



We are  
ambitious,  
agile, expert  
and helpful.  
**We are XPS.**

## Who We Are

We are actuaries, consultants and administrators working to protect and enhance the benefits of hundreds of thousands of pension scheme members. We bring cutting edge solutions for the benefit of pension scheme trustees, members and sponsoring employers.

# We believe there is a better way

## XPS is the largest focused pensions firm in the UK.

We provide pensions actuarial, investment consulting and administration services to over 1,200 pension scheme clients in the UK, combining expertise, insight and technology to address the needs of both pension trustees and sponsoring employers.

### Our purpose

We exist to shape and support safe, robust and well-understood pension schemes for the benefit of people and society.



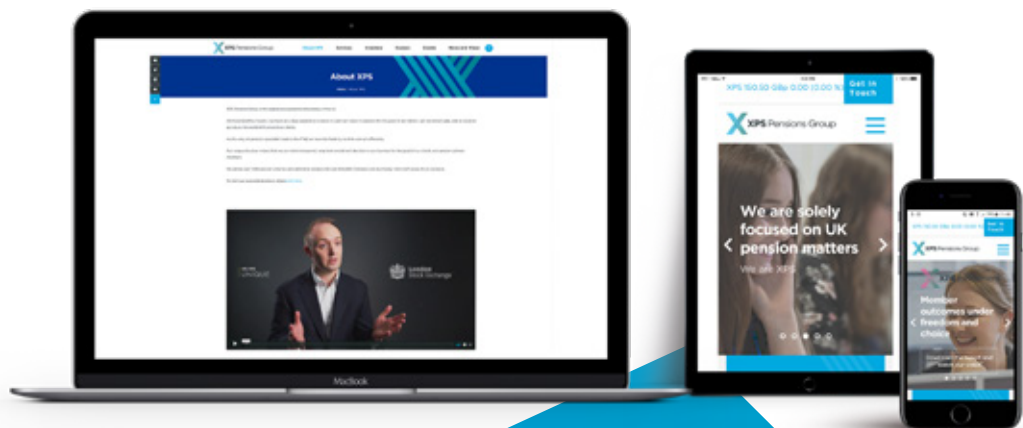
WINNER

Third Party Administrator of the Year



WINNER

Actuarial/Pensions Consultancy of the Year



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[www.xpsgroup.com](http://www.xpsgroup.com)

## Key Performance Indicators<sup>1</sup>

### Revenue

**£110m**

+5%

2018: £104m<sup>2</sup>

### Adjusted EBITDA<sup>3</sup>

**£27.4m**

+51%

2018: £18.1m

### Profit before tax<sup>5</sup>

**£11.4m**

+245%

2018: £3.3m

### Number of pension scheme clients

**1,200+**

### Adjusted diluted earnings per share<sup>4</sup>

**9.8p**

+18%

2018: 8.3p

### Proposed full year dividend

**6.6p**

+4.8%

2018: 6.3p

- We launched XPS in May 2018, following our acquisition of Punter Southall Group's pension businesses. XPS is the largest purely pensions firm in the UK, bringing a unique combination of scale and agility that enables us to invest and respond quickly in an evolving market. A year of successful integration culminated in us winning both the Actuarial/Pensions Consultancy of the Year and Third-Party Administrator of the Year at the UK Pensions Awards in May 2019, leaving us optimistic for the future.

1 The Board plans to review the Key Performance Indicators during the next financial year.

2 Proforma basis – as if the Punter Southall entities had been in the Group for the whole year.

3 Adjusted EBITDA excludes the impact of share-based payment costs, fair value adjustments of contingent consideration, and exceptional costs (see note 6 in the financial statements).

4 Adjusted diluted earnings per share from continuing operations. It is based on adjusted profit after tax, which excludes the impact of amortisation of intangible assets, share-based payment costs, fair value adjustment of contingent consideration, exceptional costs, and the tax impact of these items.

5 Profit before tax from continuing operations.

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# We are UK pensions experts

We bring expertise and technology to bear, to drive better decisions, better service expectations and ultimately better financial outcomes for pension scheme trustees, businesses, and our shareholders.

## Our services

### XPS Pensions

Advice and support to pension scheme trustees and sponsoring employers across all areas of UK pension scheme management, including actuarial advice and long-term financial planning for schemes, through to member communications, advice on member option exercises and scheme benefit design.

### XPS Investment

Clear, independent advice to pension scheme trustees to enable them to make the optimum investment decisions for their scheme's assets. Using financial modelling of different mixes of asset classes, we help clients to choose the right portfolio for their needs, to maximise returns and/or minimise their level of risk.

### XPS Administration

Services including pensions administration, payroll services, pension scheme accounting, scam identification, de-risking projects and technical consultancy for a wide range of trust-based company pension schemes, including defined benefit (DB), defined contribution (DC), career average revalued earnings (CARE) and hybrid schemes.

### XPS Transactions

Specialist pensions advice and analysis during corporate events including helping clients who are buying, selling, restructuring or refinancing a business. We work for vendors, purchasers and other corporate entities, including private equity firms and hedge funds as well as pension scheme trustees.

## We also provide:

- The National Pension Trust (NPT), a defined contribution master trust for employers offering full 'Freedom and Choice' capability, and
- SIPP and SSAS solutions to financial advisers under the Xafinity brand.

## Where to find us

Our 15 offices give us access to staff, expertise and clients across the UK. We are 100% focused on the UK pensions market which means that we have no distractions and no competing priorities.



UK locations

# 15

## Our values make us one team

We are a fast-moving, exciting business, with an incredible team of people exclusively focused on the UK market, believing things can be done in a better way.



**We are ambitious**



**We are experts**



**We are agile**



**We are helpful**



**We do the right thing**

→ see [www.xpsgroup.com/careers/our-values](http://www.xpsgroup.com/careers/our-values) for more information

Employees

# 1,100+

Clients

# 1,200+

Years of providing pensions services

# 40+

## Why Invest in XPS?

# We are focused solely on UK pensions

As the only UK specialist pension advisors listed on the FTSE Main Market, we have the scale to invest in the solutions our clients need and the agility to respond in a changing market.

### 01 Well-positioned in a stable, long-term market

£2 trillion liabilities of private UK defined benefit pension schemes.

## 40+

years longevity of private UK defined benefit pension schemes

## £60bn

funds invested in UK defined contribution schemes

[Read more on page 10](#)

### 02 Non-cyclical and recurring revenues

Our services are typically provided on the basis of an open-ended engagement with clients and are compliance-driven to a statutory timetable. They are therefore required in all parts of the economic cycle.

## 92%

recurring revenue in our Pensions and Investment business<sup>1</sup>

[Read more on page 28](#)

### 03 Strong new brand in the market

Winners of Actuarial/Pensions Consultancy of the Year and Third-Party Administrator of the Year at the UK Pension Awards in May 2019 – at the end of the first year of creating XPS.

## 34

net number of new client wins during the year

## 870,000

number of members under administered (increase of 315,000 since 1 April 2018)

[Read more on page 20](#)

<sup>1</sup> Revenue is defined as recurring if it was received from a client that had been billed every month (or every quarter) consecutively for the previous 12 months over the period to 31 March 2019. For won and lost clients the revenue is defined as recurring if it meets the above criteria for the period they were a client.

## 04 Diversified and longstanding client base

A large and diverse client base, built up over 1,200 clients.

### 13

of top 20 clients have worked with XPS for 10+ years

### 18%

top ten clients represent 18% of revenue

[Read more on page 28](#)

## 05 Scalable, well-invested platform

A strengthened management team, and increased capability in finance, M&A, legal and HR creating a platform for capacity for organic and inorganic growth. A business supported by technology in a scalable way.

### 2

'bolt on' acquisitions – Kier Pensions Unit during the year and Royal London Corporate Pensions Services after year end

[Read more on page 7](#)

## 06 Track record of positive financial performance

XPS has delivered year-on-year organic revenue growth, through a range of macroeconomic conditions, for the past 10 years.

### 5%

revenue growth in FY19, 7% growth in H2 (comparison is to proforma 2018 revenue)

### 18%

average annual growth in fully diluted adjusted EPS in the two years since IPO in February 2017

[Read more on page 28-31](#)

## 07 Experienced management team

Drawn from recognised and blue-chip industry participants, our Executive Committee has extensive experience across the UK pensions market.

### 43

years' combined experience of Co-CEOs

[Read more on pages 38-44](#)

# We have a **strong platform** for growth

**XPS is ideally positioned to take advantage of the significant growth opportunities available in the pensions industry as we continue to focus on our strategy of becoming the pre-eminent pensions consulting and administration firm in the UK.**

## Overview

This year marks the first annual results that incorporate a full 12 months of operations as XPS Pensions Group (XPS), and I am pleased to report that we have delivered a creditable operational performance whilst having successfully completed the integration of the Punter Southall business and one strategic acquisition, with a second shortly after year end.

We are confident that XPS is well positioned to take advantage of the significant growth opportunities available in the pensions industry as we continue to focus on our strategy of becoming the pre-eminent pensions consulting and administration firm in the UK.

In what is an increasingly complex regulatory market, our innovative products and high standard of client service continue to cement XPS' reputation as a leader in the pensions industry. I would like to thank all of our colleagues for their continued hard work, expertise and commitment in providing this excellent service over the last year.



## Governance highlights

- › Board composition and diversity strengthened
- › Company values rolled out to embed a culture of integrity, openness and diversity
- › Established Diversity, Equality and Inclusion Working Group
- › Developed an induction programme for new Directors
- › Developing a plan for increased shareholder engagement

See **pages 42 to 48** for more information

**Tom Cross Brown**  
Chairman



# I am pleased to report that we have delivered a creditable operational performance.

**Tom Cross Brown**  
Chairman

## Results

The Company has performed broadly in line with profit expectations for the year ended 31 March 2019, delivering revenue growth and an increasing list of new clients wins.

Revenue from continuing operations was £109.9m (2018: £63.97m). Profit before tax from continuing operations was £11.37m (2018: £3.3m). Basic earnings per share was 5.7p (2018: 7.7p).

## Dividend

The Board is proposing a final dividend of 4.3p (2018: 4.2p), which combined with the interim dividend produces a total dividend of 6.6p (2018: 6.3p). This payment to shareholders is in line with our stated strategy of pursuing a progressive dividend policy that is subject to financial discipline and future Group results. The dividend policy is to pay out two thirds of adjusted profit after tax, with one third of that as an interim dividend. The Board expects to retain sufficient capital to fund ongoing operating requirements, an appropriate level of dividend cover and funds to invest in the Group's long-term growth.

The final dividend will be payable on 26 September 2019 to shareholders on the register at 30 August 2019, subject to shareholder approval.

## Strategy

The Company continues to focus on its strategy of becoming the pre-eminent pensions consulting and administration firm in the UK at the same time as achieving sustainable growth through prioritising the core areas of business and investing in our staff, technology and client services. This ongoing commitment ensures that XPS continues to provide an agile, high-quality and market-leading service that puts client satisfaction at the heart of the business.

As part of this strategy, XPS acquired the business and assets of the Kier pensions unit during the period and Royal London Corporate Pension Services Limited on 31 May 2019, representing significant new growth opportunities for XPS in the public sector and in the Scottish market respectively. Furthermore, we disposed of our Healthcare business in H1 2019 as the Company sought to focus solely on the UK pensions market.

XPS continues to focus on building its market share in the pensions advisory sphere both organically and through acquisition.

## Governance

I am pleased to report that Sarah Ing has joined the Board as a new Independent Non-executive Director, with John Batting and Jonathan Bernstein stepping down from their positions on the Board to focus on their respective senior leadership roles in the Company. Furthermore, following the announcement in November 2018, Mike Ainslie has stepped down from the Board and from the role of CFO. The Board has appointed Snehal Shah as the new Company CFO and as an Executive Director of the Board subject to FCA approval. I would like to thank Mike, John and Jonathan for their contribution during their time on the Board, and I look forward to working with Sarah and Snehal in what is an exciting time for the Company.

Governance has been central to Board discussions over the last year and we have worked hard to ensure that an appropriate corporate governance framework has been embedded into the enlarged business post acquisition from both an operational and strategic perspective. Changes have also been made to ensure compliance with the 2018 UK Corporate Governance Code which applies to the Company from 1 April 2019.

## Outlook

The Board is pleased with the progress made in 2019, with the integration of Punter Southall businesses now largely complete, and an enhanced platform for organic and inorganic growth created.

The Board expects total revenue growth for the Group of mid-single digit percentage in 2020 with Pensions broadly flat and other divisions showing good year-on-year growth. Exiting the discounted TSA early and bolstering central functions will benefit the Group operationally but will cause a c£2m per annum step up in the cost base. In combination the change in the mix of business and the one-off increase in central costs is expected to temporarily impact the growth in profits for the next 12 months.

The Group has traded in line with these expectations in the first two months of this financial year.



**Tom Cross Brown**  
Chairman  
26 June 2019

# We create value through our unique business model



We are experts

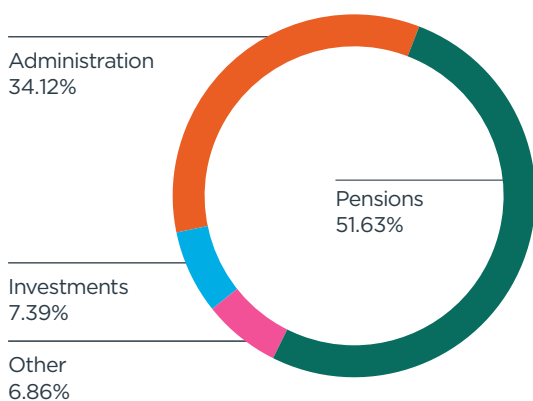
Our focused model, combined with our blend of scale and long-term capital backing is a source of competitive advantage that benefits all of our stakeholders.

## What we do

We are a UK-focused specialist in pensions actuarial and investment consulting and administration, providing a range of services and solutions to over 1,200 pension scheme clients. We also operate a defined contribution master trust, the National Pension Trust, and provide administration to SSASs and SIPPs.

Our 1,100+ people work from 15 offices around the UK.

### Revenue Split



### Product Lines Revenue

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 Restated <sup>(1)</sup> £'000
Pensions	56,735	37,689
Administration	37,492	13,673
Investment	8,121	4,921
National Pension Trust	1,444	957
SSAS and SIPP	6,098	5,427
<b>Total - Continuing operations</b>	<b>109,890</b>	<b>62,667</b>

<sup>1</sup> To include continuing operations only

## Who we work with

We work with pension scheme trustees, sponsoring employers and pension scheme members, with schemes ranging in size from less than £20m in assets to multi-billion pound pension funds.

## How we earn revenue

We charge fixed fees for ongoing administration and advisory services combined with time-based fees for consulting advice and one-off projects. We work with clients on the basis of open-ended engagement letters. Many of the services we provide are essential, non-discretionary requirements for UK pension schemes, required on a repeating basis to a statutory timetable. As such, much of our revenue is independent of the economic cycle.

92% of our revenues are recurring and we have a loyal base of clients who have worked with us over many years.

## What sets us apart

- ▶ Pure focus on the UK pensions market
- ▶ Expert people and empowering culture
- ▶ Scalable, proprietary technology platform
- ▶ Longstanding client relationships

## How we share value with stakeholders

### Clients

- › Greater insight and expertise, leading to better decisions and improved outcomes for clients and pension scheme members
- › Excellent, proactive service
- › Superb technology, allowing them to gain insight and benefit from our efficiency
- › Value for money

### Employees

- › Stimulating and collegiate working environment
- › First-class training and support towards professional qualifications
- › Attractive career prospects
- › Competitive remuneration and benefits


### Shareholders

- › Strong cash generation and dividends
- › Track record of growth
- › Non-cyclical demand for services

 Read more on **page 24**

## How we maximise value


### Clear strategy

-  Read about our vision, strategic priorities and performance on **page 12**


### Robust risk management

-  Read about our principal risks and uncertainties on **page 32**

### Sound governance

-  Read about our Board of Directors and corporate governance from **page 38**

### Shared values

-  Read about the values that guide how we operate on **page 3**

# We seize opportunities from change



We are helpful

**There is increasing need for expert advice to guide clients through an evolving regulatory landscape.**

## Large DB scheme market

There are >5,400 defined benefit schemes in the UK, with aggregate liabilities of £2 trillion.

59% of DB schemes remain open to future benefit accrual. All of these schemes require core compliance services from administrators and actuaries every year.

There are 10.4m DB scheme members in the UK private sector, of which 59% are yet to retire.

Benefit payments from DB schemes expected to increase to a peak more than five years from now.

The present value of DB scheme liabilities is expected to rise for each of the next 10-20 years.

Source – The Purple Book, PPF, December 2018

## Increasing pressure on those running DB schemes

Significant pressure on pension scheme trustees to improve funding and security in DB schemes, and to provide protection to members (following problems at BHS, Carillion, Tata Steel and more).

Pressure also on employers to prioritise pension obligations.

As such, there is an increasing demand for advice on de-risking schemes.

## Burgeoning DC scheme market

Assets under management in UK DC schemes are currently estimated to be over £60bn\* in occupational arrangements, with another £179bn\*\* in contract based arrangements. The future growth in DC pensions is expected to take total holdings in DC arrangements to over £1trn by 2025.\*\*\*

A material amount of this growth is anticipated to be future contributions, now that automatic enrolment has been fully introduced and defined benefit membership continues to recede and be replaced by defined contribution arrangements. Further, DC decumulation continues to grow, with £95bn of assets held in drawdown in 2017, up 9% from the previous year.\*\*

There is a strong trend towards master trusts. The master trust market is expected to grow from £12bn in AUM (2016) to over £300bn in 2026\*\*\*\* and the National Pension Trust is well placed to grow in this market.

Source:

\* The Pensions Regulator: DC trust – presentation of scheme return data 2018 – 2019 (data represents schemes with 12 or more members).

\*\* FCA: Sector View 2019.

\*\*\* Philip Hammond, Autumn 2018 Budget Announcement.

\*\*\*\* SJ Institutional Insights: UK Defined Contribution: Profiling a typical scheme.

## Favourable regulatory and market environment

The Pensions Regulator's March 2019 Annual Funding Statement calls for improved management of funding and investment risks and consideration of contingent protection. A wider code of practice is coming which may introduce a significant overhaul of regulations. Large numbers of XPS clients will need advice and support.

A requirement to improve benefits to make allowance for the inequality between males and females in Guaranteed Minimum Pensions (GMPs) following the High Court ruling on the Lloyds Banking Group defined benefit pension scheme. This will create a large amount of work across the pensions industry.

The 2018 Competition and Markets Authority (CMA) review into investment consulting recommended mandatory tendering of certain fiduciary appointments and in general has caused reputational challenges for some of our large competitors.

## Continued administration outsourcing

Many large pension schemes continue to receive administration services from in-house teams within their sponsoring employer. There is an ongoing trend for companies to outsource scheme administration to third-party specialists such as XPS, and our administration business stands to grow strongly from this activity.

Some clients that have outsourced in the past are seeking to switch provider in the search for improved service standards, and this is giving rise to further opportunities for XPS.

# £464m

Assets in NPT

# 26

Number of schemes we administer with over 5,000 members

# 5

Net new actuarial and investment consulting clients with over £500m in assets



# We are a forward looking, ambitious business

**We aim to become the pre-eminent independent mid-tier pensions consulting firm – the best place for people to work, and the best partner for our clients.**

Our objective is to become the clearly differentiated alternative to the 'Big 3' providers of Mercer, Willis Towers Watson and Aon. We will remain focused purely on the UK pensions market, operating at scale and yet agile enough to provide clients with superior service at better value than our larger rivals.

Our strategy remains focused on achieving growth. We have reviewed and evolved our priorities since the merger of Xafinity with Punter Southall's pension businesses to strategically pursue growth across the six key areas of the market where we see the greatest opportunities:

Growth through:

- Expanding services to existing defined benefit clients
- Winning new clients
- Administration outsourcing
- Investment consulting
- The National Pension Trust
- Mergers & acquisitions

### Our strategic priorities

#### Expanding services to defined benefit clients

Clients need support in de-risking their defined benefit schemes, which can involve member options delivered through our unique Centre of Excellence (our dedicated team specialising in member relations. They are experts in high-volume member-based interaction) or evolving asset strategies as schemes mature and funding levels change.

Clients also need support on 'GMP equalisation'.

#### Growth through winning new clients

We intend to grow by targeting new clients, by providing innovative and differentiated solutions at better value for money than our competitors.

### Progress

'Radar' is now used widely across our client base. (Radar is our comprehensive user-friendly web-based tool, which enables real-time monitoring of funding levels and modelling of scenarios including long-term funding targets.) We have continued to develop its functionality, to deepen the insight it can bring for clients. It clearly demonstrates the benefits of different de-risking options, leading to an increase in project work.

We have developed sophisticated 'journey planning' capabilities, which will be very valuable as clients respond to regulatory developments requiring them to have more developed long-term strategies.

We have developed 'Equal GMP', a bespoke offering for clients and prospects.

We won 54 new clients during the year, with a split across all of our core service lines of actuarial and investment consulting and administration. We won appointments on very large schemes (see page 14 for an example), where winning as either legacy firm would have been difficult.

Radar has continued to be a very powerful tool to differentiate ourselves in new business pitches.

### Priorities for the year ahead

We aim to grow in this area by:

- Bringing solutions to clients in a systematic way, using Radar to demonstrate the value that we can add;
- Delivering large transformation projects that flow from this demonstration of value; and
- Refining our Equal GMP offering and taking this to our clients and more widely.

We aim to win new clients by:

- Exploiting the strong brand position that XPS now has in the market. Our merger is complete and the market can see that we are thriving.
- We will build on the momentum that winning two major industry awards – Third Party Administrator of the Year and Actuarial / Pensions Consultancy of the Year can bring us. We expect these to boost both the number of opportunities we get and our success rate.

**Our strategic priorities****Growth through administration outsourcing**

There has been an increasing trend in the pensions market for large schemes to outsource administration where it was previously done in-house.

Our administration business has won a number of large clients in recent years and we aim to continue to grow in this market.

**Growth through investment consulting**

The CMA review into the investment consulting market continues to present a large opportunity for us. The business models of our largest competitors are under close scrutiny, and as the largest purely pensions consulting firm we are extremely well placed to benefit from changes in the market.

**Growth through the National Pension Trust (NPT)**

NPT is a defined contribution vehicle that offers members full access to pensions flexibilities under freedom and choice.

Many pension schemes still do not offer access to these flexibilities, and open market options are frequently expensive and inappropriate for members. We believe NPT can address an urgent market need.

**Growth through mergers & acquisitions**

The mid-tier section of the pensions consulting market remains highly fragmented and ripe for consolidation. We will continue to review opportunities should they arise.

'Bolt on' acquisitions of small businesses that enhance our strategic capability are also a core part of our strategy.

**Progress**

XPS Administration has a reputation as a leader in this market. In a recent survey of >230 pension managers and trustees, XPS was rated the best third party administrator.

During the year we successfully completed the outsourcing of the pension schemes of a FTSE 100 company, with 90,000 lives. We have reference clients to confirm our credentials.

We restructured our investment consulting practice, creating a dedicated team of experts. This team of initially 40 people grew strongly, and we now have over 50 staff in the investment team.

We hired a new Chief Investment Officer, Simeon Willis, to drive our ideas and intellectual capital in this area. Radar functionality improvements have also supported growth.

We won a number of new clients in the face of competition from the biggest firms in our market; two were large clients, won directly from the Big 3.

NPT had a strong year, growing assets under management by 38% to £464m.

The pipeline for NPT also continued to grow strongly.

We have continued to invest in NPT, and over the year hired staff to boost the ongoing development of the proposition and in business development to grow our pipeline.

The acquisition of the Kier Pensions Unit has boosted our Administration business. It is a sound business in its own right, and the addition of strong public sector expertise to our market-leading private sector business will create wider opportunities.

Following our year end, we also announced the acquisition of the Royal London Corporate Pensions Business, which brings us expertise in serving small schemes - we anticipate these schemes will benefit from wider XPS solutions in the future.

**Priorities for the year ahead**

We aim to grow this area by continuing to publicise the achievements and capability of XPS Administration, in a market where service standards elsewhere are not always as high as they should be.

We will pursue opportunities in the public sector, a new opportunity for us following the acquisition of the Kier Pensions Unit.

We aim to win new clients by providing a service that is the antidote to the problems identified by the CMA.

We will deliver clear, independent pragmatic advice. We will bring razor-sharp execution. We will be the investment advisors that make things happen.

We expect NPT to grow strongly this year through premium income and large transfers in, two of which are at a fairly advanced stage and are approaching execution.

More widely we expect to offer NPT as:

- An employer's main defined contribution arrangement into which contributions are paid, or a 'de-cumulation' vehicle to sit alongside an employer's existing arrangement where the employer's own arrangement does not offer the full range of flexibilities; and
- A vehicle to receive transfers in respect of individuals who wish to transfer from a DB pension scheme. There is an increasingly pressing need for a 'safe solution' in this area.

We will continue to appraise M&A opportunities during the year.

# Looking after a **FTSE 100** Company's pension administration

## » The challenge

In 2016, pension scheme trustees of a FTSE 100 company decided to outsource the pension administration, pension payroll, client banking and accounts functions of their staff schemes after 30 years of managing an in-house team, and appointed XPS Administration as their partner.





The approach adopted by XPS was innovative and refreshing. XPS committed to retain services in the current location, investing in the local area and retaining jobs. We look forward to a long-term relationship with XPS Administration.



## The approach

The transition involved multiple pension schemes and 90,000 members, administered by 40 staff – existing staff staying in the same location and transferring over to XPS.

XPS staff worked alongside their future colleagues from the client teams to support the day-to-day delivery of services and to access the local knowledge and working practices.

XPS Administration committed to opening an office where the FTSE 100 Company had previously administered the scheme and worked hard to create partnerships with local businesses to support recruitment, training and development needs – keeping jobs in the local area and making a commitment to generate new employment opportunities for the area into the future.

# Providing valued advice to Johnson Controls

## The challenge

Johnson Controls and Tyco merged in 2016. Its two pension schemes, totalling over £1bn of assets, are now run by one trustee board, who decided to rationalise their service providers. An important objective was to partner with one firm to provide investment and actuarial advice. Following a competitive tender process, XPS Pensions Group was delighted to be appointed for both services, after convincing the Trustees that they offered the best value proposition.



**We selected XPS Pensions Group to provide advice across the two schemes to achieve consistency and synergies. XPS were not an existing adviser to either of the schemes but their approach stood out and we are delighted to be working with them.**

**Chair of Trustees**



## The approach

XPS have helped the trustees review and monitor the funding and investment objectives of the schemes. Our bespoke integrated risk management and reporting tool Radar enables the trustees to see daily-updated progress against targets, as well as project into the future, facilitating efficient decision-making through real-time advice at meetings.

# Adding capabilities through bolt-on acquisitions

## The challenge

In October 2018, we announced the acquisition of the Pensions Unit of Kier Group plc.

Our new team of 70+ people, based in Middlesbrough, provide high-quality administration services to public sector clients, including over half of the police forces in the UK. Our challenge was to transition our new colleagues and their clients into the XPS business without impact on service delivery and with minimal change to the delivery model. We are pleased to say that the transition has now been successfully completed.



Joining XPS has been a very positive experience, the staff engagement has been first class and the response from clients has been very encouraging.

**Graeme Hall, Operations Manager,  
XPS Administration Ltd, Middlesbrough**

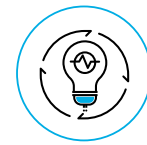


## The approach

We have been delighted with the response of clients to the announcement, with all of them choosing to novate their contracts to us as part of the transition process and taking a very positive view of our involvement in their administration and the public sector.

Adding this team to the XPS family broadens our horizons – we are really well placed to continue the good work of our new colleagues and bring the excellence of our private sector administration capability to the large public sector market, building on the reputation and experience of our new colleagues.

# Moving our business forward together



We are experts

2019 was a transformative year. It was our first full year following the acquisition of the Punter Southall pensions businesses, and our focus was on creating a strong platform for the future.

We rebranded, we invested heavily in our culture, we invested in infrastructure to become a bigger firm, and we continued to innovate and develop new technology. We stayed very close to our clients throughout, and we also won a number of sizeable new mandates.

Our year culminated with validation of the new position of XPS in the market with us winning both 'Third Party Administration firm of the Year' and 'Actuarial/Pension Consulting firm of the Year' at the UK Pension Awards in May 2019. We are hugely proud of achieving the 'double' of the two main awards in our market at the end of our first full year, and it leaves us extremely well set up for the future.



**Paul Cuff**  
Co-Chief Executive



**Ben Bramhall**  
Co-Chief Executive



# Our 2019 financial year was busy and hugely rewarding.

## Strong performance

The integration of the former Xafinity and Punter Southall pension businesses has gone seamlessly in terms of impact on clients and staff, and the effort we put into bringing together the businesses has set us up extremely well for the future. As the largest pure UK pensions firm, we occupy a very interesting place in our market, with a well understood brand and positioning.

Against that backdrop the performance of the business has been credible, and strengthened as the year progressed. This validated the rationale for the merger, and clients have a great deal of confidence in our ability to deliver for them into the future.

A theme over the year was an increasing new business momentum, as market curiosity about our merger evolved into confidence. In the second half of 2019, we won new mandates across all of our lines of business.

## Administration

Our Administration team had a very strong year.

A key part of our strategy is to win new business where large pension schemes outsource their pension scheme administration for the first time. In line with this strategy, in August we opened a new office, having taken on the administration of a FTSE 100 company's in-house pension schemes and associated staff. This follows the model we adopted in Chelmsford, Bristol and Newcastle, whereby we provide services back to an initial outsourcing client, and then also look to grow our business by taking on new clients. The team in the new office has already won three new clients, which is testament to the strength of the team we have taken on there.

The acquisition in October of the Kier Pensions Unit added a public sector capability to our market-leading private sector administration business, opening up new opportunities for XPS. From its office in Middlesbrough, the Kier team provides pensions administration support to around half of the UK's police forces, as well as to other private and public sector clients. The acquisition went well, with 100% of the clients novating to XPS and the team have had new business success in the six months since.

We have secured a strong run of new business wins in recent months. These will add more than 40,000 members to the total that we administer, which will comfortably exceed 900,000 members during the course of this calendar year.

## Investment

Our Investment Consulting business unit also had a strong year. There was significant work in relation to integrating two different business models into one coherent XPS Investment team.

In investment, we hired a number of senior members of the team, including a new Chief Investment Officer responsible for growing the depth of our offering and driving our intellectual capital forward. We have used this to increase profile in the market. This has proved successful and we won some very large pieces of work that neither the legacy Punter Southall or Xafinity businesses were likely to have won on their own.

Growth also came as a result of the CMA review, and we see further potential as the implications of that reverberate around the industry.

### Pensions

Our Pensions business produced a creditable performance, despite being the area of our Group most affected by integration activity. Merging the two largest parts of the legacy firms required us to implement a new management structure, and align processes in a wide range of areas across client delivery, our use of technology (including introducing Radar to legacy Punter Southall consultants), and our approach to risk management. We also introduced a new employee grading structure across the business. We have also invested in new training programs for staff, helping us to exploit our new position in the market. The integration is now complete, and we are well placed to increase revenue next year.

We announced the acquisition of the Royal London Corporate Pensions business on 1 May, and this transaction completed on 31 May 2019. The Royal London team are experts at serving small defined benefit schemes, and this acquisition means we can offer market leading solutions for schemes anywhere from £1 million to £multi-billions in size.

We were pleased to achieve some landmark wins during the year, and we strengthened our team with some excellent new recruits. We are increasingly finding that talented people working at some of our larger competitors are finding the XPS journey a more exciting one to come and join.

### Positive external market trends

The regulatory and market backdrop continues to be favourable for our business.

Pensions continue to be near the top of the agenda for many sponsoring employers faced with challenging deficits in defined benefit schemes. The echoes of BHS, Carillion and Tata Steel continue to reverberate, and there is a need to address poor outcomes for pension scheme members in the event of corporate failure. In its Annual Funding Statement for defined benefit pension schemes published in March 2019, the Pensions Regulator set out its expectations of good governance, and was clear in terms of actions pension scheme trustees need to take in a number of areas. Although many of our larger clients already complied to some degree with the new guidance, many others need support to meet the standards expected by the regulator. Later in the year the regulator plans to publish a consultation document on new funding regulations, and we expect these to follow the clear, stronger expectations seen in the Funding Statement.

Another change that will generate activity is GMP (guaranteed minimum pension) equalisation, concerning the equal treatment of men and women following a High Court ruling involving the Lloyds Banking Group defined benefit pension scheme. A significant amount of work will be required across the pensions industry to comply with this judgement.

The two changes outlined above are arguably two of the biggest regulatory developments in the industry for many years, and the industry as a whole is likely to benefit from supporting pension schemes in implementing the changes in response to these developments. Neither has had a material impact on our trading to date, but we expect them to in the future, and we have invested in technology and solutions (particularly Radar, which we have continued to evolve) to be at the forefront in these areas.

The fallout from the CMA review of investment consulting and fiduciary management continues to affect our industry. Our fiduciary management oversight service has gained good traction in the market, and we expect more reviews of fiduciary management appointments as the implications of the 2018 CMA review into investment consulting come into practice. The reputational impact on some of our larger competitors continues to work through the industry, and we have undoubtedly benefited from being completely free of conflicts or historic issues in this area.

In administration, we see continued growth from the ongoing trend for companies to outsource scheme administration to third party specialists. Within the private sector there remains a significant number of pension schemes that continue to be administered in-house and with pensions administration becoming ever more complex, the material costs associated with maintaining systems and an increase in member demands for excellence in online access, we expect a large number of schemes to make the decision to outsource in the coming years.

More widely in the market, we are seeing evidence of some disruption as a consequence of corporate activity, and have hired a number of very experienced senior staff to add capability in strategically important areas of the Group.

Winning the awards for Third-Party Administrator of the Year and Actuarial/Pensions Consultancy of the Year is a huge boost against this backdrop. We expect that the profile and reputation this gives will help with everything we are trying to achieve.

