XPS Pensions Group

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

XPS PENSIONS GROUP PLC
ANNUAL REPORT AND ACCOUNTS **2020**

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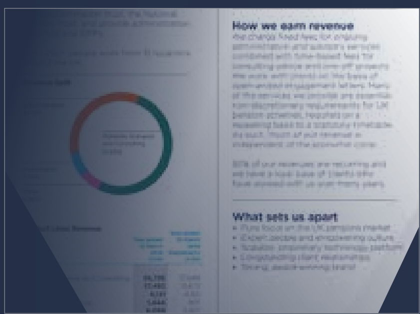

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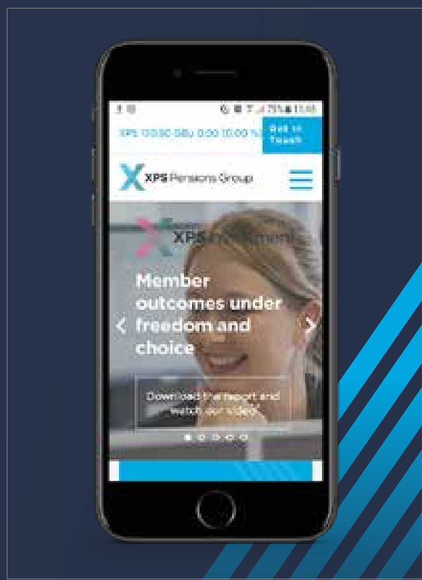


Keep up to date with our latest trading news and details of our upcoming events

Visit us online
www.xpsgroup.com

We are UK pensions experts

What we do

We provide pensions actuarial, investment consulting and administration services to over 1,500 pension scheme clients in the UK, combining expertise, insight and technology to address the needs of both pension trustees and sponsoring employers.

Key performance indicators

Revenue
£120m +9%

2020	120m
2019	110m

Number of pension scheme clients
1,500 +24%

2020	1,500+
2019	1,200+

Adjusted EBITDA[1]
£27.9m +2%

2020	27.9m
2019	27.4m

Adjusted diluted earnings per share[2]
9.8p +0%

2020	9.8p
2019	9.8p

FTE Employees[3]
1,203

2020	1,203
2019	1,066

Proposed full year dividend
6.6p +0%

2020	6.6p
2019	6.6p

1 Adjusted EBITDA excludes the impact of share-based payment costs, fair value adjustments of contingent consideration, and exceptional costs, excluding the impact of IFRS 16 in 2020.
2 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. See Note 6 in the financial statements, and excluding the impact of IFRS 16.
3. As at year end.

We believe in a better way

Employees

1,200+

Years of providing pensions services

40+

Who we are

XPS Pensions Group is the largest pure pensions consultancy in the UK. We have benefits of scale – we have a breadth of experience to draw on, can invest in solutions for the good of our clients – yet we remain agile, able to respond quickly as the world around our clients shifts.

As the only UK pensions specialist listed on the London Stock Exchange Main Market, we have the flexibility to think and act differently.

Our locations

Our 15 locations give us access to staff, expertise and clients across the UK.

Locations

15

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.

xafinity

We provide SIPP and SSAS products to financial advisers under the Xafinity brand (SIPP).

Our values

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 agile

We are helpful

We are experts

We do the right thing

Why invest in XPS?
We are focused solely on UK pensions

01

Well-positioned in a long-term market with favourable regulatory backdrop

£2 trillion liabilities of private UK defined benefit pension schemes. Regulatory developments are driving client activity and demand for our services.

40+
Years longevity of private UK defined benefit pension schemes

£60bn
Funds invested in UK defined contribution schemes

Read more on **page 16**

1 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 2020. For won and lost clients the revenue is defined as recurring if it meets the above criteria for the period they were a client.

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.

88%
Recurring revenue in our Pensions Actuarial & Consulting and Pensions Investment Consulting businesses[1]

Read more on **page 14**

03

Award-winning brand with a strong reputation

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.

12
Net number of new client wins during the year

924,000
Number of members under administration (increase of 47,000 since 1 April 2019)

Read more on **page 19**

04

Diversified and longstanding client base

A large and diverse client base, built up of over 1,500 clients.

13%

Top ten clients represent 13% of revenue

Read more on **page 12**

05

Scalable, well-invested technology platform

Innovative, cutting-edge technology platform helps deliver efficient, quality service with capacity for organic and inorganic growth.

£1.4m

Investment in technology

2

'Bolt on' acquisitions – Royal London Corporate Pensions Services and Trigon Professional Services

Read more on **page 12**

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 ten years.

9%

Revenue growth in FY 2020, 10% growth in H2

11%

Average annual growth in fully diluted adjusted EPS in the three years since IPO in February 2017

Read more on **pages 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.

45

Years' combined experience of Co-CEOs

146

Years' combined experience of senior leaders of the business (5)

Read more on **pages 52-55**

I am pleased to report **on a financial year that has seen solid progress**

Overview

I am pleased to report on a financial year that has seen solid progress in terms of financial and operational performance, the development of the XPS brand and our strategic goals, in line with our purpose of shaping and supporting safe, robust and well-understood pension schemes for the benefit of people and society. Our Pensions Actuarial and Consulting business has addressed previously reported resourcing constraints to deliver an improved trading performance throughout the financial year. We have now completed the exit from the Transitional Services Agreement entered into with the Punter Southall Group and have continued to develop the XPS brand, winning Actuarial/Pensions Consultancy of the Year and Third Party Administrator of the Year at the UK Pensions Awards in May 2019. We have continued to deliver on our bolt-on acquisition strategy with the purchase of RL Corporate Pension Services Limited and Trigon Professional Services Limited and our National Pension Trust achieved master trust authorisation from the Pensions Regulator. These highlights have been backed up by strong client retention and some real successes in terms of client wins.

The business responded quickly to the challenges posed by the COVID-19 crisis towards the end of the financial year and this is discussed in more detail on pages 12 to 13.

"I am pleased to report that financial and operational performance has been solid and we have continued to develop the XPS brand and to deliver on our strategic goals."

Tom Cross Brown
Chairman

Our people

Our staff survey confirmed continued strong staff satisfaction which is key to achieving our strategy of becoming the pre-eminent pensions consulting and administration firm in the UK. 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. We have appointed Margaret Snowdon as our Employee Engagement Non-Executive Director, you can read more about this on page 66.

Dividend

The Board is proposing a final dividend of 4.3p (2019: 4.3p), which combined with the interim dividend produces a total dividend of 6.6p (2019: 6.6p). 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 24 September 2020 to shareholders on the register at 28 August 2020, subject to shareholder approval.

Board and governance

As announced last year, Snehal Shah joined the Board as the Company's Chief Financial Officer and Executive Director during the year. Jonathan Punter, Non-Executive Director previously appointed due to the Punter Southall relationship agreement, stepped down from the Board at the September Annual General Meeting. I would like to thank Jonathan for his contribution during his time on the Board. This year the Board have focused on stakeholder and workforce engagement. We have also conducted an external Board effectiveness review; you can read more on the process and outcomes within the Governance Report on pages 60 to 61.

Governance highlights

- We conducted our first external Board effectiveness review; read more about the process and outcomes on pages 60 to 61.
- The Board completed an exercise to recognise our stakeholders and how we engage with them, including our employees; read about this on pages 46 to 47 and 64 to 65.

Future prospects

The Board is pleased with the progress made in this financial year. The business is so far proving to be resilient in response to the challenges presented by the COVID-19 crisis. Whilst it is at the time of writing unclear exactly how the pandemic will unfold, the Group on the evidence to date should be well placed to continue driving growth and market share gains over the medium term, against a favourable competitor and regulatory backdrop.

Tom Cross Brown
Chairman
24 June 2020

A robust year, **delivering on our strategy**

2020 was a year of pleasing growth. Our respected and growing reputation led to us winning appointments with large and high-profile schemes, which was further cemented by being recognised as both 'Actuarial Firm of the Year' and 'Administration Firm of the Year' at the UK Pensions Awards. For the fifth time in six years, our Pensions Administration business ranked top of the annual Professional Pensions Survey of service users across the market. These awards are a source of great pride as they are testament to the quality of work delivered by the XPS team and invaluable in opening up new opportunities for the Group.

Towards the end of the year, we faced the challenge of adapting quickly to support our staff and clients in the new 'locked down' environment resulting from the COVID-19 crisis. Our staff have responded brilliantly to the challenges this presented, and we discuss in more detail our response and the potential impacts on the outlook for the Group below.

Good performance across the Group

Our Pensions Actuarial and Consulting business had a solid year of growth, with revenues growing by 4% to £58.8million following what had been a challenging prior year in relation to resourcing and our go-to-market approach. At the beginning of April 2019, we appointed Patrick McCoy to oversee bringing the advisory practice back to growth. Due to the actions taken during the year, we are pleased to report that the Pensions Actuarial and Consulting business returned to growth in H2.

Actions taken during the year included increasing our capacity through the recruitment of new colleagues and streamlining our operations. The creation of a new 'Pensions Solutions' team also improved the way we generate more commercially focused content and proactively take 'value add' discretionary services to clients. We were also delighted to win work with some fantastic new clients, including larger pension schemes previously served by the 'Big 3' providers through competitive tender processes – a powerful endorsement of our strategy to be the preeminent independent challenger firm.

"We were delighted with the industry awards won at the start of the year, and as the year went on with our business success, including where we have been appointed as the actuary to some very large schemes."

Paul Cuff
Co-Chief Executive

“We are extremely proud of how well our staff responded to the Covid crisis, and the way we have continued to support our clients and their scheme members highly effectively throughout.”

Ben Bramhall
Co-Chief Executive

Revenue

£119.8m +9%

2019: £109.9m

Profit before tax

£11.4m[1] 0%

2019: £11.4m

Our Pensions Investment Consulting business saw strong growth, with revenues reaching £9.6 million (2019: £8.1 million). We now have real critical mass in this area, and continue to benefit from the growing need for fiduciary management oversight arising from the CMA review. We won several such assignments, and expect further opportunities as deadlines for mandatory reviews and re-tenders approach.

Our Pensions Administration services business performed strongly during the year, with a 47,000 increase in members under administration on the back of some strong new client wins, many of which were transitioned to XPS in the second half. We anticipate continued growth, notably from first time outsourcings of some large schemes and transfers from some competitors who have struggled with service standards in this area.

A number of projects in the area of GMP rectification were held back across the market as a whole by delays from HMRC in providing critical information. This also impacted the progress our clients could make in the area of GMP equalisation. Delays with HMRC continue, however we expect these projects to start progressing gradually during the course of our 2020/21 financial year.

Our National Pensions Trust (‘NPT’) is one of only 38 regulated master trusts under the new authorisation regime introduced by the Pensions Regulator with the aim of materially reducing the number of trusts in the market (from over 85) and ensuring those remaining are of high quality. Having guided NPT through the authorisation process and overseen excellent growth in assets under management, Dave Hodges is retiring, and we thank him for his excellent stewardship. He leaves the NPT in a strong shape, and we will continue to invest in this growing part of the market.

1. Excluding the impact of IFRS 16

Number of pension scheme clients

1,500+ +24%

2019: 1,200+

Adjusted diluted earnings per share

9.8p[1]

2019: 9.8p

We are pleased with the progress of our SIPP/SSAS business, which performed solidly against a backdrop in which activity in the SIPP market was affected by Brexit uncertainty, particularly in relation to property transactions.

Favourable market trends

We are approaching potentially the largest overhaul of pension funding regulations in more than a decade, as the Government and the Pensions Regulator work to increase protection for members of defined benefits pension schemes in the wake of controversies at companies such as BHS and Carillion. As trustees navigate the implications of regulatory change, we will continue to work closely with our clients to help them comply with new requirements and better protect the interests of their members, and foresee ongoing activity in this area.

A notable development in defined benefit schemes is the trend for trustees to transfer assets and liabilities to pension insurers. Last year was a record year for bulk annuity transactions, which rose to £40bn, an increase of 100% over the preceding two years. We can add a lot of value for clients as a broker in these transactions and are investing in our capability. The majority of transactions are 'buy-ins', where only part of the scheme is transferred, so the residual scheme continues to need the wider services of the type we offer.

Another significant issue faced by the majority of pension schemes relates to the resolution of GMP equalisation. As mentioned above, delays to receiving records from HMRC have slowed activity across the industry, but once the information is released there will be a significant amount of work in this area.

Progress against our strategy

Our internal initiatives and positive external market trends helped the performance of the Pensions Actuarial and Consulting business to improve as the year progressed, and we were pleased to see that this business returned to growth in H2. Client retention remained strong and we won some pleasing new mandates in H2 in this business, including some large schemes and against our toughest competition. The strong organic growth in Pensions Administration was pleasing, especially as with the step up in activity we maintained our high service standards for clients, and Pensions Investment Consulting had another strong year.

Our organic growth was complemented by the completion of two bolt-on acquisitions.

In May 2019 we acquired Royal London Corporate Pensions Services, a provider of consulting and administration services to defined benefit clients. This doubled our presence in the city of Edinburgh.

We also doubled our headcount in Bristol at the end of 2019 with the acquisition of Trigon Professional Services, an owner-managed business providing actuarial, administration, consultancy and investment advisory services. Around 40 people transferred to XPS, and we have already been able to introduce XPS' wider services to Trigon clients, including actuarial services that Trigon previously outsourced.

Our primary focus remains driving organic growth against a market backdrop that presents a great deal of opportunity. We continue to scan the horizon for M&A opportunities, where these would be a strategic addition to our capabilities and align culturally with our organisation.

Satisfied stakeholders

Client retention remained high during the year. In a wide-ranging survey of clients we undertook earlier in the year, 94% expressed satisfaction with XPS, with around 80% saying they were 'very satisfied' or 'delighted' with our work, which is highly gratifying.

Our annual staff survey was also a source of positive feedback, with 86% of colleagues positively agreeing that XPS is a good place to work. Last year was the first full year following the introduction of our new corporate values. Having worked hard to embed these throughout the business, it is great to see our values being lived every day. We recently introduced the XPS Values in Practice ('VIP') programme, new annual awards for people and teams to keep up the momentum around our values and culture, a key focus for the Group.

Strengthened team

We have enhanced the strength of our teams across the business through a combination of internal promotions and the recruitment of high-calibre talent from outside the organisation, including from Big 3 companies in our sector. Ben Gold was promoted to head our Investment Consulting practice, taking over from Patrick McCoy when he moved to the new role of Head of Advisory (spanning both the pensions and investment businesses). External hires included new heads of investment consulting in our Manchester and Edinburgh offices, and a very experienced consultant to develop our bulk annuity advice offering. We are also pleased to welcome Sophia Singleton, our new head of Defined Contribution consulting, who joins XPS from Aon.

COVID-19 response

From the beginning of the COVID-19 crisis which started to emerge in the final months of our financial year, ensuring the health and safety of our employees has been our top priority, and alongside that there has also been a strong focus on ensuring we can continue to provide high-quality services to our clients.

During February, we established a dedicated COVID-19 response team, comprising senior leaders from all business divisions and central functions. This group oversaw a transition to a model of almost entirely remote working, with processes re-engineered and IT systems upgraded to enable this. This operating model was tested and developed before the full lockdown, and was put into full effect immediately after the lockdown was implemented by the Government.

Following the transition to a remote working model, over 98% of our 1,203 FTE employees have been working effectively entirely at home, with only a small number of staff still attending offices for essential tasks such as receiving post.

