.9)
Share option awards to employees	-	-	3.9	(3.9)	-	-
Dividends	-	-	-	(16.5)	(1.8)	(18.3)
Transactions with non-controlling interests	-	-	-	-	(1.7)	(1.7)
Further acquisition of non-controlling interest in MyCSP Limited	-	-	-	2.0	(10.0)	(8.0)
Share-based payment transactions	-	-	-	6.4	-	6.4
Transactions with owners recognised directly in equity	**-**	**0.1**	**(10.0)**	**(12.0)**	**(13.5)**	**(35.4)**
Balance at 31 December 2018	**0.4**	**115.9**	**182.4**	**203.2**	**9.3**	**511.2**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 2019	**0.4**	**115.9**	**182.4**	**203.2**	**9.3**	**511.2**
Changes in accounting standards – IFRS 16	-	-	-	(1.6)	-	(1.6)
Comprehensive income						
Profit for the year per the income statement	-	-	-	30.8	1.6	32.4
Other comprehensive income/(expense)						
Changes in fair value through hedging reserve	-	-	13.6	-	-	13.6
Deferred tax on movement through hedging reserve	-	-	(2.1)	-	-	(2.1)
Net exchange loss on translation of foreign operations	-	-	(5.5)	-	-	(5.5)
Actuarial losses on defined benefit pension plans	-	-	-	(9.5)	(0.3)	(9.8)
Deferred tax on defined benefit pension plans	-	-	-	1.6	0.1	1.7
Total other comprehensive income/(expense)	-	-	6.0	(7.9)	(0.2)	(2.1)
Total comprehensive income	**-**	**-**	**6.0**	**22.9**	**1.4**	**30.3**
Purchase of own shares	-	-	(3.8)	-	-	(3.8)
Share option awards to employees	-	-	9.8	(6.0)	-	3.8
Dividends (note 6)	-	-	-	(19.7)	-	(19.7)
Transactions with non-controlling interests	-	-	-	-	(1.1)	(1.1)
Share-based payment transactions	-	-	-	1.6	-	1.6
Deferred tax relating to share option schemes	-	-	-	(0.7)	-	(0.7)
Transactions with owners recognised directly in equity	**-**	**-**	**6.0**	**(24.8)**	**(1.1)**	**(19.9)**
Balance at 31 December 2019	**0.4**	**115.9**	**194.4**	**199.7**	**9.6**	**520.0**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £m	2018 £m
Profit before income tax		39.8	24.6
Adjustments for:			
Depreciation of property, plant and equipment		6.8	6.0
Depreciation of right to use assets		6.1	-
Amortisation of acquisition-related intangibles		31.8	31.7
Amortisation of software		29.9	23.9
Finance income		-	(0.2)
Finance costs		16.1	15.5
Share-based payments expense		1.6	6.4
Changes in working capital:			
Net decrease/(increase) in receivables		12.7	(12.0)
Net increase in contract assets		(7.8)	(3.1)
Net (decrease)/increase in payables		(24.0)	18.0
Net increase/(decrease) in contract liabilities		2.0	(2.4)
Net decrease in provisions		(2.9)	(1.3)
Cash flows from operating activities		**112.1**	**107.1**
Interest paid		(13.2)	(10.5)
Income tax paid		(2.7)	(4.5)
Net cash inflow from operating activities		**96.2**	**92.1**
Cash flows from investing activities			
Interest received		-	0.2
Business acquisitions net of cash acquired	7	(3.3)	(173.6)
Payment relating to prior year acquisitions		(8.2)	(4.0)
Acquisition of property, plant and equipment		(1.8)	(9.5)
Acquisition of intangible assets		(46.7)	(30.3)
Net cash outflow from investing activities		**(60.0)**	**(217.2)**
Cash flows from financing activities			
Proceeds from issue of share capital, less transaction costs		-	(0.8)
Purchase of own shares		(3.8)	(13.9)
Cash received on exercise of options		3.8	-
(Repayment of)/proceeds from bank loans		(60.0)	64.9
Proceeds from revolving credit facility		38.6	76.1
Payment of loan set up fees		(3.7)	(0.8)
Payments in respect of leases (including interest)		(6.9)	(0.9)
Dividends paid	6	(19.7)	(16.5)
Dividends paid to non-controlling interests		-	(1.8)
Transactions with non-controlling interests		(2.2)	(5.9)
Net cash (outflow) / inflow from financing activities		**(53.9)**	**100.4**
Net decrease in cash and cash equivalents		(17.7)	(24.7)
Foreign exchange (losses) / gains on cash and cash equivalents		(0.6)	0.4
Cash and cash equivalents at 1 January		90.9	115.2
Cash and cash equivalents at 31 December		**72.6**	**90.9**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1) General information