### Clear strategy for organic and inorganic growth

The market drivers outlined above present significant opportunities to capitalise on the growing demand for our services. In addition to continuing to work closely with our clients to support them through the regulatory changes and evolving pensions landscape, a core part of our strategy is to pursue further bolt-on acquisitions.

Kier and Royal London are great examples of us acquiring small businesses to enhance what we do through broadening our horizons into new areas or capabilities, and/or adding scale. In time, the strong platform we have created with XPS gives us scope to consider larger M&A opportunities.



### Strengthened team

As we have exited the Transitional Services Agreement (TSA) with the Punter Southall Group, which provided core services e.g. HR, IT and Finance, we have made several important hires to bolster the Group's central functions, creating a scalable platform for growth as an independent company. We have recruited a number of very capable people into our finance and HR functions, as well as a General Counsel, Zoe Adlam, and a new Head of Risk. The TSA remains in place for IT, but we have already added staff in that function and expect to exit during the summer.

As announced previously, Mike Ainslie will leave XPS at the end of June, following the audit of this year's figures. We wish to thank Mike for his significant contribution to the Group, including his invaluable work in the listing of Xafinity and the large transaction to establish XPS. We are delighted to have recruited Snehal Shah, who joined XPS in May. Snehal will take over from Mike as CFO. He brings a wealth of experience of public company financing, reporting and investor relations, and will play a key role in the next phase of XPS' growth.

There have also been changes to the roles of several members of our senior team. Having overseen a very successful year in our Investment practice, Patrick McCoy has assumed the leadership of our new Advisory function, spanning our Investment and Pensions practices, to drive growth in these complementary areas. In his new role of Chief Operating Officer, Jonathan Bernstein will oversee HR, IT and resourcing across the Group. Richard Thomas, previously the joint head of our administration business, has taken on the role of Corporate Strategy Director, providing leadership on M&A opportunities and corporate strategy more generally.

### Empowering culture

We worked hard to ensure a smooth integration between the Punter Southall pension business and Xafinity, and to establish solid cultural, as well as operational, foundations. We were acutely aware that the combined organisation would thrive only if we aligned the cultures of the two businesses. While there were differences, the legacy businesses had a great deal in common, which we knew from both having previously worked at Punter Southall.

Developing and embedding the new Group's purpose, mission and values was a priority, and something we spent a great deal of time on. We took a lot of soundings from around the Group about what people think about working at XPS, held working groups and interviews with staff, and undertook a desk-top review of how we present ourselves internally and externally. This culminated in a Group-wide roll out of our Purpose, Mission and Values in January 2019. As part of this, we visited all 15 of our offices, and spoke personally about what the values mean to us, and we gave people the opportunity to ask questions and reflect on what the values mean to them. There was a unanimously positive reaction. Our values are genuinely embedded throughout everything we do, and we talk about them a lot in recruitment, and in our new business activities with clients and prospects.

It was gratifying that in our annual staff survey undertaken in September, 85% of people said they consider XPS to be a good company to work for, with only 2% disagreeing. This is a very high score, particularly given how hard we had asked our staff to work on integration and changing the way they do things.

### Working responsibly

Doing the right thing is extremely important to us. We have established a very strong framework with our values, and are proud to behave with the utmost integrity. We have a new Corporate Responsibility (CR) policy and processes, and are heartened by how many staff have volunteered to help.

During the year we also established a Diversity, Equality and Inclusion Working Group, drawn from right across the firm. Both of us sit on this Group, and it is an effective channel for ideas from the firm about how we can improve our diversity (on gender, but much more widely too). We have implemented a number of new policies and initiatives based on feedback and ideas from this Group. We have empowered this Group to introduce change.

### Outlook

We wish to express our gratitude to all of our colleagues, who have achieved a huge amount during the last year to give XPS a strong platform from which to grow organically and inorganically.

The Board expects total revenue growth for the Group of mid-single digit percentage in 2020 with Pensions broadly flat and other divisions showing good year-on-year growth. Exiting the discounted TSA early and bolstering central functions will benefit the Group operationally, but will cause a c£2m per annum step up in the cost base. In combination the change in the mix of business and the one-off increase in central costs is expected to temporarily impact the growth in profits for the next 12 months.

The Group has traded in line with these expectations in the first two months of this financial year.



**Paul Cuff**  
Co-Chief Executive  
26 June 2019



**Ben Bramhall**  
Co-Chief Executive  
26 June 2019

## Operating Responsibly for our Stakeholders

# We do the right thing



We do the right thing

- » We are committed to managing our business in an ethical and responsible way
- » We seek to deliver positive outcomes for customers, employees, investors and society
- » Supporting our stakeholders through our culture and values

With the establishment of XPS, a top priority has been to ensure cultural alignment, and we worked closely with colleagues across the organisation to articulate a set of shared values to guide our behaviours (see page 3). Doing the right thing is embedded in our interactions with all of our stakeholders, whose interests shape our decision-making and business model, and are vital to our ongoing ability to achieve our goals (see pages 11 and 41).

### Helping our people to thrive

As a leading pensions specialist, our people ultimately make the difference in delivering high-quality services to clients and driving innovation. That is why attracting the best people and investing to further develop their skills are among our highest priorities.

### Policies

XPS is a meritocracy, where people can succeed through their talent, skills, knowledge and application of our corporate values. We support our staff in meeting their career goals, and our policies underpin our commitment to fairness and equality.

In 2018 we undertook a comprehensive review of our people policies as part of the acquisition of the Punter Southall businesses, to ensure continued compliance and that they are fit for purpose for our enlarged business. Our policies are available on our intranet for all staff.

### Ethics

Maintaining the highest standards of business ethics and a consistency of approach is so fundamental to what we do that it is one of our values. It is clear that a responsible business is also an efficient, agile and respected business. These qualities are at the heart of the service that we deliver to clients and the culture we have at XPS.

We conduct business fairly and maintain a zero-tolerance stance on bribery and corruption. Our formal anti-bribery and corruption policy is supported by an external whistleblowing process which allows callers to anonymously raise concerns to an experienced, independent operator. This service is available 24/7 by phone and/or through an online tool. During 2018, no material instances of non-compliance were reported.

The Audit and Risk Committee, in conjunction with the Risk Management function, is responsible for approving our systems and controls and works closely with Human Resources to ensure that business ethics is built into every part of the journey for our employees from recruitment to development and retention. Our Diversity, Equality and Inclusion Working Group provides an extra layer of challenge and independence and gives our employees a voice in shaping policies and procedures.

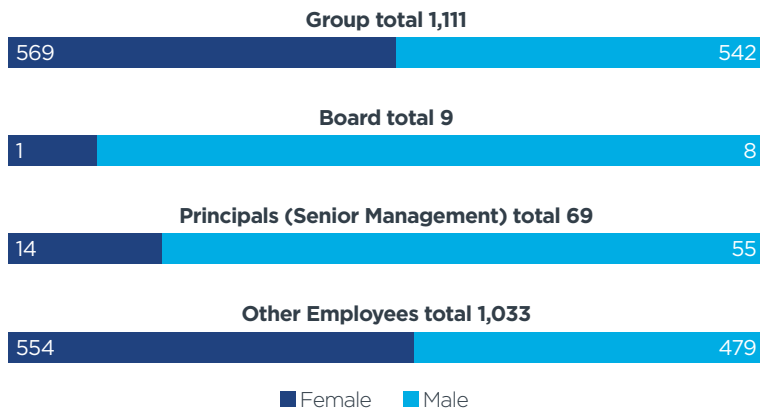
### Human rights

XPS does not have a separate Human Rights Policy. However, respect for human rights is implicit in our contracts of employment and supply contracts. Our values together with the measures set out above provide suitable guidance and controls over our activities to ensure that respect for human rights is maintained.

### Equal opportunities

No person receives less favourable treatment on the grounds of gender, sexual orientation, race, religion, nationality, ethnic or national origins, marital status, disability or age or any other form of discrimination. This applies to recruitment, development, the provision of benefits, advancement and promotion and our wider procedures.

## Gender split data



### Diversity

We are committed to attracting, developing and retaining a diverse team of talented people.

We have set up a Diversity, Equality and Inclusion Working Group to support our key strategic aims of increasing our diversity in all areas, but particularly at senior levels. The Group seeks to achieve its objective of identifying and implementing actions to improve diversity, equality and inclusion through engaging with staff across the business (through local representatives) to gather views, discuss and research actions, determine a priority order for implementing actions and review the impact of actions taken. The Group is made up of colleagues representing each office, three members of the Board and members of Executive Committee.

Last year we reported our participation in a new Actuarial Mentoring Programme for female employees that was launched by the Institute and Faculty of Actuaries (and is sponsored by Pension Insurance Corporation) to improve diversity within the actuarial profession. In addition, this year, we have become members of the UK 30% Club, a campaign group to increase the number of female Board members to 30%. We identified female

top talent to participate in the 30% Club mentoring programme and provided mentors to be matched with mentees from external organisations.

We also introduced an Agile working policy to allow staff a degree of flexibility around their working pattern, as a further demonstration of our commitment to attracting and retaining a diverse and motivated workforce.

During the year we reported on our gender pay gap. We analyse salary data annually at pay review and are confident that across XPS, men and women are paid the same for equivalent roles. Our gender pay gap occurs primarily because there is a lower proportion of women in senior leadership and revenue-generating roles, which attract higher market levels of pay. We are dedicated to improving our position in line with our commitment to promote diversity. We recognise that, while we have worked to address greater representation of women, we have more to do. We have measures in place to improve this and we are committed to advancement and holding ourselves publicly accountable. Having a diverse Board and workplace remains important to the Group, bringing as it does the clear benefits of alternative viewpoints and challenging mindsets.



WOMEN AHEAD



We remain committed to having more women in senior management roles in XPS. In October 2018, we participated in the 30% Club cross-company mentoring programme, delivered by Women Ahead.

The 30% club programme wants business to 'do the right thing' to have an inclusive and diverse workforce, which is able to capitalise on different views and encourages us to be forward thinking 'experts' in our industry. The programme offers helpful insight to women in work, both through the personal one to one mentoring and workshop sessions. We are committed to this scheme again for 2019/20.

*"The scheme enables women in senior roles to champion the potential of women in more junior roles. The meetings and interactions with many powerful women, through the events, has been very motivational along with the realisation that the challenges I personally face are faced by others."*

**Rebecca Mazur**  
Senior Consultant

## Operating Responsibly for our Stakeholders continued

### Employee training and development

During the year we delivered over 1500 hours of training across a wide range of professional and technical courses. Professional training included consultant masterclasses and consultant and management development, as well as courses on minute taking, time management, and professional writing and presentation skills. Technical training courses included actuarial and Pensions Management Institute courses and in-house actuarial training. We also provided training to our finance, systems and marketing staff.

We recently introduced a Leadership Development programme for our key talent, comprising a challenging two-day course to facilitate the development of current and future leaders.

### Wellbeing

The Board acknowledges the duty of care it owes to all staff and those who come into contact with the Group.

We are developing a wellbeing programme that focuses on mental health as well as physical health. We are working to reduce stigma and discrimination about mental health in our workplace by updating and implementing policies in relation to this.

We have focused on creating an environment within which our people can thrive. Our business is predominantly office based, and we have designed our working environments to be comfortable and safe. Where work is undertaken at locations outside of our immediate control, we undertake risk assessments in order to further ensure the wellbeing of our staff.

There is a fast pace of change at XPS and we have focused on staff engagement and building trust through our values and shared purpose.

### Annual greenhouse gas emissions

Fiscal year 2018/2019	tCO <sub>2</sub> e
Total scope 1 emissions	115.8
Total scope 2 emissions	428.8
Total scope 1 + scope 2 emissions	544.6
Revenue (£m)	109.9
Emissions intensity (tCO <sub>2</sub> e/£m)	4.96

Reporting follows the requirements of the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013, is in line with ISAE 3410, and uses conversion factors published by DEFRA.

### Employee engagement

Our annual engagement survey took place in September, attracting an 83% response rate. The results provided an insight into how colleagues feel about working at XPS. There was a great deal of positive feedback as well as some suggestions for improvement, which we have incorporated into local and company-wide action plans. For example, more communication on the strategic direction of the business, more channels for staff engagement, improved Maternity policy, the introduction of an Agile working policy, a new sabbatical policy and a new promotions process has been communicated and implemented.

### Retention and career progression

XPS has a Performance Share Plan for key employees – defined as those that have been identified as likely to significantly impact the growth of the firm or manage a large client relationship or function.

### Investing responsibly for clients

We advise pension schemes on suitable investment strategies to meet their short, medium and long-term objectives. As part of this, we work with our clients to incorporate their specific requirements on Responsible Investing in their strategy.

We believe that integrating environmental, social and governance factors into the investment process is an essential part of risk management, leading to better-informed investment decisions. We also consider the stewardship of underlying investments including proxy voting and engagement to be of fundamental importance. To reflect this view, we have incorporated ESG criteria within our research process and require that the funds we recommend to our clients incorporate an appropriate minimum level of ESG integration and stewardship within their investment process. We are reviewing wider reporting around ESG recognising sustainable development goals.

### Supporting communities and charities

Giving back to society and our local communities is important to us, and we encourage employee involvement in raising awareness and being involved with fundraising and volunteering.

We have partnered with the Mental Health Foundation as our corporate charity partner as we want to raise awareness of good mental health with all our stakeholders, and also fundraise to assist the charity in its mission. We also support Children in Need, Macmillan and Crisis.

In addition to company-wide initiatives, our local offices also support charities in their areas to enable colleagues to help with community causes close to their hearts such as Newcastle West End Food Bank, Julian Trust, Next Link and Strathcarron Hospice.

Aside from the valuable contribution to charitable causes, our fundraising work is a way of developing and strengthening relationships across the XPS network and fostering skills among our people.

### Minimising our environmental impact

The Group is committed to the protection of the environment, not just from its direct activities on site but through our use of sustainable resources, carbon management related to business travel and preventing pollution through reducing and eliminating sources of pollution. The Group seeks to influence all parties in the life cycle of its services, and create an environmentally friendly ethos amongst its staff, contractors and suppliers.

The Group has over the last year been reviewing its activities and operations in order to identify/evaluate environmental aspects and impacts, initially concentrating on the area where it believes it can have the largest impact- energy usage. This work has supported the development of an Environmental Management System (EMS) that is being designed to ultimately deliver certification to ISO14001, with the consultancy Blackmores supporting this work.

These initiatives are supported by the Group's Audit and Risk Committee, with the Head of Risk responsible for their delivery.

## Non-financial Information Statement

Reporting requirement	Policies and standards which govern our approach	Information necessary to understand our business and its impact, policy due diligence and outcomes
<b>Environmental matters</b>	Environmental statement <sup>1</sup>	Helping the transition to a sustainable low-carbon economy, see <b>page 26</b>
<b>Employees</b>	Recruitment & Selection Policy Equality and Diversity Flexible Working Policy <sup>1</sup> Harassment and Bullying Prevention Policy <sup>1</sup> Grievance Policy <sup>1</sup> Health and Safety Policy <sup>1</sup> Agile Working Guidelines Policy <sup>1</sup> Family Friendly Policy <sup>1</sup> Sabbatical Policy <sup>1</sup>	Reflecting the needs of our stakeholders: Colleagues, see <b>pages 24-26</b> Diversity, see <b>pages 25 and 48</b>
<b>Respect for Human rights</b>	Data Privacy Policy  Modern Slavery Information and Cyber Security Policy <sup>1</sup>	Reflecting the needs of our stakeholders: Suppliers, see <b>pages 24 and 34</b>
<b>Social matters</b>	CSR Policy <sup>1</sup>  Vulnerable Customer Policy <sup>1</sup>	Reflecting the needs of our stakeholders: Clients, see <b>pages 24-26</b>
<b>Anti-corruption and anti-bribery</b>	Bribery and Gifts Policy <sup>1</sup>  Whistleblowing Policy <sup>1</sup>  Financial Crime Policy <sup>1</sup>	Reflecting the needs of our stakeholders: Clients, see <b>pages 24-26</b> Reflecting the needs of our stakeholders: Colleagues, see <b>pages 37 and 51</b>
<b>Description of principal risks and impact of business activity</b>		Helping the transition to a sustainable low-carbon economy: Risk management, see <b>page 32</b> Risk overview 2019 themes, see <b>page 32</b> Our principal risks, see <b>page 33</b>
<b>Description of our business model</b>		Our business model, see <b>pages 8-9</b>
<b>Non-financial key performance indicators</b>		Operating responsibly for our stakeholders, see <b>pages 24-26</b> Our strategic priorities, see <b>pages 12-13</b>

<sup>1</sup> Certain Group Policies and internal standards and guidelines are not published externally.

<sup>2</sup> The policies mentioned above form part of the Group's Policy Framework which is founded on key risk management principles. The policies which underpin the principles define mandatory requirements for risk management. Robust processes and controls to identify and report policy outcomes are in place and were followed in 2018.

# A year of consolidation



**Mike Ainslie**  
Chief Financial Officer

The financial results for 2019 include, for the first time, a full year of the acquired Punter Southall (PS) businesses as well as five months of the administration business bought from Kier. We sold our Healthcare business in the year and the results of that business are therefore excluded from the results of our operating activities.

During the year we were busy integrating the PS businesses. This required us to scale up our central functions to appropriately support a business of twice the size. We accelerated the integration timetable so that, by year end, for the majority of the activities, we have been able to come off the Transitional Services Agreement, an arrangement that provided support from Punter Southall Group, which was put in place at the time of the acquisition to cover the period to 11 January 2020. This made sense for the business as it enables us to run the business as one and to use common processes across our wide range of support functions including Legal, Compliance, Finance, HR and IT.

## Underlying business

The table below shows the revenue by business line. The 2019 results are compared to the actual 2018 results which only included PS businesses for the period 11 January 2018 (acquisition) to 31 March 2018. The 'pro-forma' column provides a comparison on a like-for-like basis as if we had owned the PS businesses for the full year in 2018.

The Pensions business, being our largest business, was the business most affected by the integration activities and that combined with a lack of large-scale projects meant that, on a pro-forma basis, the business slipped back by 2% compared to the previous year. No large clients were lost and indeed several new clients were won, particularly in the final quarter, which gives good optimism for 2020. We also expect to see the volume of project work increase again.

Revenue  
**£110m**

(2018: £63m)

Profit before tax  
**£11m**

(2018: 3.3m)

Adjusted diluted earnings per share  
**9.8p**

(2018: 8.3p)

	2019 £'m	2018 £'m	2018 Pro-forma £'m	2019 to 2018 Pro-forma change %
Revenue				
Pensions	56.8	37.6	58.1	(2)
Administration	37.5	13.7	32.7	15
Investment	8.1	5.0	7.0	16
SSAS/SIPP	6.1	5.4	5.4	13
NPT	1.4	1.0	1.0	40
<b>Total Revenue</b>	<b>109.9</b>	<b>62.7</b>	<b>104.2</b>	<b>5</b>



## Outside of the pensions business the remainder of the firm's activities all saw a year of strong growth.

Outside of the pensions business the remainder of the firm's activities all saw a year of strong growth.

The Administration business grew by 15% buoyed by the full year impact of a large first time outsourcing project completed during 2018 and continued underlying growth. In addition, £2.2m of revenue was added from the Kier acquired business which accounts for circa 7% of the 15% growth.

The Investment business continued to grow with a number of new wins in the period including the mandate for a £1bn client which would have been outside the reach of the old Xafinity or PS businesses.

The SSAS/SIPP business also grew by 13% benefitting from rate increases and NPT grew by 40% with assets now at £464m.

### M&A activity

#### Kier pensions administration acquisition

The business and assets were purchased for £3.5m, funded out of operating cash flow. The acquisition created intangible assets of £3.1m, which will be amortised over 10 years.

The operating results of the acquired business are included in the income statement for the period 1 November 2018 to 31 March 2019 and amount to revenue of £2.2m and profit before tax of £0.7m.

### Healthcare sale

The Healthcare business was sold to Punter Southall Group for £1.2m on 30 September 2018. The gain on the sale of the business was £1.2m and has been recognised in the income statement within 'profit on discontinued operations'.

The profit before tax from the Healthcare business activities in the period from the start of the financial year to the time of sale amounted to £0.2m which arose from revenue of £0.4m and expenses of £0.2m. This also appears in the income statement under 'profit from discontinued operations'. In the full year to 31 March 2018 the Healthcare business had revenue of £1.0m, and profit of £0.7m.

The table below shows the impact of the acquisition and disposal on our results.

### Financial Highlights

	Revenue 2019 £'m	Revenue 2018 £'m	Revenue growth %	Profit before tax 2019 £'m	Profit before tax 2018 £'m	Profit after tax 2019 £'m	Profit after tax 2018 £'m
XPS	107.7	62.7	71.8	10.7	3.3	9.8	2.2
Kier post acquisition	2.2	-	-	0.7	-	0.6	-
Total continuing operations	109.9	62.7	75.3	11.4	3.3	10.4	2.2
Healthcare pre disposal (2018 = 12 months)	0.4	1.0	N/A	0.2	0.7	0.1	0.5
Healthcare gain on disposal	-	-	-	1.2	-	1.0	-
<b>Total including discontinued operations<sup>1</sup></b>	<b>110.3</b>	<b>63.7</b>	<b>73.2</b>	<b>12.8</b>	<b>4.0</b>	<b>11.5</b>	<b>2.7</b>

<sup>1</sup> Discontinued operations here excludes the HR Trustees business, disposed of in January 2018, from the 2018 results. As it is not included here this table does not tie directly back to the statement of comprehensive income in the Financial Statements.

## Financial Review continued

### Exceptional items

The acquisition of the Kier Pensions Unit and Healthcare disposal required us to incur fees of £0.7m for advisors and other related costs. We incurred £3.1m of one-off costs in relation to the integration of the Punter Southall pensions business, through a mixture of restructuring and dual-running costs. In 2018 there were exceptional costs of £4.4m, of which £3.7m related to acquisition-related costs of the PS transaction.

### Earnings per share

The Basic EPS for 2019 is 5.7p (2018: 7.7p). Adjusted EPS in 2019 is 9.8p (2018: 8.3p) an increase of 18%. The reconciliation of the profit used in the adjusted EPS to the statutory profit measure can be found in note 6 to the Financial Statements. Adjusted profit excludes exceptional costs and non-cash costs such as share-based payment costs, acquired intangible amortisation and fair value adjustments to contingent consideration, so gives a better view of underlying performance.

### Dividend

A final dividend of 4.3p is being proposed by the Board (2018: 4.2p). The final dividend, if approved, which amounts to £8.8m (2018: £8.8m), will be paid on 26 September 2019 to those shareholders on the register on 30 August 2019.

### Cash flow and cash position

At 31 March 2019, the Group had £5.5m (2018: £9.4m) of cash balances and generated £15.5m (2018: £10.5m) of cash from its operating activities. This, combined with an £80m committed financing facility until December 2022, of which £57.3m is drawn at year end, mean the Group is well placed to meet future working capital cash requirements.

The Group had net cash outflows from financing activities of £11.4m driven almost entirely by the dividends paid of £13.2m (2018: inflow of £84m caused by £66.9m proceeds from the issue of share capital relating to the Punter Southall acquisition, the drawdown of new bank facilities of £41.1m, the repayment of bank borrowings of £19.3m and associated finance costs of £0.8m, less dividends paid in the year of £3.8m).

The Group had net cash outflows from investing activities of £8.0m (2018: £89.9m). This arose from £4.9m in respect of payments relating to the Kier transaction and the prior year Punter Southall Holdings Limited acquisition, £2.5m related to the purchase of software and tangible assets, and a £1m increase in other cash balances. (2018: £88.9m in respect of the acquisition of Punter Southall Holdings Limited and its subsidiaries, and £1m for purchase of software).



## Financing

The existing committed loan facility from HSBC and Bank of Ireland, totalling £80m, remains in place. At year-end the facility was £57.3m drawn (2018: £55.8m). Outside of further M&A activity we expect that balance to reduce during 2020. The facility matures in December 2022 and along with the healthy cash conversion from the business we are well placed to cover our working capital needs going forward.

Net interest and financing costs totalled £1.6m (2018: £1.5m). Net debt at year end stood at £51.7m with net debt to pro-forma adjusted EBITDA of 1.79x (the pro-forma measure is calculated by taking the Kier acquisition impact for a full year).

The margin on the facility is now 1.75% (previously 1.50%) over LIBOR.

## Going concern

Details on the Directors continuing to adopt the going concern basis in preparing the Financial Statements can be found in the Viability statement in the Directors' Report on page 90.

## Capital expenditure

Capital expenditure remains low and for 2019 was £2.6m (2018: £1.3m), again driven by software purchases and development and investment in facilities and IT related tangible assets.

## Statement of financial position

At 31 March 2019 the Group had net assets of £156.46m (31 March 2018: £153.4m). The increase is principally driven by the acquisition of the Kier Pensions Unit, the generation of profit after tax in the period of £11.5m net of an interim dividend paid of £4.7m.

## Subsidiary undertakings

The subsidiary undertakings of the Group in the year are listed in note 38 to the Financial Statements.

## Significant accounting matters

### IFRS 15

IFRS 15 Revenue from contracts with customers was adopted in the financial statements with an effective date of 1 April 2018. Following a review in the previous year, the Group had identified that this standard would impact fixed fees, particularly those relating to the triennial valuation exercises carried out for clients. Details of the impact of the implementation of this standard can be found in note 1 to the Financial Statements.

### IFRS 9

IFRS 9 Financial Instruments was also adopted into the financial statements this year with an effective date of 1 April 2018. The impact of this standard on the Group is immaterial, as the Group's current policies and processes were largely in line with this new standard already. The main difference for the Group has been to include a consideration of the expected credit loss (ECL) on debtor balances when reviewing provisions required by the Group.

## IFRS 16

We completed a review of our activities to consider the impact of IFRS 16 Leases on reported performance of the Group. This standard requires that all building leases are reclassified from operating leases to finance leases. This will mean that while the overall profit impact for the Group is immaterial, EBITDA for the Group will increase by over £2m due to the removal of rent charges from the Statement of Comprehensive Income and the inclusion of additional depreciation and interest charges for the new finance leases. The Group will see an increase in its non-current assets of £6.6m at 31 March 2020, offset with an increase in lease liabilities of £6.7m.

## Adjusted numbers

We continue to show 'adjusted' numbers in our results. The 'adjusted' concept ignores exceptional items, the amortisation of acquisition intangible assets as well as share-based payment costs. The figure is key to defining our dividend policy. The amounts are clearly disclosed in note 6 of the Financial Statements. This alternative performance measure may not be similar to those defined by other entities.



**Mike Ainslie**  
Chief Financial Officer  
26 June 2019

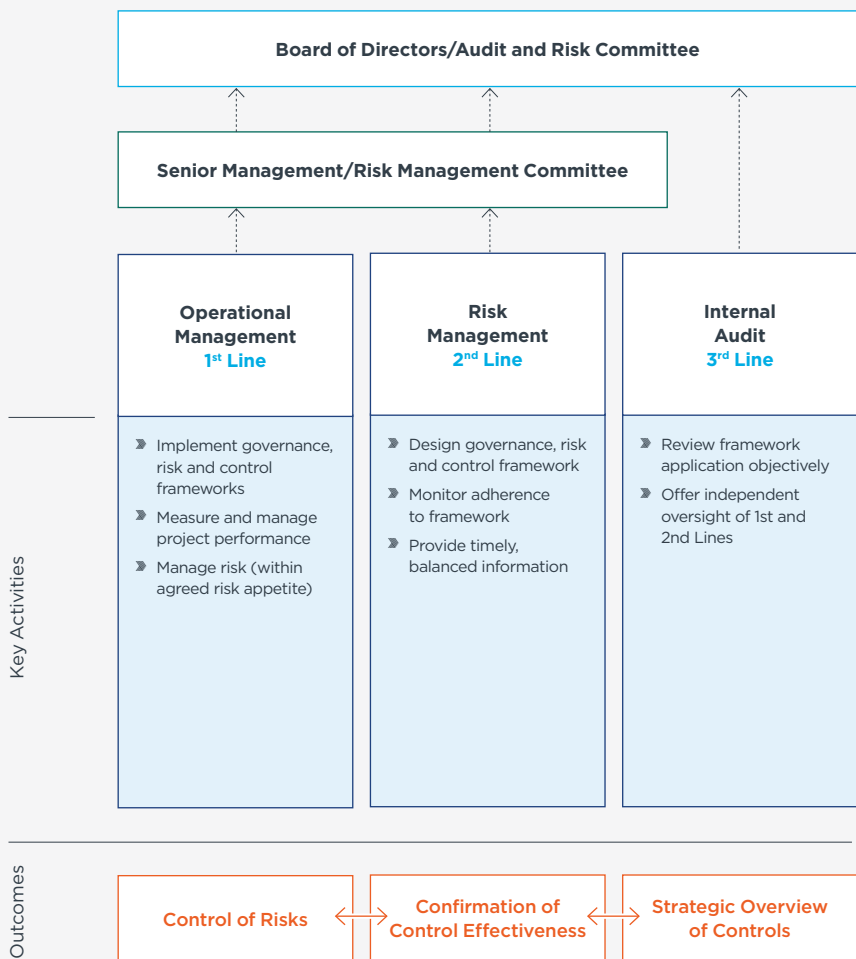
## Principal Risks and Uncertainties

The Group recognise the need to take risk to help its customers achieve their objectives and achieve commercial success – seeking to take risk where it has the skills to exploit that risk and can manage it within risk tolerance. It avoids risk where it sees it as unrewarded or it cannot be well managed or understood.

We have continued to develop the risk management capabilities within the Group, including the recruitment of a new Head of Risk who has worked with senior management to combine the best practices from the legacy businesses and introduce a new unified risk framework. This new framework provides clarity on governance as well as processes for ongoing risk assessment, reporting, monitoring and review.

The Group has also formalised its three lines of defence model which supports the promotion of effective risk management and prevents risk taking that exceeds the business's appetite.

### Risk Management Framework



The Board, with the support of the Audit and Risk Committee, have identified the principal key risks that may impact the Group's ability to achieve its objectives, agreeing individual risk appetites for each of these, as well as the key controls.

## The Principal Risks

Principal Risk	Description	Key Mitigations
<b>Strategy</b>	Risks linked to the assumptions of future development and size of pensions market used to develop the strategy or business model or business portfolio, e.g. poor data, group think, lack of diversity of opinions.	<p>The Board approves and regularly reviews the Group's strategy in conjunction with budgets, targeting long-term increases in shareholder value and ensuring robust independent challenge.</p> <p>Key decisions are assessed against risk appetites for key Group risks with a Risk Management framework in place to identify and escalate where strategic decisions may have unintended impacts.</p>
<b>Strategic Planning and Execution</b>	Risks linked to assessing, evaluating, planning and executing the strategy, e.g. poor budgeting and planning, inadequate or misleading communications, poor management of change or projects.	<p>The Board regularly reviews the Group's strategy, supported by the Executive with responsibilities assigned for the delivery of initiatives and provision of regular progress updates.</p> <p>Specific project management resources are used to deliver large-scale change initiatives, allowing risks to delivery of initiatives to be clearly identified at planning stage along with mitigations.</p>
<b>Errors</b>	Risks relating to material mistakes made by staff, including the non-compliance with established procedures, e.g. failure to calculate benefits correctly, not following peer review processes.	<p>The Group recruitment process ensures only high-calibre staff are recruited who are then supported by training programmes, standardised documented processes and checklists for key processes.</p> <p>Higher risk work is identified with peer review and additional signoff required, with regular quality audits to confirm processes are being followed correctly.</p> <p>Insurance arrangements are in place to limit the loss should an error occur, with root cause analysis used to identify where controls can be improved.</p>
<b>Theft and Fraud (Financial, Physical Assets)</b>	Risks relating to the safeguarding of Group and Client financial and physical assets from malicious actors, e.g. stealing physical assets, deliberate misrepresentation leading to fraud, theft from Group or Client bank accounts.	<p>The Group deploys robust physical and systems access controls, along with enforcing segregation of duties to preventing individuals from making fraudulent payments or transfers.</p> <p>These controls are supported with staff training and awareness and are regularly independently audited.</p> <p>Insurance arrangements are in place to protect against larger claims.</p>

## Principal Risks and Uncertainties continued


### The Principal Risks continued

Principal Risk	Description	Key Mitigations
<b>Information/ Cyber Security</b>	Risks relating to the confidentiality, integrity and availability of information assets including IT systems, e.g. unauthorised access or disclosure of staff or client information, denial of access to systems or data required, business continuity incidents caused by equipment breakdown/fire/flood.	<p>The Group has an Information Security Management System (ISMS) in place to ensure that risks are identified and managed effectively. This is supported by a range of state of the art technical controls, which are independently validated via audit and penetration tests.</p> <p>All staff are provided with comprehensive policies and guidance, with awareness of key topics reinforced with regular training initiatives, e.g. Phishing Awareness.</p> <p>The Group has a range of Business Continuity capabilities in place to minimise impact of incidents impacting the Group's data, facilities or systems. These include documented plans which are tested regularly.</p>
<b>Staff/Human Resources</b>	Risks relating to our people, e.g. compensation, retention, succession planning, skills and competence, management capability.	<p>The Group's recruitment strategy is to seek professional, experienced and qualified staff utilising robust staff recruitment and selection processes. This is supported by comprehensive training, development and performance management processes, with longer-term incentives in place to aid retention.</p> <p>Regular key staff reviews ensure succession planning is kept up to date and remains appropriate.</p> <p>Staffing requirements are considered as part of strategy and budgeting process to ensure alignment with business plans.</p>
<b>Third Party Supplier/ Outsourcing</b>	Risks relating to the use of third parties to support our operations, e.g. poor due diligence and selection processes, failure of a supplier to follow agreed upon procedures, financial failure of supplier resulting in inability to deliver service.	<p>The Group has a formal selection process that ensures due diligence is carried out, which is proportionate to the risk of the potential failure of the third party.</p> <p>The approvals and signing framework also ensures contracts include key risks relating to services provided and risks identified are managed and accepted prior to agreements being signed. This is supported by ongoing monitoring of key third parties, including SLAs and financial status.</p> <p>Where there is a reliance on a single supplier contingency plans are in place to protect against failure.</p>
<b>Client Engagement</b>	Risks relating to the provision of poor service or advice to clients, e.g. advice that is not clear, not understood by the client, poorly presented or using out of date technologies, but not errors.	<p>The Group client engagement process ensures that expectations are matched to Group capabilities.</p> <p>Regular ongoing dialogue with clients ensures that the services provided meet their requirements and continue to be appropriate to their specific needs.</p> <p>Client surveys are used to gather feedback and identify trends and insights.</p>

Principal Risk	Description	Key Mitigations
<b>Political Economic and Social</b>	Risks created by the political, economic/ financial and social environment in which we operate, e.g. war, demographic trends, Government influence on business, currency changes, market volatility, interest rates, liquidity, XPS share price.	<p>The Board regularly reviews the Group's strategy, taking into account potential short-term and longer-term changes to the business environment. They are supported by Group functions (e.g. Compliance) as well as business level technical teams who provide specialist advice on proposed changes and their potential impacts.</p> <p>The Group actively encourages staff membership of professional bodies and will lobby on key issues.</p>
<b>Competition</b>	Risks of change on demand side of business due to changes in customer demands or competitors, likely to influence entire industry, e.g. aggressive competitor pricing, consolidation trends, major technological innovation, substitute technologies. Changes may not directly affect Group but could influence entire industry.	<p>The Board regularly reviews the Group's strategy, considering and taking into account changes in the competitive landscape such as trends and new entrants. This includes regularly reviewing the pensions market and requesting feedback from clients and advisors.</p> <p>Product innovation is a key part of the Group's core strategy.</p>
<b>Legal and Regulatory</b>	Risks associated with the criminal and civil judicial processes and contract law, e.g. not identifying changes required by changes to legislation, liabilities created by contract commitments, increased litigation in a particular field, environmental impacts, and industrial accidents.	<p>The Group Compliance and Legal functions, as well as business level technical teams, support the business with specialist expertise on new and existing requirements. This is supported by regular staff training, with awareness initiatives in place for new developments. Expert teams are in place to manage specialist risks, e.g. H&amp;S.</p> <p>The Approvals and Signing framework ensures that the correctly authorised individuals are involved in the approval and sign off on non-standard contracts, with appropriate insurance cover in place.</p>
<b>Business Conduct and Reputation</b>	Risks that could lead to a breach of acceptable conduct or ethics and/or impact the Group's brand, image or reputation, e.g. inadvertent use of child labour in supply chain, failure to ensure services are appropriate for client's needs, discrimination, poor response to a cyber incident.	<p>The Group's Mission, Vision and Values clearly set out the tone from the top, highlighting to all staff the conduct and ethics that are expected of them at all times. This is supported by a recruitment strategy that seeks professional, experienced and qualified staff who fit with the Group's values.</p> <p>Due diligence of third parties considers supply chain risks, ensuring that only suppliers that comply with their legal obligations are selected.</p> <p>The Group have an Incident Management processes in place to ensure that it is able to effectively respond to significant events that could impact its brand or reputation, which are regularly tested.</p>

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks are those listed above.