In Pensions Administration, the business unit that required the most significant changes in its operating model, the business continued to perform well. Our Service Level Agreements for

1. Excluding the impact of IFRS 16

client tasks remained high, and all pension payrolls continued, with clients and pension scheme members providing positive feedback on our continuing high service levels.

In Pensions Actuarial & Consulting and Investment Consulting, demand for our core services remained strong as we supported clients navigating their way through very challenging times for pension schemes. We delivered this advice effectively through remote working and via online meetings.

A significant focus for management throughout this time has been the mental health and wellbeing of our staff. We have put in place a number of initiatives in this regard, keeping people connected formally and informally, and we have provided additional online support and training. We have also supported staff with regular updates of reassurance from the executive management team which are cascaded throughout the business.

We would like to thank our staff for their resilience, and we are very proud of the 'can do' attitude our staff have shown in looking after each other and our clients very well at this highly unusual time.

Stable and resilient business

We continue to see attractive opportunities for growth in consulting as large schemes gain confidence in appointing mid-tier advisers, and in administration where service standards in the industry are variable and the outsourcing trend continues.

In terms of the potential impact of COVID-19, the Group's underlying business remains resilient. A significant proportion of our revenues are non-discretionary and received for essential services, with a high degree of visibility.

In the short term, we expect demand for our discretionary services to continue as pension trustees seek advice and support throughout the COVID-19 crisis. This is particularly the case in the Pensions Investment Consulting division where we advise clients on asset allocation decisions. However, some short-term project revenues might decline as trustees and corporates focus solely on COVID-19 and essential regulatory tasks, deferring other discretionary projects until the country recovers from the COVID-19 crisis.

We expect new business opportunities to slow as processes are put on hold. Whilst we have seen some processes proceed, with pitch meetings being held by video conference, volumes are significantly lower than normal in the Pensions Actuarial & Consulting business. We also expect an increased number of schemes to enter the PPF as a result of the wider economic downturn in the UK.

The Group's strong financial position, coupled with our well-established market position, means it remains well positioned to weather the present crisis and to continue driving growth and market share gains over the medium term, against a favourable competitive and regulatory backdrop.

Paul Cuff
Co-Chief Executive
24 June 2020

Ben Bramhall
Co-Chief Executive
24 June 2020

Case study

Celebrating our values

The country moved into lockdown during the busiest period in the payroll tax year. This is always a challenging time, where the Payroll Team process almost 1,000 payrolls, multiple pension increase files and tax year-end. However, this year they also had to incorporate remote working and the various challenges which arose from that, including devising new ways to digitally manage paperwork and processes. The team ensured that the pensioners were paid accurately and on time and that all targets were met by implementing new processes, working longer hours, as well as weekends.

The team were nominated by a number of colleagues for the Values in Practice ('VIP') awards for all 5 XPS Values. They all worked well as a team, supporting each other and going the extra mile to ensure pensioners were paid on time.

"The pensioners have all been paid, hopefully reducing some of the worries during the lockdown and providing comfort that XPS can be relied upon to pay their pension. The team have been 'key workers' in this period - a lifeline to our pensioners. We are incredibly proud of them."

David Watkins
Managing Director of XPS Administration

We create value through our **unique business model**

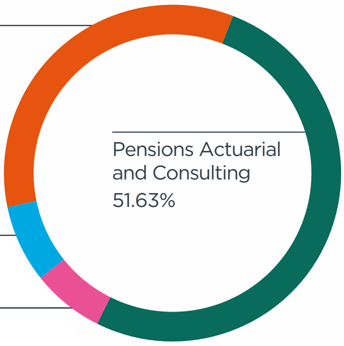
Our focused model, combined with our blend of scale and long-term capital backing, is a source of competitive advantage that benefits all of our stakeholders.

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 1,500 pension scheme clients. We also operate a fully authorised defined contribution master trust, the National Pension Trust, and provide administration to SIPPs.

Our 1,200+ people work from 15 locations around the UK.

Revenue split



Divisional revenue

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Pensions Actuarial and Consulting	**58,802**	56,735
Administration	**42,945**	37,942
Investment	**9,551**	8,121
National Pension Trust	**2,393**	1,444
SIPP	**6,062**	6,098
Total – Continuing operations	**119,753**	109,890

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.

88%[1] of our revenues are recurring and we have a loyal base of clients who have worked with us over many years.

1 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 2020. For won and lost clients the revenue is defined as recurring if it meets the above criteria for the period they were a client.

What sets us apart

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

How we create value for our stakeholders

Clients

- Specialist insight and expertise leading to better outcomes
  94% client satisfaction[1]
- Quality of service and efficiency through our technology platform
- Value for money

1. Client survey

Employees

- Stimulating working environment and attractive career prospects
  Good place to work – 86% employee satisfaction[2]
- First-class training and support towards professional qualifications
- Competitive remuneration and benefits

2. Employee engagement survey

Shareholders

- Strong cash generation and dividends
  Full year dividend FY 2020 6.6p
  More than £30m paid in dividends since listing in 2017
- Track record of growth
- Non-cyclical demand for services

Stakeholders

Communities:

- Employee involvement in fundraising and volunteering
- Positive impact on communities by supporting local charities

Regulators and suppliers:

- Establishing open and fair relationships
- Regular engagement and communication

How we maximise value

Clear strategy

Read about our vision, strategic priorities and performance on **page 18-19**

Seizing market opportunities

Read more about the market trends on **page 16-17**

Robust risk management

Read about our principal risks and how we manage them on **page 32-35**

Sound governance

Read about our Board of Directors and corporate governance from **page 50-57**

Shared values

Read about the values that guide how we operate on **page 63**

We are an award-winning, high-quality firm operating in an evolving market

We are helpful

The regulatory landscape for our clients continues to change and we are here to help

Large DB scheme market

- There are >5,400 defined benefit schemes in the UK, with aggregate liabilities of £2 trillion.
- All of these schemes require core compliance services from administrators and actuaries every year.
- There are 10.1 million DB scheme members in the UK private sector, of which 58% 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 2019

An evolving regulatory environment for those running DB schemes

A new code of practice for the funding of defined benefit schemes is being introduced. It is part of the biggest overhaul of the funding of DB schemes for 15 years.

This new regime will increase pressure on employers to prioritise pension obligations.

Opportunities for XPS

Favourable regulatory and market environment

We will see increasing demand for advice on de-risking schemes and long-term journey planning driven by the new code of practice.

A requirement to improve benefits to make allowance for the inequality between males and females in Guaranteed Minimum Pensions ('GMPs') will create a large amount of work across the pensions industry – delays at HMRC in providing information are clearing and volumes of work are increasing.

The 2018 Competition and Markets Authority ('CMA') review into investment consulting recommended mandatory tendering of certain fiduciary appointments and this is continuing to drive opportunities.

Large competitors face possible conflicts and distraction from corporate activity which drives opportunities for high-quality mid-tier firms. XPS is well positioned to benefit as the award-winning 'Actuarial and Consulting Firm of the Year'.

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.

The opportunity is driven by a strong reputation – XPS won the 'Pensions Administration Firm of the Year' in the survey of users of these services in 2019 (winning for the fifth time in six years).

Maturing Master Trust market

There is a strong trend in Defined Contribution ('DC') schemes toward Master Trusts. Many pension schemes still do not offer access to pension flexibilities under freedom and choice, and open market options are frequently expensive and inappropriate for members. Master Trusts provide a solution to this problem. The new regulatory regime requiring master trusts to obtain authorisation before they can operate has given rise to a material reduction in the number of providers, from over 80 to 38 today.*

***Source:* * The Pensions Regulator 14 May 2020**

National Pension Trust ('NPT'), our defined contribution master trust, is fully authorised. The master trust market is expected to grow from £12 billion in AUM (2018) to over £200 billion by 2025 and £340 billion by 2030.**

***Source:* ** Master Trust and GPP Defaults Report April 2020 – Corporate Adviser**

For more information on the progress we have made in these markets during the year, please see the Strategy section on page 19.

£649m
Assets in NPT, an increase of £185m

924,000
Number of members whose pensions we administer

3
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 – which may become the 'Big 2' after the announced merger of 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 profitable growth.

The biggest opportunities for us are:
- Expanding services to existing defined benefit clients
- Winning new logo clients
- Administration outsourcing
- Investment consulting
- The National Pension Trust
- Mergers and acquisitions

Our strategic priorities	Progress	Priorities for the year ahead
Expanding services to defined benefit clients Clients need support in de-risking their defined benefit schemes. This can be on the liability side, through bulk member exercises, and on the asset side, where we advise on strategies as schemes mature and funding levels change. We are on the cusp of potentially the biggest overhaul of defined benefit funding regulations for 15 years, and our clients will need a great deal of support to navigate their way through this. GMP Equalisation continues to be on the agenda for many clients.	We created a new 'Pensions Solutions Group' which produces research and ideas for solutions that will add real value for clients. This group enables us to deliver excellent value-added services in a streamlined and efficient way. We significantly upgraded Radar this year (Radar is our comprehensive user-friendly web-based tool, which enables real-time monitoring of funding levels and modelling of scenarios). The addition of 'journey planning' functionality is ideal for advising clients on the new funding regime.	We aim to grow in this area by: • Proactively supporting clients through the changes in the funding regulations; • Continuing to bring wider 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 • Delivering a large number of GMP equalisation projects in a cost-effective efficient manner.
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. We anticipate that disruption from corporate activity at some of our large competitors could create opportunities over time.	We won 26 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 (Xafinity or Punter Southall) would have been difficult. We invested in our people to support them in activity in this area, rolling out a 'Leadership Development Centre' ('LDC') for the development of all of our senior team.	We aim to win new clients by: • Exploiting the strong brand position that XPS now has in the market, building on the momentum that winning industry awards in 2019 brings us. • Systematically categorising and pursuing external opportunities, with our senior team empowered to do so ever more effectively through the LDC and follow-up activity.
Growth through administration outsourcing There has been a continuing 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.	XPS Administration has a reputation as a leader in this market. In a recent survey of >320 pension managers and trustees, XPS was rated the best third party administrator, for the fifth time in six years.	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 still relatively recent acquisition of the Kier Pensions Unit.

Our strategic priorities	Progress	Priorities for the year ahead
Growth through investment consulting The CMA review into the investment consulting market continues to present a large opportunity for us. We have opportunities to win appointments in a fiduciary manager oversight role, and this in turn frequently leads to wider opportunities.	We appointed a new Head of our Investment Consulting business, Ben Gold, to succeed Patrick McCoy who took a wider role across our Advisory business, encompassing Pensions Actuarial and Consulting and Pensions Investment Consulting. The Investment Consulting business had a very successful year, growing at 18%. We won 13 fiduciary oversight appointments in the year, and 23 new clients where we provide a wide range of services. Radar functionality improvements have also supported growth.	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, supported by cutting edge technology. We will bring razor-sharp execution. We will be the investment advisers that make things happen.
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. This market is expected to grow significantly in future (from £12 billion (2018) to £200 billion, in 2025 according to research – read more in the Market Review section on page 16).	NPT achieved the significant milestone during the year of formal authorisation from the Pensions Regulator. NPT had a strong year in terms of performance, growing assets under management by 40% to £649m. This figure reflects the market falls caused by the COVID-19 crisis; growth was around 15% higher prior to this.	We will focus on the use of NPT as either: • 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.
Growth through mergers and 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.	We completed two bolt-on acquisitions during the year and both have been integrated into the Group successfully. The acquisition of the Royal London Corporate Pensions Services brings us expertise in serving small schemes – we anticipate these schemes will benefit from wider XPS solutions in the future. It also boosted our presence in Edinburgh, doubling it to c. 70 people, which is critical mass in an important market. We also acquired Trigon Pensions, an owner-managed pensions consulting and administration firm in Bristol. This acquisition brings the opportunity to increase the range of services provided to Trigon clients. It also doubles our presence in Bristol, again creating critical mass.	We will continue to appraise M&A opportunities during the year.

STRATEGIC PRIORITY:
EXPANDING SERVICES TO DEFINED BENEFIT CLIENTS

We give employers and trustees real-time insight into the status of their pension schemes, the drivers of this and, crucially, help with decisions about how to move forward.

Enhancing client service **through innovation**

How this relates to our values

We are ambitious

We are agile

We are experts

Radar

Our proprietary modelling software, Radar, has been in use for over two years, but it does not stand still. We continually invest to upgrade its capabilities for us to be able to serve clients more effectively.

This year we released a substantial upgrade, with the addition of a 'Journey Planning' module. This enables clients to model the future of their defined benefit scheme into the future, looking at almost limitless combinations of future scenarios to help them appraise actions they can take to control cost and risk.

This upgrade is very much of its time. Our clients are working through the biggest change in the regulatory regime around the funding of defined benefit schemes, and the new functionality improves the quality of the conversations about how clients should respond.

We were delighted when Radar won the Actuarial Post's award as 'Software of the Year' in November 2019.

Radar

" Radar has been impressive, this has helped enormously with the valuation and investment strategy. Fantastic having immediate modelling capabilities in our meetings to address the 'what if' questions."

John Smith – Chair of Trustees of the Greene King Pension Scheme

STRATEGIC PRIORITY:
GROWTH THROUGH MERGERS AND ACQUISITIONS

A core part of our strategy is for growth through 'bolt-on' acquisitions of businesses that can add to the capability of the Group.

Building capabilities through acquisition

Our strategy drives our business forward
We completed two such deals this year. First, in May 2019, we acquired the corporate pensions business of Royal London. This team of around 40 people based in Edinburgh has deep expertise in serving very small defined benefit schemes. We believe small schemes increasingly need access to solutions that previously only large schemes had access to, and we will be able to bring such solutions to these clients.

In October 2019, we also acquired Trigon, an owner-managed pensions consulting and administration business in Bristol, also with around 40 staff. Similarly, we believe that the range of services and technology that XPS can offer will benefit the clients of Trigon, noting particularly that Trigon has not employed its own actuaries in recent years but instead outsourced this work.

Both of these acquisitions doubled the size of our presence in the cities where the businesses are located – we now have real critical mass in important markets in Edinburgh and the South West of England.

Edinburgh employees
66

Bristol employees

72

"As we had hoped, XPS has proven to be the perfect partner for the Trigon business and, since our acquisition, our clients have not only benefitted from a significantly enhanced and highly professional range of services but also from the continuity of the personalised and tailored approach that we are able to offer. It has also provided all of our staff with the ideal opportunity to develop their careers in a very progressive and supportive environment."

David Gascoigne
Managing Director

How this relates to our values

We are ambitious

We are agile

We are experts

We first introduced our scam identification service five years ago as a direct response to concerns from our clients about the increasing risks to their members.

Leading the industry **through our pension scam identification service**

Our service uses a short telephone call with the member to help flush out the 'Red-Flag' warnings that are indicative of fraudulent activity. The call is in addition to standard due diligence, and recognises that such Red-Flags are frequently not evident in a member's completed paperwork, often as a result of the scammer taking control of this.

The service has repeatedly identified Red-Flags that otherwise would have been missed, in up to 1-in-3 cases last year. It has been so successful that it has now been incorporated into the industry's Code of Good Practice on preventing pension scams, so represents best practice.

Although initially rolled out to schemes administered by XPS, the service has steadily grown and now provides protection to members of other schemes where the third-party administrators or in-house teams are unable, or unwilling, to provide such a service themselves. On average, scammed members lose £91,000 of their pension savings which can have a devastating impact on their later life. Since the inception of our Pension Scam Identification Service it has helped to protect almost £1 billion of retirement savings.