Equiniti Group plc (the Company) is a public limited company, limited by shares, which is listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom. The Company and its subsidiaries (collectively, the Group) provide complex administration and payments services, supported by technology platforms, to a wide range of organisations. The registered office address is Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH.

The condensed financial information set out herein does not constitute the Group's statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2018 have been delivered to the Registrar of Companies and those for the 2019 year end will be delivered following the Group's Annual General Meeting to be held on 7 May 2020. The external auditor has reported on the 2019 accounts and its reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2) Basis of preparation

These condensed financial statements have been prepared on the basis of the accounting policies as set out in the previous statutory financial statements, except for changes in accounting policies as a result of adopting IFRS 16 Leases (IFRS 16), which is explained in more detail below.

New standards adopted by the Group

The Group has applied IFRS 16 for the first time to the period beginning 1 January 2019 and has transitioned by applying the modified retrospective method. Therefore right of use assets have been calculated as if IFRS 16 had been applied since the lease commencement date, discounted at the incremental borrowing rate at the date of initial application. These amounts have been depreciated to a 'net book value' on 1 January 2019 which the Group has recognised within right of use assets. Comparative balances have not been restated and continue to be reported under IAS 17 Leases (IAS 17).

The Group identified its leased properties as the main leases that were impacted by this new standard. On 1 January 2019 the Group recognised £36.2m as right-of-use assets and £42.5m of finance lease liabilities for future lease payments in the statement of financial position. The Group also reversed £4.3m of lease incentives received from lessors included within trade and other payables. The net adjustment recognised within retained earnings in the statement of financial position was £1.6m, net of deferred tax. Dilapidation provisions for leases in existence at the transition date have been retained. Leases entered into after the transition date will include an allowance for dilapidations in the right of use asset, with the corresponding liability recognised in provisions.

Administrative costs have decreased as the Group no longer recognises a rental expense on the majority of its properties. However this has been offset by increased depreciation and interest expenses since adopting IFRS 16. The depreciation expense on the right of use assets for the year to 31 December 2019 was £6.1m and the interest expense £1.5m.

The total cash outflows in respect of lease payments has not changed under IFRS 16. However lease payments previously recognised within cash flows from operating activities are now classified as a cash flows from financing activities.

A reconciliation between the operating lease commitments as at 31 December 2018 and the finance lease liabilities as at 1 January 2019 is shown in the Appendix.

Lease policy applicable from 1 January 2019

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract provides the right to use an asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether the contract involves the use of an identified asset, which may be specified explicitly or implicitly. The Group also assesses whether the contract provides the right to obtain, substantially, all of the economic benefits from use of the asset throughout the period of use. The Group must also determine whether the contract permits the right to direct the use of the asset, which flows from the ability to decide how and for what purpose the asset is used.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2) Basis of preparation (continued)

New standards adopted by the Group (continued)

When a contract contains a lease, the Group recognises a right of use asset, and a corresponding lease liability, at the lease commencement date. The right of use asset is initially measured at the initial amount of the lease liability, including any dilapidation provisions, and adjusted for any lease payments made on or before the commencement date, any initial direct costs incurred and any lease incentives received.