The Directors confirm in the Directors' Responsibility Statement on page 86 that they consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. This Report has been approved by the Board and signed by order of the Board:



**Paul Cuff**  
Co-Chief Executive Officer  
26 June 2019



**Ben Bramhall**  
Co-Chief Executive Officer  
26 June 2019

## Chairman's Governance Overview

I am pleased to introduce the Governance Report for 2018/19, our first full financial year as XPS Pensions Group following the acquisition of the Punter Southall pensions businesses.

**Tom Cross Brown**  
Chairman



### Our improved Board

We were delighted to announce the appointment of Sarah Ing as an independent Non-executive Director. Sarah is a qualified chartered accountant and brings 30 years of experience in financial services including audit, corporate finance, investment banking and asset management.

Snehal Shah has joined the Company and will replace Mike Ainslie as the new Company CFO and Executive Director of the Board subject to FCA approval. Snehal has over 20 years of experience in finance, investor relations, M&A execution and post deal integration which fits perfectly with the strategic direction of the Company. Snehal's investor relations experience will also be invaluable to the Board and the Executive team. We look forward to the challenge and new ideas that Sarah and Snehal's skill set and experience will allow them to bring to the Board. We have also brought the Company secretarial function in-house with the appointment of Zoe Adlam as our General Counsel and Company Secretary.

As a result of the changes required by the 2018 UK Corporate Governance Code (2018 Code), John Batting and Jonathan Bernstein have stepped down from the Board to focus on their respective senior leadership roles in the business. On behalf of the Board I would like to thank Mike, John and Jonathan for their contribution to the Board.

The above Board member changes improve governance structures and the balance of skills, independence and expertise on the Board. The Board is committed to developing governance structures through structured succession planning and appropriate recruitment processes.

Following the new appointments the Board has taken the opportunity to review and improve the induction plan for Board members. The scope of the induction has been expanded to include meetings with employees at various levels and locations within the business. A new schedule of training for Board members has also been put in place. We hope that a solid induction and training process together with our existing board effectiveness evaluation process will continue to drive improvement across the Board and the business.

### Governance in action

New Non-executive Director  
Induction Plan

*"As part of the induction process I met with key individuals at XPS including both Board members, other individuals and senior executives across different business functions. This not only allowed me to gain a more detailed understanding and different perspective of the business but also confirmed my confidence in the high quality of people throughout the Group."*

**Sarah Ing**  
Non-executive Director

### Statement of compliance with the UK Corporate Governance Code

The 2016 UK Corporate Governance Code (the '2016 Code') applied to the Group's 2018 financial year. The Code is publicly available at [www.frc.org.uk](http://www.frc.org.uk). The Company has applied all of the main principles of the Code as they apply to it as a 'smaller company' (defined in the 2016 Code as being a company below the FTSE 350) and has complied with all relevant provisions of the Code throughout the financial year. The Group has been subject to the provisions of the 2018 Code since 1 April 2019, and will report on this basis next year.

The Company's governance structure has been reviewed and improved following the acquisition of Punter Southall; and also to ensure compliance with the 2018 Code which has applied to the Company from 1 April 2019. A gap analysis was conducted with support from external advisers and a plan was agreed with the Board in relation to the changes required. Progress is regularly reviewed at Board meetings.

#### Culture and workforce engagement

We mentioned in the last Governance Report that there was a need to ensure that a corporate governance framework was embedded into the enlarged business post acquisition. Transparency, accountability and challenge were identified as key requirements of the new business culture and values. So much work has been done in this area over the last year. The roll out of the new Company values was a real success and will underpin a number of new initiatives that aim to promote a culture of integrity, openness and diversity. The results from a recent employee survey are mentioned on page 26, but from a governance and employee engagement perspective were very pleasing. A new Diversity, Equality and Inclusion Working Group is up and running. Margaret Snowden OBE attends these meetings and regular updates are provided to the Board. The Company is also a member of the UK 30% club, further details can be found on page 25. An external whistleblowing hotline has been put in place in order to promote transparency and accountability.

The Board is also considering with the Company's brokers a plan for wider stakeholder engagement.

In the report to shareholders that follows, we have included a description of how the Company has applied the main principles of the 2016 Code, and complied with all its relevant provisions, throughout the financial year. It should be noted that a number of changes have already been made in light of the 2018 Code which has applied to the Company from 1 April 2019 and will be reported on more fully next year.



**Tom Cross Brown**  
Chairman  
26 June 2019

## Board of Directors

The Board is composed of eight members, including the Chairman, three Executive Directors, three independent Non-executive Directors and one other Non-executive Director.



**Tom Cross Brown**

Independent Non-executive Chairman  
**Appointed:** January 2017

Tom Cross Brown was independent upon appointment as Chairman of XPS in January 2017. Until 2003, he was Chief Executive Officer of ABN AMRO Asset Management. Prior to joining ABN AMRO Asset Management in 1997, he spent 21 years at Lazard Brothers & Co., Limited, latterly as Chief Executive Officer of Lazard Brothers Asset Management from 1994 to 1997. Tom was Non-executive Chairman of Pearl Assurance plc from 2005 to 2009 and of Just Retirement Group from 2006 to 2016. Tom was a Non-executive Director of Artemis Alpha Trust plc and a Non-executive member of the management committee of Artemis Investment Management LLP from 2006 until 2018. Tom is Chair of the Nomination Committee of XPS Pensions Group plc and was a member of the Audit and Risk Committee and the Remuneration Committee for the financial year but has stepped down as a member of the Audit and Risk Committee for the new financial year.



**Paul Cuff**

Co-Chief Executive Officer  
**Appointed:** October 2016

Paul Cuff is a qualified actuary with over 20 years of experience in the pensions industry. Paul was a partner at KPMG for 8 years, and joined XPS in October 2016. Immediately prior to joining XPS, Paul was head of the KPMG London pensions team, where he was instrumental in growing the London pensions business. Paul is primarily responsible for raising the profile of XPS in the market and generating new business. This covers both growing the client base in the Group's traditional service areas and the development of new service offerings to help clients meet the challenges they face as the market evolves. Paul is also responsible for the Group's strategy with regard to acquisitions and investment, including, for example, the development of technology.



**Ben Bramhall**

Co-Chief Executive Officer  
**Appointed:** April 2014

Ben Bramhall is a senior actuary with around 20 years of experience in the pensions industry and advises a wide range of pension scheme trustees and sponsoring employers on all matters relating to pension provision. Ben joined XPS in April 2014, and is primarily responsible for the day-to-day operations of the business. This covers the provision of services to XPS's existing clients, revenue generation and the Group's people agenda. Since joining XPS, he has played a key role in the development and implementation of the strategy for XPS as well as the hiring of key staff and development of new services and infrastructure. Ben joined XPS from KPMG in London where he played a key role in its development from a small team to one of the leading providers of corporate pensions advisory services.



**Snehal Shah**

Chief Financial Officer  
**Appointed:** On date upon which FCA approval is received

Snehal Shah is a Chartered Accountant with over 20 years of experience in finance, investor relations, M&A execution and post deal integration. Snehal spent 10 years in the early part of his career with PwC, specialising in complex audits of US and UK listed technology businesses. He joined Ladbrokes plc in 2009 where he held a number of senior finance roles including Group Financial Controller, Head of Investor Relations and Finance Director for Integration following the £2bn merger with Coral Group in 2016. Since leaving Ladbrokes Coral plc in 2017, Snehal has held senior interim finance roles at Parkdean Resorts Ltd and Countrywide plc.



**Jonathan Punter**

Non-executive Director  
**Appointed:** January 2017

Jonathan Punter is the Punter Southall Group's Chief Executive Officer and one of the founders of the Punter Southall Group which sold Punter Southall Holdings Limited and its subsidiaries to XPS in January 2017. Jonathan began his actuarial career with Duncan C Fraser & Co, where he became a partner, prior to the company being acquired by William M Mercer. He has 40 years of experience in the actuarial profession, with particular expertise in the areas of UK pensions and investment strategy. Jonathan is also a Non-executive Director of the River & Mercantile Group.



## Key to Committees

**I** Independent

**A** Member of  
Audit & Risk  
Committee

**R** Member of  
Remuneration  
Committee

**N** Member of  
Nomination  
Committee

**Chair of Committee**

**F** Financial Expert



### Alan Bannatyne

Senior Independent Non-executive Director

**Appointed:** January 2017

Alan Bannatyne is a Chartered Accountant. After qualifying with Deloitte & Touche, Alan was Commercial Manager of Primecom and then Financial Director of Foresight, both subsidiaries of Primedia, a listed South African Media Group. Alan joined Robert Walters plc as Group Financial Controller in September 2002 and was appointed to the board of Robert Walters plc as Group Finance Director in March 2007. He is Chair of the Audit and Risk Committee of XPS Pensions Group plc, and a member of the Remuneration and Nomination Committees. Alan is recognised as having recent and relevant financial experience.



### Sarah Ing

Independent Non-executive Director

**Appointed:** May 2019

Sarah Ing is a Chartered Accountant with 30 years' experience in financial services including audit, corporate finance, investment banking and asset management. During her executive career, she was a top-rated equity research analyst covering the UK general financial services sector and also founded and ran a hedge fund investment management business. Sarah is also Non-executive Director at CMC Markets plc, the FTSE Small Cap UK-based global provider of online retail trading, where she chairs the Group Risk Committee. Sarah is a member of the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee of XPS Pensions Group plc. Sarah is recognised as having recent and relevant financial experience.



### Margaret Snowdon OBE

Independent Non-executive Director

**Appointed:** January 2017

Margaret Snowdon OBE is a pensions professional and experienced Non-executive Director. Margaret is a Non-executive Director of the Pensions Regulator and a Non-executive member of the Phoenix Group With Profits Committee. She also serves on the Advisory Board of Moneyhub Financial Technology Limited. Margaret previously held partner and director level positions with leading employee benefit consultancies. Among her many voluntary roles within the pensions industry, Margaret is Chair of the Pension Scams Industry Group and was Chair of the Pensions Administration Standards Association until the end of 2018 when she became their first honorary president. Margaret was appointed an OBE in 2010 and has received many awards for her contribution to pensions.

## Former Board Members that served during the year under review



### Mike Ainslie

Former Chief Financial Officer

**Tenure:** October 2015 – June 2019

Mike Ainslie is a Chartered Accountant who, on leaving the profession, spent 18 years in Corporate Banking working for a US Bank. His roles included Head of Audit, CFO and COO for the Bank's International operations. Mike worked for 10 years as CFO or COO for a number of fast growing companies owned by private equity or other investment firms, covering industries including Life Insurance; Anti-Money Laundering Due Diligence; Offshore Company Formation and Administration and Social Media Analytics (SaaS). Mike joined XPS Pensions Group plc in October 2015 and as CFO, Mike was responsible for the finance, legal and compliance functions. Mike will leave XPS on 30 June 2019 as announced in November 2018.



### Jonathan Bernstein

Former Executive Director,  
Chief Operating Officer

**Tenure:** June 2015 – April 2019

Jonathan Bernstein is a senior actuary with over 25 years of experience in the pensions industry. He joined XPS in June 2015 and was made Head of Pensions at XPS in January 2016 until April 2019 when he became Chief Operating Officer. Prior to joining XPS, Jonathan was a senior partner at Mercer, UK. He has extensive experience of operational management, having run Mercer's Tower Retirement Unit for approximately five years before taking on a regional management role. His last role at Mercer was as UK Chief Actuary where Jonathan managed commercial risks across Mercer's Retirement Consulting business as well as leading on all aspects of professionalism and quality for approximately 500 qualified and trainee actuaries. Jonathan stepped down from the Board of XPS Pensions Group plc effective from 1 April 2019 and remains with XPS as Chief Operating Officer.



### John Batting

Former Executive Director

**Tenure:** January 2017 – April 2019

John Batting was CEO of Punter Southall Ltd between 2004 and 2018, and he was one of the four founders of BGJ & Co Limited, an actuarial consulting business which was established in 1993 and subsequently merged with the Punter Southall businesses in 2002. He is a Scheme Actuary with over 38 years of experience in the actuarial profession, providing pensions and investment advice to both pension scheme trustees and sponsoring employers, and has acted as an expert witness on pension matters. John stepped down from the Board of XPS Pensions Group plc effective from 1 April 2019, and remains with XPS as a Senior Actuary.

## Executive Committee



**Zoe Adlam**  
General Counsel and Company Secretary

Zoe is General Counsel, she is responsible for ensuring that the legal and compliance needs of the Group are met. Zoe has significant in-house experience as trusted corporate advisor and Company Secretary, and whilst in private practice advised on corporate and financial transactions. Zoe is also Company Secretary at XPS.



**John Batting**  
Senior Actuary

John was CEO of Punter Southall Ltd between 2004 and 2018. He was one of the four founders of BGJ & Co Limited; an actuarial consulting business which was established in 1993 and subsequently merged with the Punter Southall businesses in 2002. John is a Scheme Actuary with over 40 years of experience in the actuarial profession; providing pensions and investment advice to both pension scheme trustees and sponsoring employers, and has acted as an expert witness on pension matters.



**Jonathan Bernstein**  
Chief Operating Officer

Jonathan is Chief Operating Officer, he is responsible for the central functions of XPS including HR, IT, Marketing and Risk, as well as more general operational matters across the firm. A key aspect is ensuring that XPS operates consistently, effectively and efficiently in a coordinated manner across key business lines including Pensions and Administration. As well as business leadership, he is also involved with major client relationships and holds Scheme Actuary appointments.



**Rachel Gillion**  
HR Director

Rachel is HR Director, she is responsible for the HR function encompassing a headcount of 1,111 across 15 UK sites. Rachel has significant experience of developing and implementing HR and People strategies whilst delivering effective HR team management. Rachel is solutions focused and has a proven track record of managing multiple projects, for example, TUPE, M&A and Reward programmes competently. Rachel has excellent interpersonal and relationship management skills.



**Patrick McCoy**

Head of Advisory

Patrick leads the XPS Advisory business which comprises pensions (actuarial), investment and covenant. Joining the Advisory structure across all our disciplines, and using our market-leading technology 'Radar', means we are innovative, practical and cost-effective. Patrick has created an environment where XPS develops well thought through solutions to help our clients solve their pensions challenges. He continues to advise clients from £100m to £5bn on the full range of investment issues and is known for explaining complex issues clearly, helping clients make effective investment decisions. Prior to taking on this role, Patrick led XPS Investment. Before joining XPS, Patrick was a Partner at KPMG where he built and led the Investment Advisory practice.



**Wayne Segers**

Head of Transactions

Wayne is Head of Transactions and is committed to helping XPS clients reach fair, good value pension outcomes in deals or restructuring situations. He also provides ongoing advice to companies, helping them manage cost and risk in their pension schemes. Having helped companies and trustees work together to set strategy – and seen the consequences when this breaks down – Wayne is passionate about finding ways for parties to work collaboratively to achieve good outcomes.



**Richard Thomas**

Group Strategy Director

Richard is Group Strategy Director. He created and led Punter Southall's administration business between 2007 and 2018. Richard has a strong commercial background, having previously been a Director of a global management consultancy, and a policy official at HM Treasury. Richard is responsible for leading XPS Group's M&A activity.



**David Watkins**

Managing Director of Administration

David is Managing Director of XPS Administration and has over 30 years' experience within the pensions administration sector, with notable success in growing the client base and revenue, the consistent delivery of services and the subsequent creation of an offering focused on high-quality administration and member/client experience. He has also overseen the introduction of multiple systems and new technologies that have enhanced the efficiency and effectiveness of XPS' administration offering. David has led the development of the administration business, building a strong and highly capable senior team and business which now administers pensions for over 870,000 pension scheme members from across the network of offices in the UK.

## Group governance framework

### Board composition and independence

The Board is composed of eight members, including the Chairman, three Executive Directors, three independent Non-executive Directors and one other Non-executive Director.

### New members



Sarah Ing was appointed as an independent Non-executive Director with effect from 17 May 2019. Sarah brings to the Board 30 years' experience within financial services including audit, corporate finance, investment banking and asset management.



Snehal Shah was appointed as an Executive Director, in line with his appointment as Chief Financial Officer, effective June 2019, subject to FCA approval. Snehal brings to the Company and the Board 20 years' experience in finance, investor relations, M&A execution and post-deal integration.

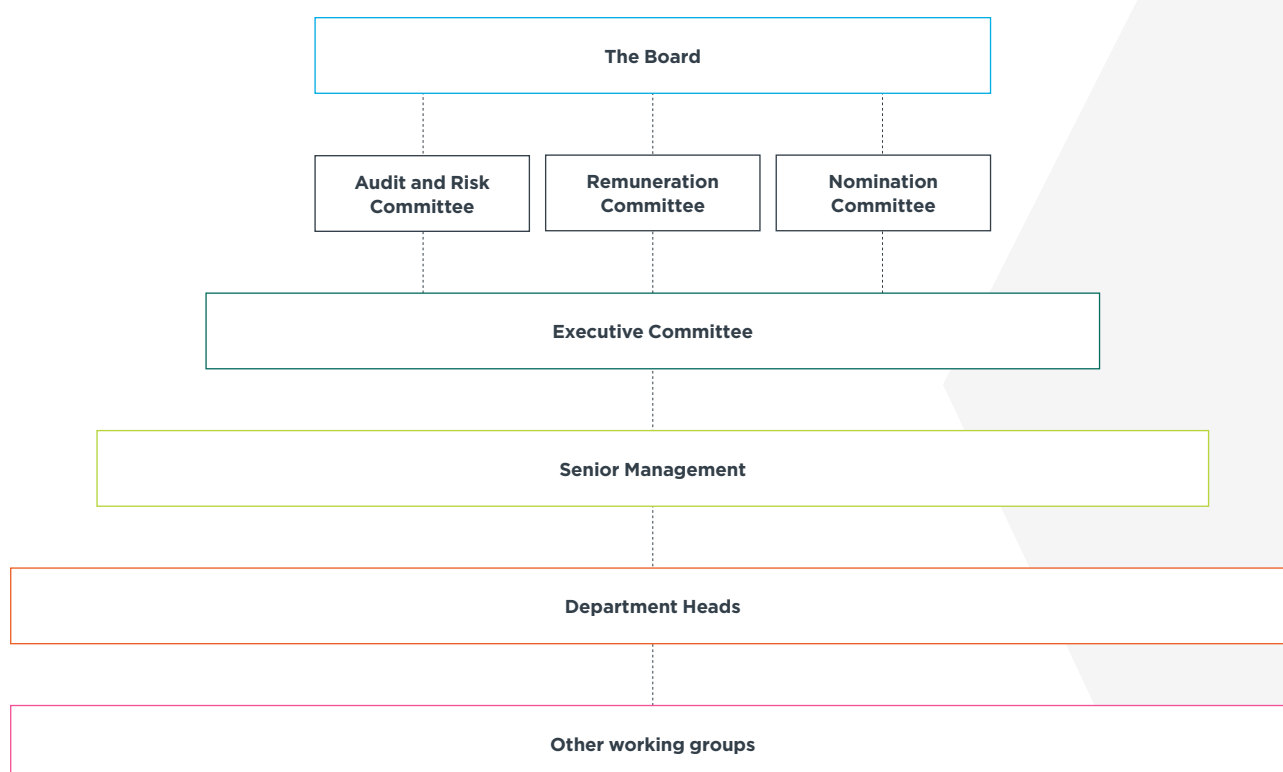
The Company complies with the provisions of the Code for smaller companies below the FTSE 350 which requires the composition of the Board of directors of a UK listed company to include at least two independent Non-executive Directors (excluding the Chairman). The Board concluded that Tom Cross Brown met the independence criteria set out in the 2016 Code on his appointment as Chairman.

The Board considers that Non-executive Directors Alan Bannatyne, Margaret Snowden OBE and Sarah Ing are each independent of management in character, judgement and opinion and are free from relationships or circumstances that could affect their judgement. One of the Non-executive Directors, Alan Bannatyne, acts as the Senior Independent Director (SID). The Board acknowledges that Jonathan Punter, as the nominated shareholder director in the Company's relationship agreement with Punter Southall Group Limited (PSGL), must therefore be considered non-independent within the meaning of the Code. The relationship agreement entered into between PSGL and the Company entitles PSGL to appoint one nominee director to the Board, for so long as PSGL holds a beneficial interest, directly or indirectly, in 10% or more of the aggregate voting rights in the Company from time to time.

The Board benefits from the wide experience of its Non-executive Directors. Biographical details of all Board members are given on pages 38-39.

## Board Committees

The Board operates in accordance with the Company's Articles of Association and has a Nomination Committee, a Remuneration Committee and an Audit and Risk Committee, with formally delegated duties, authorities and reporting responsibilities, to assist it with the direction and control of the Group. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises. Written terms of reference for each Committee are subject to annual review and periodic updating to reflect any changes in legislation, regulation or best practice. The terms of reference for the three main Board Committees are available on the Company's website at [www.xpsgroup.com](http://www.xpsgroup.com).



The Company complies with the Code provision that a UK listed company's Remuneration and Audit Committees should comprise at least three independent Non-executive Directors (including the independent Non-executive Chairman) and that its Nomination Committee should comprise a majority of independent directors. The Chairman and the two independent Non-executive Directors were members of all three committees for the 2018 financial year. Tom Cross Brown chairs the Nomination Committee, Alan Bannatyne chairs the Audit and Risk Committee and Margaret Snowden OBE chairs the Remuneration Committee. Each Chair reports on the business of their previous Committee meeting at the next scheduled Board meeting.

The Audit and Risk Committee's role is to assist the Board in discharging its oversight responsibilities by reviewing and monitoring the following: the integrity of the financial information provided to shareholders; the effectiveness of the Company's system of internal controls and risk management; the external audit process and auditors; and the processes for compliance with laws, regulations and ethical codes of practice. Further details are given in the Audit and Risk Committee report on page 49.

The role of the Remuneration Committee is to assist the Board to fulfil its responsibility to shareholders to ensure that remuneration policy and practices of the Company reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements. The Committee recommends the policy the Board should adopt on executive remuneration and, within the terms of the Directors' Remuneration Policy approved by shareholders at the AGM in September 2017, determines and agrees with the Board the levels of remuneration for each of the Executive Directors, the Company Chairman and designated senior management below Board level. Further details are given in the Remuneration Report on pages 54 to 61. The Remuneration Policy will be reviewed and shareholder approval sought at the Annual General Meeting in 2020.

### Group Executive Committee

The Co-Chief Executive Officers operate a Group Executive Committee to support them in the performance of their duties, including the development and implementation of strategy and the day-to-day operational management of the business.

The Group Executive Committee meets bi-weekly and comprises the Executive Directors, in addition to Jonathan Bernstein (Chief Operating Officer), John Batting (Senior Actuary), Zoe Adlam (General Counsel and Company Secretary), Rachel Gillion (HR Director), David Watkins (Managing Director of Administration), Patrick McCoy (Head of Investment), Richard Thomas (Head of M&A) and Wayne Segers (Head of Transactions), further details of all Executive Committee members are available on pages 40-41. The Group Executive Committee also holds monthly management calls with the senior management team comprising the heads of business lines and divisions.

### Board responsibilities and operation

The Board is focused on providing entrepreneurial leadership to the Group. It is responsible for directing and controlling the Group and has overall authority for the effective and prudent management and conduct of the Group's business and the Group's strategy and development. The Board monitors performance, being responsible for ensuring that appropriate financial and human resources are in place for the Group to meet its objectives, and takes the lead in setting and embedding the Company's culture, values and standards. The Board is also responsible for ensuring the maintenance of a sound system of internal control and risk management (including financial, operational and compliance controls, and for reviewing the overall effectiveness of systems in place), and for the approval of any changes to the capital, corporate or management structure of the Group. There is a formal schedule of matters reserved for Board approval which is subject to annual review and includes:

- The Group's long-term objectives, business strategy and risk appetite;
- The Company's policies, values and standards;
- Annual business plans, budgets and forecasts;
- Extension of the Group's activities into new business or geographic areas;
- Changes in capital structure and any form of fundraising or asset securitisation;
- Major changes to the corporate structure, including material acquisitions and disposals;
- Interim and annual financial statements and dividend policy;
- Material guarantees, indemnities and letters of comfort;
- The Group's system of internal control and risk management;
- Contracts which are material strategically or by reason of size or duration;
- Calling of shareholder meetings and related documentation;
- Changes to the membership of the Board and its Committees;
- Remuneration policy for the directors and senior executives;
- Introduction of new share incentive plans or major changes to existing plans; and
- The Company's overall corporate governance arrangements.

There is a clear division of key responsibilities between the Chairman and the two Co-CEOs. The Chairman is responsible for the effective leadership and governance of the Board, but takes no part in the day-to-day running of the Group's business. His key responsibilities include:

- Leading the Board effectively to ensure it is primarily focused on business strategy, performance, value creation and accountability;
- Ensuring the Board determines the risk appetite it is willing to embrace in the implementation of strategy;
- Leading the succession planning process and chairing the Nomination Committee;
- Encouraging all Directors to contribute fully to Board discussions and ensuring sufficient challenge applies to major proposals;
- Fostering relationships within the Board and providing a sounding board for the Co-CEOs on important business issues;
- Identifying development needs for the Board and Directors;
- Leading the process for evaluating the performance of the Board, its Committees and individual directors; and
- Ensuring effective communication with shareholders.

### Co-CEOs

The Company has Co-CEOs. They have worked together for over 20 years, having both started as trainee actuaries at Punter Southall, before spending many years in the same team at KPMG. Both have leadership roles on large clients, which takes some of their time, and which is important to show leadership in the firm and to truly understand the market. Their long friendship and history of working together, and their complementary skill sets, make the Co-CEO arrangement a success.

The Co-CEOs report to the Chairman and the Board and are responsible for jointly leading the Group's business and managing it in accordance with the business plan approved by the Board, the Board's overall risk appetite, the policies approved by the Board and its delegated authorities, and all applicable laws and regulations. They also recommend budgets and forecasts for Board approval, lead the developing investor relations programme, and maintain a dialogue with the Chairman on significant business developments and strategy issues. Key divisions of responsibilities include:

- Ben Bramhall is primarily responsible for the operation of the business, covering the provision of services to existing clients, revenue generation and the Group's people strategy; and
- Paul Cuff is primarily responsible for raising the profile of the XPS Group in the market and generating new business, both in traditional service areas and in the development of new services as the market evolves. He is also responsible for the Group's strategy with regard to acquisitions and technology investment.

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 Read more on **page 47** regarding Board skills

### Board meetings and attendance

Decisions on operational matters are delegated by the Board to the Executive Directors, consistent with the schedule of matters reserved for Board approval. In advance of scheduled Board meetings each Director receives documentation providing updates on Group strategy, finances, operations and business development. The Board meets at least seven times a year and at other times as and when necessary. At least once a year, the Board will meet to review business strategy. The Directors are expected to attend all meetings of the Board and any Committees of which they are members, and to devote sufficient time to the Company's affairs to fulfil their duties as Directors. Non-executive Directors each need to commit a minimum of 28 days service per year to the Company. Where Directors are unable to attend a meeting, they are encouraged to submit to the Chairman any comments on matters to be considered at the meeting to ensure that their views are recorded and taken into account during the meeting.

The table below shows the attendance of each Director at meetings of the Board and of the Committees of which they are a member during the financial year:

Director	Board	Audit &	Remuneration Committee	Nomination Committee
		Risk Committee		
Tom Cross Brown	7/7	4/4	6/6	4/4
Alan Bannatyne	7/7	4/4	6/6	4/4
Margaret Snowdon OBE	7/7	4/4	6/6	4/4
Jonathan Punter	7/7	-	-	-
Ben Bramhall	7/7	-	-	-
Paul Cuff	7/7	-	-	-
<b>Former Board Members that served during the year under review</b>				
Mike Ainslie	7/7	-	-	-
Jonathan Bernstein	6/7*	-	-	-
John Batting	7/7	-	-	-

\* Unable to attend due to a clash with an important business matter.

In addition to the formal scheduled meetings, all Directors attended a full strategy review session in February 2019. Non-executive Directors remain in regular contact with the Chairman, whether in face-to-face meetings or by telephone, to discuss matters relating to the Company without the Executives present. If a director misses a board meeting they will still receive board papers before the meeting and will have an opportunity to flag any questions or points they would like raised at the meeting. The director will also receive the minutes and matters arising in the usual way in order to ensure that they are fully briefed.

The Board is ultimately responsible for the effectiveness and monitoring of the Group's system of internal controls. The Audit and Risk Committee's role is to assist the Board with its oversight responsibility by reviewing and monitoring the Company's system of internal controls. It met four times in the financial year and considered the internal controls assurance framework used during the financial year, concluding that it was sound and appropriate for the Business.

Directors are reminded at the commencement of each meeting to notify the Board of any conflicts of interest. Any actual or potential conflicts of Directors with the interests of the Company that arise must be disclosed for consideration and, if appropriate, authorisation by the Board in accordance with the Company's Articles of Association. The Board may authorise conflicts and potential conflicts, as long as the potentially conflicted Director is not counted in the meeting quorum and does not vote on the resolution to authorise. Directors are required to notify the Group Chairman when a conflict or potential conflict does arise in order that Board authorisation can be considered. If the Board determines that a conflict or potential conflict can be authorised, it may impose additional conditions on the Director concerned.

### Board effectiveness

An annual performance evaluation of the Board, its Committees and of individual Directors was carried out in March 2019 prior to publication of the Annual Report for 2018/19. The evaluation process was conducted by the Group Chairman through the completion of detailed questionnaires designed to assess the effectiveness and assist in the objective review of the performance of the Board, Committees and individual Directors. The findings of these questionnaires were reviewed and discussed at the Board meeting in May 2019. The Board considered that the overall outcome of the evaluation process was encouraging, noting that there was an appropriate split of skill sets on the Board and its Committees, and concluding that all forums were performing effectively with all Directors considered to be effective and committed to their roles. Three specific actions were identified to further improve the effectiveness of the Board:

1

To increase the amount of discussion time together, outside of formal Board meetings, devoted to business strategy;

2

To consider shareholder engagement further to fully understand views on governance and performance against strategy; and

3

To continue to develop and embed the new risk management framework.

### Outcome

These actions will be reviewed and monitored by the Board and Nomination Committee, with progress assessed as part of the Board evaluation exercise next year. The Board acknowledges that the 2018 Code requires regular external board evaluations (as a Company below FTSE 350) and has committed to conduct an external board evaluation in 2020 when the Board would have been established for 3 years.

The Non-executive Directors, in addition to their role of constructively challenging and facilitating the development of the Group's strategy, met to evaluate the performance of the Chairman in May 2019, led by the Senior Independent Director. The Senior Independent Director also engaged with the Executive Directors separately for their feedback. The results of that process were communicated by the Senior Independent Director to the Board at its meeting in May 2019. As the SID, Alan Bannatyne provides a sounding board for the Chairman and will deputise for him in his absence. The Chairman and Non-executive Directors are in regular contact and may meet on a number of occasions each year without the Executive Directors being present.