As scams have changed and evolved, so too has our service to protect members.

How this relates to our values

- We are helpful
- We are experts
- We do the right thing

Predators stalk your pension

Our industry-leading pension scam identification service continues to offer a unique service to schemes, adding an extra layer of protection between scheme members and the ever increasing threat of being scammed out of their retirement savings.

£1bn

of retirement savings protected to date

"We have been using XPS's Pensions Scam Identification Service for several years now. In the current climate of temptingly large transfer values it really give us confidence that we are doing all we can to protect our members from the ever growing risk of pension scams."

Neil Walker
Chair of Trustees
MGM Assurance Staff Pension Plan

Our culture 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.

Driving performance through culture

Our values make us one team

We introduced our corporate values in January 2019, and have worked hard on embedding them in everything we do. They guide the decisions we make, big and small, on a daily basis. They are at the heart of our performance management and promotion processes.

Early in 2020, we introduced our 'Values in Practice Awards' (or 'VIP for short'). The VIP awards celebrate our staff who truly exemplify our values. We invited nominations from staff, and a panel drawn from all areas of the firm was convened to judge the overall winners. With almost 90 nominations submitted, with so many stories of people going the extra mile for their colleagues and staff, this was not an easy task. We shared the stories of the winners – what they did, and what difference it made – all around the firm.

Our culture, driven by our values, has yielded benefits for our staff and clients alike. Our core values of agility, helpfulness and always doing the right thing were at the heart of our successful response to the challenges posed by the COVID-19 crisis.

How this relates to our values

We are ambitious

We are agile

We are helpful

We are experts

We do the right thing

86%

of our staff say they think XPS is a good company to work for

"The support from the team has been exceptional. They remained calm and focused under what was a highly pressured situation, worked very long hours, been supportive, have listened to and understood the difficulties we faced whilst also remaining available, responsive and in good spirits throughout."

Alan Wilkes
Head of Pensions - Wokingham

A year of operational and financial progress
Group revenues +9%

It was another strong year of growth for the business, delivering 9% year on year growth in revenues and a 23% increase in adjusted operating cash-flow (excluding the impact of IFRS 16). Furthermore, the year saw completion of the integration of the acquired Punter Southall ('PS') businesses early in the year and we are now off the Transitional Services Agreement ('TSA') for all support functions which has created a strong, scalable platform for growth. We also completed two bolt-on acquisitions in the year – RL Corporate Pensions Services Limited and Trigon Professional Services Limited – which contributed to growth as well as expanding the reach and capability of the business and we have had a number of significant new client wins across the Group and have the right level of resources in place to continue growing the business.

Significant accounting matters

IFRS 16

The Group has adopted IFRS 16 from 1 April 2019 but has adopted the modified retrospective transition method and not restated the FY 2019 comparatives. IFRS 16 has no impact on the overall cash position of the Group. It does, however, have an impact on the way that assets and liabilities and the income statement are presented for the Group and the classification of cash flows. For more information on the impact of IFRS 16 see note 1.

Adjusted numbers

We continue to show 'adjusted' numbers in our results. The 'adjusted' concept ignores exceptional and non-trading items such as the amortisation of acquired intangible assets as well as share-based payment costs. The exceptional and non-trading items are disclosed in the notes to the financial statements. This alternative performance measure may not be similar to those defined by other entities.

Group income statement

	FY 2020 £m As reported	IFRS 16 adj. £m	FY 2020 £m Pre IFRS 16	FY 2019 £m	Change % Pre IFRS 16
Revenue					
Pensions Actuarial & Consulting	58.8		58.8	56.8	4%
Pensions Administration	42.9		42.9	37.5	14%
Pensions Investment Consulting	9.6		9.6	8.1	19%
Total Pensions Revenue	**111.3**		**111.3**	**102.4**	**9%**
SIPP	6.1		6.1	6.1	–
NPT	2.4		2.4	1.4	71%
Total Revenue	**119.8**		**119.8**	**109.9**	**9%**
Adj. EBITDA [1]	**30.4**	**(2.5)**	**27.9**	**27.4**	**2%**
Depreciation and amortisation	(4.2)	2.5	(1.7)	(1.4)	21%
Adj. EBIT [1]	**26.2**	**–**	**26.2**	**26.0**	**1%**
Exceptional and non-trading items	(12.8)		(12.8)	(12.9)	1%
Profit before interest and tax	**13.4**	**–**	**13.4**	**13.1**	**2%**
Net finance expense	(2.3)	0.3	(2.0)	(1.7)	(18%)
Profit before tax	**11.1**	**0.3**	**11.4**	**11.4**	**–**
Income tax expense	(3.7)	(0.1)	(3.8)	(1.0)	n/a
Profit after tax	**7.4**	**0.2**	**7.6**	**10.4**	**(27%)**

1. Adjusted measures exclude the impact of exceptional and non-trading items: acquisition-related amortisation, share-based payments, corporate transaction costs, restructuring costs and other items considered exceptional by virtue of nature, size and incidence.
2. The Group has adopted IFRS 16 – Leases from 1 April 2019 and has not restated the prior year comparatives permitted under the modified retrospective transition method.

Revenue

Total Group revenues grew 9% year on year with the bolt-on acquisitions of RL Corporate Pensions Services Limited on 31 May 2019 and Trigon Professional Services Limited on 31 October 2019 contributing 4% of the growth.

Pensions Actuarial and Consulting is the Group's largest business. Excluding the impact of the bolt-on acquisitions, the division's revenues were modestly down 0.7% year on year, however delivered 1% year on year growth in the second half of the year.

Pensions Administration revenues grew 14% year on year with a number of new client wins coming on stream during the year as well as the two bolt-on acquisitions. Excluding the acquisitions, revenues grew 11% year on year. Pensions Administration accounted for 36% of the Group revenues (FY 2019: 34%).

Pensions Investment had another strong year with a number of new client mandates. The majority of the 19% year on year growth was from existing or new client wins. The Trigon acquisition contributed 2% of the revenue growth.

SIPP revenues were flat year on year, impacted by lower new SIPP sales due to Brexit uncertainty and reduced commission on bank deposits due to cash withdrawals from Metro Bank. NPT revenues grew 71% with assets under management growing by £185 million in the year.

Operating costs

Total operating costs (excluding exceptional and non-trading items) for the Group grew by 11% or £9.4 million year on year. Excluding the impact of the bolt-on acquisitions, costs grew by 8% or £6.4 million year on year. In FY 2019, the Group was operating under the PS TSA which was heavily discounted, and c. £2 million of the step up in the cost base is as a result of operating independently of the TSA. The other main reasons for the cost increases are a higher number of employees (1,141 vs 1,088) excluding the acquisitions and higher IT infrastructure costs following the migration off the TSA and on boarding new clients, particularly in the Pensions Administration division.

As a result, the Group's adjusted EBITDA grew by 2% year on year. Normalising for the £2 million discount in the TSA in the prior year, adjusted EBITDA margin was 23%; flat YoY.

Bolt-on acquisitions

RL Corporate Pensions Services Limited

The Group acquired the entire issued share capital of RL Corporate Pension Services Limited ('RLCPS') from The Royal London Mutual Insurance Society Limited ('Royal London') for a cash consideration of £4.8 million.

The acquisition created intangible assets of £3.0 million, which will be amortised over ten years.

The operating results of the acquired business are included in the income statement for the period 1 June 2019 to 31 March 2020 and amount to revenue of £3.1 million and contribution of £1.1 million.

Trigon Professional Services Limited

On 31 October 2019, the Group acquired 100% of the share capital of Trigon Professional Services Limited from Trigon Pensions Holdings Limited for a total consideration of £3.9 million, comprising of £2.8 million in cash upon completion, and contingent cash consideration of up to £1.1 million (currently recorded at £0.8 million in the Statement of Financial Position).

The acquisition created intangible assets of £2.2 million, which will be amortised over ten years.

The operating results of the acquired business are included in the income statement for the period 1 November 2019 to 31 March 2020 and amount to revenue of £1.0 million and contribution of £0.1 million.

Exceptional and non-trading items

Exceptional and non-trading items in the year totalled £12.8 million (FY 2019: £12.9 million). Amortisation of acquired intangible assets amounted to £7.1 million (FY 2019: £11.7 million). Share-based payment charges were £2.2 million (FY 2019: £4.0 million). Restructuring costs of £1.9 million (FY 2019: £3.1 million), corporate transaction costs of £0.9 million (FY 2019: £0.7 million) and other exceptional costs of £0.7 million (FY 2019: £6.6 million credit) were also incurred in the year.

Tax credit on the exceptional and non-trading items was £0.1 million (FY 2019: £3.2 million).

See note 6 in the financial statements for further information on the items detailed above.

Net finance costs

Net finance costs (pre IFRS 16) for the year were £2.0 million (FY 2019: £1.7 million). The increase reflected the higher net debt in the year.

Taxation

A tax charge of £3.8 million (FY 2019: £4.2 million) was recognised on adjusted profits (before exceptional and non-trading items and the impact of IFRS 16) which represents an effective tax rate of 16% (FY 2019: 17%). The Group also recognised a tax credit of £0.1 million (FY 2019: £4.2 million) on exceptional and non-trading items, which resulted in an overall tax charge for the year of £3.7 million (FY 2019: £1.0 million).

Our businesses generate considerable tax revenue for the Government in the UK. For the year ended 31 March 2020, we paid corporation tax of £3.5 million (FY 2019: £3.9 million); we collected employment taxes of £19.7 million (FY 2019: £15.1 million) and VAT of £16.5 million (FY 2019: £15.8 million). Additionally, we have paid £1.1 million (FY 2019: £1.0 million) in business rates. The total tax contribution of the Group was therefore £40.8 million (FY 2019: £35.8 million).

EPS

The Basic EPS for FY 2020 is 3.6p (FY 2019: 5.7p). The year on year decline is mainly due to a £3.2 million tax credit on exceptional and non-trading items in FY 2019 which reduced the overall tax charge to £1.0 million. The tax credit is only £0.1 million in FY 2020 due to an increase in the enacted tax rate from 17% to 19% and the related revaluation of deferred tax liabilities on the Group's intangible assets.

Adjusted fully diluted EPS of 9.8p (excluding the impact of IFRS 16) was delivered in FY 2020 (FY 2019: 9.8p).

Dividend

A final dividend of 4.3p is being proposed by the Board (FY 2019: 4.3p). The final dividend, if approved, which amounts to £8.8 million (FY 2019: £8.8 million), will be paid on 24 September 2020 to those shareholders on the register on 28 August 2020.

Cash flow, capital expenditure and financing

Non-GAAP cash-flow	31 March 2020 Incl. IFRS 16 £m	31 March 2020 Excl. IFRS 16 £m	31 March 2019 Excl. IFRS 16 £m
Operating			
Adjusted EBITDA	30.4	27.9	27.4
Change in net working capital	0.6	0.9	(3.2)
Other	(0.1)	(0.1)	(0.9)
Adjusted operating cash-flow	**30.9**	**28.7**	**23.3**
OCF conversion	102%	103%	85%
Financing and tax			
Net finance expense	(1.8)	(1.6)	(1.7)
Taxes paid	(3.5)	(3.5)	(3.9)
Proceeds from new loans (net of repayments)	13.3	13.3	1.5
Repayment of lease liabilities	(2.0)	–	–
Proceeds from issue of shares	0.3	0.3	2.0
Net cash-flow after financing	**37.2**	**37.2**	**21.2**
Investing			
Acquisition (net of cash acquired)	(7.5)	(7.5)	(4.9)
Disposals	0.4	0.4	0.6
Capex	(3.4)	(3.4)	(2.6)
Restricted cash (NPT)	(0.3)	(0.3)	(1.0)
Net cash-flow after investing	**26.4**	**26.4**	**13.3**
Dividends paid	(13.4)	(13.4)	(13.2)
Exceptional items	(4.1)	(4.1)	(4.0)
Movement in cash	**8.9**	**8.9**	**(3.9)**
Net debt	56.1	56.1	51.7
Leverage	1.98x	1.98x	1.79x

Cash-flow including the impact of IFRS 16, shows that operating cash flow increased by £7.6 million year on year, primarily driven by higher EBITDA resulting from the adoption of IFRS 16 and a positive swing in the working capital. Other components that differ from the pre-IFRS 16 cash flow are the net finance expense which includes £0.2 million of lease finance expense and repayment of lease liabilities of £2.0 million.

The like-for-like cash flow is pre IFRS 16. This shows the adjusted operating cash flow increased by £5.4 million driven by a £0.5 million increase in EBITDA and a £4.1 million increase in net working capital. Other items were an outflow of £0.1 million compared to an outflow of £0.9 million in FY 2019. Overall, this resulted in adjusted operating cash flow conversion of 103% compared to 85% in the prior year.

Net finance expense paid in the year was lower than the income statement charge, largely due to accrued interest for the fourth quarter being payable in June. Taxes paid in the year were £0.4 million lower due to a current year tax credit in relation to the prior year.

During the year, the Group drew down £13.3 million of the RCF. A total of £7.6 million was paid in the year for the acquisitions of RL Corporate Pension Services Limited and Trigon Professional Services Limited. Capital expenditure in the year amounted to £3.4 million (FY 2019: £2.6 million) with £1.5 million spent on leasehold improvements and office fit-outs and the remaining £1.9 million on IT equipment and software enhancements.

After paying £13.4 million in dividends and £4.1 million of exceptional costs, the Group cash balance increased by £8.9 million year on year to close at £14.4 million. The Group had drawn down £70.5 million of its £80 million revolving credit facility ('RCF') at 31 March 2020, resulting in a net debt of £56.1 million, an increase of £4.4 million year on year, driven primarily by the £7.5 million spent on the two bolt-on acquisitions net of cash acquired.

The existing revolving credit facility of £80 million with HSBC and Bank of Ireland matures in December 2022. In addition, the Group has agreed an amendment to its revolving credit facility with its lending banks, which provides the Group with greater financial flexibility and increased liquidity in the form of an additional RCF of £10 million available for a period of 12 months from June 2020 to navigate the potential challenges posed by the COVID-19 crisis.

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 on page 35. The Directors have confirmed that, after due consideration, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Subsidiary undertakings

The subsidiary undertakings of the Group in the year are listed in note 36 of the financial statements in the Annual Report.