Right of use assets are subsequently depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset, determined on the same basis as for property, plant and equipment, or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. When the interest rate implicit in the lease cannot be readily determined, the lessee's incremental borrowing rate is used as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. The liability is remeasured when a change in the future lease payments is recognised. A corresponding adjustment is also made to the carrying amount of the right-of-use asset, or if the right-of-use asset has been reduced to zero, recorded in the income statement.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

Contracts entered into before 1 January 2019 required the Group to determine whether a contract was, or contained, a lease based on the assessment of whether fulfilment of the arrangement was dependent on the use of a specific asset or assets and whether the arrangement conveyed a right to use the asset.

Leases in which the Group assumed substantially all of the risks and rewards of ownership of the leased asset were classified as finance leases. Where land and buildings were held under leases, the accounting treatment of the land was considered separately from that of the buildings. Leased assets acquired by way of finance lease were stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received were recognised in the income statement as an integral part of the total lease expense.

Judgements and estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates

In preparing these condensed interim financial statements, the significant estimates made by management in applying the Group's accounting policies were the same as those applied to the consolidated financial statements for the year ended 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2) Basis of preparation (continued)

Judgements

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies were the same as those applied to the consolidated financial statements for the year ended 31 December 2018, except for the new judgements required in applying IFRS 16.

Leases

In applying IFRS 16 management has exercised judgment that impacts the valuation of the finance lease liabilities and the valuation of right-of-use assets in the statement of financial position. These judgements include making a determination on whether contracts and leases are in the scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The present value of lease payments is determined by discounting the lease cash flows by the lessee's incremental borrowing rate. The lessee's incremental borrowing rate is calculated by using an interest rate applicable to a government bond, commensurate with the lease term and the lease location, adjusted for the margin currently paid on the Group's debt facilities.

Going concern

The Directors, after making enquiries and on the basis of current financial projections and the facilities available at the reporting date, believe that the Group has adequate financial resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

3) Operating segments

The Group's operating segments have been identified as Investment Solutions, Intelligent Solutions, Pension Solutions, EQ US and Interest, in line with how the Group runs and structures its business.

Revenue, EBITDA and underlying EBITDA are key measures of the Group's performance. EBITDA represents earnings before interest, tax, depreciation and amortisation. The EBITDA of each segment is reported after charging relevant corporate costs based on the business segments' usage of corporate facilities and services. Underlying EBITDA is adjusted for one-off items which obscure the understanding of the underlying performance of the Group and its respective divisions. Central costs principally include corporate overheads.

Reported revenue	**2019 £m**	**2018 £m**
Investment Solutions	149.7	142.5
Intelligent Solutions	170.9	165.9
Pension Solutions	127.0	129.0
Interest	14.1	12.1
UK and Europe	461.7	449.5
EQ US	94.0	81.4
USA	94.0	81.4
Total revenue	**555.7**	**530.9**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3) Operating segments (continued)

Timing of revenue recognition	**2019 £m**	**2018 £m**
Point in time	128.3	114.2
Over time	427.4	416.7
Total revenue	**555.7**	**530.9**

Underlying EBITDA	**2019 £m**	**2018 £m**
Investment Solutions	50.2	47.3
Intelligent Solutions	43.5	39.8
Pension Solutions	19.5	19.7
Interest	14.1	12.1
UK and Europe	127.3	118.9
EQ US	23.1	19.2
USA	23.1	19.2
Total segments	150.4	138.1
Central costs	(14.4)	(15.8)
EBITDA	**136.0**	**122.3**

Reconciliation of underlying EBITDA to profit before tax	**2019 £m**	**2018 £m**
Underlying EBITDA	136.0	122.3
Non-operating charges	(5.5)	(20.8)
Depreciation and amortisation	(74.6)	(61.6)
Net finance costs	(16.1)	(15.3)
Profit before tax	**39.8**	**24.6**

4) Administrative costs

Expenses by nature:	**2019 £m**	**2018 £m**
Employee benefit expense	222.5	219.8
Employee costs capitalised in respect of software development	(21.9)	(16.2)
Direct costs	106.5	101.2
Bought-in services	29.7	38.6
Premises costs	9.3	7.9
Short-term lease costs[1]	0.5	8.7
Government grants for research and development	(0.8)	(0.5)
Other general business costs	79.4	69.9
Total administrative costs	**425.2**	**429.4**