A formal induction programme has been developed and tailored for any new directors joining the Board. The Chairman, with the support of the Company Secretary, ensures that the development and ongoing training needs of individual directors and the Board as a whole are reviewed and agreed following the annual performance evaluation of the Board, its Committees and individual Directors. A plan for the Board's ongoing training has been developed and it is intended that the Board will receive training, on a broad range of topics, from the Company's external advisors three times per year at Board meetings.

Directors may seek independent professional advice at the Company's expense where they consider it appropriate in relation to their duties. All Directors have access to the advice and services of the Company Secretary.

### Engagement with shareholders

The Board has adopted an updated Share Dealing Code, in compliance with the EU Market Abuse Regulation, which requires compliance by the Company's Persons Discharging Managerial Responsibilities. As part of its investor relations programme, the Company seeks to maintain an ongoing dialogue with major institutional shareholders relating to the performance of the Group including strategy and new developments. Investor activity is a standing report on the Board's agenda and includes the views communicated by shareholders. As the SID, Alan Bannatyne is available to shareholders if they have concerns which contact through the normal channels of Chairman, the Co-CEOs or other Executive Directors has failed to resolve or for which such channels of communication are inappropriate.

### Annual General Meeting

The Company's Annual General Meeting (AGM) will take place at 2.00pm on Thursday 12 September 2019 at the Group's Reading office. The AGM notice setting out the resolutions to be proposed at the meeting and including explanatory notes, together with this Annual Report and Accounts, will be available on the Company's website ([www.xpsgroup.com](http://www.xpsgroup.com)) and distributed to shareholders who have elected to receive hard copies of shareholder information at least 20 working days prior to the date of the meeting. Voting at the AGM will be conducted by way of a poll and the results will be announced through the London Stock Exchange Regulatory News Service and made available on the Company's website. All Board members are expected to attend the meeting and the Chair of each of the Board's Committees will be present to answer any questions put to them by shareholders.



## Nomination Committee Report

**The Nomination Committee continues to assist the Board in determining the composition and make-up of the Board and in developing succession plans to ensure the continued ability of the Group to deliver its strategic goals and to compete effectively.**

### Tom Cross Brown

Chair of the Nomination Committee



### Dear Shareholder,

I am pleased to present the report of the Nomination Committee for the year-ended 31 March 2019. The Committee has met four times during the 2018/19 financial year and all meetings were attended by all members of the Committee. The Committee intends to continue to meet at least two times annually with additional meetings as required.

The Nomination Committee assists the Board in determining the composition and make-up of the Board, including its skills, knowledge, experience and diversity. It is responsible for developing and maintaining a formal, rigorous and transparent procedure for identifying appropriate candidates for Board appointments and making recommendations to the Board. The Committee is also responsible for keeping under review the leadership needs of the Group, both executive and Non-executive, and for ensuring that succession planning focuses on the continued ability of the Group to deliver its strategic goals and compete effectively. The constitution and terms of reference of the Committee are reviewed annually.

### Membership of the Committee

The members of the committee are myself, Alan Bannatyne, Margaret Snowdon OBE and since her recent appointment Sarah Ing.

The Executive Directors are invited to each meeting, and other members of the management team as the agenda dictates.

### Board changes

The Committee reviewed the composition of the Board in line with the 2018 Code and worked with Russell Reynolds to find potential candidates for the new Non-executive Director and the new Chief Financial Officer roles. The Committee met to consider the potential candidates and to agree their recommendations to the Board.

The Committee is satisfied that following the recent Board changes, the composition of the Board is now well balanced between Executive Directors and Non-executive Directors and there is an appropriate balance of skills, experience, independence and knowledge on the Board and all its Committees.

As part of the recent Board evaluation review the Board completed a skills audit covering competencies including actuarial, investment management, financial, regulatory and mergers and acquisitions. Directors were asked to confirm if the relevant competency was a core skill, a secondary skill or not a skill. The Committee reviewed the responses and remains satisfied that the Board has the appropriate split of skill sets.

## Nomination Committee Report continued

### Board effectiveness evaluation

I lead the annual Board effectiveness evaluation. The questionnaire used last year was reviewed and revamped with support from the Company Secretary taking into account the requirements of the 2018 Code. The results from the evaluation were positive and next year we will conduct an external Board effectiveness evaluation.

### Succession planning

During the year, the Nomination Committee reviewed detailed succession plans covering all key executive roles including those of the Executive Directors. The Committee is satisfied that the contingency and talent management plans in place for senior executive positions are appropriate, and has agreed that the Group's succession planning should be kept under review and further developed over time to cover the Chairman and Non-executive Director roles.

### Induction programme and training

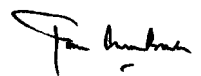
During the year, the induction programme for new Non-executive Directors has developed further and its scope expanded. A formal tailored induction is now in place supported by a programme of training, to further their knowledge of the Group, its business, culture, operations, employee and governance and to ensure awareness of their regulatory duties and obligations as a director of a UK premium listed company.

### Diversity, equality and inclusion

During the year, the Company established a Diversity, Equality and Inclusion Working Group, championed by Non-executive Director Margaret Snowden, OBE and chaired by a female actuary within the Group. The Group has made great progress and had a significant impact across the business within a short space of time, and is a key channel of communication and engagement for employees. The Group has sub-groups focusing on areas such as disability, support for parents, gender/ethnicity, LGBT+ etc. The Group has also reviewed and provided input into new HR policies including diversity across the Group, the employee promotions process and recruitment best practice guide, in addition to working towards setting up an apprenticeship scheme. The Group has significant plans for the financial year ahead and looks forward to reporting on further progress made.

The Company acknowledges that there remains a gender pay gap within the business which reflects a higher proportion of males in higher paid roles than females. Whilst this is partly a challenge of the UK industry in which the Company operates, with a male-dominated actuarial profession, the Board believes it has a responsibility to promote change both within XPS and the industry more generally. In the last financial year the Company has appointed a number of senior females, has improved the Company's maternity pay policy, offering flexibility around returning to work to encourage female employees to pursue a long-term career with XPS, and is participating in a mentoring programme for female actuaries in conjunction with Women Ahead, aimed at retaining female actuaries within the profession through ongoing career advice and support. Diversity remains a key focus of the Company and further initiatives are planned.

The Board believes that no individual should be discriminated against, whether for reasons of gender, ethnicity or other grounds that restrict social inclusion, and this extends to Board appointments which it considers should be made on merit and on the basis of ensuring an appropriate balance of skills and experience within the Board. The Company's Board diversity improved during the year, however, the Board recognises that greater diversity, in the widest sense of diversity of race, experience and approach, can generate a more diverse perspective on issues which, in turn, has the ability to benefit Board effectiveness through improved discussions and better decisions.



**Tom Cross Brown**  
Chair of the Nomination Committee  
26 June 2019

## Audit and Risk Committee Report

**We took the decision last year to create an internal audit function.**

### Alan Bannatyne

Chair of the Audit and Risk Committee



### Dear Shareholder,

I am pleased to present the report of the Audit and Risk Committee for the year-ended 31 March 2019. The Committee met four times during the 2018/19 financial year and intends to continue to meet at least three times annually. All meetings were attended by all members of the Committee.

### Membership of the Committee

The members of the Committee are myself, Tom Cross Brown and Margaret Snowdon. For the next financial year we welcome a new Committee member, Sarah Ing. Sarah is chair of the Group Risk Committee for CMC Markets plc and, as a qualified chartered accountant with 30 years' experience in financial services including audit, corporate finance, investment banking and asset management, Sarah brings a wealth of very recent and relevant financial experience. In line with the changes required by the 2018 Code, Tom Cross Brown as Chairman of the Board, has stepped down as a member.

The Board is satisfied that the Audit and Risk Committee as a whole has competence relevant to the sector in which the Company operates and that I and Sarah Ing have recent relevant financial experience as can be seen in our biographies included on pages 38 to 39 of the Annual Report.

The Executive Directors are invited to each meeting as well as the Chief Operating Officer, Head of Risk, General Counsel, the Financial Controller and other members of the management team as the agenda dictates.

### Auditor

The Committee is responsible for making recommendations to the Board regarding the appointment of its external auditors and their remuneration. BDO LLP has been the Group's auditor since 2014. The Group Audit Partner is required to rotate after a maximum of 5 years; the current audit partner, Simon Brooker, was appointed in September 2018.

The Committee is responsible for making recommendations on the independence of the Company's Auditor, BDO LLP. In addition, the Auditor has internal processes, which include peer reviews, to ensure that independence is maintained. The Committee will review the level of audit fees and non-audit fees on an ongoing basis. See note 5 to the Financial Statements on page 96.

The Committee has reviewed the approach to the annual audit at a meeting that the Auditor attended ahead of the start of fieldwork. The Auditor then attended a further Committee meeting at the completion stage of the audit to present their findings. There is an open line of communication between the Chair of the Audit and Risk Committee and the audit engagement partner. The Committee assessed the effectiveness of the external audit process by obtaining feedback from parties involved in the process, including management and the external auditor.

Based on this feedback and its own ongoing assessment, the Committee remains satisfied with the efficiency and effectiveness of the audit.

After due and careful consideration the Committee remains satisfied with the effectiveness and independence of BDO LLP and has recommended to the Board that BDO LLP be reappointed as the Company's Auditor.

### Significant accounting matters considered during the year

#### Revenue recognition and accrued income

We reviewed the approach that management take to revenue recognition and discussed the treatment of accrued income for services not billed and the deferral of income billed in advance of work performed. We were satisfied with the processes put in place by management for recording revenue.



# An effective Risk Management culture has been embedded throughout the organisation with strong leadership and direction from Executive Management.

## Impact of future Accounting Standards

See note 1 to the Financial Statements. IFRS 16 Leases will apply for the financial year 2019 and the Committee will continue to assess the impact on the Group's Financial Statements.

## Annual Report review

A final draft of the Annual Report is reviewed by the Committee prior to consideration by the Board and the Committee considered whether the 2019 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's performance, business model and strategy. They were satisfied that, taken as a whole, the Annual Report is fair, balanced and understandable and provided the necessary information.

## Risk

An effective Risk Management culture has been embedded throughout the organisation with strong leadership and direction from Executive Management and in order to enhance this the decision was taken last year to create an internal audit function. We are pleased to report that we have appointed a new Head of Risk and that the risk framework is currently being reviewed by the Risk Management Committee.

XPS Group is committed to actively identifying and mitigating risk and demonstrating transparent corporate governance. Our Risk Management process seeks to focus on those business and control objectives that must be met in order to evidence achievement of client needs and relevant statutory compliance. As such, XPS Group looks to focus on key inherent risks that may impact on the achievement of control objectives and to embed control measures into its process to render reasonable assurance that they will be achieved in practice.

The Administration Risk Team reviews all administrative processes and our Actuarial business follows the guidelines for full peer review as set out by the Institute of Actuaries. The Audit and Risk Committee also reviews the wider internal control processes and will enlist external support to review and test when it is deemed necessary.

Our approach to risk management is continually reviewed to ensure that it remains fit for purpose and that ownership for Risk Management rests with local management. Risks are recorded and assessed based on their potential impact on the business and their likelihood. The process requires action to mitigate any risk where existing controls are considered to be insufficient or where the risk is considered beyond tolerable limits.

All local reports are consolidated into a core report for the Board to evidence that all risks have been identified and mitigated, and where necessary corrective action is planned.

Underpinning the approach to Risk Management is a strong culture of control which is supported by:

- Clear and well documented compliance policies available to all staff;
- Fully documented processes which are subject to review;
- Local quality checks; and
- Customer and client surveys.

The process embraces the whole spectrum of activities and measures addressing risk (identification, evaluation, treatment, reporting and monitoring) which, taken together, support the achievement of the organisation's objectives. The underlying processes and control procedures are regularly reviewed and amended to reflect the findings of the process, including improvements in operational administration, regulatory compliance and legislative changes.

### Whistleblowing

The Group has a clear, formalised Whistleblowing Policy and procedure available to all staff in order to raise concerns about perceived wrongdoing, non-compliance with our own standards, regulatory requirements and/or the law. This policy was reviewed this year. We have a confidential helpline, run by a third party, Expolink, in order that staff can report any concerns or perceived shortcomings within our operations without fear of sanction or disadvantage. The helpline is promoted through the intranet and posters. Incidents are reported and then reviewed by the Board at the next available meeting or sooner if appropriate. The Group's Audit and Risk Committee reviews the policy and process annually to ensure they remain fit for purpose.



**Alan Bannatyne**

Chair of the Audit and Risk Committee  
26 June 2019

## Directors' Remuneration Report

**The Remuneration Committee continues to evaluate the most appropriate structure for the executive directors' remuneration, to ensure alignment with XPS Pension Group's internal pay structure and external market competitiveness.**

**Margaret Snowden, OBE**

Chair of the Remuneration Committee



### Dear Shareholder,

XPS Pensions Group has continued to make good progress against the strategy the Board has agreed. During the year ended 31 March 2019, we launched a new brand for our merged business. The executive directors delivered a strong operational performance with the integration of Xafinity and the Punter Southall Group businesses largely completed and we have had some very encouraging new business wins. We also completed the acquisition of the Kier Pensions Administration business which is a solid foothold into the market for the administration of public sector pension schemes.

The Group achieved a creditable financial performance in the year and delivered profitable revenue growth, a healthy operating margin and strong cash generation. Revenue grew by 5% with Adjusted Diluted Earnings Per Share increasing by 18%. This builds on growth in Adjusted Diluted Earnings Per Share since XPS was floated on the London Stock Exchange in 2017 of 36%.

### The regulatory environment

During the year, the Committee has reviewed the various changes to the regulatory environment and in particular the new Corporate Governance Code and the new legislation requiring companies to make additional pay disclosures, including those required under the Shareholder Rights Directive II.

The Remuneration Committee has sought to adopt many of the new requirements early. They include:

- Ensuring that the annual bonus plan and PSP permit the necessary Committee discretion to override formulaic outcomes;
- Formalising the post-vesting holding period into the rules of the PSP;
- Reviewing the recovery provisions in the annual bonus plan and PSP to ensure that they remain fit for purpose; and
- Updating the Committee's terms of reference to reflect the expanded scope required by the new Code - i.e. (i) responsibility for setting remuneration for the Board and senior management, and (ii) taking account of Group-wide remuneration and policies when setting executive pay; and

- Engaging employees on executive remuneration and its alignment with the wider company pay policy - the Group is in the process of setting up a consultation committee to work with the Non-executive Directors. This committee is expected to review various remuneration comparison measurements and take these into consideration when considering executive remuneration.

### Board changes

John Batting and Jonathan Bernstein have stepped down from the Board effective 1 April 2019 as part of an adjustment to the composition of the Board in the light of the new Corporate Governance Code. Sarah Ing joined the Board of the Company as an Independent Non-executive Director on the 17 May 2019.

As announced on 29 November 2018, Mike Ainslie stepped down from the Board and his appointment as Chief Financial Officer at the end of June 2019. Details of his remuneration arrangements and the arrangements linked to his cessation of employment are included in the implementation section of this report. He will be replaced by Snehal Shah who joined XPS in May 2019 to enable an orderly handover.

### Engaging with our shareholders

At last year's Annual General Meeting held on 13 September 2018 the Remuneration Committee was disappointed that 20.01% of the votes cast were against the resolution to approve the Directors' Remuneration Report. Since the AGM, I have offered to meet shareholders to discuss their concerns and I am grateful for the constructive feedback received.

Whilst in line with the bounds of the shareholder approved Policy, the salary increases for four of the five executive directors caused concern for some shareholders and for some voting guidance services, as did the pension contribution and annual bonus of a new executive director to the Board.



## The current Directors' Remuneration Policy was approved by shareholders at the 2017 AGM and therefore will be due for renewal at the 2020 AGM.

John Batting was appointed to the Board following the completion of the acquisition of Punter Southall Holdings Limited in January 2018. His fixed pay arrangements reflected his legacy Punter Southall service contract where he had been CEO since 2004. In line with standard practice, the Regulations and our Policy, the fixed pay limits within the 2017 approved Directors' Remuneration Policy do not apply to newly-appointed directors. As part of the negotiations for the transaction, the Remuneration Committee took the view that it would be a breach of trust to renegotiate the terms of John Batting's contract. His pension contribution level was also maintained, as it was for all other employees who joined the Group at the same time.

The Remuneration Committee continues to evaluate the most appropriate structure for the executive directors' remuneration, to ensure alignment with XPS Pension Group's internal pay structure and external market competitiveness and will be mindful of shareholders' views in making any future changes to remuneration.

The current Directors' Remuneration Policy was approved by shareholders at the 2017 AGM and therefore will be due for renewal at the 2020 AGM. The Remuneration Committee will consult with our major shareholders and the voting guidance services well in advance in relation to the policy.

## Directors' Remuneration Report continued

### Remuneration of the Executive Directors for 2019/2020

The table below summarises our approach to the remuneration of the Executive Directors for 2019/2020. There have been no salary increases or changes to benefits during the year.

Component of remuneration	Summary of approach
Base salary and benefits	Base salary and benefits are reviewed annually at 1 April in light of a number of factors, including the approach to salary reviews more generally across the Group. The base salaries of the Executive Directors have not been increased for the 2019/20 financial year and therefore remain: Ben Bramhall - £288,000 Paul Cuff - £288,000 Mike Ainslie - £252,000 (to 30 June 2019) Snehal Shah - £238,500 (from 27 June 2019)
Pension	Defined contribution/cash supplements of between 6% and 8% in line with contributions for employees generally
Annual bonus	Payable subject to the achievement of challenging financial/strategic/personal performance conditions. Malus clawback provisions apply. Maximum bonus opportunity from the Executive Directors potentially payable in cash and deferred shares: Ben Bramhall - 150% of salary Paul Cuff - 150% of salary Mike Ainslie - N/A (not eligible for a bonus in 2019/20) Snehal Shah - 112.5% of salary
Long-term incentives	Provided via a Performance Share Plan (PSP). Annual awards over shares made that vest subject to stretching performance conditions generally measured over a three-year period. Maximum 'normal' grant level is 150% of salary. Malus and clawback provisions apply
All-employee share plans	Executive Directors are entitled to participate in all of the Company's employee share plans, including the Share Save Plan, on the same terms as other employees
Share ownership guidelines	Executive Directors are subject to a minimum shareholding requirement of 200% of salary



### Annual bonus payments for 2018/19

The financial element of these bonuses is based on Group Profit Before Tax (PBT). The reported Group Adjusted PBT for 2018/19 would normally have resulted in a bonus payment of 75% of the maximum for this element of the bonus. The Remuneration Committee has exercised its discretion to override the formulaic outcome above, taking into account the effect on Group PBT (and consequentially on Earnings per Share) of the discount implicit in the Transitional Services Agreement that the Group benefited from during the year. This was done by adding £2m to the actual cost base of the Group when assessing the change in PBT against performance targets. This approach would have given a pay out to executives of 45% of this element of the bonus. When combined with the performance against strategic objectives, this would have led to bonuses of 54% of the maximum. However, following discussions with the executive directors, the Remuneration Committee agreed that the level of bonus payable to be 12% of maximum. This has helped to fund a higher bonus pool for staff.

On this basis, the bonus outturn for 2018/19 for the Executive Directors is as follows:

Executive Director	% of salary	% of bonus maximum
Ben Bramhall	18%	12%
Paul Cuff	18%	12%
Mike Ainslie	14%	12%
Jonathan Bernstein	14%	12%
John Batting	14%	12%

### Other activities to note

The Remuneration Committee has also overseen the operation of the all-employee Share Save plan and reviewed the Group's gender pay gap analyses and action plans. It also monitors the development and implementation of the action plans. I have also played an active role throughout the year on the Group's Diversity, Equality and Inclusion Working Group.

I trust that you find this Report to be informative and transparent and I hope to receive your support for the Directors' Remuneration Report at the AGM. I am very keen to encourage an open dialogue with our shareholders on executive remuneration and look forward to the consultation exercise in the autumn.



### Margaret Snowdon OBE

Chair of the Remuneration Committee  
26 June 2019

## Directors' Remuneration Report continued

### Directors' Remuneration Policy

This Remuneration Policy, which was approved by shareholders at the 2017 AGM, contains the material required to be set out in the Directors' Remuneration Report for the purposes of Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, which amended The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the DRR Regulations).

The Directors' Remuneration Policy took effect for all payments made to Directors with effect from the conclusion of the 2017 AGM. The policy was developed with reference to the UK Corporate Governance Code in force at the time of approval and is appropriate to support the long-term success of the Company while ensuring that it does not promote inappropriate risk-taking. The full policy can be found on the Company's website ([www.xpsgroup.com](http://www.xpsgroup.com)). However, for convenience we have set out below a summary of the policy's key terms:

Element and purpose	Policy and operation	Maximum	Performance measures
<b>Base salary</b> The core element of pay, reflecting the individual's position within the Company and experience	The base salary of each Executive Director takes into account the performance of each individual and is set at an appropriate level to secure and retain the talent needed to deliver the Group's strategic objectives. Salaries are reviewed annually on 1 April and are influenced by: information from relevant comparator groups (referencing the Group's competitors and public companies in other industries); the performance of each individual Executive Director; and average increases for employees across the Group as a whole.	Annual increases will not exceed 7.5% + RPI or the average increase of employees across the Group in any given year, whichever is higher. The level of increase may deviate from this maximum in the case of special circumstances for example, increases in responsibilities or promotion. As an example, this may occur if the market capitalisation of the Company increases as the shares are 're-rated' by investors such that the comparator group changes.  In this scenario, the Board would consider the increase and the performance of the Company and other elements of remuneration may also change. In these cases, any exceptional increase will not exceed 20% of salary a year.	n/a
<b>Benefits in kind</b> To provide market-competitive benefits valued by recipients	Benefits currently include permanent health insurance, life insurance, private medical insurance and car allowance and may also include other benefits in the future. In certain limited circumstances, relocation allowances may be necessary. All benefits are subject to annual review to ensure they remain in line with market practice.	Benefits (excluding any relocation allowances) may be provided up to an aggregate value of normally £30,000 for each Executive Director (indexed to inflation).	n/a
<b>Pension</b> To provide retirement benefits	Executive Directors participating in the pension plan benefit from matching annual Group contributions worth between 6% and 8% of base salary. Executive Directors are entitled to take all or part of their pension contributions as a cash allowance.	The maximum employer's contribution (or cash supplement) is 8% of salary.	n/a

Element and purpose	Policy and operation	Maximum	Performance measures
<p><b>Annual bonus</b></p> <p>To motivate Executive Directors and support the delivery of Group's financial and strategic business target over a one-year operating cycle</p>	<p>Annual bonus plan levels and the appropriateness of measures are reviewed annually to ensure they continue to support our strategy. Once set, performance measures and targets will generally remain unchanged for the year, except to reflect events (e.g. corporate acquisitions, other major transactions) where the Committee considers it to be necessary in its opinion to make appropriate adjustments.</p> <p>The Remuneration Committee retains the flexibility to pay annual bonus outcomes in cash and/or deferred shares (which may allow for dividend roll-up).</p> <p>Clawback and malus provision apply as explained in more detail in the notes to this Policy table.</p>	<p>The maximum annual bonus opportunity is 150% of base salary. For 2019/20, the maximum opportunity will be 150% of base salary for the Co-CEOs and 112.5% of salary for the other Executive Directors.</p>	<p>Bonuses will be payable subject to the achievement of performance conditions which will be set by the Remuneration Committee.</p> <p>The targets may be financial and/or personal and strategic. The intended weighting of these measures is not less than 60% financial. Where a sliding scale of targets is used, attaining the threshold level of performance for any measure will not typically produce a pay-out of more than 20% of the maximum portion of overall annual bonus attributable to that measure, with a sliding scale to full pay-out for maximum performance. Bonus payments will also be subject to the Committee considering that the proposed bonus amounts, calculated by reference to performance against the targets, appropriately reflect the Company's overall performance and shareholders' experience. If the Committee does not believe this to be the case, it may adjust the bonus outturn accordingly.</p>

## Directors' Remuneration Report continued

Element and purpose	Policy and operation	Maximum	Performance measures
<p><b>Performance Share Plan</b></p> <p>To motivate Executive Directors and incentivise the delivery of sustained performance over the long term, and to promote alignment with shareholders' interests</p>	<p>Awards under the PSP may be granted as nil/nominal cost options which vest to the extent performance conditions are satisfied over a period normally of at least three years.</p> <p>Awards will vest at the end of the specified vesting period at the discretion of the Remuneration Committee and are subject to a further holding period of two years (or such shorter period so that the period from the date of grant until the end of the holding period will be equal to five years).</p> <p>The PSP rules allow that the number of shares (or the cash equivalent) subject to vested PSP awards may be increased to reflect the value of dividends that would have been paid in respect of any record dates falling between the grant of awards and the expiry of any vesting period.</p> <p>Clawback and malus provisions applied are explained in more detail in the notes to this Policy table.</p>	<p>The market value of shares to be awarded to Executive Directors in respect of any year will normally be up to 150% of base salary, with awards of a maximum of 200% of salary in exceptional circumstances.</p> <p>XPS also continues to operate within the dilution limits of no more than 10% in ten years for all incentive schemes.</p>	<p>The Remuneration Committee may impose such conditions as it considers appropriate which must be satisfied before any award will vest.</p> <p>All awards made to Executive Directors will be subject to performance conditions which measure performance over a period normally no less than three years.</p> <p>No more than 25% of awards vest for attaining the threshold level of performance.</p>
<p><b>Share ownership guidelines</b></p> <p>To promote stewardship and to further align the interests of Executive Directors with those of shareholders</p>	<p>The share ownership guidelines encourage Executive Directors to build or maintain (as appropriate) a shareholding in the Company.</p> <p>If any Executive Director does not meet the guideline, they will be expected to retain up to 50% of the net of tax number of shares vesting under any of the Company's discretionary share incentive arrangements (including any deferred bonus shares) until the guideline is met.</p>	<p>No maximum level but not less than 200% of base salary for any Executive Director.</p>	
<p><b>All-employee share plans</b></p> <p>To facilitate and encourage share ownership by staff, thereby allowing everyone to share in the long-term success of the Company and align interests with those of shareholders</p>	<p>The Executive Directors will be entitled to participate in all of the Company's employee share plans, including the Share Save Plan, on the same terms as other employees.</p> <p>These all-employee share plans are established under HMRC tax-advantaged regimes and follow the usual form for such plans.</p>	<p>The maximum participation levels for all-employee share plans will be the limits for such plans set by HMRC from time to time. However the Company may impose lower limits on a scheme by scheme basis.</p>	<p>Consistent with normal practice, such awards would not be subject to performance conditions.</p>

## Chairman and Non-executive Directors

Element and purpose	Policy and operation	Maximum	Performance measures
<p><b>Chairman and Non-executive Directors' fees</b></p> <p>To enable the Company to recruit and retain Company Chairs and Non-executive Directors of the highest calibre, at the appropriate cost</p>	<p>The fees paid to the Chairman and Non-executive Directors aim to be competitive with other listed companies of equivalent size and complexity.</p> <p>The fees payable to the Non-executive Directors are determined by the Board, with the Chairman's fees determined by the Committee. No Director participates in decisions regarding their own fees.</p> <p>The Chairman and Non-executive Directors do not participate in any new cash or share incentive plans.</p> <p>The Chairman and Non-executive Directors are entitled to benefits relating to travel and office support and such other benefits as may be considered appropriate.</p> <p>The Chairman is paid a single fee for the role, although he will be entitled to an additional fee if he is required to perform any specific and additional services.</p> <p>Non-executive Directors receive a base fee for the role. Additional fees are paid for acting as Senior Independent Director or for Chairman of the Audit, Remuneration of other Board Committees to reflect the additional time commitment. They will be entitled to an additional fee if they are required to perform any specific and additional services.</p>	<p>The aggregate fees and any benefits of the Chairman and Non-executive Directors will not exceed the limit from time to time prescribed within the Company's Articles of Association for such fees currently £500,000 p.a. in aggregate.</p> <p>Any increases in fee levels made will be appropriately disclosed.</p>	n/a

## Service contracts

### Executive Directors

Ben Bramhall, Paul Cuff, Mike Ainslie and Jonathan Bernstein entered into a service agreement with the Company that was effective upon Admission and dated 16 February 2017. John Batting entered into a service agreement with the Company that was effective 11 January 2018 (the date of the acquisition of the Punter Southall businesses). The policy is that each Executive Director's service agreement should be of indefinite duration, subject to termination by the Company or the individual on no more than 12 months' notice. However, the Committee reserves flexibility to alter these principles if necessary, to secure the recruitment of an appropriate candidate and if appropriate introduce a longer initial notice period of up to two years (reducing over time to no more than 12 months).

The service agreements of all Executive Directors, which are available for inspection at the Company's registered office, comply with this policy:

- The Executive Directors' service agreements are terminable by either party on not less than 9 months' written notice for the Co-CEO, 6 months for CFO and Head of Pensions and 12 months for John Batting or immediately upon payment in lieu of notice and contain a garden leave clause;
- In each case any payment in lieu of notice will be calculated by reference to base salary and contractual benefits only and will not include any entitlement to bonus.

## Directors' Remuneration Report continued

### Chairman and Non-executive Directors

The appointments of Tom Cross Brown, Alan Bannatyne and Margaret Snowdon are subject to the terms of letters of appointment agreed between each of them and the Company dated 24 January 2017, the appointment of Jonathan Punter is subject to the terms of a letter of appointment dated 5 June 2018 and the appointment of Sarah Ing is subject to the terms of a letter of appointment dated 19 March 2019. They are not entitled to receive any compensation on termination of their appointment (other than payment in respect of a notice period where notice is served) and are not entitled to participate in the Company's share plans, bonus arrangements or pension schemes. They are entitled to be reimbursed all reasonable out-of-pocket expenses incurred in the proper performance of their duties.

Their appointment may be terminated at any time upon 3 months' written notice by either party and with immediate effect in certain circumstances. The appointment may also be terminated pursuant to the Articles or as otherwise required by law. They are subject to retirement by rotation every 3 years under the Articles but intend to retire and submit themselves for re-election by shareholders each year at the Annual General Meeting.

The full policy also provides full details of our approach to:

- Committee discretions
- Travel and hospitality
- Past obligations
- Malus/clawback
- Performance conditions
- Recruitment and terminations
- External appointments
- Differences between the Policy in respect of remuneration for Executive Directors and the policy on remuneration for other staff
- Consideration of shareholders' views.

### Illustrations of application of the Directors' Remuneration Policy

The charts below show how the Remuneration Policy set out above will be applied for Executive Directors in the financial year 2019/20 based on three performance scenarios and using the assumptions below.

#### Minimum

- Consists of base salary, benefits and pension
- Base salary is the salary to be paid in the 2019/20 financial year
- Benefits measured as benefits paid in the year ended 31 March 2019
- Pension measured as the defined contribution or cash allowance in lieu of Company contributions of 6-8%

#### Target

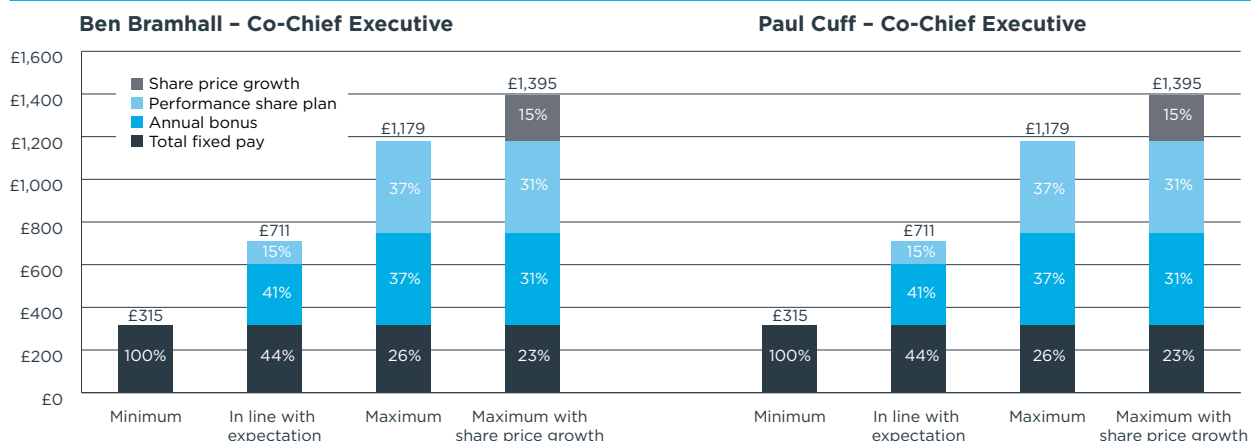
- Based on what the Executive Director would receive if performance were in line with expectations or on-target (excluding share price appreciation and dividends):
- Annual Bonus: consists of the on-target bonus (67% of maximum opportunity used for illustrative purposes)
  - PSP: consists of the threshold level of vesting (25% vesting) under the PSP

#### Maximum

- Based on the maximum remuneration receivable (excluding share price appreciation and dividends):
- Annual Bonus: consists of maximum bonus of 150% of salary for the Co-CEOs and 112.5% of salary for the other Executive Directors
  - PSP: consists of the face value of awards (150% of base salary for Co-CEOs and 125% of base salary for the other Executive Directors) under the PSP

#### Maximum with 50% share price growth

As the Maximum scenario plus the value resulting from a share price growth of 50% in relation to the PSP award



## Remuneration Committee membership

The Remuneration Committee is chaired by Margaret Snowdon OBE, who is an Independent Non-executive Director. Tom Cross Brown, who is the Company Chairman and Alan Bannatyne, an Independent Non-executive Director, were also members of the Committee during the year. With effect from 17 May 2019, Sarah Ing joined the Remuneration Committee as an independent Director. A table showing the attendance of each member at meetings of the Committee is provided on page 52.

Other individuals, such as the Co-Chief Executive Officers, the Chief Financial Officer, the Chief Operating Officer, the Head of HR and external professional advisers may be invited to attend for all or part of any meeting as and when appropriate and necessary.