Snehal Shah
Chief Financial Officer
24 June 2020

Managing **risk effectively**

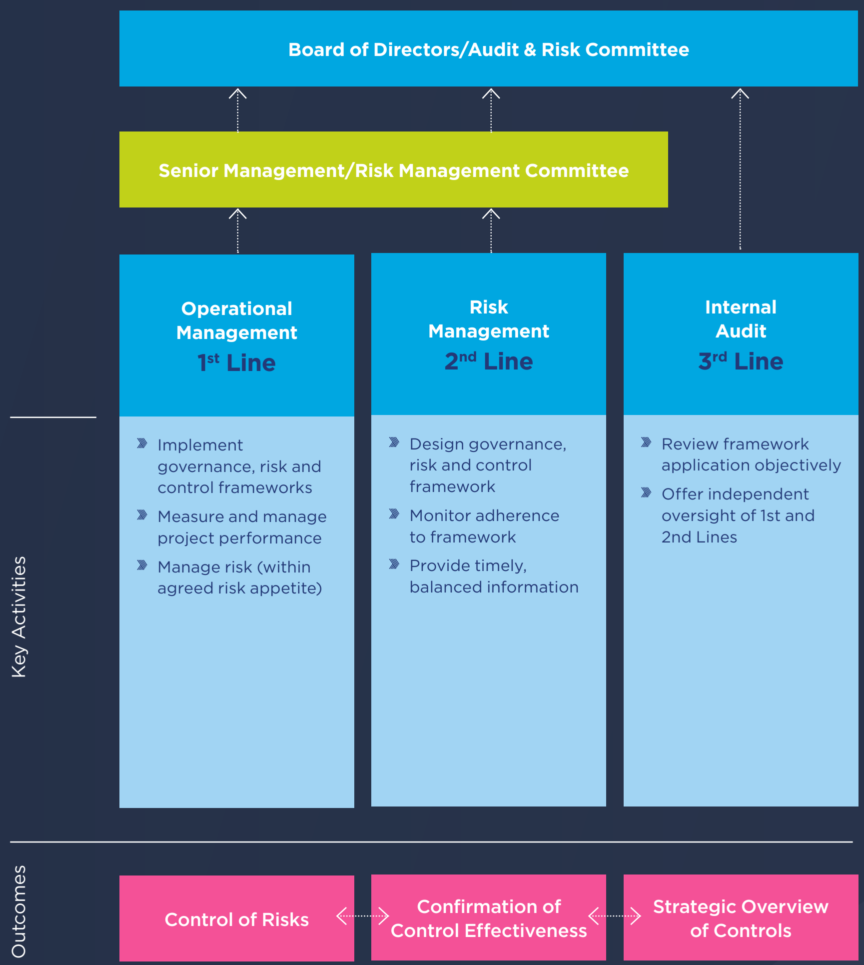
The Group recognises the need to take risk to help its customers achieve their objectives and achieve commercial success – seeking to take risk where it has the skills to exploit that risk and can manage it within risk tolerance. It avoids risk where it sees it as unrewarded or it cannot be well managed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

Over the last year we have continued to develop our risk management capabilities to improve our ability to detect, understand and manage our risks. Significant developments since the last report include:

- The reorganisation of risk resources across the Group into a single Group level function, supporting all businesses.
- The roll-out of standard risk reports for the business, highlighting risks outside of appetite and action plans underway to manage.
- The introduction of an Executive level Risk Management Committee to monitor risks and the effectiveness of the overall Risk Management Framework.
- The formalisation of root cause analysis techniques to review incidents, agree and implement control enhancements and ensure that lessons learnt are considered across the Group.
- The creation of a dedicated Information Security team, including a 24/7 Security Operations Centre capability.
- Enhancements in the frameworks used to manage key risks, i.e. Information Security, Business Continuity and Third Party Assurance.

The Group continues to operate a 'three lines of defence' model which supports the promotion of effective risk management and seeks to prevent risk-taking that exceeds the Group's appetite.

Risk Management Framework



The Board, with the support of the Audit & Risk Committee, has identified the principal risks that could materially impact the Group's ability to achieve its objectives and deliver its strategy.

These include general business risks that are faced by the Group and are comparable to those that would be faced by similar businesses operating in the pensions sector. These general business risks include:

- Political, Economic and Social – Risks created by the political, economic/financial and social environment in which we operate, e.g. war, demographic trends, pandemics, Government influence on business, currency changes, market volatility, interest rates, liquidity.
- Competition – 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. These changes may not directly affect the Group but could influence the entire industry.
- Legal and Regulatory – Risks associated with the criminal and civil judicial processes and contract law e.g. not identifying changes required by new legislation, increased litigation in a particular field, environmental impacts, industrial accidents.

The material risks and uncertainties which are either unique to the Group or apply to the pensions industry in which we operate are detailed below. They are not set out in any priority order, nor do they include all those associated with the Group. Specific risks that are material to XPS Group are:

The Principal Risks

Principal Risk	Description	Key Mitigations
Strategy	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.	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. 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.
Strategic Planning and Execution	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.	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. 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.
Errors	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.	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. Higher risk work is identified with peer review and additional sign off required, with regular quality audits to confirm processes are being followed correctly. 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.
Theft and Fraud (Financial, Physical Assets)	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.	The Group deploys robust physical and systems access controls, along with enforcing segregation of duties to prevent individuals from making fraudulent payments or transfers. These controls are supported with staff training and awareness and are regularly independently audited. Insurance arrangements are in place to protect against larger claims.

The Principal Risks

Principal Risk	Description	Key Mitigations
Information/ Cyber Security	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 or flood.	The Group has an Information Security Management System ('ISMS') in place to ensure that risks are identified and managed effectively. This includes a range of technical controls, a dedicated Information Security Team, and a 24/7 Security Operations Centre. These are supported by regular independent audits and penetration tests. All staff are provided with comprehensive policies and guidance, with awareness of key topics reinforced with regular training initiatives, e.g. phishing awareness. 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.
Staff/Human Resources	Risks relating to our people, e.g. compensation, retention, succession planning, skills and competence, management capability.	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. Regular key staff reviews ensure succession planning is kept up to date and remains appropriate. Staffing requirements are considered as part of strategy and budgeting process to ensure alignment with business plans.
Third Party Supplier/ Outsourcing	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.	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. 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. Where there is a reliance on a single supplier, contingency plans are in place to protect against failure.
Client Engagement	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.	The Group client engagement process ensures that expectations are matched to Group capabilities. Regular ongoing dialogue with clients ensures that the services provided meet their requirements and continue to be appropriate to their specific needs. Client surveys are used to gather feedback and identify trends and insights.
Business Conduct and Reputation Risks	Risks that could lead to a breach of acceptable conduct or ethics and/or impact the Group's brand, image or reputation, failure to ensure services are appropriate for client's needs, discrimination, poor response to a Cyber Incident or client complaint.	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 Groups values. Due diligence of third parties considers supply chain risks, ensuring that only suppliers that comply with their legal obligations are selected. The Group has 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 is regularly tested.

Pandemic Risk – COVID 19 – This is an emerging risk that the Group is exposed to due to the potential interruption of operations because of the absence of significant numbers of staff or falls in general economic activity. The Group's operational resilience has been retained during the current epidemic, utilising its existing business continuity framework to rapidly roll out the ability for staff to work from home. To date, the Group has not identified any significant impact on staff or activity levels and is managing this emerging risk and its impact via the COVID-19 Response team; comprising senior leaders from all business divisions and central functions.

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 in the Annual Report 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
24 June 2020

Ben Bramhall
Co-Chief Executive
24 June 2020

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 97 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 2023. The three-year period was chosen as it is considered the longest time frame 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 122 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.

The Group had £14 million of cash at 31 March 2020 and a £80 million 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.

As a part of the scenario modelling outlined above, the Directors have also considered the impact of COVID-19 on the liquidity of the Group and the Group's banking covenants. The Directors have been in discussion with their bankers and have agreed terms to relax the banking covenants applicable to the Group for a period of time, and additionally, further lending is available if the Group requires additional funds.

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.

Even in the worst case scenarios considered plausible by the Directors, the cost reduction actions available to the Group, the reduction of non-essential capital expenditure and management of working capital are expected to be effective and sufficient to ensure the continued viability of the Group.

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 12 months from the date of approval of the financial statements.

We are committed to **managing our business in an ethical and responsible way and recognise acting with integrity, honesty and respect for others is critical for success**

As a progressive company we acknowledge our responsibility to shareholders, clients, suppliers, our employees and the wider community in which we operate to work responsibly. Our approach to corporate responsibility helps us manage our business more efficiently, mitigates risk and supports the communities in which we operate, for the benefit of all our stakeholders.

Corporate responsibility governance

We are committed to upholding sound corporate governance principles and embedding a culture of doing the right thing. Responsibility for maintaining our culture, including oversight of our plans for the key areas of corporate responsibility identified below, is a focus of the Executive Board (see page 54 in the Governance section) with oversight by the full Board. Our focus during the year has been on the following areas:

- To evolve our approach to corporate responsibility and develop a new long-term plan for the future by completing a materiality study and the Business in the Community ('BITC') Community Tracker Survey;
- To take a long-term sustainable view, and measure and evidence the value of what we do, looking to continuously improve;
- To ensure our culture and policies enable our employees to thrive, as they are our most important asset;
- To support our corporate charity; and
- To continue to progress our ESG and responsible investment activities.

In addition, we allocate the day-to-day responsibilities in relation to corporate responsibility as follows:

- The Group General Counsel has functional responsibility for governance, ethics and business conduct;
- The Group HR Director leads initiatives focused on our employees including culture, diversity, inclusion and employee engagement;
- The Chief Operating Officer has responsibility for health, safety, the environment and charity and community activity.

Group support is provided to ensure we fulfil our requirements outlined in our corporate responsibility policy. Office heads and senior management take responsibility for implementing Group policies and procedures locally.

£7,500
Fundraised by Staff for the Mental Health Foundation

Focus areas

During the year we undertook a materiality study to identify the most material non-financial issues for the business and establish a framework for our CR activities going forward. The desktop study included a review of our stakeholders, a sustainability benchmarking exercise with other companies in our sector, media analysis and regulatory changes within the non-financial reporting space. Outcomes of the study were presented to a materiality working group for prioritisation. This group comprised experts from different parts of the business, chosen for their specialised knowledge of different stakeholder groups and subject matter. They reviewed the material topics, prioritising them for the business, and grouped these into the three key areas outlined below. These three areas/pillars will inform our approach to corporate responsibility and serve as the framework for developing our corporate responsibility activities/long-term plan.

Our main areas of focus are governance, including ethics and business conduct, our people, their wellbeing and the environment in which they live and work, and finally working with others, both stakeholders and the community. We have action plans for all of the focus areas for 2020 and we are progressing.

Working responsibly

- Business ethics and values
- Robust governance
- Promoting awareness of responsible investment
- Data privacy

See page 38 for more detail

Valuing our employees

- Healthy and sustainable workplace
- Diversity and inclusion
- Employee engagement
- Employee wellbeing and benefits
- Talent attraction and development

See page 40 for more detail

Working with others

- Community involvement
- Broader stakeholder engagement

See page 44 for more detail

Working responsibly

Doing the right thing is extremely important to us. We are committed to acting in an ethical and responsible way and have established a strong framework centred on our values which guides all our activities across the business. This is supported by robust governance policies and practices to ensure we maintain the highest standards of ethical behaviour.

Building the foundations of a responsible business

48

Leadership Development Centre attendees in 2019

Business ethics and values

All XPS employees have access to our Business Code of Ethics, which is based on laws and values that we expect all our employees to adhere to in relation to areas including harassment and bullying, treating customers fairly, diversity and inclusion, financial crime and dealing with vulnerable customers.

Our Corporate Values also make it clear that doing the right thing is embedded in our interactions with all our stakeholders, whose interests shape our decision-making and business model.

We have a zero-tolerance approach to bribery and corruption. XPS has formal anti-bribery and corruption policies, supported by a whistleblowing process and, where necessary, proportionate and independent investigation and follow-up of any matters reported. The Board has responsibility for oversight of the Group's anti-bribery and financial crime policies and carries out a review of their adequacy annually.

Relevant employees are provided with annual training with regards to a variety of regulatory issues. These include training on (as appropriate) financial crime issues, bribery and corruption, insider trading, modern slavery, data protection, data breaches, and data security. These are delivered via online training programmes, the completion of which is mandatory. Completion levels vary according to the annual renewal dates but are consistently around 98%.

Line managers are responsible for ensuring compliance with our policies and they are supported by both the Group's Compliance team and the HR team.

Promoting awareness of responsible investment

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 and sustainable investing. Responsible investing is becoming an increasing focus of regulatory scrutiny and we believe that integrating environmental, social and governance ('ESG') factors into the investment process is not only an essential part of risk management but also leads to better-informed investment decisions. We consider the stewardship of underlying investments including proxy voting and engagement to be of fundamental importance. To reflect this view, we fully incorporate ESG criteria within our research and require that the funds we recommend to our clients include an appropriate minimum level of ESG integration and stewardship within their investment process. During our 2019/20 financial year, XPS has engaged with a large number of managers on their ESG practices and has evidence of this activity promoting wider improvements in the fund management industry.

Furthermore, we have introduced a 'Sustainable' designation to funds that satisfy a demanding set of sustainability-related criteria to enable clients to satisfy their specific objectives. Taking a sustainable approach to investing is of growing importance for our clients and we believe that companies behaving in a sustainable manner generate stable, long-term investment returns for investors.

Finally, at our annual conferences in 2019, ESG featured heavily with a dedicated session promoting its importance and highlighting the influence pension schemes have, along with practical steps they can take to achieve sustainable long-term returns.

Data privacy

XPS works with large volumes of data that must be protected, while providing clients and scheme members ease of access.

Data is one of our most valuable assets and we must ensure that the information we hold is accurate, secure and managed appropriately.

Following the merger in 2018, we took the opportunity to implement new governance structures to ensure accountability and transparency to protect all stakeholders. We have a culture of compliance through a clear policy and control framework, which applies consistent standards for data protection across all of our business units and the variety of systems and record keeping arrangements we use for the delivery of our products and services. This policy applies to all staff and contractors, all of whom receive compulsory training.

Valuing our employees

We strongly believe that our employees are key to the business and as such we aim to create a supportive environment where our people can thrive. We want to make sure our employees feel engaged, empowered and satisfied in their work and we are committed to creating a healthy workplace with opportunities for future development.

Creating a safe workplace where our people can thrive

14.6%
of staff with more than ten years' service

Culture and values

We look to retain our talent for the long term and have a supportive and inclusive culture.

In January 2019 we relaunched our corporate values to ensure colleagues share a set of beliefs to guide behaviours. Nine months after the launch, in the employee engagement survey 97% agreed they were aware of the Company values (0% disagreed) and 86% agreed that they understood how the Company values apply to their role. We have Values Champions in each office who undertake local recognition activity with colleagues.

This year we have also launched our first 'XPS Values In Practice' awards ('VIP awards'). These awards, which will be annual, are a celebration of our Values, making people feel appreciated and well-respected, as well as inspiring others. Employees are able to nominate their colleagues and we had over 80 nominations across the five categories. (See page 26.)

XPS is also a finalist in the UK Employee Experience Awards for our work on embedding the corporate values in the business.

Our focus for 2020

- Continue to roll out training to enable managers to operate in a more agile environment, helping us attract and retain greater diversity because of flexible working arrangements.
- Extend our focus beyond gender diversity, including our recruitment and training policies.
- Further enhance our employee development proposition for all employees through greater and more flexible access to development.
- Improve our office environments and the IT infrastructure.
- Provide mental health training and launch a wellbeing hub on the intranet.
- Produce a gender pay gap report and include an annual plan for reducing the gap.

The environment

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 and 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 due to be certified to ISO14001 by the end of 2020. Specific initiatives included the introduction of a new travel policy that encouraged staff to consider if other more environmental friendly options were available and a review of where more energy-efficient lighting might be an option.

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

Annual greenhouse gas emissions and energy use data for the period 1 April 2019 to 31 March 2020:

Fiscal year 2019–2020	**Current reporting year 2019–2020**	Comparison reporting year 2018–2019
Total scope 1 emissions (tCO_2e)	**267.4**	115.8
Total scope 2 emissions (tCO_2e)	**547.7**	428.8
Total scope 1 + scope 2 emissions (tCO_2e)	**815.0**	544.6
Energy consumption used to calculate above emissions (kWh)	**3,329,067**	–
Revenue (£m)	**119.75**	109.89
Emissions intensity (tCO_2e/£m)	**6.81**	4.96

Notes:
1. tCO_2e = Tonnes of CO_2 equivalent.
2. All activities are UK-based.
3. Conversion to carbon rates used current Department for Education, Food and Rural Affairs ('DEFRA') factors.
4. Calculations were carried out by Pilio Ltd, using a methodology in line with ISAE 3410.