[1]The prior year costs of £8.7m represent the Group's operating lease costs as defined, and accounted for, in accordance with IAS 17. This standard was replaced by IFRS 16 on 1 January 2019 and the current year costs of £0.5m represents lease costs on short term leases with a remaining term of less than 12 months. From 1 January 2019 lease costs, which are not classified as short term, are recognised as a reduction to the Group's finance lease liability in the statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

5) Earnings per share

Basic and diluted earnings per share	**2019 £m**	**2018 £m**
Profit from continuing operations attributable to owners of the parent	30.8	17.5
Weighted average number of ordinary shares in issue (millions)	368.3	363.0
Dilutive performance share plan options (millions)	-	7.1
Dilutive sharesave plan options (millions)	-	1.7
Weighted average number of ordinary shares in issue adjusted for the effect of dilution (millions)	368.3	371.8
Basic earnings per share (pence)	**8.4**	**4.8**
Diluted earnings per share (pence)	**8.4**	**4.7**

6) Dividends

Amounts recognised as distributions to equity holders of the parent in the year	**2019 £m**	**2018 £m**
Interim dividend for year ended 31 December 2019 (1.95p per share)	7.1	-
Final dividend for year ended 31 December 2018 (3.49p per share)	12.6	-
Interim dividend for year ended 31 December 2018 (1.83p per share)	-	6.6
Final dividend for year ended 31 December 2017 (2.73p per share)	-	9.9
	19.7	**16.5**

The Board recommends a final dividend payable in respect of the year ended 31 December 2019 of £12.9m (2018: £12.6m) or 3.54p per share (2018: 3.49p per share). As this is subject to shareholder approval at the Annual General Meeting on 7 May 2020, no liability has been included in these financial statements. The final dividend will be paid on 26 May 2020, to shareholders on the register at close of business on 17 April 2020.

7) Acquisitions of businesses

RD:IR

On 5 September 2019, the Group purchased the entire issued share capital of Richard Davies Investor Relations Limited (RD:IR) for cash consideration of £4.0m, plus contingent consideration of up to £2.0m payable in 2021. RD:IR offers a wide range of investor relations related analysis, research and advisory services to its international client base.

The Group took control of the business on 5 September 2019. On this date the business had net assets with a fair value of £2.2m. The results of the business have been consolidated since the date of control and RD:IR contributed £1.2m of revenue and £nil profit before income tax to the Group's results in 2019. If the business had been acquired on 1 January 2019 it would have contributed an additional £2.0m of revenue and £0.8m net loss before tax to the Group's results in 2019. The acquisition-related costs of acquiring RD:IR in the year, such as legal fees and stamp duty, amounted to £0.2m. These costs have been included in administrative costs in the income statement.

On acquisition, intangible assets with a fair value of £2.2m relating to customer contracts and related relationships were identified. The value of goodwill reflects amounts in relation to the expected benefit of the ability to generate new streams of revenue and expected synergies of combining the operations of RD:IR and the Group. The amounts relating to the intangible assets and goodwill are provisional and subject to further evaluation and adjustment, in accordance with accounting standards.

Fair value of identifiable assets acquired and liabilities assumed	**£m**
Intangible assets	2.6
Trade and other receivables	0.6
Cash and cash equivalents	0.7
Trade and other payables	(1.2)
Provisions	(0.1)
Deferred income tax liabilities	(0.4)
Net identifiable assets and liabilities	**2.2**
Goodwill on acquisition	3.7
Total consideration	**5.9**
Cash acquired	(0.7)
Contingent consideration (discounted)	(1.9)
Net cash outflow in the year	**3.3**

As at 31 December 2019, the minimum amount of contingent consideration payable was £0.5m and the maximum amount was £2.0m. The final amount to be paid will be determined based on the acquiree's financial performance over the qualifying period and is only payable if the business grows in line with its business plan.