The purpose of the Committee is to establish a formal and transparent procedure for developing policy on remuneration in accordance with the Code and to set the remuneration of the Chairman and selected individuals with due account taken of all relevant factors such as individual and Group performance as well as remuneration payable by companies of a comparable size and complexity. The Committee meets at least twice a year and at such other times as the Chair of the Committee shall require or as the Board may direct. The Committee met six times during the year which were attended by all members of the Committee.

The Committee has formal terms of reference which can be viewed on the Company's website: [www.xpsgroup.com](http://www.xpsgroup.com)

## Advisers

FIT Remuneration Consultants LLP (FIT), signatories to the Remuneration Consultants Group's Code of Conduct, were appointed by the Committee in 2017 following a Request for Proposal. FIT has been retained to provide advice to the Committee on matters relating to executive remuneration. FIT provided no other services to the Company and, accordingly, the Committee was satisfied that the advice provided by FIT was objective and independent. FIT's fees in respect of the 2018/19 financial year were £88,492 (2017/18: £66,007). FIT's fees are charged on the basis of the firm's standard terms of business for advice provided.

The following section provides details of how the Directors were paid during the financial year to 31 March 2019.

Director		Salary/fees £	Taxable benefits <sup>2</sup> £	Bonus <sup>3</sup> £	Long-term incentives £	Pension <sup>4</sup> £	Total remuneration £
<b>Executive Directors</b>							
Ben Bramhall	2019	288,000	11,206	51,840	-	11,757	362,803
	2018	240,000	9,831	284,550	-	11,757	546,138
Paul Cuff	2019	288,000	11,206	51,840	-	11,757	362,803
	2018	240,000	9,416	284,550	-	11,757	545,723
Mike Ainslie	2019	252,000	10,301	34,020	-	11,248	307,569
	2018	210,000	9,038	186,736	-	11,248	417,022
Jonathan Bernstein	2019	252,000	10,981	34,020	-	20,088	317,089
	2018	210,000	9,821	186,736	-	14,569	421,126
John Batting <sup>1</sup>	2019	258,370	3,521	34,880	-	33,907	330,678
	2018	56,643	480	33,000	-	7,433	97,556
<b>Non-executive Directors</b>							
Tom Cross Brown – Chair of Board & Chair of Nominations Committee	2019	120,000	-	-	-	-	120,000
	2018	120,000	-	-	-	-	120,000
Alan Bannatyne – £60k NED salary + £10k Chair of Audit & Risk Committee + £5k Senior Independent Director	2019	75,000	-	-	-	-	75,000
	2018	75,000	-	-	-	-	75,000
Margaret Snowdon – £60k NED salary + £5k Chair of Remuneration Committee	2019	65,000	-	-	-	-	65,000
	2018	65,000	-	-	-	-	65,000
Jonathan Punter <sup>1</sup>	2019	60,000	-	-	-	-	60,000
	2018	13,462	-	-	-	-	13,462
Total	2019	1,658,370	47,215	206,600	-	88,757	2,000,942
	2018	1,230,105	38,586	975,572	-	56,764	2,310,027

1 John Batting and Jonathan Punter joined the Company and became Directors on 11 January 2018.

2 Each of the Executive Directors is entitled to a range of benefits, comprising permanent health insurance, life insurance, private medical insurance and car allowance. The Non-executive Directors do not receive other benefits.

3 No element of annual bonus was deferred in respect of bonuses shown.

4 Pension values shown all relate either to pension contributions or to cash allowances in lieu of pension.

5 As noted on page 2, John Batting's fixed pay arrangement reflect his legacy Punter Southall service agreement where he had been CEO since 2004. The Remuneration Committee took the view that it would be a breach of trust to renegotiate the terms of his contract and pension contribution level.

## Directors' Remuneration Report continued

### 2018/19 Annual Bonus (audited)

The Executive Directors' annual bonus targets were set at the beginning of the financial year. The financial targets which account for 70% of the annual bonus were set based on Group PBT. As a result of strong underlying financial performance, the Group's PBT performance exceeded the Target Group PBT set by the Board for the purposes of awarding the 2018/19 annual bonuses of the Executive Directors.

The Group PBT targets set were as follows:

£m	Threshold (£000)	Target (£000)	Maximum (£000)	Actual (£000)	Pay-out (% of this element)
Group Adjusted PBT (70% of potential)	£21,186	£23,243	£27,356	£24,286	75%

The Remuneration Committee has exercised its discretion to override the formulaic outcome above, taking into account the effect on Group PBT (and consequentially on Earnings per Share) of the discount implicit in the Transitional Services Agreement that the Group benefited from during the year. This was done by adding £2m to the actual cost base of the Group when assessing the change in PBT against performance targets. This approach provides a pay out to executives of 45% of this element of the bonus.

The personal performance goals which account for 30% of the annual bonus were agreed with each Executive Director and were based on a range of strategic and other objectives set at the start of the year. The targets were principally designed to focus and reward the Executive Directors for accomplishing strategic goals which directly support the Company's strategy. Details of the measures, to the extent they are not commercially sensitive, are outlined below.

Examples of the individual objectives which are not commercially sensitive include:

<b>Ben Bramhall</b>	<p>Example personal objectives:</p> <ul style="list-style-type: none"> <li>■ Integration of Punter Southall businesses across all areas including smooth transition from Transitional Services Agreement (by July 2019 other than facilities).</li> <li>■ Overseeing the development of a firm-wide structure for training and PDR processes by 1 April 2019. Implementation of PDR process for Principals and establishing a 'talent management' programme.</li> <li>■ Reviewing and implementing a revised approach to Business Continuity across the merged XPS Group.</li> <li>■ Review and implement appropriate measures to improve diversity within the XPS business.</li> <li>■ Identifying opportunities to enhance existing services, develop new services for clients and apply XPS skills to new markets.</li> </ul>
<b>Paul Cuff</b>	<p>Example personal objectives:</p> <ul style="list-style-type: none"> <li>■ Development of new business processes and training across XPS to generate new business wins on terms consistent with internal budget. This includes establishing appropriate bid team structure, developing best practice on bids and ensuring uniform adoption, implementation of CRM system and building relationships with intermediaries.</li> <li>■ Identifying opportunities to enhance existing services, develop new services for clients and apply XPS skills to new markets through implementation of 'DB Growth' approach across the merged firm. In particular, oversight of new key initiative in relation to member options.</li> <li>■ Development and launch of XPS rebranding and corporate values during 2018.</li> <li>■ Review of use of software/technology across XPS client base for actuarial/investment and implementation of approach for 'merged' business, including roll-out of Radar software (and training) across client base.</li> <li>■ Review and implement appropriate measures to improve diversity within the XPS business.</li> <li>■ Act as an ambassador for XPS and demonstrate behaviours in line with the corporate values.</li> </ul>
<b>Mike Ainslie</b>	<p>Example personal objectives:</p> <ul style="list-style-type: none"> <li>■ Develop the necessary capabilities within the finance team and implement a smooth transition from the Finance TSA with effect from April/May 2019 (following the year end). Detailed plan to be prepared and agreed with PSG by end September. Improve Board reporting format and develop improved KPIs for merged business to provide more granular analysis of performance against our strategy and outlook.</li> <li>■ Increase analyst coverage on XPS by working with existing analysts, increasing the number of analysts who cover XPS and overseeing a review of broker arrangements.</li> <li>■ Develop and implement internal audit process and framework including implementing an internal audit of actuarial business in current financial year with clear action plan to address any issues raised.</li> <li>■ Act as an ambassador for XPS and demonstrate behaviours in line with the corporate values.</li> </ul>



<b>Jonathan Bernstein</b>	<p>Example personal objectives:</p> <ul style="list-style-type: none"> <li>▪ Responsibility for oversight of any client contractual terms across the pensions, investment and administration businesses and delivery/client relationship management on specific clients.</li> <li>▪ To take on responsibility for risk management function across XPS and oversee the implementation of a new risk management system and framework.</li> <li>▪ Complete roll-out of 'client service training' and develop/roll-out training in relation to 'fee discussions with clients' across relevant staff with a view to improving recovery across the firm.</li> <li>▪ Roll-out of approach to financial disciplines within Xfinity businesses (including forecasts, monitoring of chargeable hours) across the Punter Southall pensions business.</li> <li>▪ Carry out a review of the resourcing requirements of the pensions business required to provide high-quality client services and the capacity to meet our growth objectives. This includes managing out underperforming senior staff to facilitate recruitment, refining our recruitment needs and establishing a transparent process for the promotion of developing talent.</li> <li>▪ Act as an ambassador for XPS and demonstrate behaviours in line with the corporate values.</li> </ul>
<b>John Batting</b>	<p>Example personal objectives:</p> <ul style="list-style-type: none"> <li>▪ Review of all aspects of delivery across XC and PS pensions businesses to recommend (to Integration Steering Committee) a 'best of both' approach encapsulating actuarial 'best practice' and implement revised approach across both businesses. This includes Implementation of revised 'XPS template reports' across pensions business covering all key areas of work. Design and implementation of a refined client service programme to gather feedback from clients on XPS service across pensions, investment and administration. Work with finance functions and Jonathan Bernstein as part of the month end processes to provide an analysis of the trading performance of PS Advisory businesses.</li> <li>▪ Act as an ambassador for XPS and demonstrate behaviours in line with the corporate values.</li> </ul>

Each objective is measurable, with target achievement levels 'as evidenced by' activities and outcomes. The Remuneration Committee then assessed performance against each objective in each category on the basis of evidenced outcomes and rated the percentage achievement. In the light of the high standards of attainment of each of the Executive Directors and the need for them to continue to operate as an integrated team, the Remuneration Committee, having assessed the performance of each of the Executive Directors in the round decided to rate their achievement at the same level and, based on the weightings of the categories, awarded each 75% of maximum for this element of bonus.

	Weightings	Outcomes				
		Ben Bramhall	Paul Cuff	Mike Ainslie	Jonathan Bernstein	John Batting
Financial Performance (% of this element)	70%	45%	45%	45%	45%	45%
Strategic Performance (% of this element)	30%	75%	75%	75%	75%	75%
Total Performance Outcome (% of maximum)		54%	54%	54%	54%	54%
Total Performance Outcome (% of salary)		81%	81%	61%	61%	61%
Total Performance Outcome (£)		£233k	£233k	£154k	£154k	£157k
Agreed actual outcome (£)*		£52k	£52k	£34k	£34k	£35k

\* Following discussions with the executive directors, the Remuneration Committee agreed that the level of bonus payable to be reduced from 54% of maximum to 12% of maximum. This has helped to fund a higher bonus pool for staff.

### Statement of Directors' shareholding and share interests (audited)

For each Director, the total number of Directors' interests in shares at 31 March 2019 was as follows:

Director	Ben Bramhall	Paul Cuff	Mike Ainslie	Jonathan Bernstein	John Batting	Tom Cross Brown	Alan Bannatyne	Margaret Snowdon	Jonathan Punter
Number of ordinary shares held as at 31 March 2019	1,509,380	768,450	252,637	315,796	74,328	38,861	36,594	-	-
Share ownership requirement (% of salary)	200%	200%	200%	200%	200%	n/a	n/a	n/a	n/a
Share ownership requirement met	Y	Y	N	N	N	n/a	n/a	n/a	n/a
Holding as % of March 2019 salary	723%	368%	138%	173%	40%	n/a	n/a	n/a	n/a
Number of ordinary shares held as at 31 March 2019	1,509,380	768,450	252,637	315,796	74,328	38,861	36,594	-	-

## Directors' Remuneration Report continued

The shareholdings above include those held by Directors and their respective connected persons. There were no changes in the Directors' interests in shares between 31 March 2019 and 26 June 2019.

Under the share ownership guidelines, the Executive Directors will be required to build and maintain a shareholding equivalent to at least 200% of salary.

John Batting and Jonathan Punter each have an indirect interest in the Company's issued ordinary share capital through their interests in the issued ordinary share capital of Punter Southall Group Limited. The following interests were held as at 31 March and 25 June 2019: Punter Southall Group Limited held 25,543,887 ordinary shares in the Company; John Batting held 74,328 ordinary shares in Punter Southall Group Limited and Jonathan Punter and his connected persons held in aggregate 1,927,382 ordinary shares in Punter Southall Group Limited (out of a total issued share capital of 24,195,852 ordinary shares).

### Awards granted in the year under the PSP (audited)

The following nominal cost option PSP awards were granted in July 2018. These awards vest in 2021 subject to performance relating to (i) adjusted EPS targets as to 50% of the award, and (ii) relative TSR targets as to the remaining 50% of the award. The details of these targets are shown in the 'Outstanding share plan awards' section below.

Director	Date of grant	Basis of award (% of salary)	Face value of awards at grant <sup>1</sup>	Number of shares under award	Date of vesting
Ben Bramhall	26 July 2018	150%	£432,000	241,340	July 2021
Paul Cuff	26 July 2018	150%	£432,000	241,340	July 2021
Michael Ainslie	26 July 2018	125%	£315,000	175,977	July 2021
Jonathan Bernstein	26 July 2018	125%	£315,000	175,977	July 2021
John Batting	26 July 2018	58%	£150,000	83,798	July 2021

<sup>1</sup> Based on the share price of £1.79 on 25 July 2018.

### Outstanding share plan awards (audited)

Details of all outstanding PSP awards made to Executive Directors are set out below:

Director	Date of grant	Exercise price	Interests held at 31 March 2018	Interests awarded during the year	Interests vested during the year	Interests lapsed during the year	Interests held at 31 March 2019	Vesting Period
Ben Bramhall	16 February 2017	0.05p	258,992	—	—	—	258,992	June 2020
	26 July 2018	0.05p	—	241,340	—	—	241,340	July 2021
Paul Cuff	16 February 2017	0.05p	258,992	—	—	—	258,992	June 2020
	26 July 2018	0.05p	—	241,340	—	—	241,340	July 2021
Michael Ainslie	16 February 2017	0.05p	188,848	—	—	—	188,848	June 2020
	26 July 2018	0.05p	—	175,977	—	—	175,977	July 2021
Jonathan Bernstein	16 February 2017	0.05p	188,848	—	—	—	188,848	June 2020
	26 July 2018	0.05p	—	175,977	—	—	175,977	July 2021
John Batting	18 January 2018	0.05p	153,374	—	—	—	153,374	June 2021
	26 July 2018	0.05p	—	83,798	—	—	83,798	July 2021

### 2016/17 PSP Awards (granted in February 2017)

These awards comprise nominal cost options with an exercise price of 0.05p per option and vest in 2020 following announcement of annual results in 2020 subject to performance relating to (i) adjusted Earnings per Share (EPS) (see note 7 to the Financial Statements for calculations) targets as to 50% of the award, and (ii) Relative Total Shareholder Return (TSR) targets as to the remaining 50% of the award. The details of the EPS and TSR target ranges are shown in the table below.

Diluted Adjusted EPS for the 3 year period to the end of FY 2019/20	Portion of award vesting
Compound annual growth in EPS (CAG) of less than 8% above CPI	0%
CAG of 8% above CPI	25%
CAG between 8% and 18% above CPI	Between 25% and 100% on a straight-line basis
CAG of 18% or more above CPI	100%

<b>XPS Pensions Group's TSR ranking vs a Comparator Group of Companies</b>	<b>Portion of award vesting</b>
Below median	0%
Median	25%
Between median and upper quartile	Between 25% and 100% on a straight-line basis
Upper quartile	100%

The TSR Comparator Group consists of 20 companies (excluding investment trusts) whose shares are listed on the London Stock Exchange and whose market capitalisation was similar to that of the Company at the date of grant as described in the IPO Prospectus.

### 2017/18 PSP Awards (granted in July 2018)

These awards comprise nominal cost options with an exercise price of 0.05p per option and vest in 2021 following announcement of annual results in 2021 subject to performance relating to (i) adjusted Earnings per Share (EPS) (see note 7 to the Financial Statements for calculations) targets as to 50% of the award, and (ii) Relative Total Shareholder Return (TSR) targets as to the remaining 50% of the award. The details of the EPS and TSR target ranges are shown in the table below.

<b>Diluted Adjusted EPS for the three year period to the end of FY 2020/21</b>	<b>Portion of award vesting</b>
Compound annual growth in EPS (CAG) of less than 8% above CPI	0%
CAG of 8% above CPI	25%
CAG between 8% and 18% above CPI	Between 25% and 100% on a straight-line basis
CAG of 18% or more above CPI	100%

<b>XPS Pensions Group's TSR ranking vs a Comparator Group of Companies</b>	<b>Portion of award vesting</b>
Below median	0%
Median	25%
Between median and upper quartile	Between 25% and 100% on a straight-line basis
Upper quartile	100%

The TSR Comparator Group (excluding investment trusts) consists of the constituents of the FTSE SmallCap Index at the start of the performance period.

### External Board appointments

The Executive Directors did not hold any external directorships during the year. The approved Directors' Remuneration Policy makes provision for them to retain any fees for one appointment.

### Payments to past Directors (audited)

There were no payments to past Directors in the financial year 2018/19 (2017/18: nil)

### Payments for loss of office (audited)

No payments were made to any Director in respect of loss of office in the financial year 2018/19 (2017/18: nil).

### Compensation arrangements for John Batting and Jonathan Bernstein

As announced on 1 April 2019, John Batting and Jonathan Bernstein have stepped down from the Board effective 1 April 2019. As announced, both will remain employees of the Group and will continue to be remunerated in connection with their employment as normal. They will not receive any payment for loss of office and this change will not affect the vesting of any existing awards made to them under any of the Group's share incentive schemes, as they remain employees of the Group. These awards will continue to be governed by the underlying scheme rules.

### Compensation arrangements for Mike Ainslie

Mike Ainslie will step down as Chief Financial Officer with effect from 30 June 2019.

During this period Mike has continued to perform all his responsibilities as CFO and in addition has undertaken an orderly transition and handover and has continued to receive his base salary, pension supplement and contractual benefits in the normal way.

A bonus under the 2018/19 bonus scheme has been calculated by reference to performance in the normal way. In line with other Executive Directors this was significantly reduced.

## Directors' Remuneration Report continued

Subject to certain terms, half of each of the two outstanding PSP awards will vest subject to the applicable performance conditions and time-pro rating from the date of grant to the departure date. The two-year holding period will also apply. The other half of awards will lapse on departure.

He will not participate in the 2019/20 bonus scheme although he served for three months of the financial year nor will he receive a 2019/20 PSP award.

Mike Ainslie is not eligible for any pay in lieu of notice or severance as a result of his departure.

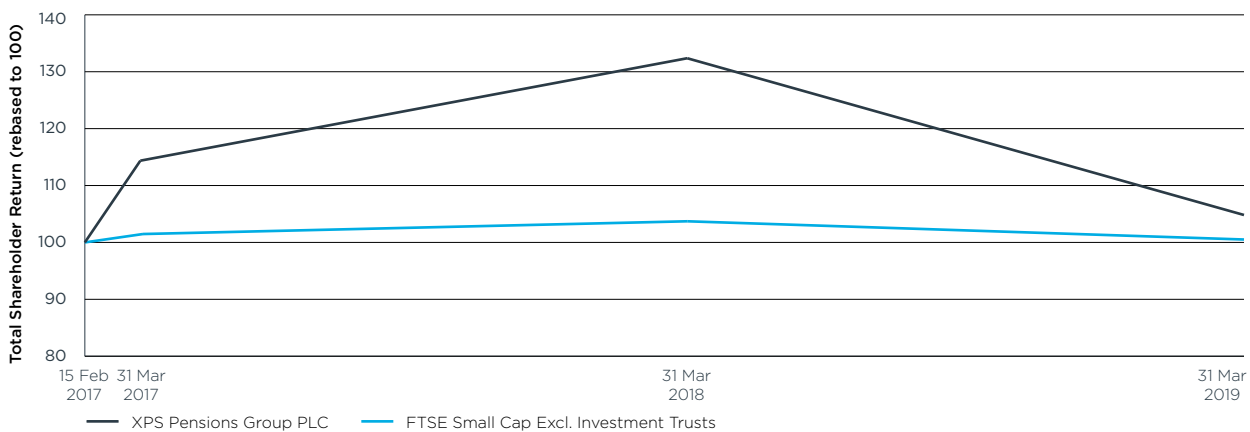
The Company will contribute up to £1,000 (plus VAT) in respect of reasonable legal costs in connection with the departure direct to the relevant law firm.

### Recruitment arrangements for Snehal Shah

Salary entitlement: £238,500. Bonus will be pro-rated based on complete months' service in 2019/20.

### Review of past performance and CEO remuneration table (unaudited)

The graph below shows the TSR of the Company and the FTSE SmallCap Index (excluding investment trusts) over the period from Admission to 31 March 2019. This is considered an appropriate comparator for XPS Pensions Group which is a constituent of the FTSE SmallCap Index.



The table below details certain elements of the CEOs' remuneration since Admission:

		Single total figure of remuneration	Annual bonus pay-out as % of maximum	Long-term incentive vesting rates as % of maximum
2019	Ben Bramhall	£362,803	12% <sup>1</sup>	n/a
	Paul Cuff	£382,803	12% <sup>1</sup>	n/a
2018	Ben Bramhall	£546,138	79%	n/a
	Paul Cuff	£545,724	79%	n/a
2017	Ben Bramhall	£286,882	31%	n/a
	Paul Cuff	£4,179,695	31%	n/a

<sup>1</sup> The bonus was reduced with the agreement of the CEO's from the formulaic outcome of 54%.

### Percentage change in remuneration of the CEOs (unaudited)

The table below presents the year-on-year % change in remuneration received by the CEOs, compared with the change in remuneration received by all XPS Pensions Group staff.

	Ben Bramhall	Paul Cuff	All XPS Pensions Group staff
Salary	20%	20%	4.1%
Annual bonus	(82)%	(82)%	47%
All taxable benefits	14%	19%	48%

## CEO PAY RATIO

The UK Corporate Governance Code will introduce mandatory CEO pay ratio reporting from 2019 financial year. Whilst XPS is not required to report on the provisions of the 2018 Miscellaneous Company Act until 2020, the Committee are taking a proactive approach in this area. We are demonstrating our consideration of pay in the wider workforce and we welcome the regulations and are adopting them early by publishing our CEO pay ratio. For 2019 reporting, in line with the legislative requirements, the table below sets out the Chief Executive pay ratio at the 25th, 50th and 75th percentiles for total pay and benefits using method C. The calculation is based on full time equivalent (FTE) salary as at 31 March 2019 for all employees in our Group.

FTE is calculated as salary divided by contractual hours then multiplied by standard full time hours and includes all fixed allowances that make up base pay.

The data was ranked and three representative employees reflecting 25th, 50th and 75th percentile identified; total pay and benefits were calculated on the same basis as the single figure table for the purposes of pay ratio calculation, which includes taxable benefits (car allowance), bonus and employer pension contribution as set out in the tables below:

Financial Year 31 March 2019		P25	P50	P75
	<b>Salary Ratio</b>	12.3:1	9.0:1	5.9:1
	<b>Total Pay Ratio</b>	15.3:1	8.1:1	7.2:1

Pay	CEO	P25	P50	P75
<b>Salary (000s)</b>	£288.0	£23.4	£42.0	£49.0
<b>Total Pay (000s)<sup>1</sup></b>	£359.2	£24.7 <sup>2</sup>	£46.7 <sup>2</sup>	£53.0

1. Excludes risk benefits such as life insurance, private medical insurance, permanent health insurance.

2. Includes bonus figures based on FTE salaries therefore not in line with actual bonus payments.

## Relative importance of spend on pay (unaudited)

The table below details the change in total staff pay between financial years 2017/18 and 2018/19 as detailed in note 11 of the Financial Statements, compared with distributions to shareholders by way of dividend, share buy backs or any other significant distributions or payments. These figures have been calculated in line with those in the audited Financial Statements.

	% change	2018/19 £'000	2017/18 £'000
Total gross staff pay	63%	48,244	29,630
Distributions to shareholders	246%	13,206	3,822

## Statement of shareholder voting

The table below shows the outcome of the advisory vote on the 2017/18 Directors' Remuneration Report at the Annual General Meeting held on 13 September 2018 and of the binding vote on the Directors' Remuneration Policy on 14 September 2017.

AGM resolution		Votes for	%	Votes against	Votes withheld
Directors' Remuneration Policy AGM	2017	122,743,535	98.40	1,993,027	0
Directors' Remuneration Report AGM	2018	155,472,501	79.99	38,886,746	1,707,609

## Directors' Remuneration Report continued

The Board acknowledged, at the time that the results of the Annual General Meeting held on 13 September 2018 were released, that 20.01% of the votes cast were against the Directors' Remuneration Report. The salary increases for four of the five executive directors and the pension and annual bonus of a new director on the board caused concern for some of the Company's shareholders and certain voting guidance services.

Since September 2018, Margaret Snowden, the Chair of the Remuneration Committee, has met with shareholders that wished to engage and discussed their concerns. In the ordinary course of events, the Directors' Remuneration Policy will next be put to shareholders at the Annual General Meeting in 2020 and it is anticipated a consultation exercise with the Company's major shareholders and the voting guidance services will be undertaken in advance of this.

### Implementation of Policy for 2019/20 (unaudited information)

#### Base salary

Base salaries remain as last year as follows and the next annual review will be effective from 1 April 2020.

- Ben Bramhall: £288,000
- Paul Cuff: £288,000
- Michael Ainslie: £252,000
- Snehal Shah: £238,500

#### Benefits in kind

Benefits will be paid in line with the Directors' Remuneration Policy. Details of the benefits received by Executive Directors are set out in the single figure table on page 61.

There is no intention to introduce additional benefits in 2019/20.

#### Pension

Contribution rates will be between 6% and 8% of base salary depending on age for the continuing executives. Contributions may be made as cash supplements in full or in part. These contributions are in line with those for the majority of employees in the Group. The range of contributions across the Group is from 4% to 20% of base salary (with the larger rates relating to legacy employment terms).

#### Annual Bonus

Bonus maxima of 150% of salary will be applied for the Co-Chief Executive Officers and 112.5% for the other Executive Directors. The weightings are as follows: 75% (increased from 70%) of the bonus will be payable by reference to performance based on Adjusted PBT, with performance against personal/strategic targets determining the extent to which the remaining 25% (reduced from 30%) of the overall bonus opportunity is payable.

In addition:

- No bonus will be payable unless the Committee is satisfied that the Company's underlying performance warrants it; and
- As set out in the policy table, bonus payments will also be subject to the Committee considering that the proposed bonus amounts, calculated by reference to performance against the targets, appropriately reflect the Company's overall performance and shareholders' experience. If the Committee does not believe this to be the case, it may adjust the bonus outturn accordingly.

Owing to the Board's concerns about commercial sensitivity, we do not believe it is in shareholders' interests to disclose any further details of these targets on a prospective basis. However, the Company is committed to adhering to principles of transparency and will, provided disclosure of targets is not deemed to be commercially sensitive, make appropriate and relevant levels of disclosure of bonus targets and performance against these targets for the 2019/20 bonus in next year's report. The targets will be set to ensure both consistency and fairness to all stakeholders.

#### PSP awards

It is intended that the PSP awards will be made in 2019/20. There are two performance criteria and they are based on EPS and relative Total Shareholder Return (TSR) performance. The awards will normally vest three years after grant based upon performance.

XPS Pensions Group's TSR ranking vs a Comparator Group of Companies	Portion of award vesting
Below median	0%
Median	25%
Between median and upper quartile	Between 25% and 100% on a straight-line basis
Upper quartile	100%

The TSR Comparator Group consists of the constituents of the FTSE SmallCap Index (excluding investment trusts) at the start of the performance period.

The Remuneration Committee has not, at the date of the publication of the Directors' Remuneration Report, decided on the appropriate target range for the EPS performance target. The targets will be disclosed in the RNS published shortly after the grant date and in next year's Directors' Remuneration report. The target range will take into account the Group's expectations for EPS performance over the next three years.

The Remuneration Committee will determine the appropriate award levels at the time of grant which will be no more than 150% of salary for the Co-CEOs and 125% for the CFO.

#### **The Chairman's and the Non-executive Directors' Fees**

Tom Cross Brown receives an annual fee of £120,000 for his role as Board Chairman.

Margaret Snowdon OBE receives an annual fee of £65,000 and Alan Bannatyne receives an annual fee of £75,000. Jonathan Punter receives an annual fee of £60,000. Sarah Ing receives an annual fee of £60,000.

The above fees are unchanged from the prior year.

This report was reviewed and approved by the Board of Directors on 26 June 2019 and was signed on its behalf by:

#### **Margaret Snowdon OBE**

Chair of the Remuneration Committee  
26 June 2019

## Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the Group Financial Statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements and have elected to prepare the Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group and Company for that period. In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- Prepare a directors' report, a strategic report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

The Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements. The Directors' have not identified any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements.

### Statement of the Directors in respect of the Annual Report

As required by the UK Corporate Governance Code, the Directors confirm that they consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. When arriving at this position the Board was assisted by a number of processes, including the following:

- The Annual Report is drafted by appropriate senior management with overall coordination by the Chief Financial Officer and Financial Controller to ensure consistency across sections;
- An extensive verification process is undertaken to ensure factual accuracy;
- Comprehensive reviews of drafts of the Annual Report are undertaken by members of the Executive Board and senior management team; and
- The final draft is reviewed by the Audit and Risk Committee prior to consideration by the Board.

### Responsibility statement

The Directors confirm that to the best of their knowledge:

- The Group Financial Statements, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the Parent Company, as a whole; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board:



**Mike Ainslie**

Chief Financial Officer  
26 June 2019



## Directors' Report

### Overview

The Directors present their Annual Report on the activities of XPS Pensions Group plc (the Group), together with the audited Financial Statements for the year ended 31 March 2019. The Governance section on pages 36 to 37 forms part of this Directors' Report. Other requisite components of this report are set out elsewhere in this Annual Report.

The Strategic Report provides information relating to the Group's activities, its business and strategy, the principal risks and uncertainties faced by the business and environmental and employee matters. These sections, together with the Corporate Governance and the Directors' Remuneration reports provide an overview of the Group and give an indication of future developments in the Group's business, so providing a balanced assessment of the Group's position and prospects. These reports and this Directors' Report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the Directors in connection with such reports shall be subject to the limitations and restrictions provided by such law.

On 6 February 2017, the Company name changed from Xafinity Group Holdings (Reading) Limited to Xafinity plc. On 16 February 2017, all the Company's 136,896,244 ordinary shares were admitted to the premium listing segment of the Official List and to trading on the main market of the London Stock Exchange (Admission). From Admission the Company's ordinary shares are registered under ISIN GB00BDDNIT20, SEDOL number BDDNIT2, and LEI 2138004Y8OBPJEAACJ11 and, until 16 May 2018, traded under the ticker symbol XAF.

In connection with the acquisition of Punter Southall Holdings Limited, which completed on 11 January 2018, a further 41,176,470 and 25,766,871 ordinary shares in the Company were admitted on 5 and 11 January 2018 respectively to the premium listing segment of the Official List and to trading on the main market of the London Stock Exchange. The Company had 203,839,585 ordinary shares in issue on 31 March 2018. On 16 May 2018, the Company name changed from Xafinity plc to XPS Pensions Group plc. From 17 May 2018 the Company's ordinary shares trade under the ticker symbol XPS. XPS Pensions Group plc is a member of the FTSE All-Share Index.

The table below details where certain other information, which forms part of the Directors' Report, can be found within this Annual Report:

Information	Location within Annual Report
Likely future developments in the business of the Company	Strategic Report (pages 12 to 13)
Equality and diversity	Co-Chief Executive Officers' Report (pages 20 to 23) and Corporate Governance Report (pages 36 to 37)
Employee involvement	Co-Chief Executive Officers' Report (pages 20 to 23)
Directors' shares interests	Directors' Remuneration Report (page 63)
Financial risk management objectives and policies	Note 2 to the Financial Statements (page 95)

### Results and dividend

The Group's audited Financial Statements for the year ended 31 March 2019 are set out on pages 81 to 122 and the Company's audited Financial Statements are set out on pages 123 to 128. The Group's profit after taxation for the year ended 31 March 2019 was £11.50m (2018: £11.60m).

An interim dividend of 2.3p per ordinary share (2018: 2.1p) was paid on 8 February 2019. The Directors recommend a final dividend for the year of 4.3p per ordinary share (2018: 4.2p) to be paid on 26 September 2019 to shareholders on the register on 30 August 2019. Further information regarding dividend policy and payments can be found in the Financial Review on page 30 and in note 39 to the Financial Statements on page 122.

### Post balance sheet events

On 31 May 2019, the Group acquired RL Corporate Pension Services Limited (RLCPS) from the Royal London Mutual Insurance Society Limited, for total consideration of £4.8 million in cash upon completion. Further information regarding this can be found in note 41 to the Financial Statements on page 138.

## Directors' Report continued

### Directors

The current Directors of the Company, with summaries of their key skills and experience, are set out in the Governance section on pages 38 to 39. Directors on the Board during the year and up to the date of this report are as follows:

Ben Bramhall

Paul Cuff

Tom Cross Brown

Alan Bannatyne

Margaret Snowdon

Sarah Ing (appointed 17 May 2019)

Jonathan Punter

Mike Ainslie (stepping down 27 June 2019)

John Batting (stepped down 1 April 2019)

Jonathan Bernstein (stepped down 1 April 2019)

Details of the Directors' service contracts are shown in the Report of the Remuneration Committee on pages 59 to 60.

Details of share options granted to Directors and the interests of the Directors in the ordinary shares of the Company are set out in the Remuneration Report on pages 63 to 65.

In accordance with its articles of association, the Company made qualifying third-party indemnity provisions for the benefit of its Directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by company law, which were in place throughout the year and remain in force at the date of this report. In addition, Directors' and Officers' liability insurance cover was maintained throughout the year at the Company's expense and remains in force at the date of this report.

As part of the acquisition of Punter Southall Holdings Limited (PSHL) and its subsidiaries, the Company and Punter Southall Group Limited (PSGL) agreed a Transitional Services Agreement (TSA) on 11 January 2018, pursuant to which PSGL provided certain IT, finance, human resources, legal and compliance and facilities management services to PSHL for up to two years after that date, with the Company paying up to £2.125 million per annum for such services (subject to additional charges that may be agreed). The Board acknowledges that this is a significant contract in which Jonathan Punter, a Non-executive Director, is materially interested given his position as Chief Executive of PSGL. As mentioned previously, the TSA concluded ahead of the 2 year agreement for the majority of Group functions.