Emission figures for 2019-2020 are higher than the comparison reporting year for a number of factors. These include larger numbers of staff, increased number of offices in scope and more detailed data available after the completion of the property transitional service agreement with Punter Southall Group.

Diversity and inclusion

We believe that a diverse and inclusive culture is important to the success of our business. Having people from a wide variety of backgrounds, and with a range of experiences and skills, will help us better understand and meet the needs of clients, making our business stronger and driving continued growth and innovation.

As a business we have reviewed our HR policies and our recruitment policies and practices to attract a more diverse range of candidates. For example, we have an agile working policy which provides flexible working arrangements to employees with caring responsibilities, enhanced maternity, paternity and adoption leave benefits.

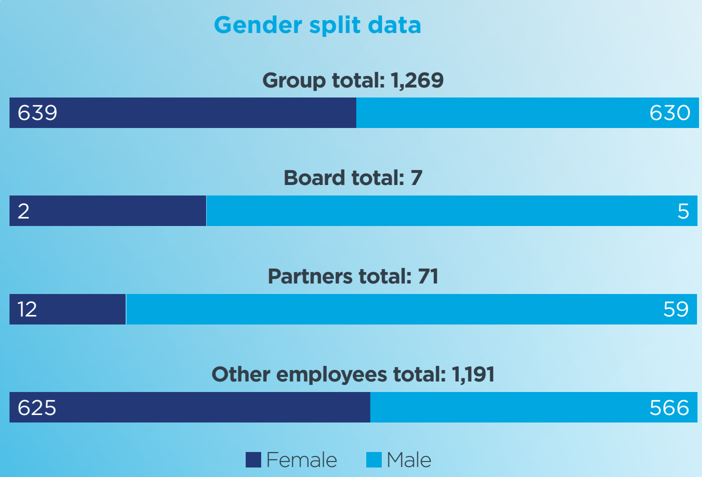
We have also engaged an external consultancy, Diversity Matters, to help us shape our diversity policies, practices and initiatives going forward. We now have a plan to progress for 2020/21 which includes setting up employee networks, arranging events and raising awareness, rolling out anti-bias training as well as improving how we measure the effectiveness of our diversity and inclusion policies.

We have signed up to become a Stonewall Diversity Champion and a member of the Valuable 500 and as such we are committed to putting disability inclusion on the business agenda. We will be working in partnership with both organisations in 2020.

We also celebrated International Women's Day on 6 March with a series of events and communications which raised awareness and celebrated women's achievements and inspired staff. We have a programme to undertake similar events for other groups to highlight the value of diversity and inclusion.

Finally, we have been involved with Science, Technology, Engineering and Mathematics ('STEM') career fairs and activities such as the 'Count Me In' event with the Institute and Faculty of Actuaries. We hosted a Midlands Women in Pensions event and spoke on the gender pension gap at the 'Lean In' conference in Leeds.

During the financial year we have increased gender diversity on our Board of Directors significantly – as at 31 March 2019 it was 12.5%; now it is 28.5% and we now have a majority of female staff in the Group as a whole.



Employee engagement

We have a calendar of regular communication with employees which includes weekly electronic newsletters from the businesses, videos and webinars. Additionally in February 2020, we launched the new XPS intranet to provide a valuable resource of information which supports us in creating one culture.

Significant business performance communications are managed through a mixture of face-to-face meetings and webinars. In addition, different parts of the business adopt their own local engagement events throughout the year to supplement the corporate messages and reflect the business in the locality. These give all employees the opportunity to give their views on relevant matters.

This is over and above our annual employment engagement survey, which captures the views of our employees across a range of themes and seeks their views on how they feel about working for XPS Pensions Group. Our engagement survey, which took place in September, attracted an 87% response rate (2019: 83%). The engagement results are shared openly across the business and Office Heads work with their teams to discuss the results and together create and implement action plans to address their teams' feedback. At Group level, plans include more communication on career progression, recognition and reward and more sharing of information between business units using new channels of communication including the new XPS intranet.

In 2019 we held our first Employee Engagement Group with the purpose of providing an 'employee voice' to the Board. It is a forum for employees to share ideas and concerns with the Board in a consultative manner and the Group is chaired by one of our Non-Executive Directors, Margaret Snowdon OBE. We encourage everyone to share their views, and to feel empowered to make decisions for the good of the business and our stakeholders. The key areas of focus of the group are Company culture and values, reward and remuneration of Executive Directors, corporate social responsibility and the employee engagement survey.

For further detail refer to the Relations with Stakeholders section of the Corporate Governance Report on page 66.

Employee wellbeing and benefits

We provide a comprehensive formal and informal support structure for employees which includes private medical, permanent health insurance, critical illness and life cover for all employees. We also provide an employee assistance programme, access to a second opinion referral service and counselling.

86%

of staff agreed/strongly agreed that XPS is a good company to work for (only 2% disagree)

In 2019, we partnered with the Mental Health Foundation and trained half of our business on how to identify signs of mental health issues amongst staff and to signpost where to find support. We will extend mental health training in 2020. In addition, we provided monthly communication on mental health topics on subjects such as resilience, loneliness and dealing with stress, and we are looking to develop these further with the impact of COVID-19. Underpinning all of this is our belief in a healthy, supportive working culture, where everyone is comfortable to raise issues and problems.

In 2019, XPS Administration was awarded silver level accreditation by Investors in People. The administration business has been accredited since 2015 and this is a testament to our continued dedication to providing a first-rate working environment for our employees.
We increased our communication with employees during COVID-19. Staff had concerns ranging from business impact, the health and safety of themselves and their colleagues and wanting to know what the Company was doing across all offices. From setting up a Covid hub on the intranet with information, to regular video conferencing, sharing personal stories and CEO weekly podcasts, we communicated on a range of subjects. The feedback to the Employee Engagement Group was very positive.

Talent attraction and development

Building on our long-standing culture of providing a great place for people to develop their careers, in 2019 we have continued with rolling out our two-day Leadership Development Training Course and invested in more structured development programmes to accelerate the progression of our most talented employees at all levels.

During the year we delivered over 4,000 hours of training across a wide range of professional and technical courses. We offered a broad range of development opportunities for all employees covering personal and team development through a range of delivery methods including a mentoring scheme such as Actuarial Mentoring Programme (known as 'AMP') designed to improve diversity within the actuarial profession and the 30% Club mentoring scheme for staff from across the business. Our professional training included our leadership development programme and consultant and management development, as well as courses on minute-taking, time management, and professional writing and presentation skills. Technical training included Pensions Management Institute courses and in-house actuarial training. We also provided training to our finance, systems and marketing staff.

In addition, we provided support for employees studying for professional qualifications, and a range of bespoke technical programmes exist across all areas of our business. Employees are supported in developing their careers by their line managers, through regular meetings as well as an annual Personal Development Review process.

XPS continues to provide a Performance Share Plan for key employees.

Working with others

We are committed to delivering positive outcomes for all our stakeholders including customers, employees, investors and communities. We engage with our stakeholders to understand their needs and work together to meet their expectations. Working with local communities enables us to support social and economic development in the places where we operate.

Working with others to create value for all stakeholders

63

Members of the Women's Network

Community involvement

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

We launched our first annual corporate charity partnership in April 2019 with the Mental Health Foundation ('MHF'). XPS employees raised £7,500 for MHF through fundraising activities in 2019 and XPS matched this with an additional £7,500 donation. In addition, MHF became part of our Wellbeing Programme, by providing the necessary education, training and tools required to offer support to staff towards reducing the stigma and discrimination around mental health in the workplace.

Local offices also support charities in their areas to ensure they have a positive impact on their local community. These include Zoe's Place, Neighbourly Middlesbrough, Teesside Hospice, Strathcarron Hospice and Julian Trust and Next Link, two Bristol charities supporting domestic abuse victims and their families.

In addition, we provide volunteers for fundraising events, meeting rooms for local community projects when available, and we offer reduced fees for charity sector clients.

Case study

On 10 October 2019, XPS supported the Mental Health Foundation with profile raising for World Mental Health Day.

XPS colleagues assisted with increasing awareness as part of a press event in Trafalgar Square creating a human green ribbon, made of over 100 supporters holding green umbrellas. The aim was to raise the profile of suicide prevention.

£7,500

Amount raised by XPS employees for MHF

Key Stakeholders

- Clients
- Employees/Contractors
- Shareholders
- Regulators
- Suppliers
- Communities

Stakeholder engagement

We have a wide variety of stakeholders, without whom our business wouldn't exist.

We have mapped our stakeholders and developed a matrix to identify those where we have a legal, commercial or moral responsibility – such as our clients, staff, shareholders, suppliers, regulators and our local communities. We also value others such as the media who can highlight new opportunities for us or identify areas where we need to change.

We need to engage effectively with each of these stakeholders in order to understand their key issues and how well we are meeting their expectations. We survey both clients and staff and use focus groups and formal procedures to reach out to key contacts in each stakeholder group. We establish indicators to measure the coverage and quality of our engagement, and we report back to the relevant stakeholders on the results and actions taken as a result of our engagement.

For more information on stakeholder engagement, what we do and what we are planning to do next, go to page 64.

Engaging with our stakeholders

As a company we have completed an exercise to determine who our key stakeholders are, the ways in which we can best engage with them and the issues that are most relevant to them. As a result, Directors regularly consider the interests of stakeholders, the Company's impact on the community, the environment and the Company's reputation when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. The Board will regularly review the Company's key stakeholders and the engagement strategy with each of them.

S172 statement

A director of a company must act in the way they consider, in good faith, would most likely promote the long-term success of the company for the benefits of its members as a whole, taking into account the factors as listed in section 172 of the Companies Act 2006. The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006.

The Company's engagement strategy and how feedback from stakeholders influences the Board agenda and decision-making is set out within the below table. Further details can be found within the Governance report on pages 64 to 65.

The Board has enhanced its methods of engagement with the workforce and appointed Margaret Snowdon, OBE as the designated Employee Engagement Non-Executive Director who chairs the Employee Engagement Group. You can read more about the employee engagement strategy on page 66.

We aim to work responsibly with our stakeholders and develop strong business relationships with them, including our suppliers. You can read more about the Group's approach to bribery and corruption on page 38.

You can read about the Group's principal risks and key mitigations, including those in relation to clients, employees and suppliers, on pages 32 to 35.

Stakeholder	Board / Company engagement strategy	How feedback influences the Board agenda and decision-making
Clients	• The Company engages with clients through an annual client satisfaction survey, of which the Board reviews the results. The Board receives a monthly management report on newly won clients and clients at risk. • The Company holds an Annual Client Conference and Annual Client Drinks reception, which are attended by Board members. • The Company and the Directors also participate in industry and client forums. • The Company prides itself on its excellent client care programme and continues to provide clients with training seminars and publications.	Client impact is at the centre of the business and Board decisions give significant consideration to this.
Employees/ Contractors **The Company details the employee engagement strategy on page 66 of the Governance report.**	• Employee engagement has been enhanced significantly during the year with the appointment of Margaret Snowdon, OBE as the designated Employee Engagement Non-Executive Director. Margaret is chair of the Employee Engagement Group ('EEG'), attends the Diversity, Equality and Inclusion Group ('DEIG') and speaks at Partners meetings. The Board receives updates after each EEG and DEIG meeting. • Employees complete an annual Employee Engagement Survey, the results of which are analysed in detail, shared with the Board of Directors and an action plan agreed. • Board meetings are held at different offices throughout the year, and the Non-Executive Directors host informal Q&A / networking sessions with employees, giving them the opportunity to raise any matters or ask any questions they desire. • An external and anonymous whistleblowing hotline is available to employees 24/7. Any reports can be escalated to the Board as required.	The Employee Engagement Survey is used to identify and drive changes across the Group and adapt, improve and evolve Company culture. This year the survey results have led focus on: • Clearer guidance around remuneration (including bonus, exceptional performance awards and total reward); • Clearer guidance around performance reviews and career progression; and • Improved communication between departments. A firm-wide plan was presented to the Board, and local action plans are in place as a result of the survey. The Employee Engagement Group was consulted on the updated Directors Remuneration Policy and no issues were raised. The acquisitions of Royal London Corporate Pension Services and Trigon Professional Services welcomed new employees to the Group. The smooth integration was paramount.

Shareholders	• The Board of Directors engages with Company shareholders in many ways and has increased its engagement during the year. Engagement methods include meetings with investors and results roadshows hosted by the Executive Directors, regular calls with investors and analysts through the Company's brokers and proxy advisers and at the Company's Annual General Meeting. • The Board has appointed Sarah Ing as the Shareholder Engagement Champion. Sarah attends the Company's results presentations to the analysts and shareholders. Sarah often meets or speaks to shareholders or prospective investors.	During the AGM, roadshows and meetings, the Board members will listen and respond to views and will give feedback to the business as necessary. The Board receives updates on investor perception through the Executive Directors and the Company's brokers. This influences decision-making at Board level. This year the Board and the Remuneration Committee have engaged with shareholders in detail regarding the updated Directors Remuneration Policy and the bolt-on acquisitions.
Regulators	• The Company works with the regulators by responding to requests, consultations, submitting returns as required and attending industry meetings.	Margaret Snowdon, OBE is Non-Executive Director of the Pensions Regulator and regularly updates the Board on industry developments. Discussion with regulators influences the Company's regulatory strategy and approach and business planning. This year the Company engaged significantly with the Pensions Regulator to achieve approval of the National Pensions Trust.
Suppliers	• This year the Company has increased and enhanced its engagement with suppliers through the appointment of a designated procurement team and an external company who engage with and carry out due diligence on suppliers. • An annual review of existing suppliers, who provide services that are deemed as higher risk (i.e. process large amounts of our data or have access to our offices), is completed in addition to quarterly performance reviews with key suppliers. • The Board annually approves the XPS Modern Slavery Statement. • Our supplier Code of Conduct communicates what we expect from our suppliers.	XPS is committed to sourcing products ethically and sustainably, and establishing long-term, open and fair relationships with our suppliers.
Communities, Charities and Environment **Read more about the Company's engagement and commitment on pages 40 to 45.**	• XPS has partnered with the Mental Health Foundation, voted for by employees as the charity of choice in both 2019 and 2020. • Local offices fundraise for local charities. • The Company annually reviews energy and greenhouse gas impacts on the environment; and energy-saving opportunities and the resulting ability to reduce greenhouse gas emissions. • An annual Energy Savings Opportunities Scheme ('ESOS') verification report is completed.	The Board receives updates on Corporate Social Responsibility biannually. During the year, the Board reviewed the Company's materiality assessment report, which assessed the numerous potential environmental, social and governance issues that could affect the business. After discussion, they agreed the priorities most relevant for the Company and stakeholders.