CST

On 31 October 2019, the Group purchased the entire issued share capital of Corporate Stock Transfer, Inc. (CST) for cash consideration of £0.2m ($0.2m), plus deferred consideration of £3.2m ($4.3m) payable in 2020 and contingent consideration of up to £1.6m ($1.8m) payable in 2022. CST is a share registrar business based in Colorado, United States.

The Group took control of CST on 31 October 2019. On this date the business had net assets with a fair value of £1.0m. The results of the business have been consolidated since the date of control and CST contributed £0.3m of revenue and £nil profit before income tax to the Group's results in 2019. If the business had been acquired on 1 January 2019 it would have contributed an additional £1.7m of revenue and £0.2m loss before income tax to the Group's results in 2019. The acquisition-related costs of acquiring CST in the year, such as legal fees and stamp duty, amounted to £0.2m. These costs have been included in administrative costs in the income statement.

On acquisition, intangible assets with a fair value of £1.5m relating to customer contracts and related relationships were identified. The value of goodwill reflects amounts in relation to the expected benefit of the ability to generate new streams of revenue and expected synergies of combining the operations of CST and the Group. The amounts relating to the intangible assets and goodwill are provisional and subject to further evaluation and adjustment, in accordance with accounting standards.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

7) Acquisitions of businesses (continued)

Fair value of identifiable assets acquired and liabilities assumed	**£m**
Right of use assets	0.4
Intangible assets	1.5
Trade and other receivables	0.1
Cash and cash equivalents	0.2
Trade and other payables	(0.3)
Contract fulfilment liabilities	(0.2)
Lease liabilities	(0.4)
Deferred income tax liabilities	(0.3)
Net identifiable assets and liabilities	**1.0**
Goodwill on acquisition	3.7
Total consideration	**4.7**
Cash acquired	(0.2)
Deferred consideration	(3.2)
Contingent consideration (discounted)	(1.3)
Net cash outflow in the year	**-**

As at 31 December 2019, the minimum amount of contingent consideration payable was £nil and the maximum amount was £1.4m. The final amount to be paid will be determined based on the acquiree's financial performance over the qualifying period and is only payable if the business grows in line with its business plan.

8) Intangible assets

	Goodwill £m	**Software £m**	**Acquisition -related intangibles £m**	**Total £m**
Cost				
Balance at 1 January 2019	524.1	286.4	443.2	1,253.7
Acquisition of business	8.4	0.4	3.7	12.5
Additions	-	44.4	-	44.4
Disposals	-	(1.2)	-	(1.2)
Translation adjustment	(2.6)	(0.8)	(4.0)	(7.4)
Balance at 31 December 2019	**529.9**	**329.2**	**442.9**	**1,302.0**
Accumulated amortisation				
Balance at 1 January 2019	-	197.3	220.0	417.3
Amortisation for the year	-	29.9	31.8	61.7
Translation adjustment	-	(0.2)	(0.5)	(0.7)
Balance at 31 December 2019	**-**	**227.0**	**251.3**	**478.3**
Net book value				
Balance at 31 December 2018	**524.1**	**89.1**	**223.2**	**836.4**
Balance at 31 December 2019	**529.9**	**102.2**	**191.6**	**823.7**

The movement in goodwill includes a £1.0m fair value adjustment in respect of prior year acquisitions.

9) Trade and other receivables

	2019 £m	2018 £m
Trade receivables	35.1	46.4
Other receivables	6.6	7.1
Prepayments	8.9	10.6
Total trade and other receivables	**50.6**	**64.1**

Trade receivables are shown net of an estimated credit loss allowance of £0.3m at the year end (2018: £0.2m).