### Capital structure

The Company's issued ordinary share capital and total voting rights at 31 March 2019 and the date of this report were respectively 203,872,875 and 203,893,056 ordinary shares (each with a par value of £0.05p and all fully paid). There were no ordinary shares held in treasury. Further details of the Company's issued share capital are given in note 30 on page 114.

The Company's ordinary shares rank *pari passu* in all respects with each other, including for voting purposes and for all dividends. Each share carries the right to one vote at general meetings of the Company. Further information on the voting and other rights of shareholders, including deadlines for exercising voting rights, are set out in the Company's Articles of Association and in the explanatory notes that accompany the Notice of the Annual General Meeting, which are available on the Company's website at [www.xpsgroup.com](http://www.xpsgroup.com)

### Restrictions on shares

The Company's ordinary shares are freely transferable and there are no restrictions on the size of a holding. Transfers of shares are governed by the provisions of the Articles of Association and prevailing legislation. The ordinary shares are not redeemable; however, the Company may purchase any of the ordinary shares, subject to prevailing legislation and the requirements of the Listing Rules.

The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. Awards of shares under the Company's Performance Share Plan incentive arrangement are subject to restrictions on the transfer of shares prior to vesting.

The Trustee of the Xfinity Employee Benefit Trust holds 691,193 ordinary shares in the Company but has waived its entitlement to dividends and does not seek to exercise the voting rights on those shares.

### Major interests in shares

The table below shows the interests in shares (whether directly or indirectly held) notified to the Company in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules as at 31 March 2019 and 31 May 2019 (being the latest practicable date prior to publication of this Annual Report):

Shareholder	At 31 March 2019		At 31 May 2019	
	Number of ordinary shares	Percentage of total voting rights	Number of ordinary shares	Percentage of total voting rights
Punter Southall Group Ltd	25,543,887	12.53	25,543,887	12.53
BlackRock Inc.	16,400,859	8.05	16,147,061	7.92
Invesco Asset Management Ltd	15,938,140	7.82	16,064,574	7.88
Axa Investment Managers	15,289,836	7.50	15,289,836	7.50
Threadneedle Asset Management Ltd	13,636,877	6.69	13,603,110	6.67
Franklin Templeton Fund Management Ltd	12,789,633	6.27	12,789,633	6.27

### Appointment and retirement of Directors

The Board may from time to time appoint one or more additional Directors so long as the total number of Directors does not exceed the limit of 12 as prescribed in the Articles of Association. Any person so appointed will retire at the next Annual General Meeting and then be eligible for re-election. The UK Corporate Governance Code recommends that all Directors be subject to annual re-election by shareholders. Therefore, being eligible, all Directors (except Mike Ainslie) will offer themselves for re-election at the 2019 Annual General Meeting.

### Powers of Directors

The business of the Company shall be managed by the Directors, who may exercise all powers of the Company, subject to legislation, the provisions of the Articles of Association and any directions given by special resolution. The Articles of Association contain specific provisions governing the Company's power to borrow money and also provide the powers to issue shares and to make purchases of its own shares. In accordance with the authorities granted at the 2018 Annual General Meeting, the Directors are authorised, within certain limits, to allot shares or grant rights to subscribe for shares in the Company and to make market purchases of the Company's own shares representing up to 10% of its share capital at that time. Details of the proposed renewal of authorities of the Directors are set out in the Notice of the 2019 Annual General Meeting.

### Political donations

No political contributions were made, or political expenditure incurred, by the Company and its subsidiaries during the year (2018: £nil).

### Employment of disabled persons

The Group continues to give full and fair consideration to applications for employment by disabled persons, bearing in mind their aptitudes and abilities. In the event of an employee becoming disabled whilst working for the Group, every effort will be made by the Group to ensure their continued employment and to provide retraining where practicable and appropriate. The policy of the Group is that training, career development and promotion should, as far as possible, be identical to that of other employees.

### Provisions on change of control

The Company is subject to a change of control provision in the following significant agreement:

The Company's £80m agreement with HSBC Bank plc and the Bank of Ireland in multicurrency revolving facilities, with a further uncommitted facility of up to £20m, includes a customary provision for a lending counterparty to amend, alter or cancel the relevant commitment to the Group following a change of control of the Company.

The Company does not have agreements with any Director or employee that would provide specific compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's Performance Share Plan incentive arrangement may cause awards to vest on a takeover.

### Articles of Association

A copy of the full Articles of Association are available on the Company's website. The Company's Articles of Association may only be amended by a special resolution of shareholders in a general meeting.

### Viability Statement

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the reports referred to in the Overview section on page 71 of this Directors' Report.

The Directors have assessed the long-term prospects of the Group based upon business plans and upon cash flow projections for the three-year period ending 31 March 2022. The three-year period was chosen as it is considered the longest timeframe over which any reasonable view can be formed. The forecasts and cash flow projections being used to assess going concern have been comprehensively stress-tested by using simulation techniques involving sensitivity analysis. It should be noted that the Group has limited forward visibility and consequently there is a high degree of uncertainty in respect of future outcomes.

In forming their opinion the Directors have performed a robust assessment of the principal risks and uncertainties facing the Group as set out on pages 32 to 35. In addition, note 2 on page 95 of the accounts includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives and its exposure to credit risk, liquidity risk and market risk. The Directors have also considered what impact Brexit may have on the Group, and have concluded that it is not expected to have a significant impact on the Group's activities.

## Directors' Report continued

The Group had £5.5m of cash at 31 March 2019 and a £80m committed financing facility until December 2022. Further details of the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described within the Financial Statements and notes.

The Group has a strong balance sheet, access to financial resources and long-term growth prospects. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

After making enquiries, the Directors have formed a judgement, at the time of approving the Financial Statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as they fall due over the three-year assessment period. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. At the same time, the Directors also considered the appropriateness of adopting the going concern basis of accounting in preparing the Financial Statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements.

### Auditors and disclosure of information to the Auditors

In accordance with section 418 of the Companies Act 2006, each of the Directors who were members of the Board at the date of the approval of this report confirms that:

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

The Company's auditor, BDO LLP, has expressed its willingness to continue in office and the Board has agreed, based on the recommendation of the Audit and Risk Committee, that a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

### Annual General Meeting

Details of the forthcoming Annual General Meeting are given on page 46 of the Governance section.

### Listing Rule (LR) disclosures

For the purposes of LR 9.8.4CR, the information required to be disclosed by LR 9.8.4R can be found in the following locations:

Item	Location
Interest capitalised	None
Publication of unaudited financial information	Not applicable
Details of long-term incentive schemes	Details of the Company's long-term incentive scheme can be found in the Remuneration Committee Report on page 52
Waiver of emoluments by a Director	None
Waiver of future emoluments by a Director	None
Non pre-emptive issues of equity for cash	Not applicable
Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings	Not applicable
Contracts of significance in which a director is or was interested	Transitional Services Agreement with Punter Southall Group Ltd - see page 72 of this report
Provision of services by a controlling shareholder	Not applicable
Shareholder waiver of dividend for the year and future dividends	Dividend waiver by the Trustee of the Xafinity Employee Benefit Trust - see page 72 of this report
Agreements with controlling shareholder	Not applicable

The Directors' Report was approved by the Board of Directors of XPS Pensions Group plc.

By order of the Board:



**Mike Ainslie**  
Chief Financial Officer  
26 June 2019

## Independent Auditor's Report to the Members of XPS Pensions Group plc

### Opinion

We have audited the Financial Statements of XPS Pensions Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Statement of Financial Position – Company, the Statement of Changes in Equity – Company, the Statement of Cash Flows – Company and the Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- The Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2019 and of the Group's profit for the year then ended;
- The Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- The Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- The disclosures in the Annual Report set out on pages 32 to 35 that describe the principal risks and explain how they are being managed or mitigated;
- The Directors' confirmation set out on page 70 in the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- The Directors' statement set out on page 86 in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- Whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- The Directors' explanation set out on page 73 in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

# Independent Auditor's Report to the Members of XPS Pensions Group plc

continued

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matter

#### Revenue recognition

The Group generates revenue from pension advisory, administration and investment consulting services as well as providing independent trustee, SSAS and SIPP services.

IFRS 15 requires the identification of the different performance obligations embedded in a contract, and the allocation of the transaction price to the separate performance obligations which necessitates applying the recognition of revenue according to the separate performance obligations. Identifying the separate performance obligations is complex as, dependent upon the income stream and nature of the engagement, revenue is recognised on either time costs incurred, fixed fee or rateably over the period of providing the service basis. Refer also to note 1 (Accounting policies) in the Financial Statements for further details where the revenue recognition policy has been updated to reflect this. The prior year balances have been restated to reflect this change in accounting policy.

Revenue is billed on a monthly, quarterly or, in the case of SSAS and SIPP services, on an annual basis. Services may be billed in arrears, as in the case of pensions advisory work, or in advance as is the case with SSAS and SIPP revenues. As a result of such arrangements, judgement is involved in the timing of revenue recognition to ensure the performance obligations have been met.

Risks over revenue recognition include:

- Inherent fraud risk in respect of overstatement of revenue and accrued income and the understatement of deferred revenue;
- Incorrect deferral of revenue on SSAS services;
- Recoverability of accrued income in respect of pension advisory services;
- Completeness of production captured within the timecard system and subsequently recorded in the accounting system.
- Incorrect revenue recognised under IFRS 15 due to the judgements involved in implementing the new standard.

### How we addressed the key audit matter in the audit

We identified the Group's revenue streams and tested that the related revised revenue recognition policy was in accordance with IFRS 15.

We utilised our IT audit specialists to review revenue transactions and identify transactions which do not appear to arise from standard billing arrangements. We then agreed a sample of any such transactions to underlying support to gain an understanding of the transaction and ensure related revenue had been appropriately recognised.

We tested a sample of revenue transactions for each material income stream by agreeing back to timecard data and to receipt of payment to check the existence of revenue and that it was accurately recorded.

In respect of the prior year adjustment, we tested a sample of items to supporting contracts.

We tested the recoverability of a sample of accrued income through to its subsequent billing and cash receipt. For any unpaid items we considered the recoverability of these.

We tested deferred income on a sample basis by recalculating deferrals based on invoice amounts and associated dates and reviewing for revenue deferrals not made.

Where contracts exist, for a sample we have ensured that revenue is being recognised in accordance with the terms of the contract as well as IFRS 15.

We tested the completeness of timecards recorded within the timecard system and the subsequent recognition of related revenue by reconciling the timecards recorded to the amounts billed and written off, agreeing exceptions noted to underlying support.

We tested the transition to IFRS 15 and assessed the reasonableness of the judgements taken by management in the adoption of IFRS 15.

#### Key observations

Our testing did not identify any material misstatements in the amount of revenue recognised.

## Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as follows:

	Group	Parent Company
<b>Overall materiality</b>	£615,000 (2018: £400,000)	£240,000 (2018: £350,000)
<b>How we determined it</b>	Materiality was based on 5% of profit before tax excluding accelerated amortisation of £4.8m for the Punter Southall brand (2018: based on 5% of profit before tax excluding acquisition costs of £3.7m). £615,000 was calculated based on the original figures provided during the audit. We recalculated final materiality based on the adjusted numbers and have decided to retain the lower materiality amount.	Materiality for the Parent Company's Financial Statements capped at 39% (2018: 88%) of Group materiality which represents <1% (2018: <1%) of gross assets.
<b>Rationale for benchmark applied</b>	We determined profit before tax excluding accelerated amortisation as our benchmark for materiality on the basis that profit before tax is a key performance indicator used by the market. Accelerated amortisation is considered non-recurring.	We considered an asset based measure to best reflect the nature of the Parent Company which acts as a Parent Holding Company for the Group.

Where financial information from components was audited separately, component materiality levels were set for this purpose at lower levels varying from 5% to 71% of Group materiality.

In considering the individual account balances and classes of transactions we apply a lower level of materiality (performance materiality) in order to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceed materiality. Performance materiality was set at £430,000 (2018: £280,000) for the Group, representing 70% of materiality. 70% of materiality was selected as there have historically been a low number of audit adjustments, management post audit adjustments where necessary, a limited number of balances are subject to estimation and our assessment of the overall control environment. The same % was applied to each component materiality including the Parent Company.

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £25,000 (2018: £16,000), being 4% (2018: 4%) of Group materiality. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

## An overview of the scope of our audit

The Group comprises the Parent Company, six trading subsidiaries, five of which are considered to be significant components, and five intermediate holding companies all based in the United Kingdom, together with a Jersey based trust company controlled by the Parent Company, which contains the Group's Employee Benefit Trust. Full scope audits of all components were carried out by the Group audit team given the need for statutory audit requirements for all of those components.

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the Financial Statements at the Group level.

As discussed under the Key Audit Matters above, the scope of the audit was tailored to ensure specific testing over the revenue recognition under IFRS 15.

Whilst the Directors have ultimate responsibility for the prevention and detection of fraud, we are required to obtain reasonable assurance that the Financial Statements are free from material misstatement, including those arising as a result of fraud.

## Independent Auditor's Report to the Members of XPS Pensions Group plc continued

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Companies Act 2006, IFRSs as adopted by the European Union, the Financial Conduct Authority's regulations and the Listing Rules.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the Financial Statements. Our tests included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of management and the Audit Committee;
- Enquiries of the legal team and compliance department including the Head of Compliance and MLRO;
- Reviewing correspondence with the Financial Conduct Authority;
- Review of minutes of Board meetings throughout the period; and
- Considering the effectiveness of the control environment in monitoring compliance with laws and regulations.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the Financial Statements and our Auditor's Report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.



We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 70** – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 49 to 51** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on pages 36 and 48** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

### Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 70, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

# Independent Auditor's Report to the Members of XPS Pensions Group plc

continued

## Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

## Other matters which we are required to address

Following the recommendation of the audit committee, we were reappointed by the shareholders on 13 September 2018 to audit the Financial Statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement is six years, covering the years ended 31 March 2014 to 31 March 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

## Use of our report

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



### Simon Brooker

(Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Reading, United Kingdom

26 June 2019

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

## Consolidated Statement of Comprehensive Income

for the year ended 31 March 2019

	Note	Year ended 31 March 2019 £'000	Year ended 31 March 2018 Restated £'000
Revenue	1, 17	<b>109,890</b>	62,667
Other operating income	4	<b>6,459</b>	472
Administrative expenses	10, 17	<b>(103,436)</b>	(58,423)
<b>Profit from operations</b>		<b>12,913</b>	4,716
Finance income	15	<b>17</b>	23
Finance expenses	15	<b>(1,564)</b>	(1,473)
Profit before tax		<b>11,366</b>	3,266
Income tax expense	1, 16, 17	<b>(995)</b>	(1,049)
<b>Profit and total comprehensive income from continuing operations for the year</b>		<b>10,371</b>	2,217
Profit on discontinued operations, net of tax	17	<b>1,137</b>	9,384
<b>Profit after tax</b>		<b>11,508</b>	11,601
		<b>Pence</b>	<b>Pence</b>
<b>Earnings per share attributable to the ordinary equity holders of the Company:</b>			
<b>Profit:</b>			
Basic earnings per share	37	<b>5.7</b>	7.7
Diluted earnings per share	37	<b>5.6</b>	7.5
Adjusted basic earnings per share	37	<b>10.0</b>	9.4
Adjusted diluted earnings per share	37	<b>9.9</b>	9.1
<b>Profit from continuing operations:</b>			
Basic earnings per share	37	<b>5.1</b>	1.5
Diluted earnings per share	37	<b>5.0</b>	1.4
Adjusted basic earnings per share	37	<b>9.9</b>	8.6
Adjusted diluted earnings per share	37	<b>9.8</b>	8.3

The notes on pages 85 to 122 form part of these Financial Statements.

## Consolidated Statement of Financial Position

as at 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 Restated £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	18	2,104	1,017
Intangible assets	19	208,218	215,692
Deferred tax assets	20	840	774
Other financial assets	21	1,000	-
		<b>212,162</b>	217,483
<b>Current assets</b>			
Trade and other receivables	1, 22	33,075	28,762
Cash and cash equivalents	23	5,539	9,404
		<b>38,614</b>	38,166
<b>Total assets</b>		<b>250,776</b>	255,649
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	24	56,962	55,072
Deferred income tax liabilities	20	16,370	17,942
		<b>73,332</b>	73,014
<b>Current liabilities</b>			
Loans and borrowings	24	49	27
Provisions for other liabilities and charges	28	2,033	1,459
Trade and other payables	1, 26	17,414	17,682
Current income tax liabilities	1, 27	1,393	1,757
Deferred consideration	29	152	8,332
		<b>21,041</b>	29,257
<b>Total liabilities</b>		<b>94,373</b>	102,271
<b>Net assets</b>		<b>156,403</b>	153,378
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	30	102	102
Share premium	31	116,795	116,782
Merger relief reserve	31	48,687	48,687
Investment in own shares held in trust	31	(167)	(465)
Accumulated deficit	31	(9,014)	(11,728)
<b>Total equity</b>		<b>156,403</b>	153,378

The notes on pages 85 to 122 form part of these Financial Statements.

The Financial Statements were approved by the Board of Directors on 25 June 2019 and were signed on its behalf by:



**Mike Ainslie**  
Chief Financial Officer  
26 June 2019

Registered number: 08279139

## Consolidated Statement of Changes in Equity

for the year ended 31 March 2019

	Share capital £'000	Share premium £'000	Investment in own shares £'000	Merger relief reserve £'000	Accumulated deficit £'000	Total equity/ (deficit) £'000
Balance at 1 April 2017 (as previously stated)	68	49,958	(465)	-	(20,612)	28,949
Prior year adjustment: IFRS 15 revenue from contracts with customers (see note 1)	-	-	-	-	30	30
Balance at 1 April 2017 (as restated)	68	49,958	(465)	-	(20,582)	28,979
Comprehensive income and total comprehensive income for the year (as restated)	-	-	-	-	11,601	11,601
Contributions by and distributions to owners						
Share capital issued	34	69,979	-	48,687	-	118,700
Share issue costs	-	(3,155)	-	-	-	(3,155)
Dividends paid	-	-	-	-	(3,822)	(3,822)
Share-based payment expense - IFRS 2 charge in respect of long-term incentives	-	-	-	-	1,051	1,051
Deferred tax movement in respect of long-term incentives	-	-	-	-	24	24
Total contributions by and distributions to owners	34	66,824	-	48,687	(2,747)	112,798
Balance at 31 March 2018 (as restated)	102	116,782	(465)	48,687	(11,728)	153,378
Balance at 1 April 2018 (as restated)	102	116,782	(465)	48,687	(11,728)	153,378
Comprehensive income and total comprehensive income for the year	-	-	-	-	11,508	11,508
Contributions by and distributions to owners						
Share capital issued	-	13	-	-	-	13
Dividends paid	-	-	-	-	(13,206)	(13,206)
Share-based payment expense - equity settled from employee benefit trust	-	-	298	-	1,701	1,999
Share-based payment expense - IFRS 2 charge in respect of long-term incentives	-	-	-	-	2,859	2,859
Deferred tax movement in respect of long-term incentives	-	-	-	-	(148)	(148)
Total contributions by and distributions to owners	-	13	298	-	(8,794)	(8,483)
<b>Balance at 31 March 2019</b>	<b>102</b>	<b>116,795</b>	<b>(167)</b>	<b>48,687</b>	<b>(9,014)</b>	<b>156,403</b>

The notes on pages 85 to 122 form part of these Financial Statements.

## Consolidated Statement of Cash Flows

for the year ended 31 March 2019

	Note	Year ended 31 March 2019 £'000	Year ended 31 March 2018 Restated £'000
<b>Cash flows from operating activities</b>			
Profit for the year		11,508	11,601
<i>Adjustments for:</i>			
Depreciation	18	841	577
Amortisation	19	12,302	5,299
Finance income	15	(17)	(23)
Finance costs	15	1,564	1,473
Gain on sale of discontinued operations, net of tax	17	(1,164)	(8,160)
Share-based payment expense	14	2,859	1,051
Other operating income	4	(6,459)	(472)
Income tax expense	16	1,262	1,336
		<b>22,696</b>	12,682
(Increase)/decrease in trade and other receivables		(3,698)	2,276
Increase/(decrease) in trade and other payables		64	(4,232)
Increase in provisions		387	390
		<b>19,449</b>	11,116
Income tax paid		(3,941)	(628)
<b>Net cash inflow from operating activities</b>		<b>15,508</b>	10,488
<b>Cash flows from investing activities</b>			
Finance income received	15	17	23
Acquisition of a subsidiary, net of cash acquired	7,29	(4,925)	(88,886)
Disposal of discontinued operations	17	550	262
Purchases of property, plant and equipment	18	(1,928)	(241)
Purchases of software	19	(715)	(1,103)
Increase in other cash balances	21	(1,000)	-
<b>Net cash outflow from investing activities</b>		<b>(8,001)</b>	(89,945)
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital net of share issue costs		13	66,858
Proceeds from new loans net of capitalised costs		1,500	41,070
Repayment of loans		-	(19,250)
Sale of own shares		1,999	-
Interest paid		(1,644)	(841)
Payment of finance lease liabilities		(34)	(34)
Dividends paid to the holders of the parent		(13,206)	(3,822)
<b>Net cash outflow from financing activities</b>		<b>(11,372)</b>	83,981
Net (decrease)/increase in cash and cash equivalents		(3,865)	4,524
Cash and cash equivalents at start of the year		9,404	4,880
<b>Cash and cash equivalents at end of year</b>	23	<b>5,539</b>	9,404

The notes on pages 85 to 122 form part of these Financial Statements.

# Notes to the Consolidated Financial Statements

## for the year ended 31 March 2019

### 1 Accounting policies

XPS Pensions Group plc (the 'Company') is a public limited company incorporated in the UK. The principal activity of the Group is employee benefit consultancy and related business services. The registered office is Phoenix House, 1 Station Hill, Reading RG1 1NB. The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group').

#### Basis of preparation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRS - IC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The Consolidated Financial Statements have been prepared under the going concern basis.

The preparation of Financial Statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed at the end of this section.

The principal accounting policies adopted in the preparation of the Financial Statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated.

#### Functional and presentation currency

The Financial Statements are presented in British Pounds which is the Company's functional currency. Figures are rounded to the nearest thousand.

#### Measurement convention

The financial information is prepared on the historical cost basis except for the measurement of certain financial instruments and contingent consideration.

#### Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all 3 of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any elements of control.

De facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights.
- Substantive potential voting rights held by the Company and by other parties.
- Other contractual arrangements.
- Historic patterns in voting attendance.

The consolidated financial information presents the results of the Company and its subsidiaries (the Group) as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial information incorporates the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of the acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2019

## 1 Accounting policies continued

### Property, plant and equipment

Property, plant and equipment are stated at historic cost less accumulated depreciation. For items acquired as part of a business combination, cost comprises the deemed fair value of those items at the date of acquisition. Depreciation on those items is charged over their estimated remaining useful lives from that date.

Depreciation is charged to profit and loss in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Estimated useful lives are as follows:

- Office equipment 3 to 10 years
- Leasehold improvements 5 years
- Fixtures and fittings 3 to 10 years

### Going concern

Accounting standards require the Directors to consider the appropriateness of the going concern basis when preparing the Financial Statements. The Directors have taken notice of the Financial Reporting Council guidance 'Guidance on the going concern basis of accounting and reporting on solvency and liquidity risks' which requires the reasons for this decision to be explained.

The Directors have prepared cash flow forecasts for a period including 12 months from the date of approval of these Financial Statements which show that during that period the Group is expected to generate sufficient cash from its operations to settle its liabilities as they fall due without the requirement for additional borrowings. Therefore the Directors conclude that the Group has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing these annual financial statements.

### Intangible assets and goodwill

Goodwill represents amounts arising on acquisition, being the difference between the cost of the acquisition and the net fair value of the identifiable assets and liabilities acquired on a business combination. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units for the purposes of impairment testing and is not amortised. It is tested annually for impairment.

Externally acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired software is valued based on replacement cost valuations where identifiable or at cost less accumulated amortisation and impairment. Internally produced software is valued at cost less accumulated amortisation and impairment.

Customer relationships are valued based on the net present value of the excess earnings generated by the revenue streams over their estimated useful lives.

Brands valuation is based on net present value of estimated royalty returns.



Amortisation is charged to profit and loss in the statement of comprehensive income over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life, such as goodwill, are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. Estimated useful lives are as follows:

■ Goodwill	Indefinite life
■ Customer relationships*	10 years, reducing balance method
■ Brands	10 years, straight-line method
■ Software	3 to 4 years, straight-line method

\* Except for Pensions and investment customer relationships acquired as part of the Punter Southall acquisition, which have an estimated useful life of 20 years, on a reducing balance basis.

### Contingent consideration

Contingent consideration is included in cost at its acquisition date fair value and is classified as a financial liability, remeasured at fair value subsequently through profit or loss. Contingent consideration classified as equity is not remeasured.

### Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready for use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

#### Amortised cost

Amortised cost includes non-derivative financial assets where they are held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows and those contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding. These assets are included in non-current assets if their maturity is greater than 12 months. Trade receivables are stated initially at fair value then measured at amortised cost less provisions for impairment. The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision. The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to year end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. Any impairment required is recorded in the statement of comprehensive income within administrative expenses.

Cash and cash equivalents comprise cash balances and call deposits.

Restricted cash is cash which the Group is not entitled to receive, withdraw, transfer or otherwise deal with the Deposit, save as expressly permitted by the Blocked Account Agreement during the Security Period. The Security Period is the period beginning on the date of the Deed and ending on the date on which the Beneficiary is satisfied that the Secured Liabilities have been irrevocably and unconditionally paid and discharged in full and all agreements which might give rise to Secured Liabilities have terminated. The restricted cash has been included in non-current assets as it is expected that the cash will remain in the blocked account for more than 12 months after the end of the reporting period.

# Notes to the Consolidated Financial Statements continued

## for the year ended 31 March 2019

### 1 Accounting policies continued

#### Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Group's accounting policy for each category is as follows:

#### Fair value through profit or loss

This category comprises contingent consideration. The contingent consideration is carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

#### Other financial liabilities

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis. When borrowings are extinguished, any difference between the cash paid and the carrying value is recognised in the statement of comprehensive income.

Trade payables and other short-term monetary liabilities represent liabilities for goods and services received by the Group prior to the end of the financial year which are unpaid. The amounts within trade payables are unsecured. They are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

#### Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected, risk adjusted, future cash flows at a pre-tax risk-free rate.

Dilapidations provisions relate to the estimated cost to put leased premises back to the required condition expected under the terms of the lease. These include provisions for wear and tear along with provisions where leasehold improvements have been made that would require reinstatement back to the original status on exit. These are uncertain in timing as leases may be terminated early or extended. To the extent that exits of premises are expected within 12 months of the end of the year they are shown as current.

Professional indemnity provisions relate to complaints against the Group. The amount provided is based on management's best estimate of the likely liability and is capped to the excess on the Group's professional indemnity insurance on a case by case basis where covered and settled on a net basis.

Social security costs provisions represent estimates of the Group's national insurance contributions liability on the cost of the Group's Performance Share Plan.

#### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

#### Retirement benefits: Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

#### Employee Benefit Trust (EBT)

As the Group is deemed to have control of its EBT, it is treated as a subsidiary and consolidated for the purposes of the Consolidated Financial Statements. The EBT's investment in the Group's shares is deducted from equity in the consolidated statement of financial position as if it were treasury shares. Consideration paid (or received) for the purchase (or sale) of these shares is recognised directly in equity. The cost of shares held is presented as a separate reserve (the 'investment in own shares'). Any excess of the consideration received on the sale of these shares over the weighted average cost of the shares sold is credited to retained earnings.

The equity-settled share-based payment expense represents the amount of share awards made by the Employee Benefit Trust on behalf of the Company as instructed by the Company.

EBT equity-settled awards, which vest immediately on issue, are measured at the fair value of the shares issued on the date of the award, representing the bid price of the shares, the share-based payment expense is charged to the consolidated statement of comprehensive income.

## Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the Directors and in the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

## Revenue

Revenue, which excludes value added tax, represents the value of employee benefit consultancy and related business services supplied. Revenue is derived mainly from sales made in the United Kingdom. Revenue derived from outside the United Kingdom is immaterial.

Amounts recognised as revenue but not yet billed are reflected in the statement of financial position as accrued income. All performance obligations have been satisfied. Amounts billed in advance of work performed are deferred in the statement of financial position as deferred income.

Revenue in respect of time and materials contracts is recognised as the services are performed. For fixed fee contract work, the performance obligations under the contract are identified. A transaction price for each performance obligation is determined, which is based on the amount of time each performance obligation is expected to require. Revenue is then recognised as the performance obligations of the contract are met. Commission income is recognised on renewal of scheme membership, as the performance obligations are met at the time the contract is won or renewed with the insurer.

## Expenses

### Exceptional costs

Exceptional costs are items which due to their size, incidence and non-recurring nature have been classified separately in order to draw them to the attention of the reader of the Financial Statements and, in management's judgement, to show more accurately the underlying profits of the Group. Such items are included within the statement of comprehensive income caption to which they relate, and are separately disclosed in the notes to the Financial Statements.

### Operating lease payments

Payments made under operating leases are recognised in profit and loss in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense and are spread over the term of the lease.

### Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## Foreign exchange policy

Transactions entered into by Group entities in a currency other than the functional currency (GBP) are recorded at the rates ruling when the transactions occur.

Any exchange rate differences are recognised immediately through the statement of comprehensive income.

## Net finance costs

Net finance costs comprise interest payable, interest receivable on own funds, foreign exchange gains and losses and costs directly related to the raising of loans.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

# Notes to the Consolidated Financial Statements continued

## for the year ended 31 March 2019

### 1 Accounting policies continued

#### Share-based payment costs – Performance Share Plan

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from the executive Directors and key management personnel in consideration for equity instruments of the Group. The fair value of the services received in exchange for the grant of the awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the awards granted:

- Including any market performance conditions (for example, an entity's share price); and
- Including the impact of any service and non-market performance vesting conditions (for example, profitability and remaining a director for a specified period of time).

See the Employee Benefit Trust (EBT) policy above for information on the Employee Benefit Trust element of share-based payment costs.

#### Discontinued operations

The results of operations disposed of during the year are included in the consolidated statement of comprehensive income up to the date of disposal. A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned, or that meets the criteria to be classified as held for sale. Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the remeasurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

#### Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit and loss in the statement of comprehensive income except to the extent that it relates to items recognised in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

#### Changes in accounting policies – New standards, interpretations, and amendments effective from 1 April 2018

IFRS 9 Financial Instruments is a new standard which has been adopted in the annual financial statements for the year ended 31 March 2019, however its impact has not been material. IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement. Under IFRS 9 the Group applied the expected credit loss model when calculating impairment losses on its financial assets measured at amortised costs (such as trade and other receivables). This resulted in greater judgement due to the need to factor in forward-looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the Group considered the probability of a default occurring over the contractual life of its trade receivables and contracts asset balances on initial recognition of those assets.

IFRS 15 Revenue from Contracts with Customers is a new standard which impacts the Group, and has been adopted in the annual financial statements for the year ended 31 March 2019. It has given rise to changes in the Group's accounting policies. IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction Contracts as well as various Interpretations previously issued by the IFRS Interpretations Committee. It has impacted the Group in the following ways:

- The Group has a number of customers who are on a fixed price contract. This contract covers a number of services, most of which are ongoing and therefore require no adjustment. These are recognised monthly at the time of billing, as the benefit the customer receives as the work is done is largely in line with the amount billed each month.
- For some fixed price customers, an element of the fixed fee includes the triennial valuation of their Defined Benefit pension schemes which is a distinct performance obligation. Under IAS 18 Revenue, the Group had been recognising the revenue as it was billed, on a monthly basis over the term of the contract (3 years).
- Under IFRS 15, the Group has assessed these contracts and has determined that an adjustment is needed to recognise the revenue for the performance obligation relating to the triennial valuations in the specific periods that the work is undertaken.
- For the contracts where an adjustment is required, the Group has identified the element of the fixed fee that is attributable to the triennial valuation. This has been calculated based on the expected time required to perform a triennial valuation for each specific customer.
- To ensure that the revenue is allocated to the relevant period, the Group has undertaken a review of the work performed, and after analysing timesheet data has determined the timespan for the triennial valuation work for the two teams impacted (Punter Southall and Xafinity). The work on the triennial valuations was broken down into separate stages, and a % applied to each stage, based on the proportion of total effort.

The Group chose to adopt the standard on a fully retrospective basis, enabling it to take advantage of the following transitional provisions:

- Completed contracts have not been restated. Completed contracts are those contracts which:
  - began and ended within the same annual reporting period; or
  - were completed by 31 March 2017.
- When identifying satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to performance obligations, the Group has considered only the aggregate effect of all contract modifications made before 1 April 2017.

The impact of adopting IFRS 15 on a fully retrospective basis was to increase net assets at 1 April 2017 by £30,000 as shown in the Statement of Changes in Equity for the year ending 31 March 2018.

Net profit for the 12 months to 31 March 2018 decreased by £227,000. This is analysed as follows:

- Decrease to revenue of £279,000; and
- Decrease to tax expense of £52,000.

Had the Group continued to report in accordance with IAS 18 Revenue for the year ended 31 March 2019, it would have reported the following amounts in these financial statements:

	As reported under IFRS £'000	Effect £'000	As would have been reported £'000
Revenue	110,313	398	109,915
Tax expense	(1,262)	(76)	(1,187)
Profit for the period	11,508	322	11,186
Contract assets/Accrued income (included in trade and other receivables)	11,630	959	10,671
Contract liabilities/Deferred income (included in trade and other payables)	(2,199)	(770)	(1,429)
Total equity	156,403	189	156,214

## Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2019

### 1 Accounting policies continued

The main reasons for the differences are:

- The identification of additional performance obligations in certain fixed price contracts and the recognition of the revenue on some of those performance obligations at a point in time rather than over time under IAS 18.
- The related changes in the tax expense arising from the above adjustment.