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
Environmental matters	Environmental policy[1]	Helping the transition to a sustainable low-carbon economy, see **page 41**
Employees	Recruitment and Selection Policy Diversity and Inclusion Flexible Working Policy[1] Harassment and Bullying Prevention Policy[1] Grievance Policy[1] Health and Safety Policy[1] Agile Working Guidelines Policy[1] Family Friendly Policy[1] Sabbatical Policy[1]	Reflecting the needs of our stakeholders: Colleagues, see **pages 40-44** Diversity, see **pages 42 & 69**
Respect for human rights	Data Privacy Policy	Reflecting the needs of our stakeholders: Suppliers, see **pages 45 & 64-66**
	Modern Slavery Information and Cyber Security Policy[1]	
Social matters	CSR Policy[1]	Reflecting the needs of our stakeholders: Clients, see **pages 36-45**
	Vulnerable Customer Policy[1]	
Anti-corruption and anti-bribery	Bribery and Gifts Policy[1]	Reflecting the needs of our stakeholders: Clients, see **pages 38**
	Whistleblowing Policy[1]	Reflecting the needs of our stakeholders: Colleagues, see **pages 40-43**
	Financial Crime Policy[1]	
Description of principal risks and impact of business activity		Helping the transition to a sustainable low-carbon economy: Risk management, see **page 41** Risk overview 2019 themes, see **page 32** Our principal risks, see **page 33**
Description of our business model		Our business model, see **pages 14-15**
Non-financial key performance indicators		Operating responsibly for our stakeholders, see **pages 36-45**

1 Certain Group policies and internal standards and guidelines are not published externally.
2 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 2019.

Strategic report sign off

This Strategic Report is set out on pages 2 to 47 and is approved by the Board of Directors and signed on its behalf.

Paul Cuff
Co-Chief Executive
24 June 2020

Ben Bramhall
Co-Chief Executive
24 June 2020

Corporate Governance

Governance

We believe that an agile, honest and open culture is key to personal and business development

I am pleased to introduce the Governance report for 2019/20

"The external Board evaluation process gave us all a valuable opportunity to reflect on how we operate as a Board, what we do well and what we can improve upon. The final report contains some useful recommendations and helpful insights which we are looking forward to implementing."

Tom Cross Brown
Chairman

Corporate Governance Code and stakeholder engagement

This is the first year that the revised Corporate Governance Code has applied to XPS Pensions Group. A particular focus for the Board has been stakeholder engagement. We have discussed and agreed our engagement strategy as a Board. Each Non-Executive Director was appointed to take responsibility for a particular area of the business and the related stakeholders within that area. Margaret Snowdon, OBE has been appointed as our Employee Engagement Champion, Sarah Ing as our Shareholder Engagement Champion, Alan Bannatyne as our Risk Management Champion and I have been appointed as Corporate Governance/Strategy Champion.

As a Board we believe that an agile, honest and open culture is key to both personal and business development. As such, we have been keen to understand how the Company's values have embedded in the organisation and have sought to actively engage with the workforce in different ways. As Employee Engagement Champion, Margaret has chaired the Diversity, Equality and Inclusion Working Group and we have initiated a series of Employee and Non-Executive Director sessions which follow Board meetings in different offices. Feedback has been positive and you can read more about employee engagement on page 66 and the results of the employee engagement survey on page 40.

Board composition and effectiveness

As announced on 26 July 2019, Jonathan Punter retired from the Board with effect from 12 September 2019. Jonathan was appointed pursuant to a Relationship Agreement with Punter Southall Group Limited ('PSGL') entered into on the completion of the Company's acquisition of PSGL and its subsidiaries on 11 January 2018.

As previously reported, we welcomed Sarah Ing (Non-Executive Director) and Snehal Shah (Chief Financial Officer) to the Board at the start of the financial year and I am pleased to report that both appointments have enhanced the Board's skills and expertise. These new appointments have put our new induction programme to the test and you can read Sarah and Snehal's thoughts on their induction and their time on the Board so far on page 62.

The Board has undertaken its first external board effectiveness review which gave Board members the opportunity to assess and feedback on all aspects of corporate governance. The process involved individual interviews with each Board member and Board and Committee meeting observation followed by separate feedback sessions with Alan, our Senior Independent Director and myself. The final report was presented to the Board and we have developed an action plan to implement the various recommendations made in the report. You will find further detail on pages 60 to 61.

In the report that follows, we have included a description of how the Company has applied the main principles of the 2018 Code, and complied with all its relevant provisions, throughout the financial year.

Tom Cross Brown
Chairman
24 June 2020

Statement of compliance with the UK Corporate Governance Code

In 2019, the Company has applied the Principles and complied with the Provisions of the UK Corporate Governance Code 2018 as they apply to it as a 'smaller company' (defined in the Code as being a company below the FTSE 350). The Code is publicly available at www.frc.org.uk.

Further information on how the Company has applied the five overarching categories of Principles can be found on the following pages –

(i) Board Leadership and Company Purpose: pages 52 to 53 and 14 to 15,

(ii) Division of Responsibilities: pages 58 to 59,

(iii) Composition, Succession and Evaluation: pages 57, 60. 61 and 69,

(iv) Audit, Risk and Internal Control: pages 70 to 73,

(v) Remuneration: pages 74 to 96.

The Board is composed of seven members, consisting of the Chairman, three Executive Directors and three independent Non-Executive Directors.

Tom Cross Brown
Independent Non-Executive Chairman
Appointed: January 2017

Key strengths:
- Mergers & acquisitions, strategy, financial reporting, listed company experience, investor relations and corporate governance are noted as Tom's key skills

Key experience:
- CEO of ABN AMRO Asset Manager until 2003
- 21 years at Lazard Brothers & Co. until 1997, CEO 1994 – 1997
- Non-Executive Chairman of Pearl Assurance plc 2005 – 2009
- Non-Executive Chairman of Just Retirement Group 2006 – 2016
- Non-Executive Director of Artemis Alpha Trust plc 2006 – 2018
- Non-Executive member of management committee Artemis Investment Management LLP 2006 – 2018

Current external listed company directorships / key appointments:
- None

Paul Cuff
Co-Chief Executive Officer
Appointed: October 2016

Key strengths:
- Qualified actuary with 20+ years of experience in the pensions industry
- Responsible for raising profile of XPS in the market, generating new business and the Group strategy with regard to acquisitions and investment
- Mergers & acquisitions, strategy, pensions industry and investor relations are noted as Paul's key skills

Key experience:
- Partner at KPMG 2008 – 2016
- Head of KPMG London pensions team prior to joining XPS

Current external listed company directorships / key appointments:
- None

Ben Bramhall
Co-Chief Executive Officer
Appointed: April 2014

Key strengths:
- Qualified actuary with 20+ years of experience in the pensions industry
- Responsible for day-to-day operations of the business including provision of services to XPS existing clients, revenue generation and the Group's people agenda
- Mergers & acquisitions, strategy, pensions industry, risk management, workforce engagement, investor relations, business development and operational management are noted as Ben's key skills

Key experience:
- Eight years at KPMG

Current external listed company directorships / key appointments:
- None

Snehal Shah
Chief Financial Officer
Appointed: July 2019

Key strengths:
- Chartered accountant with over 20 years of experience
- Mergers & acquisitions, post deal integration, strategy, risk management, financial reporting, listed company experience, investor relations, corporate governance and operational management are noted as Snehal's key skills

Key experience:
- Ten years with PwC
- Senior finance roles including Group Financial Controller, Head of Investor Relations and Finance Director for Integration at Ladbrokes plc 2009 – 2017
- Interim Director (Finance & Corporate Governance) at Parkdean Resorts Ltd and Interim Director of Finance & Investor Relations at Countrywide plc 2017 – 2019

Current external listed company directorships / key appointments:
- None

Committee membership / Board and Committee attendance

Member	Tom Cross Brown Independent Non-Executive Chairman	Paul Cuff Co-Chief Executive Officer	Ben Bramhall Co-Chief Executive Officer	Snehal Shah Chief Financial Officer
Board	9/9	9/9	9/9	5/6[1]
Audit & Risk Committee				
Remuneration Committee	6/6			
Nomination Committee	2/2			

1. Snehal Shah was appointed Chief Financial Officer on 9 July 2019. Snehal was absent at the September 2019 Board and Committee meetings due to hospitalisation.
2. Mike Ainslie left the business on 27 June 2019.
3. Jonathan Punter stepped down from the Board on 12 September 2019.

Alan Bannatyne
Senior Independent Non-Executive Director
Appointed: January 2017

Key strengths:
- Chartered accountant
- Recent and relevant financial experience
- Strategy, risk management, financial reporting, listed company experience, investor relations and corporate governance are noted as Alan's key skills

Key experience:
- Qualified with Deloitte & Touche
- Previous Commercial Manager of Primecom and Financial Director of Foresight – both subsidiaries of Primedia
- Group Financial Controller of Robert Walters plc 2002 – 2007

Current external listed company directorships / key appointments:
- Chief Financial Officer of Robert Walters plc since March 2007

Sarah Ing
Independent Non-Executive Director
Appointed: May 2019

Key strengths:
- Chartered accountant
- 30 years' experience in financial services including audit, corporate finance, investment banking and asset management
- Mergers & acquisitions, financial reporting, investor relations and risk management are noted as Sarah's key skills

Key experience:
- Previously a top-rated equity research analyst covering the UK general financial services sector and also founded and ran a hedge fund investment management business

Current external listed company directorships / key appointments:
- Non-Executive Director of CMC Markets plc since September 2017 where she chairs the Group Risk Committee

Margaret Snowdon OBE
Independent Non-Executive Director
Appointed: January 2017

Key strengths:
- 40 years' experience in Pensions industry
- Mergers & acquisitions, strategy, risk management, workforce engagement, pensions industry, corporate governance, business development and operational management are noted as Margaret's key skills

Key experience:
- Partner and Director level positions with leading employee benefit consultancies
- Margaret was appointed an OBE in 2010 and has received many awards for her contribution to pensions

Current external listed company directorships / key appointments:
- Non-Executive Director of The Pensions Regulator
- Non-Executive member of Phoenix Group With Profits Committee
- Advisory Board Member of Moneyhub Financial Technology Limited
- Chair of Pension Scams Industry Group

Former Board Members that served during the year under review

Mike Ainslie
Chief Financial Officer
Tenure: October 2015 – June 2019

Mike Ainslie is a Chartered Accountant who spent 18 years in Corporate Banking working for a US Bank. Mike then worked for ten years as CFO or COO for a number of fast growing companies owned by private equity or other investment firms. As CFO of XPS Pensions Group, Mike was responsible for the finance, legal and compliance functions. Mike left the business on 27 June 2019.

Jonathan Punter
Non-Executive Director
Tenure: January 2017 – September 2019

Jonathan Punter is CEO of Punter Southall Group, which sold Punter Southall Holdings Limited and its subsidiaries to XPS Pensions Group in January 2017. He has 40 years of experience in the actuarial profession. Jonathan was also a Non-Executive Director of the River & Mercantile Group. Jonathan stepped down from the Board at the Company's AGM in September 2019. Jonathan continues to work with the business as a consultant.

Alan Bannatyne Senior Independent Non-Executive Director	**Sarah Ing** Independent Non-Executive Director	**Margaret Snowdon OBE** Independent Non-Executive Director	**Mike Ainslie** Chief Financial Officer Tenure: October 2015 – June 2019	**Jonathan Punter** Non-Executive Director Tenure: January 2017 – September 2019
9/9	9/9	9/9	3/3[2]	3/3[3]
5/5 ●	5/5	5/5		
6/6	6/6	6/6 ●		
2/2	2/2	2/2		

● Chair of 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 Committee is comprised of the Executive Directors and the following members:

Zoe Adlam

General Counsel and Company Secretary

Responsibilities: Zoe is responsible for ensuring that the legal and compliance needs of the Group are met.

Key experience:

- Significant in-house experience as corporate adviser and company secretary;
- Whilst in private practice advised on corporate and financial transactions.

Jonathan Bernstein

Chief Operating Officer

Responsibilities: Jonathan is responsible for the central functions of XPS including HR, IT, Marketing, Risk and Property, as well as more general operational matters across the Group. Jonathan is also involved with major client relationships and holds Scheme Actuary appointments.

Key experience:

- Extensive experience of operational management;
- Senior actuary with over 30 years' experience in the pensions industry including Chief Actuary at Mercer.

Wayne Segers
Head of Pensions Solutions

Responsibilities: Wayne is responsible for ensuring that the Company proactively responds to emerging issues, develops market-leading services and provides value to pension clients.

Key experience:
- Experienced in pension strategy, cost and risk management;
- Director at KPMG where he established the Pension Restructuring Advisory practice.

Rachel Gillion
HR Director

Responsibilities: Rachel is responsible for the HR function.

Key experience:
- Significant experience in developing and implementing HR and people strategies;
- Managed multiple projects, for example, TUPE, M&A and reward programmes.

David Watkins
Managing Director of Administration

Responsibilities: David is Managing Director of XPS Administration. 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 920,000 pension scheme members from across the network of offices in the UK.

Key experience:
- Over 30 years' experience within the pensions administration sector;
- Notable success in growing 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.

John Batting
Senior Actuary

Responsibilities: John is a Scheme Actuary with over 40 years of experience in the actuarial profession, providing pensions and investment advice to both trustees and sponsoring employers, and has acted as an expert witness on pension matters.

Key experience:
- CEO of Punter Southall Ltd between 2004 and 2018;
- 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.

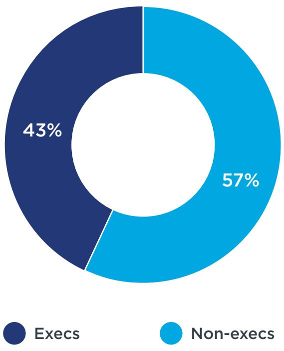
Patrick McCoy
Head of Advisory

Responsibilities: Patrick leads the XPS Advisory business which comprises pensions (actuarial), investment and covenant. Patrick continues to advise clients from £100 million to £5 billion on the full range of investment issues and is known for explaining complex issues clearly, helping clients make effective investment decisions.

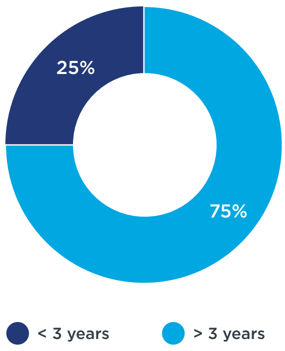
Key experience:
- Led the XPS Investment business;
- Partner at KPMG where he built and led the Investment Advisory practice.

Board composition

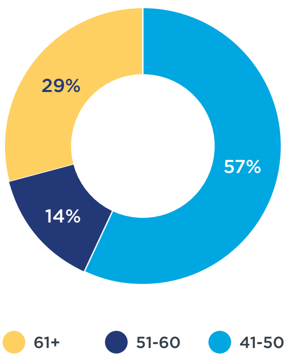
Independence



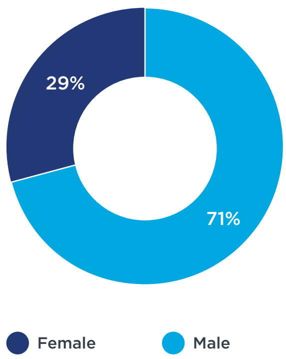
Non-executive tenure



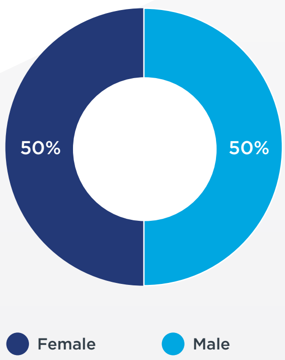
Age



Gender



Non-executive gender



Director skills and experience

Number of Directors identified with core or secondary skill

Board composition and independence

The Board is composed of seven members, consisting of the Chairman, three Executive Directors and three independent Non-Executive Directors.

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 Code on his appointment as Chairman.