Credit risk
The ageing of trade receivables at the reporting date was:

	2019 £m	2018 £m
Not past due	23.4	29.0
Past due 1-30 days	7.1	12.6
Past due 31-90 days	2.0	3.0
Past due more than 90 days	2.6	1.8
Total trade receivables	**35.1**	**46.4**

The movements in the year on the Group's estimated credit loss allowance on trade receivables is as follows:

	2019 £m	2018 £m
Balance at 1 January	0.2	0.4
Balances acquired from business acquisitions	0.4	0.2
New provisions made in the year	0.1	0.1
Balances reversed in the year	(0.4)	(0.5)
Balance at 31 December	**0.3**	**0.2**

10) Contract fulfilment assets and liabilities

	2019 £m	2018 £m
Accrued income	50.5	41.6
Contract set up costs	3.5	4.6
Contract fulfilment assets	**54.0**	**46.2**

Accrued income is invoiced over time in line with agreed contractual billing schedules. This may be over a period of greater than 12 months.

	2019 £m	2018 £m
Deferred income	16.3	16.4
Contract fulfilment liabilities	**16.3**	**16.4**

11) Trade and other payables

	2019 £m	2018 £m
Trade payables	22.7	26.8
Accruals	47.0	64.8
Deferred consideration	7.2	7.3
Other payables	13.7	13.3
Total trade and other payables	**90.6**	**112.2**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

12) Provisions for other liabilities and charges

	Contingent consideration £m	Property provision £m	Total provisions £m
Balance at 1 January 2019	19.7	2.2	21.9
Balances acquired from business acquisitions	3.2	0.1	3.3
Additional provisions made during the year	1.7	0.1	1.8
Amounts utilised during the year	(4.9)	-	(4.9)
Amounts released during the year	(5.3)	(1.1)	(6.4)
Unwinding of discounted amount	0.4	-	0.4
Balance at 31 December 2019	**14.8**	**1.3**	**16.1**

	£m	£m	£m
Non-current liability	4.4	1.3	5.7
Current liability	10.4	-	10.4
Total provisions	**14.8**	**1.3**	**16.1**

The minimum value of the contingent consideration provision could be £0.5m up to a maximum of £19.9m. The remaining balance is expected to be utilised over the periods between 2020 and 2022.

13) Finance income and costs

Finance income	2019 £m	2018 £m
Interest income	-	0.2
Total finance income	**-**	**0.2**

Finance costs	2019 £m	2018 £m
Interest cost on term loan borrowings	8.5	8.1
Interest cost on revolving credit facility	3.2	2.4
Amortisation of finance arrangement fees	1.8	2.2
Net finance cost relating to pension schemes	0.6	0.6
Interest cost on lease liabilities	1.5	0.1
Unwinding of discounted amount in provisions	0.4	0.8
Cost of interest rate swap against financial liabilities	-	1.2
Other fees and interest	0.1	0.1
Total finance costs	**16.1**	**15.5**

14) Net debt

	2019 £m	2018 £m
Term loan	260.1	322.6
Revolving credit facility	115.0	76.7
Finance lease liabilities	41.1	1.1
Cash and cash equivalents	(72.6)	(90.9)
Net debt	**343.6**	**309.5**

15) Income tax charge

Recognised in the statement of comprehensive income in the year:	2019 £m	2018 £m
Current tax:		
Current period	4.4	3.5
Adjustment in respect of prior periods	(1.2)	(1.4)
Total current tax	**3.2**	**2.1**
Deferred tax:		
Origination and reversal of temporary differences	4.3	0.2
Adjustment in respect of prior periods	(0.1)	1.6
Total deferred tax	**4.2**	**1.8**
Total income tax charge	**7.4**	**3.9**

Reconciliation of effective tax rate:	2019 £m	2018 £m
Profit for the year	32.4	20.7
Total tax charge	7.4	3.9
Profit before tax	**39.8**	**24.6**
Tax using the UK corporation tax rate of 19% (2018: 19%):	7.6	4.7
Non-deductible expenses	0.8	0.9
Recognised loss on derivative contract	-	(1.9)
Previously unrecognised tax assets	0.2	0.1
Effect of tax rate change	(0.1)	(0.2)
Effect of claims for research and development	0.2	0.1
Adjustment in respect of prior periods	(1.3)	0.2
Total income tax charge	**7.4**	**3.9**

The UK corporation tax rate of 19%, effective from 1 April 2017, was substantively enacted on 26 October 2015. A reduction to this rate to 17%, effective 1 April 2020, was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2019 have been calculated based on these rates. On 11 March 2020 the government announced that it will legislate to retain the current 19% rate beyond March 2020. The impact of this will be an increase to the net deferred tax assets of approximately £2.4m.