The cumulative impact on the balance sheet as at 31 March 2018 is:

	31 March 2018 as previously reported £'000	Effect £'000	31 March 2018 restated £'000
<b>Current assets:</b>			
Trade and other receivables (Contract assets)	27,964	798	<b>28,762</b>
<b>Current liabilities:</b>			
Trade and other payables (Contract liabilities)	16,641	1,041	<b>17,682</b>
Current income tax liabilities	1,803	(46)	<b>1,757</b>
<b>Equity</b>			
Accumulated deficit	(11,531)	(197)	<b>(11,728)</b>

Other new and amended standards and Interpretations issued by the IASB that apply for the first time in these annual financial statements do not impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

### New standards and interpretations not yet adopted

A number of new standards, amendments to standards, and interpretations are not effective for 2019, and therefore have not been applied in preparing the XPS Pension Group's Financial Statements.

### IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019, subject to endorsement by the European Union. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group has entered into a number of long-term leases in respect of land and buildings. The Group has assessed the leases under IFRS 16 and expects an impact as the right-of-use assets and lease liabilities will come onto the consolidated statement of financial position for the first time in respect of its current operating leases. The Group expects that IFRS 16 will have an impact on the financial statements of the Group, as the long-term rental in respect of land and buildings will no longer be charged through administrative expenses – instead the right-of-use asset will be capitalised, and depreciated over the life of the lease. At the same time, an interest expense will also be recognised to unwind the discount on the lease liability. The overall impact on profit after tax is not expected to be significant, however the Group's overall administrative expenses will fall, offset with an increase in finance costs. To see the volume of operating leases please see note 33 to the Group's consolidated financial statements for the year ended 31 March 2019 for more information.

XPS Pensions Group has reviewed the impact of IFRS 16 and expects this to increase expense in the year of initial application by approximately £100,000. This increase in cost is due to the interest charge calculated on the leases being higher in earlier years, as the discount unwinds.

The other standards, interpretations and amendments issued by the IASB (of which some still are subject to endorsement by the European Union), but not yet effective are not expected to have a material impact on the Group's consolidated financial statements.

### **Critical accounting estimates and judgements**

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions to accounting estimates applied prospectively. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### **Fair values of intangible assets**

Goodwill and intangibles are tested for impairment on an annual basis at the year end and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the cash-generating unit below its carrying value. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit.

Application of the goodwill impairment test requires judgment, including the identification of cash-generating units, assignment of assets and liabilities to such units, assignment of goodwill to such units and determination of the fair value of a unit. The fair value of each cash-generating unit or asset is estimated using the income approach, on a discounted cash flow methodology. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for the business, estimation of the useful life over which cash flows will occur and determination of our weighted average cost of capital.

### **Revenue recognition**

Revenue is recognised once the performance obligations of the contract with the customer have been met, in line with IFRS 15. This may be at a point in time or over time according to when control passes to the customer. Dependent upon the income stream and nature of the engagement, revenue is recognised on either a time costs incurred, fixed fee or rateably over the period of providing the service basis.

Revenue is billed on a monthly, quarterly or, in the case of SSAS and SIPP services, on an annual basis. Services may be billed in arrears, as in the case of pensions advisory work, or in advance as is the case with SSAS and SIPP revenues. As a result of such arrangements, critical accounting judgements are made in determining the timing of revenue recognition. These relate to identifying individual performance obligations and then allocating an appropriate amount of revenue to those obligations which largely depends on the time incurred in providing the services. Management apply judgement in assessing timesheet data to ensure that revenue is allocated proportionally to effort.

There are significant judgements involved in determining the level of performance obligations met as part of the triennial valuation work. These have been recognised on the basis of work complete through the 15-month valuation process.

# Notes to the Consolidated Financial Statements continued

## for the year ended 31 March 2019

### 1 Accounting policies continued

#### Deferred tax

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Throughout the current and prior periods the Directors consider that the IAS 12 recognition criteria have been satisfied.

#### Provisions

Dilapidations provisions have been made for properties which the Group currently lease based upon the cost to make good the property in accordance with lease terms where applicable. Provisions are made for claims in respect of complaints against the Group. The amount provided is based on management's best estimate of the likely liability. The cost to the business is capped to the excess on the Group's professional indemnity insurance in respect of each individual claim.

#### Useful lives of intangible assets

Intangible assets are amortised over their estimated useful lives with the charge recorded in administrative expenses. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods.

#### Business combinations

The Directors determine and allocate the purchase price of an acquired business to the assets acquired and liabilities assumed as of the business combination date. The purchase price allocation process requires the use of significant estimates and assumptions, including the estimated fair value of the acquired intangible assets.

While the Directors use their best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the date of acquisition, our estimates and assumptions are inherently uncertain and subject to refinement. Examples of critical estimates in valuing certain of the intangible assets we have acquired or may acquire in the future include but are not limited to:

- Future expected cash flows from customer relationships and brands; and
- Discount rates.

#### Exceptional costs

Exceptional costs are recognised to the extent that they meet the definition outlined in the accounting policy above. This requires a certain amount of judgement that is applied consistently by management.

#### Contingent consideration

Contingent consideration is recognised at its acquisition date fair value, and is classified as a financial liability. At each reporting period the liability is remeasured at fair value through profit or loss. This remeasurement is based on movement in the Group share price, as well as management's expectation of future performance. Therefore, judgement is necessary in assessing the amount of consideration that will be payable in the future. As a result of the inherent uncertainty in this evaluation process, actual gains or losses may be different from the originally estimated consideration.

#### Fair value measurement

A number of assets and liabilities included in the Group's Financial Statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted).
- Level 2: Observable direct or indirect inputs other than Level 1 inputs.
- Level 3: Unobservable inputs (i.e. not derived from market data).



The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur. Share-based payments are measured at fair value to the extent that the options are initially measured at fair value on grant.

## 2 Financial risk management

The XPS Pensions Group's operations expose it to a variety of financial risks including credit risk, liquidity risk, market risk and the effects of changes in interest rates on debt. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs.

The Group's principal financial instruments comprise sterling cash, bank deposits and bank loans together with trade receivables and trade payables that arise directly from its operations.

Risk management policies are established for the XPS Pensions Group of companies and the Group Audit Committee oversees how management monitors compliance with these policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty, including brokers, to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Due to the nature of the business the majority of the trade receivables are with trustees of pension schemes and large institutions and losses have occurred infrequently over previous years.

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that the Group will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

### Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and equity prices will affect the Group's income or the value of its financial instruments. Interest rate risks are discussed in the cash flow interest rate risk below.

The Group's financial instruments are currently in sterling, hence foreign exchange movements do not have a material effect on the Group's performance.

The Group is exposed to movements in interest rate in its net finance costs and also in a small element of its operating revenue. The RCF facilities are linked to LIBOR. The Group earns income in relation to client and shareholder deposits as well as interest income on its own deposits.

The Group does not hold its own position in trading securities, being involved only in arranging transactions on behalf of its clients.

The Group does not engage in holding speculative financial instruments or derivatives. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

### Cash flow interest rate risk

The XPS Pensions Group is exposed to cash flow interest rate risk in two main respects. Firstly corporate and client bank deposits, which earn interest at a variable rate, although not at a material level. Secondly, interest expense arising on bank facilities at a margin over LIBOR.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2019

### 3 Capital risk management

The Group is focused on delivering value for its shareholders whilst ensuring the Group is able to continue effectively as a going concern. Value adding opportunities to grow the business are continually assessed, although strict and careful criteria are applied.

The policies for managing capital are to increase shareholder value by maximising profits and cash. The policy is to set budgets and forecasts in the short and medium term that the Group feels are achievable. The process for managing capital are regular reviews of financial data to ensure that the Group is tracking the targets set and to reforecast as necessary based on the most up-to-date information. This then contributes to the XPS Pensions Group's forecast which ensures future covenant test points are met. The Group continues to meet these test points and they have been achieved over the last year.

Due to the nature of some of the services provided, 3 subsidiaries within the Group were regulated by the Financial Conduct Authority (FCA) during the year. They are required to hold a minimum level of capital and this is monitored on a monthly basis. Formal compliance returns are submitted to the FCA in line with their reporting requirements. From 1 April 2019, XPS Pensions Consulting Limited de-registered from the FCA with the regulated activity going through another regulated subsidiary from that date.

### 4 Other operating income

Other operating income arose from the revaluation of the share-based consideration for the Punter Southall acquisition. Since this is not considered to be part of the main revenue generating activities of the Group, the Group presents this income separately from revenue.

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Fair value adjustment of contingently issuable ordinary shares (note 29)	6,459	472

### 5 Auditors' remuneration

During the period the following services were obtained from the Group's auditor at a cost detailed below:

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
<i>Audit services</i>		
Fees payable in respect of the Parent Company and consolidated accounts	100	98
Fees payable in respect of the subsidiary accounts	63	74
	<b>163</b>	172
Audit related services	42	26
<i>Non-audit services</i>		
Tax advisory	-	2
Other assurance services	47	28
	<b>47</b>	30
<b>Total</b>	<b>252</b>	228

## 6 Adjusted operating profit and adjusted profit after tax from continuing operations

	Note	Year ended 31 March 2019 £'000	Year ended 31 March Restated 2018 £'000
Profit from operating activities		<b>12,913</b>	4,716
Adjustments to administrative expenses			
Exceptional costs	8	<b>3,858</b>	4,373
Share-based payment cost	14	<b>3,987</b>	3,614
Amortisation of acquired intangible assets	19	<b>11,730</b>	4,773
		<b>19,575</b>	12,760
Other operating income	4	<b>(6,459)</b>	(472)
<b>Adjusted operating profit</b>		<b>26,029</b>	17,004
Finance income	15	<b>17</b>	23
Finance costs	15	<b>(1,564)</b>	(1,473)
Add back unamortised loan arrangement fees written off as part of refinancing exercises	15	<b>-</b>	220
Add back unwinding of discount on contingent consideration	15	<b>(196)</b>	195
<b>Adjusted profit before tax, amortisation of acquired intangible assets, share-based payment costs, fair value adjustment of contingent consideration and exceptional costs</b>		<b>24,286</b>	15,969
Tax		<b>(995)</b>	(1,049)
<b>Adjustments to tax</b>			
Tax on exceptional costs		<b>(674)</b>	(427)
Tax on share-based payment costs		<b>(456)</b>	(651)
Tax on written off loan arrangement fees		<b>-</b>	(42)
Deferred tax related to acquired intangibles	20	<b>(2,100)</b>	(834)
<b>Adjusted profit after tax from continuing operations</b>		<b>20,061</b>	12,966

Earnings have been adjusted for the tax impact of the adjusting items set out in note 6 by applying the statutory tax rate of 19%.

Adjusted profit after tax from continuing operations is a key measure used by the Board when reviewing the performance of the Group. It excludes all significant non-cash transactions, and aids understanding of the underlying performance of the Group.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2019

### 7 Business combinations during the period

On 31 October 2018, the Group acquired the trade and assets of Kier Pensions Unit from Kier Business Services Limited for a total consideration of £3.5m, which comprises cash on completion of £3.2m, and deferred cash consideration of £0.3m, paid in January 2019, once certain conditions had been met. The Kier Pensions Unit provides pension administration services in the public sector, including to around half of the police forces in the UK and to Middlesbrough Borough Council. It also provides services to a small number of private sector schemes. The transaction is intended to provide added impetus to the continued growth of the administration business. The deal provides the Group with a significant presence in the market for public sector third-party pension administration, complementing its strong presence in the market for private sector pension schemes.

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

	Book value £'000	Adjustment £'000	Fair value £'000
Customer relationships	-	3,105	3,105
Deferred tax liability	-	(528)	(528)
Total net assets	-	2,577	2,577

#### Fair value of consideration paid

	£'000
Cash	3,500
Total consideration	3,500
Goodwill (note 19)	923

The main factors leading to the recognition of goodwill are the presence of certain intangible assets, such as the assembled workforce of the acquired entities and the expected growth in the business generated by new customers, which do not qualify for separate recognition.

The goodwill arising on the Kier Pensions Unit acquisition is not deductible for tax purposes.

Since the acquisition date, the Kier Pensions Unit has contributed £2,211,000 to Group revenues and £733,000 to Group profit before tax. If the acquisition had occurred on 1 April 2018, Group revenue would have been £113,136,686 and Group profit before tax would have been £13,707,235.

#### Acquisition expenses

Costs relating to the acquisition of the Kier Pensions Unit totalled £225,000 and are included within exceptional costs.

## 8 Exceptional costs

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Acquisition-related costs	587	3,683
Disposal related costs (note 17)	137	-
Restructuring costs	3,134	228
Exceptional bonus settled from EBT in cash	-	462
<b>Total</b>	<b>3,858</b>	4,373

The restructuring costs above have arisen from integration activities relating to the Punter Southall acquisition in January 2018.

## 9 Operating segments

In accordance with IFRS 8 'Operating Segments', an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision maker (CODM) and for which discrete information is available. The Group's CODM is the Board of Directors.

The Group has one operating segment, and one reporting segment due to the nature of services provided across the whole business being the same, pension and employee benefit solutions. The Group's revenues, costs, assets, liabilities and cash flows are therefore totally attributable to this reporting segment. The table below shows the disaggregation of the Group's revenue, by product line.

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 Restated £'000
Pensions	56,735	37,689
Administration	37,492	13,673
Investment	8,121	4,921
National Pension Trust	1,444	957
SSAS and SIPP	6,098	5,427
Total - Continuing operations	109,890	62,667
Discontinued operations	423	3,091
<b>Total</b>	<b>110,313</b>	65,758

## Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2019

### 10 Administrative expenses

Included in the operating profit/(loss) for the year are the following:

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 Restated £'000
<b>Expenses by nature</b>		
Staff costs (note 11)	<b>59,235</b>	35,118
Depreciation and amortisation	<b>13,143</b>	5,876
Operating lease costs	<b>2,248</b>	870
Premises costs (excluding rent under operating leases)	<b>1,981</b>	1,374
Exceptional costs (note 8)	<b>3,858</b>	4,373
Other general business costs	<b>22,971</b>	10,812
<b>Total</b>	<b>103,436</b>	58,423

### 11 Staff numbers and costs

The average number of people employed by the Group (including Directors) during the year, analysed by category, was as follows:

	Year ended 31 March 2019 Number of employees	Year ended 31 March 2018 Number of employees
Operational	<b>976</b>	508
Administration	<b>42</b>	31
Sales and marketing	<b>21</b>	16
	<b>1,039</b>	555

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Wages and salaries	<b>47,110</b>	28,847
Social security contributions and similar taxes	<b>4,996</b>	2,962
Defined contribution pension cost	<b>2,543</b>	1,333
Other long-term employee benefits	<b>1,374</b>	783
Share-based payment costs (note 14)	<b>3,212</b>	1,494
	<b>59,235</b>	35,419

### 12 Employee benefits

#### Defined contribution plan

The Company operates a defined contribution pension plan. Outstanding contributions at the year end were £253,000 (2018: £418,000).

### 13 Directors' emoluments

The Directors were remunerated for their services by the Group and their emoluments are disclosed below.

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Aggregate emoluments	1,971	2,271
Company contributions to money purchase pension plans	30	30
	<b>2,001</b>	2,301

	Year ended 31 March 2019 Number of Directors	Year ended 31 March 2018 Number of Directors
At 31 March 2019, retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	3	3

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
The emoluments of the highest paid Director, including benefits and share-based payments	363	546

### 14 Share-based payment costs

The Group operates a number of equity-settled share-based remuneration schemes for employees: Performance Share Plans (PSP) for executive directors and other key senior personnel. All employees are also eligible to participate in the Save as You Earn (SAYE) scheme, the only vesting condition being that the individual remains an employee of the Group over the savings period.

The Executive PSP award expense relates to annual awards over shares that vest subject to certain, stretching performance conditions, measured over a three-year period. Maximum 'normal' grant level is 150% of salary, capped at a maximum of 200% in exceptional circumstances. Malus and clawback provisions apply. The fair value of awards granted during the year was determined using certain assumptions around vesting. More information about the Executive PSP can be found in the Remuneration Report section of this Annual Report.

There is a further PSP for key senior staff which relates to annual awards over shares that vest subject to certain performance conditions, measured over a three-year period. The fair value of awards granted during the year was determined using certain assumptions around vesting.

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Performance Share Plan awards and SAYE scheme	2,859	1,051
Social security cost on Performance Share Plan awards and SAYE scheme	246	151
Share-based payments	3,105	1,202
Accrued bonus to be settled from EBT	775	2,120
Social security cost on accrued bonus to be settled from EBT	107	292
<b>Total</b>	<b>3,987</b>	3,614

## Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2019

### 14 Share-based payment costs continued

The fair value of PSP options granted during the period were calculated using the Monte Carlo valuation method. The inputs to the model were as follows:

	Year ended 31 March 2019
Weighted average exercise price of options issued during the period (pence)	-
Expected volatility (%)	25%
Expected life beyond vesting date (years)	3
Risk-free rate (%)	0.79%
Dividend yield (%)	-

The fair value of SAYE options granted during the period were calculated using the Black-Scholes valuation method. The inputs to the model were as follows:

	Year ended 31 March 2019
Weighted average exercise price of options issued during the period (pence)	147.2
Expected volatility (%)	25%
Expected life beyond vesting date (years)	3.35
Risk-free rate (%)	0.92%
Dividend yield (%)	3.6%

As at 31 March 2019 the following options had been granted and remained outstanding in respect of the Group's ordinary shares of 0.05p each under the Group's PSP and SAYE Option schemes:

Scheme	Share options granted	Price granted (p)
Executive PSP	447,840	90
Executive PSP	447,840	139
Staff PSP	1,722,711	163
SAYE	806,574	37.6
Staff PSP	1,533,722	163
Staff PSP	146,835	187
Executive PSP	31,349	90
Executive PSP	31,349	139
Staff PSP	120,590	163
Staff PSP	107,361	163
Executive PSP	459,216	87
Executive PSP	459,216	172
Staff PSP	1,578,232	183
SAYE	1,015,050	35.2
Executive PSP	16,073	87
Executive PSP	16,072	172
Staff PSP	10,278	187
Staff PSP	55,238	183
	<b>9,005,546</b>	



		2019 Weighted average Exercise price (pence)	2019 Number	2018 Weighted average Exercise price (pence)	2018 Number
Executive PSP	Outstanding at 1 April	0.05	927,029	0.05	895,680
	Granted during the year	0.05	925,354	0.05	31,349
	Outstanding at 31 March	0.05	1,852,383	0.05	927,029
Staff PSP	Outstanding at 1 April	0.05	3,637,390	-	-
	Granted during the year	0.05	1,671,346	0.05	3,637,390
	Forfeited during the year	0.05	(132,037)	-	-
	Exercised during the year	0.05	(23,461)	-	-
	Outstanding at 31 March	0.05	5,153,238	0.05	3,637,390
SAYE	Outstanding at 1 April	130.20	910,386	-	-
	Granted during the year	147.20	1,039,746	130.2	929,738
	Forfeited during the year	133.74	(118,679)	130.2	(19,352)
	Exercised during the year	130.20	(9,829)	-	-
	Outstanding at 31 March	139.67	1,821,624	130.2	910,386

The exercise price of options outstanding at 31 March 2019 ranged between £0.0005 (i.e. the nominal value of an ordinary share) in the case of the PSPs and £1.472 in the case of the SAYE scheme (2018: £0.0005 to £1.302). Their weighted average contractual life was 3 years (2018: 3 years).

Of the total number of options outstanding at 31 March 2019, 59,954 (2018: nil) had vested and were exercisable.

The weighted average fair value of each option granted during the year was £1.26 (2018 £1.34).

## 15 Finance income and expense

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Interest income on bank deposits	17	23
<b>Finance income</b>	<b>17</b>	<b>23</b>
Interest expense on bank loans	1,422	802
Other costs of borrowing	286	192
Amortisation of loan arrangement fees written off as part of refinancing exercises	-	220
Interest on finance leases	7	12
Other finance expense	45	52
Unwinding of discount on contingent consideration	(196)	195
<b>Finance expenses</b>	<b>1,564</b>	<b>1,473</b>

Other costs of borrowing largely represent the amortisation expense of capitalised loan arrangement fees on the Group's bank debt.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2019

### 16 Income tax expense

#### Recognised in the statement of comprehensive income

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 Restated £'000
<b>Current tax expense</b>		
Current year	3,942	2,851
Adjustment in respect of prior year	(366)	16
<b>Total current tax expense</b>	<b>3,576</b>	2,867
<b>Deferred tax credit</b>		
Origination and reversal of temporary differences	(2,314)	(1,531)
<b>Total income tax expense</b>	<b>1,262</b>	1,336
	Year ended 31 March 2019 £'000	Year ended 31 March 2018 Restated £'000
Continuing and discontinued operations:		
Income tax expense from continuing operations	995	1,049
Income tax expense from discontinued operation (note 17)	267	287
	<b>1,262</b>	1,336
	Year ended 31 March 2019 £'000	Year ended 31 March 2018 Restated £'000
<b>Profit for the year</b>	<b>11,508</b>	11,601
Total tax expense	1,262	1,336
Profit before income tax	<b>12,770</b>	12,937
Tax using the UK corporation tax rate of 19% (2018: 19%)	2,426	2,458
Non-deductible expenses	703	378
Gain on disposal not allowable	-	(1,550)
Gain on revaluation not allowable	(1,227)	-
Fixed asset differences	17	17
Adjustment in respect of prior periods	(366)	16
Amounts (charged)/credited directly to equity or otherwise transferred	(148)	24
Excess relief on exercise of share options	(134)	-
Effect of tax rate change	(9)	(7)
<b>Total tax expense</b>	<b>1,262</b>	1,336

The standard rate of Corporation tax in the UK was 19% (2018: 19%). Deferred tax assets and liabilities have been measured at the rate they are expected to unwind at, using a rate substantively enacted at 31 March 2019, which is not lower than 17% (2018: 17%). Deferred tax not recognised relates to finance expense losses in a prior year and their future recoverability is uncertain. At 31 March 2019 the total unrecognised deferred tax asset in respect of these losses was approximately £1.2m (2018: £1.2m).

## 17 Discontinued Operations

On 11 January 2018, the Group sold its 100% interest in HR Trustees Limited, as part of a larger deal with the Punter Southall Group, for an agreed consideration of £8.5m. A further amount of consideration was agreed in respect of working capital adjustments.

On 30 September 2018, the Group disposed of its Healthcare business, which is the only operation presented as discontinued in the year to 31 March 2019.

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
<b>Result of discontinued operations</b>		
Cash consideration received	550	262
Deferred cash consideration	614	-
Other consideration received	-	8,480
Total consideration received	1,164	8,742
Net assets disposed (other than cash)		
Trade and other receivables	-	(600)
Trade and other payables	-	18
	-	(582)
Pre-tax gain on disposal of discontinued operation	1,164	8,160

The profit from disposal of discontinued operations was determined as follows:

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 Restated £'000
<b>Result of discontinued operations</b>		
Revenue	423	3,091
Expenses	(183)	(1,580)
Profit before tax	240	1,511
Gain from selling discontinued operations	1,164	8,160
Tax expense	(267)	(287)
Profit for the year	1,137	9,384

### Earnings per share from discontinued operations

	Year ended 31 March 2019 £	Year ended 31 March 2018 Restated £
Basic earnings per share	0.01	0.06
Diluted earnings per share	0.01	0.06

### Statement of cash flows

The statement of cash flows includes the following amounts relating to discontinued operations:

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 Restated £'000
Operating activities	323	2,689
Net cash from discontinued operations	323	2,689

## Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2019

### 17 Discontinued Operations continued

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 Restated £'000
<b>Adjusted profit before tax from discontinued operations:</b>		
Profit and adjusted profit from operating activities in discontinued operations	240	1,511
<b>Adjusted profit before tax</b>	<b>240</b>	1,511
Tax	(46)	(287)
<b>Adjusted profit after tax</b>	<b>194</b>	1,224

### 18 Property, plant and equipment

	Leasehold improvements £'000	Office equipment £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>				
Balance at 1 April 2018	1,060	633	921	2,614
Additions	558	1,184	186	1,928
Disposals	(56)	(273)	(301)	(630)
<b>Balance at 31 March 2019</b>	<b>1,562</b>	<b>1,544</b>	<b>806</b>	<b>3,912</b>
<b>Accumulated depreciation</b>				
Balance at 1 April 2018	705	317	575	1,597
Depreciation charge for the year	284	374	183	841
Disposals	(56)	(273)	(301)	(630)
<b>Balance at 31 March 2019</b>	<b>933</b>	<b>418</b>	<b>457</b>	<b>1,808</b>
<b>Net book value</b>				
Balance at 1 April 2018	355	316	346	1,017
<b>Balance at 31 March 2019</b>	<b>629</b>	<b>1,126</b>	<b>349</b>	<b>2,104</b>
	Leasehold improvements £'000	Office equipment £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>				
Balance at 1 April 2017	1,028	636	894	2,558
Acquired through business combinations	-	-	11	11
Additions	34	190	17	241
Disposals	(2)	(193)	(1)	(196)
Balance at 31 March 2018	1,060	633	921	2,614
<b>Accumulated depreciation</b>				
Balance at 1 April 2017	498	324	394	1,216
Depreciation charge for the year	209	186	182	577
Disposals	(2)	(193)	(1)	(196)
Balance at 31 March 2018	705	317	575	1,597
<b>Net book value</b>				
Balance at 1 April 2017	530	312	500	1,342
Balance at 31 March 2018	355	316	346	1,017

The net book value of property, plant and equipment includes the following amounts held under finance lease: Office equipment: £252,000 (2018: £22,000). The depreciation charged in the year relating to these assets was £30,000 (2018: £20,000).

## 19 Intangible assets

Group	Goodwill £'000	Customer relationships £'000	Brands £'000	Software £'000	Total £'000
<b>Cost</b>					
Balance at 1 April 2018	115,585	114,980	6,036	2,248	238,849
Acquired through business combinations	923	3,105	-	-	4,028
Additions	-	-	-	715	715
Disposals	(101)	(7,767)	-	(429)	(8,297)
Reassessment of fair value of net assets	186	-	-	-	186
<b>Balance at 31 March 2019</b>	<b>116,593</b>	<b>110,318</b>	<b>6,036</b>	<b>2,534</b>	<b>235,481</b>
<b>Accumulated amortisation</b>					
Balance at 1 April 2018	-	21,565	913	679	23,157
Amortisation for the year	-	6,852	4,878	572	12,302
Disposals	-	(7,767)	-	(429)	(8,196)
<b>Balance at 31 March 2019</b>	<b>-</b>	<b>20,650</b>	<b>5,791</b>	<b>822</b>	<b>27,263</b>
<b>Net book value</b>					
Balance at 1 April 2018	115,585	93,415	5,123	1,569	215,692
<b>Balance at 31 March 2019</b>	<b>116,593</b>	<b>89,668</b>	<b>245</b>	<b>1,712</b>	<b>208,218</b>
<b>Cost</b>					
Balance at 1 April 2017	24,782	49,898	628	1,463	76,771
Acquired through business combinations	90,803	65,082	5,408	-	161,293
Additions	-	-	-	1,103	1,103
Disposal	-	-	-	(318)	(318)
Balance at 31 March 2018	115,585	114,980	6,036	2,248	238,849
<b>Accumulated amortisation</b>					
Balance at 1 April 2017	-	17,447	258	471	18,176
Amortisation for the year	-	4,118	655	526	5,299
Disposals	-	-	-	(318)	(318)
Balance at 31 March 2018	-	21,565	913	679	23,157
<b>Net book value</b>					
Balance at 1 April 2017	24,782	32,451	370	992	58,595
Balance at 31 March 2018	115,585	93,415	5,123	1,569	215,692

At 31 March 2019, the remaining amortisation period for customer relationships assets held at the start of the year was 5 years. The customer relationship asset acquired as part of the purchase of the Punter Southall Group of companies for the Actuarial CGU will be amortised over 20 years, and for the Administrative CGU over 10 years.

As part of the Punter Southall acquisition in January 2018, the Group acquired the rights to use the Punter Southall brand for an agreed period (up to a maximum of two years). In the year to 31 March 2018, the intangible brand asset was amortised assuming a useful life of 2 years. During the year to 31 March 2019, the Group successfully rebranded all Punter Southall services. As a result, the Punter Southall brand intangible asset was fully amortised in the year. This resulted in an amortisation charge of £4.8m relating to the Punter Southall brand in the year (2018: £0.6m). Had the amortisation of the brand not been accelerated, the charge in the year would have been £2.8m, so the impact of the change in useful life has led to an increased amortisation charge in the year of £2m. Deferred tax relating to the intangible asset of £0.9m was credited to the accounts in the year (2018: £0.1m).

## Notes to the Consolidated Financial Statements continued

### for the year ended 31 March 2019

#### 19 Intangible assets continued

The fair value of assets and liabilities taken into account in calculating goodwill at the date of acquisition has been reassessed by the Directors, as permitted under IFRS in the first year subsequent to the acquisition. In this regard, the requirement for dilapidations provisions in the Punter Southall acquisition has been considered, and on the basis that a liability did exist at the date of acquisition, this liability has been calculated and has been reflected in the provisions of the Group, with a corresponding adjustment of £186,389 to goodwill. As the adjustment is not considered to have a material impact on the Financial Statements, and this is not reflective of a change in accounting policy, the Directors consider it appropriate to reflect this as an adjustment to goodwill in the current year.

#### Impairment test

Goodwill represents the excess of the consideration over the fair value of the net assets acquired on the purchase of the subsidiary companies listed in note 38, as well as goodwill which has arisen on the purchase of trade and assets by the Group. In accordance with IFRS, this balance is not amortised and is subject to annual impairment reviews.

A process of integrating the former Xafinity and Punter Southall businesses has been ongoing during the year and the goodwill impairment test was done during the year prior to the completion of this exercise. As a result, the carrying value of goodwill was assessed based on the three cash-generating units that were identified in the prior year. The Directors believed that this would be the best solution in a year of transition.

The three CGUs to which goodwill has been allocated are:

CGU 1 – Former Xafinity businesses

CGU 2 – PS Actuarial

CGU 3 – PS Admin

The cash-generating unit at each year end was assessed on the basis of value in use using the following assumptions, which reflect past experience of the Group:

	2019			2018		
	CGU1	CGU2	CGU3	CGU1	CGU2	CGU3
Discount rate pre-tax	15%	12%	19%	15%	12%	37%
Terminal value after period 8	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Period on which detailed forecasts are based	3 years	3 years	3 years	3 years	3 years	3 years
Growth rate during detailed forecast period (average)	4.4%	4.1%	12.5%	5.3%	5.2%	47.3%
Growth rate applied beyond approved forecast period to year 8	6.0%	4.0%	8.0%	6.0%	4.4%	4.4%

The growth rate beyond the forecast period is based on a blend of average growth rates experienced by the Group and management's assessment of industry and macro-economic outlooks. Such forecast rates have been accurate in the past, so the Directors believe they will be sufficiently representative of actual results.

The impairment exercise demonstrated that there was significant headroom in all CGUs on this basis, but, given the ongoing integration exercise, the Directors decided to undertake an additional overall impairment test combining the CGUs above. This exercise demonstrated equally significant headroom so the Directors are satisfied that no impairment has arisen during the financial period.

	2019 £'000	2018 £'000
<b>Goodwill allocated to cash-generating units:</b>		
Goodwill – Xafinity Consulting Limited, Xafinity SIPP Services Limited, Xafinity Pensions Consulting Limited and subsidiaries (CGU 1)	<b>24,782</b>	24,782
Goodwill – Punter Southall Investment Consulting Limited, Punter Southall Limited (CGU 2)	<b>79,314</b>	79,239
Goodwill – PS Administration Holdings Limited, PS Administration Limited, Punter Southall Holdings Limited (CGU 3)	<b>12,497</b>	11,564
	<b>116,593</b>	115,585

Once the exercise has been completed the Directors will reallocate goodwill as necessary to CGUs on an appropriate basis.

### Sensitivity analysis of assumptions

No further sensitivity analysis has been performed on the basis that there was no reasonably foreseeable changes in the above assumptions which would result in the recoverable amount falling below the carrying amount.

### 20 Deferred income tax

Analysis of the breakdown and movement of deferred tax during the year is as follows:

	Balance at 1 April 2018 £'000	Recognised in income £'000	Recognised in equity £'000	Acquired 31 October 2018 £'000	31 March 2019 £'000	31 March 2019 Assets £'000	31 March 2019 Liabilities £'000
Property, plant and equipment	(85)	(111)	–	–	<b>(196)</b>	<b>196</b>	–
Capital gains	717	–	–	–	<b>717</b>	–	<b>717</b>
Short-term temporary differences	(689)	(103)	148	–	<b>(644)</b>	<b>644</b>	–
Business combinations	17,225	(2,100)	–	528	<b>15,653</b>	–	<b>15,653</b>
	17,168	(2,314)	148	528	<b>15,530</b>	<b>840</b>	<b>16,370</b>

	Balance at 1 April 2017 £'000	Recognised in income £'000	Recognised in equity £'000	Acquired 11 January 2018 £'000	31 March 2018 £'000	31 March 2018 Assets £'000	31 March 2018 Liabilities £'000
Property, plant and equipment	25	(110)	–	–	(85)	85	–
Capital gains	717	–	–	–	717	–	717
Short-term temporary differences	(36)	(629)	(24)	–	(689)	689	–
Business combinations	5,800	(834)	–	12,259	17,225	–	17,225
	6,542	(1,573)	(24)	12,259	17,168	774	17,942

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax assets and liabilities have been measured at the rate they are expected to unwind at, using a rate substantively enacted at 31 March 2019, which is not lower than 17% (2018: 17%).