The Board considers that Non-Executive Directors Alan Bannatyne, Margaret Snowdon, 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. All Directors continue to devote sufficient time to their roles.

Jonathan Punter stepped down as a Non-Executive Director on 12 September 2019. Jonathan was appointed by Punter Southall Group Limited ('PSGL') under the relationship agreement entered into between the Company and PSGL, which 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. PSGL has not nominated a replacement Director of the Board and the Company is not aware of PSGL having any intention of doing so. Jonathan Punter was considered non-independent within the meaning of the Code, due to the relationship agreement.

The Board benefits from the wide experience of its Non-Executive Directors. Biographical details of all Board members are given on pages 52 to 53.

Board committees

The Board operates in accordance with the Company's Articles of Association and has an Audit and Risk Committee, a Remuneration Committee and a Nomination 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.

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 and that the Nomination Committee should comprise a majority of independent Directors. Tom Cross Brown chairs the Nomination Committee, Alan Bannatyne chairs the Audit and Risk Committee and Margaret Snowdon, OBE chairs the Remuneration Committee. The Company Chairman is not a member of the Audit and Risk Committee, in compliance with the Code. 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 pages 70 to 73.

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 74 to 96. The Directors' Remuneration Policy has been reviewed, updated and will be tabled for approval by shareholders at the Company's AGM in September 2020; you can find the policy on pages 79 to 86.

The role of the Nomination Committee is to undertake an annual review of succession planning and ensure that the membership, composition and diversity of the Board and its Committees, including the balance of skills, remain appropriate. The Committee also reviews the outcome of the annual Board effectiveness review to determine any changes required. Further details are given in the Nomination Committee report on pages 68 to 69.

Board responsibilities

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, and is 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 published on the Company's website: www.xpsgroup.com.

The matters reserved for the Board include:

- 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 Co-CEOs.

BOARD DIVISION OF RESPONSIBILITIES

Tom Cross Brown
Chairman

- Leads the Board and manages the effective leadership and governance of the Board
- Provides direction and focus on business strategy, performance, value creation and accountability
- Ensures the Board establishes a strategy that facilitates the entrepreneurial development of the Company and promotes the long-term sustainable success of the Company's approach
- Ensures clear structure for effective operation of the Board and its Committees
- Sets Board agenda and ensures sufficient time is allocated to promote effective debate to support sound decision-making
- Ensures the Board receives precise, timely and clear information
- Encourages Directors to contribute fully to Board discussions, ensuring sufficient challenge of major proposals
- Meets with the Non-Executive Directors independently of the Executive Directors
- Leads the process for evaluating the performance and development needs of the Board, its Committees and individual Directors
- Leads the Board succession planning process and chairs the Nomination Committee
- Acts as a sounding board for the Co-CEOs on important business issues
- Ensures the Board sets the risk appetite it is willing to take in the implementation of strategy
- Ensures effective communication with shareholders to ensure that the Board understands their views on governance and performance against the strategy
- Ensures effective communication with other key stakeholders

Co-Chief Executive Officers

- The Co-CEOs have worked together for over 20 years, having both started their careers as trainee actuaries at Punter Southall, before spending many years in the same team at KPMG
- 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 Group policies approved by the Board and its delegated authorities, and all applicable laws and regulations
- The Co-CEOs recommend budgets and forecasts for Board approval, lead the investor relations programme and maintain a dialogue with the Chairman on significant business developments and strategy issues
- Both Co-CEOs have leadership roles on large clients

Paul Cuff
Co-Chief Executive Officer

- Primarily responsible for raising the profile of the Group in the market and generating new business, both in traditional service areas and in the development of new services as the market evolves
- Develops the Group's strategy with regard to M&A opportunities and technology investment

Ben Bramhall
Co-Chief Executive Officer

- Primarily responsible for the day-to-day operation of the business, covering the provision of services to existing clients, revenue generation and the Group's people strategy
- Develops the Group's internal strategy to pursue large opportunities within the market

Alan Bannatyne
Senior Independent Non-Executive Director

- Acts as a sounding board for the Chairman and other Directors
- Leads the annual review of the Chairman's performance
- Leads the Non-Executive Directors meetings without the Chairman present
- Acts as an additional point of contact for shareholders, if they have concerns that contact through the normal channels have failed to resolve or for which such contact is inappropriate
- Chairman of the Audit and Risk Committee

Board operation and meetings

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. The Board considers business strategy quarterly and at least once a year the Board will hold a strategy session to discuss and 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. The Board are satisfied that each Non-Executive Director commits sufficient time to the Company. 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 and have met several times during the year without the Executive Directors present.

If a Director is unable to attend a meeting, they will still receive Board papers before the meeting and they are encouraged to submit any comments to the Chairman to ensure that their views are recorded and taken into account during the meeting. The Director will also receive the minutes and matters arising in the usual way in order to ensure that they are fully informed.

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 five times in the financial year and at its meeting in June 2020 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.

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.

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.

Board evaluation

The Board acknowledges that the Code requires regular external board evaluations (as a company below FTSE 350) and has conducted an external board evaluation in 2020, facilitated by Ceradas Limited ('Ceredas'). A request for proposal was circulated to various external Board evaluators. Proposals were reviewed by the Chairman and Company Secretary and the Board agreed the appointment of Ceradas as an independent adviser. Ceredas has no other connections to the Company. The evaluation process is set out on page 61.

Outcome

The overall outcome of the evaluation process was encouraging. Whilst the Board was encouraged by several of the findings set out in the final report, it recognised that there were areas on which further action would be helpful. An action plan was agreed by the Board and progress will be tracked against this regularly throughout the year and progress will be assessed as part of the Board evaluation process next year.

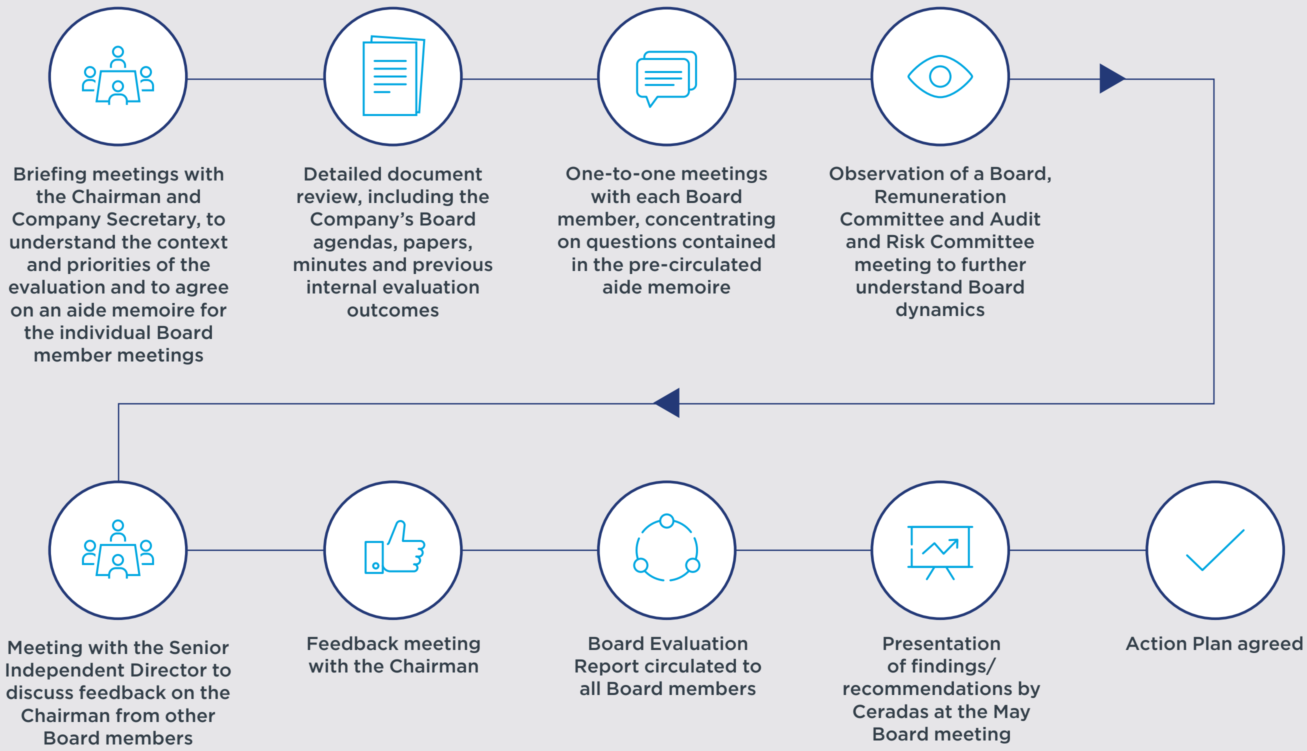
The following actions were identified to further improve the effectiveness of the Board:

- Developing protocols to ensure consistency between Board reports, to facilitate Board discussion and decision-making;
- Further reporting to support the Board's discussions about strategic priorities and post-acqusition appraisals;
- Further development of the Board and Audit and Risk Committee's annual and ongoing overviews of internal controls and associated procedures;
- Enhancing the Board's approach to understanding the views of shareholders by developing current communication channels and ensuring informal shareholder feedback is shared with the full Board.

Review of Chairman's performance

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 2020, led by the Senior Independent Director. The Senior Independent Director also engaged with the Executive Directors separately for their feedback, in addition to his meeting with Ceradas to discuss the feedback from the external evaluation. The results of that process were communicated by the Senior Independent Director to the Board at its meeting in May 2020.

2020 external evaluation process



2019 evaluation outcomes and progress

The 2019 evaluation identified the following areas for improvement, which have been improved as follows:

Actions from 2019	Improvements
1. To increase the amount of discussion time together, outside of formal Board meetings, devoted to business strategy	▶ The Company has implemented quarterly strategy sessions, in addition to the annual strategy day
2. To increase the time spent in formal Board meeting discussions on current business issues and challenges	▶ The Board is briefed on business issues by the Co-CEOs within each meeting, in addition to the Head of Advisory and the Managing Director of Administration who attend each Board meeting to discuss business issues within their businesses. The Head of SIPP and the Head of NPT also regularly update the Board on their business areas and issues within at Board meetings
3. To fit more frequent legal, compliance and accounting updates from external advisers into the Board and Committees' annual programme of meetings, in order to enhance Board members' knowledge of future changes affecting the governance of the Group	▶ The Board receives briefings from external advisers in at least three Board meetings per year. In FY2019/20 topics have included Director's duties and share dealing, bid defence and white collar crime in pensions

REFLECTIONS ON JOINING THE XPS BOARD OF DIRECTORS

Snehal Shah
Chief Financial Officer, appointed July 2019

Q. How have you found your first year as a member of the Board?

A. It has been a challenging yet thoroughly rewarding and enjoyable first year. The XPS team is very talented and highly motivated and it has been an honour to represent the team on the Board. The Board is very collegiate, supportive and I have learnt a great deal from the highly experienced Non-Executive Directors.

Q. Can you describe your Board induction programme?

A. Prior to my official start date, I had several meetings with the Chief Executive Officers who brought me up to speed with the Board processes and priorities. I was provided a comprehensive pack of information from previous Board meetings that helped me hit the ground running. I met with the Senior Independent Director (also the chair of the Audit and Risk Committee) to understand the financial, audit and risk matters on the Board's agenda. I met with the General Counsel and the external auditors as part of my own due diligence. I received training on Director duties from the Company's external lawyers.

Q. How would you describe the culture at XPS?

A. It is very rare to find a company where you can see its core values in action every day in all locations. XPS's culture is embodied in our people who are all genuine, friendly, empathetic and helpful.

Q. What are your governance-related objectives for the coming year?

A. XPS has gone through rapid change over the last three years from listing as Xafinity plc in 2017, doubling in size through the transformational deal with PSG through to three bolt-on acquisitions in 18 months. Governance and processes have continued to evolve with the rapid change. With ESG high on the agenda for investors, I want to ensure that XPS continues to be at the forefront of well governed listed organisations which will ultimately help enhance shareholder value.

Sarah Ing
Independent Non-Executive Director, appointed May 2019

Q. How have you found your first year as a member of the Board?

A. I have thoroughly enjoyed my first year on the Board of XPS, meeting a wide range of exceptional and motivated people across all divisions of the business. It has been an exciting year with both challenges and opportunities and I am delighted to be able to contribute towards a promising future for XPS.

Q. Can you describe the process you went through to be appointed?

A. I was approached by a head hunter to see if I was interested in joining XPS and their list of potential candidates for the role of Non-Executive Director. I was shortlisted and then interviewed first by the Chairman and then by the Senior Independent Non-Executive Director and Non-Executive Director. The interviews covered my background and experience within financial services as well as discussion about XPS and the history, structure and culture of the Company. I then met with the Co-Chief Executive Officers. I was delighted to be invited to join the Board.

Q. Can you tell us about your induction programme?

A. During my induction programme I met with the Chairman and the Company Secretary to discuss Board-specific matters, processes and procedures. I met with the Co-Chief Executive Officers to discuss the Company's culture, values and wider Company matters. I also met with the then Chief Financial Officer, Chief Operating Officer and Head of Risk. I met with the Company's external auditors prior to my appointment as part of my own due diligence.

I was provided with access to previous meeting minutes, Board packs and relevant governance documents to familiarise myself with. I also completed face-to-face Director duties training with the Company's external lawyers.

Q. What will you be focusing on as the Shareholder Engagement Champion?

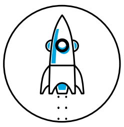
A. This year XPS is updating its Director's Remuneration Policy (further detail can be found on pages 79 to 86, for which shareholder approval will be sought at the Annual General Meeting in September. Shareholder engagement in relation to this is vital and will be a focus for myself and my fellow Board members. Further to contact with shareholders, I also engage with the broker community to actively encourage wider coverage of XPS.

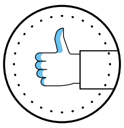
Embedding culture

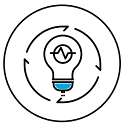
The Board recognises the importance of its role in setting the tone of the Company's culture, championing the behaviours the Company expects to see and embedding these throughout the Company. In addition to the Board, the Executive Committee upholds the Company's values and ensure that the importance of compliance and integrity is recognised at all levels throughout the Company. Corporate Social Responsibility and corporate culture are discussed with employees at Employee Engagement Group meetings.

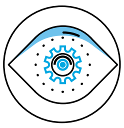
Our people are fundamental to every aspect of our strategy and are committed to delivering the best for our clients. In January 2019 we rolled out our Purpose, Missions and Values across the Group. As part of this, the Co-CEOs visited all 15 offices and spoke personally about what the values meant to them and gave employees opportunity to reflect on what the values meant to them. At XPS, our values are embedded in everything we do and we refer to them regularly in employee communications, team meetings, recruitment and new business activities with clients and prospective clients. We also this year launched the XPS – Values In Practice Awards, recognising employees and teams who have demonstrated the Company's values in an exceptional way. We also recognise employees through Exceptional Performance Awards quarterly, which are awarded to a number of employees for their exceptional performance and demonstration of Company values.

This year, we created a new section within our Employee Engagement Survey in relation to our values. Results were very positive and 97% of employees agreed that they were aware of the Company values as follows:

A —  **We are ambitious**

H —  **We are helpful**

E —  **We are experts**

A —  **We are agile**

D —  **We do the right thing**

As a Company, we plan to regularly review and audit our values and culture and appreciate the importance of this developing as the business develops. The Board has committed to auditing the Company's culture in 2021.