Movements in deferred tax during the year:

Year ended 31 December 2019	Opening balance £m	Acquisitions £m	Recognised in income £m	Recognised in equity £m	Closing balance £m
Property, plant and equipment	1.6	-	0.3	-	1.9
Intangible assets	(23.4)	(0.7)	(2.6)	-	(26.7)
Employee benefits and other timing differences	9.4	-	(0.4)	1.6	10.6
Tax value of losses carried forward	36.0	-	(1.5)	-	34.5
	23.6	**(0.7)**	**(4.2)**	**1.6**	**20.3**

Year ended 31 December 2018	Opening balance £m	Acquisitions £m	Recognised in income £m	Recognised in equity £m	Closing balance £m
Property, plant and equipment	2.8	-	(1.2)	-	1.6
Intangible assets	(22.2)	(0.2)	(1.0)	-	(23.4)
Employee benefits and other timing differences	8.2	-	2.4	(1.2)	9.4
Tax value of losses carried forward	38.0	-	(2.0)	-	36.0
	26.8	**(0.2)**	**(1.8)**	**(1.2)**	**23.6**

16) Employee benefits

Defined benefit pension plans

The Group operates three funded defined benefit pension plans in the UK. All of the plans are final salary pension plans and provide benefits to members in the form of a guaranteed level of pension, payable for life. The liability under all schemes is based on final salary and length of service to the employer. The defined benefit obligation as at 31 December 2019 is calculated on a year-to-date basis using the latest actuarial valuation as at 31 December 2019.

	2019 £m	2018 £m
ICS Pension Scheme	1.9	1.7
Paymaster Pension Scheme	27.7	20.2
Prudential Platinum Pension - MyCSP Limited	2.1	1.0
Total defined benefit pension plan net liability	**31.7**	**22.9**

17) Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign exchange rate risk and equity price risk). The condensed financial statements do not include all the financial risk management information and disclosures required in the annual financial statements and they should be read in conjunction with the Annual Report and Accounts 2019. There have been no changes in the risk management department or in any risk management policies since the year end.

There are no material differences between the carrying value of assets and liabilities and their fair value. The only financial instrument measured at fair value is the interest rate swap.

The following table presents the Group's financial assets and liabilities that are measured at fair value:

	Level	2019 £m	2018 £m
Financial assets			
Derivative financial instruments	2	10.9	0.7
Financial liabilities			
Derivative financial instruments	2	(0.4)	(3.6)

There were no transfers between levels during the year. Valuation techniques used to value these financial instruments are consistent with those used for the year ended 31 December 2019 as disclosed in note 6.13 of the Annual Report and Accounts 2019.

18) Related party transactions

Transactions with key management personnel

The compensation of key management personnel (including the Directors) is as follows:

	2019 £m	2018 £m
Key management emoluments	4.7	5.8
Company contributions to money purchase pension plans	0.1	0.1
Termination benefits	0.4	-
Share-based payment expense	0.5	3.5
Total	**5.7**	**9.4**

Key management are the Directors of the Group and the Executive Committee, who have authority and responsibility to control, direct or plan the major activities within the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

19) Events after the reporting date

In February 2020, the Group purchased the entire issued share capital of Monidee B.V. (Monidee). Initial consideration of £3.3m (€4.0m) was paid in February 2020 and deferred consideration of £3.3m (€4.0m) is payable in February 2021. Monidee is an employee share plans technology business based in Amsterdam, Netherlands.

There have been no other material events between 31 December 2019 and the date of authorisation of the consolidated financial statements that would require adjustments to the consolidated financial statements or disclosures.