### 21 Other financial assets

The non-current financial asset relates to restricted cash held by the Group as security for the National Pension Trust (NPT). For the NPT to gain approval to operate by the Pensions Regulator, the Group is required to demonstrate it can support the NPT in any eventuality. The Group has therefore placed £1m into a restricted bank account, which the trustees of the NPT are able to access in certain circumstances.

There are no lifetime expected credit losses associated with this cash balance.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2019

### 22 Trade and other receivables

	31 March 2019 £'000	31 March 2018 Restated £'000
Trade receivables	17,171	16,382
Less: provision for impairment of trade receivables	(426)	(293)
Net trade receivables	16,745	16,089
Accrued income	10,692	9,498
Contract assets	938	798
<b>Total financial assets other than cash and cash equivalents carried at amortised cost</b>	<b>28,375</b>	<b>26,385</b>
Prepayments	3,744	1,967
Accrued consideration	614	-
Other receivables includes £186,000 (2018: £186,000) of capitalised loan arrangement fees	342	410
<b>Total trade and other receivables</b>	<b>33,075</b>	<b>28,762</b>

The carrying value of trade and other receivables carried at amortised cost approximates to fair value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the year end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors in the UK.

### 23 Cash and cash equivalents

	31 March 2019 £'000	31 March 2018 £'000
Cash and cash equivalents per statement of financial position	5,539	9,404
Cash and cash equivalents per statement of cash flows	5,539	9,404

The balance comprises solely cash at bank and on hand.

### 24 Loans and borrowings

	Due within 1 year (current) £'000	Due between 1 and 2 years £'000	Due after 2 years £'000	Sub-total (non- current) £'000	Total £'000
<b>31 March 2019</b>					
Drawn Revolving Credit Facility	-	-	57,250	57,250	57,250
Capitalised debt arrangement fees	-	(186)	(314)	(500)	(500)
Finance lease	49	51	161	212	261
<b>Sub-total</b>	<b>49</b>	<b>(135)</b>	<b>57,097</b>	<b>56,962</b>	<b>57,011</b>
Capitalised debt arrangement fees shown as current assets on balance sheet	(186)	-	-	-	(186)
<b>Total</b>	<b>(137)</b>	<b>(135)</b>	<b>57,097</b>	<b>56,962</b>	<b>56,825</b>



	Due within 1 year (current) £'000	Due between 1 and 2 years £'000	Due after 2 years £'000	Sub-total (non- current) £'000	Total £'000
<b>31 March 2018</b>					
Revolving Credit Facility	-	-	55,750	55,750	55,750
Capitalised Senior debt arrangement fees	-	(186)	(500)	(686)	(686)
Finance lease	27	8	-	8	35
<b>Sub-total</b>	27	(178)	55,250	55,072	55,099
Capitalised debt arrangement fees shown as current assets on balance sheet	(186)	-	-	-	(186)
<b>Total</b>	(159)	(178)	55,250	55,072	54,913

The book value and fair value of loans and borrowings are not materially different.

### Terms and debt repayment schedule

	Amount £'000	Currency	Nominal interest rate	Year of maturity
<b>31 March 2019</b>				
Revolving Credit Facility - A	<b>38,000</b>	<b>GBP</b>	<b>1.75% above LIBOR</b>	<b>2022</b>
Revolving Credit Facility - B	<b>19,250</b>	<b>GBP</b>	<b>1.75% above LIBOR</b>	<b>2022</b>
<b>31 March 2018</b>				
Revolving Credit Facility - A	38,000	GBP	1.25% above LIBOR	2022
Revolving Credit Facility - B	17,750	GBP	1.25% above LIBOR	2022

At 31 March 2019 the Group had drawn down £57,250,000 (2018: £55,750,000) of its £80,000,000 revolving credit facility.

The related fees for access to the facility are included in the consolidated statement of comprehensive income.

Capitalised loan-related costs are amortised over the life of the loan to which they relate.

Bank debt is secured by way of debentures in the Group companies which are obligors to the loans. These are XPS Reading Limited, XPS Consulting (Reading) Limited, XPS Pensions Consulting Limited (and its subsidiaries), Xafinity Pensions Consulting Limited (and its subsidiaries), Xafinity SIPP Services Limited, and XPS Holdings Limited (and its subsidiaries).

### 25 Reconciliation of liabilities arising from financing activities

	31 March 2018 £'000	Cash flows £'000	Non-cash change Fair value changes £'000	Non-cash change Other £'000	31 March 2019 £'000
Long-term borrowings	55,750	1,500	-	-	<b>57,250</b>
Capitalised debt arrangement fees	(872)	-	186	-	<b>(686)</b>
Lease liabilities	35	(34)	(1)	261	<b>261</b>
<b>Total liabilities from financing activities</b>	54,913	1,466	185	261	<b>56,825</b>

**Notes to the Consolidated Financial Statements** continued  
for the year ended 31 March 2019

**25 Reconciliation of liabilities arising from financing activities** continued

	31 March 2017 £'000	Cash flows £'000	Non-cash change Fair value changes £'000	31 March 2018 £'000
Long-term borrowings	33,000	22,750	-	55,750
Capitalised debt arrangement fees	(261)	(930)	319	(872)
Lease liabilities	59	(34)	10	35
<b>Total liabilities from financing activities</b>	<b>32,798</b>	<b>21,786</b>	<b>329</b>	<b>54,913</b>

**26 Trade and other payables**

	31 March 2019 £'000	31 March 2018 Restated £'000
Trade payables	2,716	963
Accrued expenses	7,474	8,105
Interest payable	22	138
Other payables	667	679
<b>Total financial liabilities excluding loans and borrowings, classified as financial liabilities at amortised cost</b>	<b>10,879</b>	<b>9,885</b>
Other payables – tax and social security payments	1,453	2,415
Other payables – VAT	2,883	2,913
Deferred income	1,415	1,428
Contract liabilities	784	1,041
<b>Total trade and other payables</b>	<b>17,414</b>	<b>17,682</b>

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates to fair value.

**27 Current income tax liabilities**

	31 March 2019 £'000	31 March 2018 Restated £'000
Tax payable	1,393	1,757
	<b>1,393</b>	<b>1,757</b>

**28 Provisions for other liabilities and charges**

31 March 2019	Social security costs on Performance Share Plan £'000	Dilapidations £'000	Professional Indemnity £'000	Total £'000
<b>Current</b>				
Balance at 1 April 2018	158	242	1,059	1,459
Provisions made during the year	270	275	201	746
Provisions used during the year	(3)	-	(141)	(144)
Provisions released unused during the year	-	-	(28)	(28)
<b>Balance at 31 March 2019</b>	<b>425</b>	<b>517</b>	<b>1,091</b>	<b>2,033</b>

<b>31 March 2018</b>	<b>Social security costs on Performance Share Plan £'000</b>	<b>Dilapidations £'000</b>	<b>Professional Indemnity £'000</b>	<b>Total £'000</b>
Current				
Balance at 1 April 2017	6	190	873	1,069
Provisions made during the year	152	52	335	539
Provisions used during the year	-	-	(31)	(31)
Provisions released unused during the year	-	-	(118)	(118)
<b>Balance at 31 March 2018</b>	<b>158</b>	<b>242</b>	<b>1,059</b>	<b>1,459</b>

The Group is involved in a small number of potential professional indemnity claims. The amount provided represents the Directors' best estimate of the Group's liability having taken legal advice. Uncertainties relate to whether claims will be settled out of court or if not whether the Group is successful in defending any action. Because of the nature of the disputes, the Directors have not disclosed future information on the basis that they believe that this would be seriously prejudicial to the Group's position in defending the cases brought against it.

## 29 Deferred consideration

	<b>Balance at 1 April 2018 £'000</b>	<b>Fair value adjustment £'000</b>	<b>Unwinding of discount £'000</b>	<b>Settled in year £'000</b>	<b>31 March 2019 £'000</b>
Contingently issuable ordinary shares	6,655	(6,459)	(196)	-	-
Deferred cash consideration	1,677	(100)	-	(1,425)	152
<b>Balance at 31 March 2019</b>	<b>8,332</b>	<b>(6,559)</b>	<b>(196)</b>	<b>(1,425)</b>	<b>152</b>

	<b>Balance at 1 April 2017 £'000</b>	<b>Acquisition £'000</b>	<b>Fair value adjustment £'000</b>	<b>Unwinding of discount £'000</b>	<b>31 March 2018 £'000</b>
Contingently issuable ordinary shares	-	6,932	(472)	195	6,655
Deferred cash consideration	-	1,677	-	-	1,677
<b>Balance at 31 March 2018</b>	<b>-</b>	<b>8,609</b>	<b>(472)</b>	<b>195</b>	<b>8,332</b>

At the start of the year, the Group held contingent consideration of shares as consideration for the Punter Southall Group of companies, subject to certain criteria being met. In January 2019, once the results for the third quarter of the year were available to the Directors, there was a reasonable expectation that the criteria required for the contingently issuable ordinary shares to become payable was not going to be achieved. As a result, the contingently issuable shares were revalued and the discount unwound to that date, and then the amounts held as contingent consideration were revalued at fair value through profit and loss.

## 30 Share capital

	<b>Ordinary shares ('000) 31 March 2019</b>	<b>Ordinary shares (£'000) 31 March 2019</b>	<b>Ordinary shares ('000) 31 March 2018</b>	<b>Ordinary shares (£'000) 31 March 2018</b>
In issue at the beginning of the year	203,840	102	136,896	68
Issued during the year	33	-	66,944	34
<b>In issue at the end of the year</b>	<b>203,873</b>	<b>102</b>	<b>203,840</b>	<b>102</b>

## Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2019

### 30 Share capital continued

	31 March 2019 (£'000)	31 March 2019 (£'000)	31 March 2018 (£'000)	31 March 2018 (£'000)
<i>Allotted, called up and fully paid</i>				
Ordinary shares of 0.05p (2018: 0.05p) each	203,182	102	202,003	101
<i>Shares held by the Group's Employee Benefit Trust</i>				
Ordinary shares of 0.05p (2018: 0.05p) each	691	-	1,837	1
<b>Shares classified in shareholders' funds</b>	<b>203,873</b>	<b>102</b>	203,840	102

The Group has invested in the shares for its Employee Benefit Trust (EBT). These shares are held on behalf of employees and legal ownership will transfer to those employees on the exercise of an award. This investment in own shares held in trust is deducted from equity in the consolidated statement of changes in equity.

### 31 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Accumulated deficit:	All net gains and losses recognised through the consolidated statement of comprehensive income.
Share premium:	Amounts subscribed for share capital in excess of nominal value.
Investment in own shares:	Cost of own shares held by the EBT.
Merger relief reserve:	The merger relief reserve represents the difference between the fair value and nominal value of shares issued on the acquisition of subsidiary companies.

### 32 Financial instruments

The fair values and the carrying values of financial assets and liabilities are the same.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group's finance team perform valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third-party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the Chief Financial Officer.

### Credit risk

The maximum exposure to credit risk at the reporting date was:

	Carrying Amount 31 March 2019 £'000	Carrying Amount 31 March 2018 Restated £'000
Trade receivables	17,171	16,382
Provision for impairment of trade receivables	(426)	(293)
Net trade receivables due	16,745	16,089
Accrued income	10,692	9,498
Contract assets	938	798
Cash and cash equivalents	5,539	9,404
	<b>33,914</b>	35,789

### Credit risk mitigation

The ageing of trade receivables at the reporting date was:

	31 March 2019 £'000	31 March 2018 £'000
Not past due	10,537	10,734
Past due 0-30 days	3,373	2,721
Past due 31-90 days	1,845	2,118
Past due more than 90 days	1,416	809
	<b>17,171</b>	16,382

Movement in impairment allowance for trade receivables

Balance at start of the year	293	229
Increase during the year	308	78
Receivable written off during the year as uncollectable	(6)	(6)
Reversal of allowances	(169)	(8)
Balance at end of the year	<b>426</b>	293

The Group prepared a forward looking impairment model using a provision matrix based on historical data. Using this, the Group believes that an impairment allowance of £426,000 (2018: £293,000) is adequate in respect of trade receivables. All impaired debts are more than 90 days past due. Those debts which have not been provided against are considered recoverable by the Group. In accordance with IFRS 9, the expected credit loss (ECL) model was used to calculate the impairment loss.

### Cash flow risk

The XPS Pensions Group is exposed to cash flow interest rate risk in 2 main respects. Firstly corporate and client bank deposits, which earn interest at a variable rate, although not at a material level. Secondly, interest expense arising on bank facilities at a margin over LIBOR.

### Interest rate risk

The interest rate on long-term borrowings is a margin over LIBOR and as such the Company is at risk from LIBOR increases.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2019

### 32 Financial instruments continued

#### Liquidity risk

Liquidity risk arises from the Group's working capital and the finance charges and principal repayments on its debt instruments. It is the risk the Group will encounter difficulty in meeting its financial obligations as they fall due.

The following table sets out the contractual maturities (representing undiscounted cash flows) of financial liabilities:

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000	31 March 2019 £'000
Trade and other payables	10,639	-	-	-	-	10,639
Finance leases	12	37	51	161	-	261
Loans and borrowings	-	-	-	57,250	-	57,250
Bank interest	398	1,147	1,435	3,969	-	6,949
	11,049	1,184	1,486	61,380	-	75,099

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000	31 March 2018 £'000
Trade and other payables	9,206	-	-	-	-	9,206
Finance leases	8	25	8	-	-	41
Loans and borrowings	-	-	-	55,750	-	55,750
Bank interest	328	1,038	1,123	2,392	-	4,881
	9,542	1,063	1,131	58,142	-	69,878

#### Capital risk

The Group's objectives when managing capital is to maximise shareholder value whilst safeguarding the Group's ability to continue as a going concern. Total capital is calculated as total equity in the statement of financial position.

#### Management of capital

	31 March 2019 £'000	31 March 2018 Restated £'000
Total equity	156,403	153,378

### 33 Operating leases

The future aggregate minimum lease payments are payable as follows:

	31 March 2019 (£'000)	31 March 2018 (£'000)
Within 1 year	1,667	813
Between 2 and 5 years	2,848	331
More than five years	39	-
	4,554	1,143

Leasing commitments in respect of land and buildings amounted to £4,554,000 (2018: £1,143,000).

### 34 Finance leases

The Group holds a lease for some of its photocopying and printing equipment. These assets are classified as finance leases as the rental period amounts to the useful economic life of the assets.

Future lease payments are due as follows:

	Minimum lease payments 31 March 2019 £'000	Interest 31 March 2019 £'000	Present value 31 March 2019 £'000
Not more than 1 year - current liabilities	55	5	50
Between 1 and 5 years - non-current liabilities	206	11	195
	<b>261</b>	<b>16</b>	<b>245</b>

	Minimum lease payments 31 March 2018 £'000	Interest 31 March 2018 £'000	Present value 31 March 2018 £'000
Not more than 1 year - current liabilities	34	7	27
Between 1 and 5 years - non-current liabilities	8	-	8
	42	7	35

### 35 Notes supporting statement of cash flows

Cash and cash equivalents for purposes of the statement of cash flows comprise:

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Cash at bank available on demand	<b>5,539</b>	9,404

Significant non-cash transactions from investing activities are as follows:

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Equity consideration for business combination	-	48,699

## Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2019

### 35 Notes supporting statement of cash flows continued

Non-cash transactions from financing activities are shown in the reconciliation of liabilities from financing transactions:

	Non-current loans and borrowings (note 24) £'000	Current loans and borrowings (note 24) £'000	Total £'000
At 1 April 2018	55,072	(159)	54,913
Cash flows	1,500	(34)	1,466
Non-cash flows			
- Fair value changes	365	(186)	179
- New finance lease	261	-	261
- Loans and borrowings classified as non-current at 31 March 2018 becoming current by 31 March 2019	(235)	235	-
- Interest accruing in period	-	7	7
<b>At 31 March 2019</b>	<b>56,963</b>	<b>(137)</b>	<b>56,826</b>

	Non-current loans and borrowings (note 24) £'000	Current loans and borrowings (note 24) £'000	Total £'000
At 1 April 2017	32,829	(31)	32,798
Cash flows	21,821	(34)	21,787
Non-cash flows			
- Fair value changes	636	(319)	317
- Loans and borrowings classified as non-current at 31 March 2017 becoming current by 31 March 2018	(214)	214	-
- Interest accruing in period	-	11	11
At 31 March 2018	55,072	(159)	54,913

### 36 Related party transactions

#### Key management emoluments during the year

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Emoluments	1,651	1,998
Company contributions to money purchase pension plans	30	30
Social security costs	322	143
	<b>2,003</b>	2,171

#### Non-executive emoluments during the year

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Emoluments	320	273
Social security costs	40	34
	<b>360</b>	307



**Services provided to related parties during the year**

	<b>31 March 2019 £'000</b>	<b>31 March 2018 £'000</b>
PSFM Limited	<b>38</b>	6
PS Independent Trustees Limited	<b>10</b>	2
PSFM SIPP Limited	<b>1</b>	1
Punter Southall Group Limited	<b>31</b>	16
Psigma Investment Management Limited	<b>-</b>	2
Punter Southall Analytics Limited	<b>12</b>	32
Punter Southall Defined Contribution Consulting Limited	<b>32</b>	51
	<b>124</b>	110

During the period the Group provided services of £124,640 (2018: £112,550) to other related parties. These transactions were included in turnover.

All companies listed above are part of the Punter Southall Group Limited group, one of the Non-executive Directors of XPS Pensions Group is the Chief executive of Punter Southall Group.

**Services received from related parties during the year**

	<b>31 March 2019 £'000</b>	<b>31 March 2018 £'000</b>
Punter Southall Group Limited	<b>3,355</b>	981
CAMRADATA Analytical Services Limited	<b>30</b>	7
Independent Transition Management Limited	<b>2,076</b>	535
Punter Southall Defined Contribution Consulting Limited	<b>2</b>	-
PS Independent Trustees Limited	<b>1</b>	-
Punter Southall Health and Protection Limited	<b>3</b>	-
Donna Cuff	<b>43</b>	-
	<b>5,510</b>	1,523

During the period the Group paid administration costs of £5,509,407 (2018: £1,523,596) to other related parties. These transactions were included in administrative expenses.

All companies listed above are part of the Punter Southall Group. Donna Cuff is the wife of Paul Cuff (Co-CEO of XPS Pensions Group).

## Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2019

### 36 Related party transactions continued

#### Amounts receivable/(payable) to related parties at the balance sheet date

	31 March 2019 £'000	31 March 2018 £'000
PSFM Limited	-	4
Punter Southall Group Limited	(386)	(1,107)
PS Independent Trustees Limited	12	34
Punter Southall Defined Contribution Consulting Limited	10	56
Punter Southall Analytics Limited	-	38
Independent Transition Management Limited	(206)	(510)
CAMRADATA Analytical Services Limited	(19)	(8)
	<b>(589)</b>	<b>(1,493)</b>

All companies listed above are part of the Punter Southall Group.

All transactions with related parties are made in the ordinary course of business and balances outstanding at the reporting date are unsecured.

### 37 Earnings per share

	Continuing operations 31 March 2019 £'000	Discontinued operations 31 March 2019 £'000	Total 31 March 2019 £'000	Continuing operations 31 March 2018 Restated £'000	Discontinued operations 31 March 2018 Restated £'000	Total 31 March 2018 Restated £'000
Profit for the year	<b>10,371</b>	<b>1,137</b>	<b>11,508</b>	2,217	9,384	11,601
	'000	'000	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	<b>203,167</b>	<b>203,167</b>	<b>203,167</b>	150,649	150,649	150,649
Diluted weighted average number of ordinary shares	<b>205,221</b>	<b>205,221</b>	<b>205,221</b>	155,414	155,414	155,414
Basic earnings per share (pence)	<b>5.1</b>	<b>0.6</b>	<b>5.7</b>	1.5	6.2	7.7
Diluted earnings per share (pence)	<b>5.0</b>	<b>0.6</b>	<b>5.6</b>	1.4	6.1	7.5

The calculation of basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

Share awards were made to the Executive Board members and key management personnel in 2017, 2018, and 2019, these are subject to certain conditions, and vest in 2020 and 2021. Dividend yield shares relating to these awards will also be awarded upon vesting of the main awards. Further shares have been issued under SAYE share schemes in 2017 and 2018, these will vest in 2020 and 2021 respectively. These shares are reflected in the diluted number of shares and diluted earnings per share calculations.

### 37 Earnings per share *continued*

#### Adjusted earnings per share

	Continuing operations 31 March 2019 £'000	Discontinued operations 31 March 2019 £'000	Total 31 March 2019 £'000	Continuing operations 31 March 2018 Restated £'000	Discontinued operations 31 March 2018 Restated £'000	Total 31 March 2018 Restated £'000
Adjusted profit after tax (notes 6, 17)	20,061	194	20,255	12,966	1,224	14,190
Adjusted earnings per share (pence)	9.9	0.1	10.0	8.6	0.8	9.4
Diluted adjusted earnings per share (pence)	9.8	0.1	9.9	8.3	0.8	9.1

### 38 Subsidiaries

The following is the list of wholly owned companies consolidated within the Financial Statements of XPS Pensions Group plc

Company Name	Company Number	Principal activity	Registered address
XPS Pensions Group plc	08279139	Holding company	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
XPS Financing Limited	08279274	Holding company	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
XPS Reading Limited	08279362	Holding company	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
XPS Consulting (Reading) Limited	08287502	Holding company	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
XPS Pensions Consulting Limited	02459442	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
Xafinity SIPP Services Limited	SC069096	Employee benefit consultancy	Scotia House, Castle Business Park, Stirling, Stirlingshire, FK9 4TZ
Xafinity Pensions Consulting Limited	04436642	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
Xafinity PT Limited	00232565	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
Entegria Limited	05777554	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
Xafinity Pensions Trustees Limited	01450089	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
Hazell Carr (AT) Services Limited	SC420031	Employee benefit consultancy	Scotia House, Castle Business Park, Stirling, Stirlingshire, FK9 4TZ
Hazell Carr (SG) Services Limited	01867603	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
Hazell Carr (ES) Services Limited	02372343	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
Hazell Carr (PN) Services Limited	00236752	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
Hazell Carr (SA) Services Limited	SC086807	Dormant	Scotia House, Castle Business Park, Stirling, Stirlingshire, FK9 4TZ
Xafinity Trustees Limited	04305500	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
Xafinity Employee Benefit Trust 2013	N/A	Trust	JTC Trustees Limited, Elizabeth House, 9 Castle Street, St Helier, Jersey, JE4 2QP
XPS Holdings Limited	04807951	Holding Company	11 Strand, London, WC2N 5HR
XPS Administration Holdings Limited	09655671	Holding Company	11 Strand, London, WC2N 5HR
XPS Administration Limited	09428346	Employee benefit consultancy	11 Strand, London, WC2N 5HR
XPS Investment Limited	06242672	Employee benefit consultancy	11 Strand, London, WC2N 5HR
XPS Pensions Limited	03842603	Employee benefit consultancy	11 Strand, London, WC2N 5HR

## Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2019

### 39 Dividends

#### Amounts recognised as distributions to equity holders of the parent in the year

	31 March 2019 £'000	31 March 2018 £'000
Final dividend for the year ended 31 March 2018: 4.2p per share (2017: 0.73p per share)	8,533	986
Interim dividend for the year ended 31 March 2019: 2.3p (2018: 2.1p) per ordinary share was paid during the year	4,673	2,836
	<b>13,206</b>	3,822

The recommended final dividend payable in respect of the year ended 31 March 2019 is £8.8m or 4.3p per share (2018: £8.5m).

The proposed dividend has not been accrued as a liability as at 31 March 2019 as it is subject to approval at the Annual General Meeting.

	31 March 2019 £'000	31 March 2018 £'000
Proposed final dividend for year ended 31 March 2019	8,767	8,484

The Company statement of changes in equity shows that the Company has positive reserves of £1,704,000. There are sufficient distributable reserves in subsidiary companies which will be passed up to XPS Pensions Group plc in order to pay the proposed final dividend.

### 40 Ultimate controlling party

The Directors do not consider that there is an ultimate controlling party.

### 41 Post balance sheet events

On 31 May 2019, the Group acquired RL Corporate Pension Services Limited (RLCPS) from The Royal London Mutual Insurance Society Limited, for total consideration of £4.8 million in cash upon completion. RLCPS provides pensions actuarial, consulting and administration services to 150 smaller defined benefit pensions schemes, covering 8,000 scheme members. The acquisition will strengthen XPS's presence in the market for provision of full services to smaller defined benefit pension schemes.

At the date of authorisation of these Financial Statements a detailed assessment of the fair value of the identifiable net assets has not been completed. On acquisition RLCPS held trade receivables with a book value of £285,917 representing contractual receivables of £305,373. The Group is still assessing the debtor book and is not yet in a position to accurately assess the final level of uncollectable contractual cash flows.

The book value of the net assets acquired is as follows:

	£'000
Receivables	354
Cash	251
Payables	(84)
<b>Total</b>	<b>521</b>

#### Fair value of consideration paid

	£'000
Cash	4,800

Goodwill and intangibles therefore amount to £4,279,000. This figure is pending a full purchase price allocation exercise, however it is expected that some goodwill will be recognised. This goodwill represents items, such as the assembled workforce, which do not qualify for recognition as assets.

## Statement of Financial Position – Company

as at 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	5	19,115	14,443
		<b>19,115</b>	14,443
<b>Current assets</b>			
Trade and other receivables	6	184,847	178,371
		<b>184,847</b>	178,371
<b>Total assets</b>		<b>203,962</b>	192,184
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	7	18,421	12,772
		<b>18,421</b>	12,772
<b>Total liabilities</b>		<b>18,421</b>	12,772
<b>Net assets</b>		<b>185,541</b>	180,042
<b>Equity and liabilities</b>			
Share capital	8	102	102
Share premium		116,795	116,782
Merger relief reserve		48,687	48,687
Other reserve		18,253	13,581
Retained profit		1,704	890
<b>Total equity</b>		<b>185,541</b>	180,042

The notes on pages 126 to 128 form part of these Financial Statements.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own statement of comprehensive income. The profit for the financial year, of the holding Company, as approved by the Board, was £14,020,000 (2018 – £6,437,000).

These Financial Statements were approved by the Board of Directors on 25 June 2019 and were signed on its behalf by:



**Mike Ainslie**  
Chief Financial Officer  
26 June 2019  
Registered number: 08279139

## Statement of Changes in Equity – Company

for the year ended 31 March 2019

	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Other reserve £'000	Retained earnings/ accumulated deficit £'000	Total £'000
Balance at 1 April 2017	68	49,958	-	12,476	(1,725)	60,777
Comprehensive income and total comprehensive income for the year	-	-	-	-	6,437	6,437
Contributions by and distributions to owners						
Share capital issued	34	69,979	48,687	-	-	118,700
Share issue costs	-	(3,155)	-	-	-	(3,155)
Share-based payment expense – IFRS 2 charge in respect of long-term incentives	-	-	-	1,081	-	1,081
Deferred tax movement in respect of long-term incentives	-	-	-	24	-	24
Dividends paid	-	-	-	-	(3,822)	(3,822)
Total contributions by and distributions to owners	34	66,824	48,687	1,105	(3,822)	112,828
Balance at 31 March 2018	102	116,782	48,687	13,581	890	180,042
Balance at 1 April 2018	<b>102</b>	<b>116,782</b>	<b>48,687</b>	<b>13,581</b>	<b>890</b>	<b>180,042</b>
Comprehensive income and total comprehensive income for the year	-	-	-	-	14,020	14,020
Contributions by and distributions to owners						
Share capital issued	-	13	-	-	-	13
Share-based payment expense – equity settled from employee benefit trust	-	-	-	1,999	-	1,999
Share-based payment expense – IFRS 2 charge in respect of long-term incentives	-	-	-	2,821	-	2,821
Deferred tax movement in respect of long-term incentives	-	-	-	(148)	-	(148)
Dividends paid	-	-	-	-	(13,206)	(13,206)
Total contributions by and distributions to owners	-	13	-	4,672	(13,206)	(8,521)
<b>Balance at 31 March 2019</b>	<b>102</b>	<b>116,795</b>	<b>48,687</b>	<b>18,253</b>	<b>1,704</b>	<b>185,541</b>

The notes on pages 126 to 128 form part of these Financial Statements.

## Statement of Cash Flows – Company

for the year ended 31 March 2019

The Company does not operate a bank account and therefore there were no cash flows during the year. All movements of funds have been dealt with through subsidiary companies.

The notes on pages 126 to 128 form part of these Financial Statements.

# Notes to the Financial Statements – Company

for the year ended 31 March 2019

## 1 Accounting policies

XPS Pensions Group plc (the ‘Company’) is a public company incorporated in the UK. The principal activity of the Company is that of a holding company. The registered office is Phoenix House, 1 Station Hill, Reading, RG1 1NB.

### Basis of preparation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRS – IC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements have been prepared under the going concern basis.

The preparation of Financial Statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in the notes to the Group accounts.

### Measurement convention

The Financial Statements are prepared on the historical cost basis.

### Investments in subsidiaries

Investments in subsidiaries are carried at cost, plus capital contributions to the Group’s subsidiary companies in respect of share-based payment charges, less any provisions for impairment.

### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the Directors and in the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

### Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in profit and loss in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

### New standards and interpretations adopted and not yet adopted

Details of new standards and interpretations adopted and not yet adopted are contained in the Group accounting policies.

## 2 Financial risk management

The Company is a holding company and has limited exposure to financial risks. Details of the financial risks are contained in the Group accounts.

## 3 Capital risk management

The Company is a holding company and will apply the risk management policies of the Group contained in the Group’s Financial Statements.



#### 4 Staff numbers and costs

The Company had no employees other than directors in the year to 31 March 2019 (2018: nil).

No directors received remuneration for their services to the company during the year. Directors were remunerated for their services to the Group by a subsidiary company.

Pension contributions of £nil (2018: £nil) were paid on behalf of the directors.

#### 5 Investments in subsidiaries

	31 March 2019 £'000	31 March 2018 £'000
At the beginning of the year	14,443	13,338
Investment in XPS Pensions Consulting Limited	3,479	873
Investment in Xafinity SIPP Services Limited	57	26
Investment in XPS Pensions Limited	813	149
Investment in XPS Administration Limited	297	52
Investment in XPS Investment Limited	26	5
<b>At the end of the year</b>	<b>19,115</b>	<b>14,443</b>

Subsidiary	Ownership	Country of Incorporation	Class of shares held	Principal Activities	Registered address
XPS Financing Limited	100%	England and Wales	Ordinary	Holding company	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB

The additions to investments during the year represents amounts in respect of performance share plan awards and SAYE schemes, and an equity-settled award made by the Employee Benefit Trust to subsidiary companies as instructed by the Company.

All other subsidiaries disclosed in note 38 of the Group accounts are indirectly owned by other Group companies.

#### 6 Trade and other receivables

	31 March 2019 £'000	31 March 2018 £'000
Receivables due from related parties	184,847	178,371

#### 7 Trade and other payables

	31 March 2019 £'000	31 March 2018 £'000
Accrued expenses	-	175
Payables due to related parties	17,667	12,238
Other payables - corporation tax	754	359
<b>Total trade and other payables</b>	<b>18,421</b>	<b>12,772</b>

## Notes to the Financial Statements – Company continued

for the year ended 31 March 2019

### 8 Share capital

Details on the share capital of the Company are contained in the Group Financial Statements.

### 9 Reserves

Reserve	Description and purpose
Other reserve:	The other reserve represents the amount in respect of the equity-settled awards made by the Employee Benefit Trust to subsidiary companies as instructed by the Company.
Merger relief reserve:	The merger relief reserve represents the difference between the fair value and nominal value of shares issued on the acquisition of subsidiary companies.

### 10 Financial instruments

The fair values and the carrying values of financial assets are the same.

#### Credit risk

The maximum exposure to credit risk at the reporting date was:

	Carrying Amount 31 March 2019 £'000	Carrying Amount 31 March 2018 £'000
Receivables due from related parties	184,847	178,371

Loans from related parties are repayable on demand.

#### Capital risk management

As part of the XPS Pensions Group, the Company is focused on delivering value for its shareholders whilst ensuring the Group is able to continue effectively as a going concern. Total capital for the Company comprises total equity.

The policies for managing capital are to increase shareholder value by maximising profits and cash. The policy is to set budgets and forecasts in the short and medium term that the Company ensures are achievable. The process for managing capital are regular reviews of financial data to ensure that the Company is tracking the targets set and to reforecast as necessary based on the most up-to-date information. This then contributes to the XPS Pensions Group's forecast which ensures future covenant test points are met. The XPS Pensions Group continue to meet these test points and they have been achieved over the last 12 months. Further information can be found within the Consolidated Financial Statements of XPS Pensions Group plc.

	31 March 2019 £'000	31 March 2018 £'000
Management of capital		
Total equity	185,541	180,042

### 11 Related party transactions

#### Amounts receivable from related parties at the balance sheet date

	31 March 2019 £'000	31 March 2018 £'000
Loans to related parties	184,847	178,371
	184,847	178,371

### 12 Ultimate controlling party

The Directors do not consider that there is an ultimate controlling party.

## Company Information

### Registered Office and Directors' Address

Phoenix House  
1 Station Hill  
Reading  
Berkshire  
RG1 1NB

### Company Secretary

Zoe Adlam

### Financial Adviser and Broker

Liberum Capital Limited  
Ropemaker Place, Level 12  
25 Ropemaker Street  
London  
EC2Y 9LY

### Financial Adviser and Broker

RBC Capital Markets  
2 Swan Lane  
London  
EC4R 3BF

### Legal Advisers to the Company

#### Macfarlanes LLP

20 Cursitor Street  
London  
EC4A 1LT

### Auditor

#### BDO LLP

Level 12 Thames Tower  
Station Road  
Reading  
Berkshire  
RG1 1LX

### Registrar

#### Equiniti Limited

Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

### Bankers

#### HSBC Bank plc

Apex Plaza, Block D, 5th Floor  
Forbury Road  
Reading  
RG1 1AX



**Registered Office**

Phoenix House  
1 Station Hill  
Reading  
Berkshire  
RG1 1NB

T: 0118 918 5000

[www.xpsgroup.com](http://www.xpsgroup.com)