Non-Executive Champions

The Chairman and Non-Executive Directors have this year been appointed as 'Champions' for different areas as follows:

Tom Cross Brown

Governance / Strategy Champion

- Chairs the annual Company strategy day
- Regularly engages with the Company's management regarding strategy
- Works closely with the Company Secretary to ensure the highest standards of governance are upheld

Sarah Ing

Shareholder Engagement Champion

- Attends results presentations
- Regularly engages with Company brokers regarding shareholder views, which Sarah brings to Board meetings and decision-making

Margaret Snowdon, OBE

Employee Engagement Champion

- Chairs the Employee Engagement Group
- Attends meetings of the Diversity, Equality and Inclusion Group

Alan Bannatyne

Risk Management Champion

- Chairman of the Audit and Risk Committee
- Works closely with Head of Risk to oversee Group risks

Engaging with our stakeholders

As a Company we have completed an exercise to determine who our stakeholders are, the key stakeholders and the ways in which we engage with them and consider their views during decision-making.

Further details of how the Company and the Board engage with employees are set out on page 66 and within our section 172 statement on pages 46 to 47.

Clients
At XPS, everything we do is ultimately for the benefit of our clients. We engage with clients through annual client satisfaction surveys to ensure we understand their views and priorities. We also host an annual client conference and participate in industry and client forums.

Shareholders
Our shareholders' views are very important to us and as such we engage with shareholders regularly through various forums, including results roadshows, the Annual General Meeting, and calls and meetings between the Chairman and Non-Executive Directors and shareholders. Sarah Ing, Non-Executive Director, is appointed the Company's Shareholder Engagement Champion.

Regulators
The Group has two FCA regulated entities, a TPR authorised master trust and our Group is listed on the main market of the London Stock Exchange. Having good relationships with regulators helps us to address issues before they become a potential concern. We engage with regulators by responding to consultations, regulatory requests, industry meetings and Margaret Snowdon, OBE is a Non-Executive Director of the Pensions Regulator and keeps the Board updated on industry developments.

Suppliers
We have a stable list of suppliers. We have newly appointed a procurement team and an external company to liaise with our suppliers and confirm they effectively manage the risks within their own supply chains, including those in relation to modern slavery. We complete quarterly performance reviews with our key suppliers and conduct an annual review of suppliers to provide services that are deemed as higher risk.

Communities, Charities and Environment
We have over 1,200 staff in 15 office locations across the UK. Our position in local communities that provide an invaluable source of clients, employees and suppliers is vitally important. We also hold various employee-led charity events throughout the year, including bake sales, dress down days and food bank collections. For the second year running we are partnered with the Mental Health Foundation, the charity employees have chosen, as our main charity partner.

Employees / Contractors
As a leading pensions specialist, our people ultimately make the difference in delivering high-quality services to clients and driving innovation. This is why attracting the best people and investing to further develop their skills are among our highest priorities. Our employees reflect the key values of the Group in being agile, helpful, expert, and ambitious and doing the right thing. Ensuring we have the right people with the right skills means we must develop our people, offer attractive reward and retention benefits, invest in employees' learning and development and have appropriate policies in place to protect our employees and their interests.

You can find further information on how we engage and consider the views of our key stakeholders within our Directors' section 172 statement on pages 46 to 47.

Annual General Meeting
The Company's Annual General Meeting ('AGM') will take place at 12pm on Tuesday 8 September 2020 at the Group's Reading office. At the time of publication, Government guidance prohibits group gatherings and mandates a policy of social distancing due to the risk of COVID-19. Therefore, the AGM will be a closed meeting convened with the minimum quorum of shareholders as stated in the Company's Articles of Association. XPS intends to facilitate the quorum of shareholders for this meeting. All other shareholders should not attempt to attend the AGM in person, in order to protect fellow shareholders and our staff, and will not be permitted admission if they attempt to do so.

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) 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.

Employee engagement

As a Company we pride ourselves on effective employee engagement. We engage with employees in various ways including:

- **Designated Employee Engagement Non-Executive Director**
  Margaret Snowdon, OBE is appointed as the Company's designated Employee Engagement Non-Executive Director. Margaret has extensive experience in people management and volunteers within the pensions charity sector.

- **Employee Engagement Group**
  The Employee Engagement Group is made up of members across all 15 locations, employees at all levels and a diversity of roles within the Group including roles within Pensions, Administration and the central functions. The Group meets regularly, has clearly defined terms of reference and clear objectives. The Group is chaired by Margaret Snowdon, OBE who reports back to the Board after every Employee Engagement Group meeting and acts as the 'employee voice' at Board meetings.

- **Annual Employee Engagement Survey**
  The Company distributes an Employee Engagement Survey annually, communicates the results with employees and conducts an extensive review of the results with a view to identifying and driving changes across the Group as well as improving and evolving Company culture.

  Office Heads review the local office results with the HR team, individual teams consider their results and the Board considers the results as a whole. The Employee Engagement Group agrees an action plan and progress on this is reported regularly to employees.

  This year the survey results have led to focus on:
  1. Clearer guidance around employee remuneration (including bonus, exceptional performance awards and total reward);
  2. Clearer guidance around performance reviews and career progression; and
  3. Improved communication between departments.

- **Diversity, Equality and Inclusion Group ('DEIG')**
  The Company has an established Diversity, Equality and Inclusion Group. Margaret Snowdon, OBE attends each meeting of the group and updates the Board after each meeting. The DEIG has sub-groups focusing on areas such as disability, support for parents, gender/ethnicity, LGBT+ etc. The DEIG has reviewed and input into new HR policies across the Group, the employee promotions and awards process and recruitment best practice guide. The DEIG has developed unconscious bias diversity training, organised International Women's Day activities across the Group, reviewed the employee survey results from a gender split perspective and held or contributed to various XPS and industry events regarding diversity.

- **Non-Executive Director and employee engagement sessions**
  During the financial year, the Non-Executive Directors hosted the first informal networking session in the XPS London office. Employees were invited to come along to meet the Non-Executive Directors and to ask them any questions they had. Both employees and Non-Executive Directors felt that this session was very valuable. Unfortunately, we were forced to cancel the second planned networking session in the Guildford office as a result of the COVID-19 pandemic but the sessions will resume as soon as possible.

- **Whistleblowing hotline**
  As a Company we appreciate the importance of employees being able to voice concerns. We have in place an external independent whistleblowing hotline. The hotline is operated by Expolink and is available 24 hours a day 7 days a week for employees to anonymously report any concerns they are not able to raise with their manager or HR. The service also facilitates an online form option instead of making a telephone call, should employees feel they are unable to do so. The service is completely anonymous and reports are dealt with appropriately internally. Employees are made aware of this service upon joining the Company, posters are displayed in communal areas of each office and managers are encouraged to remind their offices and teams of the service.

  You can read more about responsibility to our people within the Strategic Report on pages 42 to 45.

Q&A ON EMPLOYEE ENGAGEMENT

Margaret Snowdon, OBE
Non-Executive Director, appointed January 2017

Q. What prompted you to take on the role of Non-Executive Director for Employee Engagement?
A. I suggested an Employee Engagement Group would be a great way for the Board to hear from employees directly and to tell them about Board thinking and to share employee views with the Board.

Q. What relevant experience do you bring to the role?
A. I am Chair of the Remuneration Committee of the XPS Board and also lead on people matters at the Pensions Regulator. I attend the Diversity, Equality and Inclusion Group as well. Everything I do in this industry is about delivering fair outcomes and that applies to staff as well as customers. I have also managed people for nearly 40 years.

Q. How have you engaged with employees during the year?
A. I chair the XPS Employee Engagement Group, attend the Diversity and Equality Inclusion Group meetings, and attend XPS conferences and other events regularly. I have also met employees at the Non-Executive and Employee Engagement sessions and had useful and interesting discussions with employees.

Q. What have you learnt from the engagement process?
A. What has struck me most is the willingness of people to get involved, even when they are very busy with their day jobs. The Group will develop over time and we will always focus on matters that are relevant to staff at the time. It is important that it is kept current and that we are also seen to listen to what staff have to say, especially on reward and culture.

Q. How do you report your findings to the Board?
A. Employee Engagement is a regular agenda item. We had the Chair of the Diversity and Equality Inclusion Group come along and present directly to the Board too. We are listening.

Q. Has the Board taken any action as a result of the employee feedback received?
A. Yes, we are very focused on ensuring we have the right culture and that what we intend actually happens.

Q. Have you encountered any challenges in the role?
A. As always, time is a challenge, especially for a Non-Executive Director who is not present in the offices every day, but this stuff is important for the overall wellbeing of the business and staff.

Q. What are your priorities for 2020?
A. We have three key priorities: ensuring staff understand our executive remuneration policy and can help us ensure it is balanced; reviewing the employee engagement survey and focusing on areas we need to change; and ensuring all of our actions match the culture we have set out.

Delivering our **strategic goals and competing effectively**

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.

Membership and attendance

Chair	
Tom Cross Brown	2/2
Committee members	
Alan Bannatyne	2/2
Sarah Ing	2/2
Margaret Snowdon, OBE	2/2
Attending by invitation	
Co-CEOs	
CFO	

Dear Shareholder,

I am pleased to present the report of the Nomination Committee for the year-ended 31 March 2020. The Committee has met twice during the 2019/20 financial year and all meetings were attended by all members of the Committee. The Committee intends to continue to meet at least twice 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 Sarah Ing.

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

Board changes

During the year, Snehal Shah succeeded Mike Ainslie as CFO of the Company and Sarah Ing joined the Board as an Independent Non-Executive Director. As detailed within the 2019 Annual Report, Russell Reynolds was engaged to assist with the candidate search for both roles. Russell Reynolds does not have any other connection with the Company or any of the individual Directors. You can read Sarah Ing's comments on the appointment process on page 62.

Jonathan Punter stepped down from the Board on 12 September 2019. Jonathan was previously appointed a Non-Executive Director by Punter Southall Group Limited who have not appointed a replacement Director to the Board.

The Committee reviewed the size of the Board, the balance between Executive and Non-Executive Directors and the diversity of the Board; and is satisfied with the composition and balance of skills, experience, independence and knowledge of the Board and each Committee.

Board effectiveness evaluation

An external Board effectiveness evaluation was completed by Ceradas during the financial year, including detailed document review, face-to-face interviews with each Board member and Board and Committee observation. Further details can be found on pages 60 to 61.

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

A formal tailored induction for Non-Executive Directors is in place supported by a programme of training, to further their knowledge of the Group, its business, culture, operations, employees and governance and to ensure awareness of their regulatory duties and obligations as a director of a UK premium listed company. Further information is provided by interviews with Sarah Ing and Snehal Shah on page 62.

"Succession of the Board and senior leadership remains the key priority for the Nomination Committee."

Tom Cross Brown
Chair of the Nomination Committee

Diversity, equality and inclusion

The Company has an established Diversity, Equality and Inclusion Group, championed by Non-Executive Director Margaret Snowdon, OBE and chaired by a senior female within the Group. The DEIG has made great progress and had a significant impact across the business, and is a key channel of communication and engagement for employees.

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 the XPS Group and the industry more generally. We are pleased to report that the Company's gender pay gap has reduced within the last year. We have completed an in-depth analysis into our gender pay gap, allowing us to consider where we need to concentrate our efforts to reduce the gap further. During the year, we have implemented an Agile Working policy, allowing all employees and managers to consider adjustments to working arrangements in conjunction with other XPS policies. During the year we have also employed a number of senior females and the Company continues to participate in a mentoring programme in conjunction with Women Ahead, aimed at retaining and developing female actuaries and other female professionals through ongoing career advice and support. We have also joined the Valuable 500, you can read more about this on page 42.

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.

You can find information regarding the Company's gender balance, including senior management, on page 42 in the Responsible Business section.

Tom Cross Brown
Chair of the Nomination Committee
24 June 2020

Delivering **independent oversight**

The Audit and Risk Committee continues to provide oversight of the Group's financial reporting procedures and internal control framework, and acts as a source of independent oversight.

Membership and attendance

Chair	
Alan Bannatyne	5/5
Committee members	
Sarah Ing	5/5
Margaret Snowdon OBE	5/5
Attending by invitation	
CEOs	
CFO	
COO	
Head of Risk	
General Counsel	

Dear Shareholder,

I am pleased to present the report of the Audit and Risk Committee for the year ended 31 March 2020. The Committee met five times during the 2019/20 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, Sarah Ing and Margaret Snowdon, OBE. 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 52 to 53 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 five 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 123.

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

Matters considered	Action
Revenue recognition, accrued income and trade receivables	
Depending on the income stream and the nature of the engagement, the Group recognises revenue on either time cost incurred, fixed fee or rateably over the period of providing the relevant services. Billing is mainly in arrears and occurs monthly or quarterly.	The Committee reviewed the approach to revenue recognition including the process for accrued and deferred revenue. The Committee receives regular updates on ageing of accrued revenue and trade receivables. The Committee has also considered the conclusions reached by BDO as part of their audit of this area and is satisfied that management has adopted appropriate processes and controls over revenue recognition, accrued revenue and trade receivables.
Carrying value of goodwill and intangible assets	
The Group has significant intangible assets on the balance sheet in the form of goodwill, customer relationships, brands and software. The intangible assets have to be reviewed for impairment at least annually or if there are any indicators of impairment.	The carrying value of all indefinite lived assets are tested for impairment annually. In reaching their conclusion that the treatment adopted is appropriate, the Committee has reviewed the forecasts, key assumptions and methodology adopted by management. BDO's findings have also been considered by the Committee in reaching its conclusions over the appropriateness of the treatment within the financial statements.
Impact of IFRS 16 – Leases	
The Group has adopted IFRS 16 using the modified retrospective approach from 1 April 2019 but has not restated the prior year comparatives.	The Committee received accounting papers prepared by management showing the impact of IFRS 16 on the balance sheet, income statement and disclosures. The Committee reviewed the key assumptions used in the application of IFRS 16 as well as the disclosures in the Annual Report. The Committee has also considered BDO's findings and it is satisfied that the significant judgements and estimates and related disclosures given within the accounts are sufficient to gain a proper understanding of the methodology of accounting for leases across the Group.
Presentation and discl	
The Group classifies certain items in the income statement as exceptional/non-trading to allow a clearer understanding of the underlying trading performance of the business. Exceptional and non-trading items in the year totalled £12.8 million (2019: £12.9 million). For more details, see Note 6 to the Financial Statements on page 124.	As part of their assessment that the treatment of exceptional/non-trading items in the financial statements is appropriate, consistent with the Group's accounting policies and with the guidance issued by the FRC, the Committee has considered each of the items treated as exceptional/non-trading and challenged, where necessary, the treatment adopted by management. The Committee has also considered the conclusions reached by BDO as part of its audit in this area and is satisfied.
Business combinations	
During the year, the Group acquired the entire share capital of RL Corporate Pension Services Limited for cash consideration of £4.8 million and of Trigon Professional Services Limited for an initial payment of £2.8 million, and up to £1.1 million in contingent consideration.	The Committee has reviewed management's assessment of the fair value of the assets and liabilities acquired and resulting goodwill from the acquisitions. The Committee has reviewed the disclosures in respect of the acquisitions and considers the accounting and disclosures to be adequate.

"The updated risk management framework rolled out during the year has been supported by a strong culture, active engagement from staff and clear direction from Executive Management."

Alan Bannatyne
Chair of the Audit and Risk Committee

Internal Audit

An Internal Audit function has been provided, using a co-sourcing agreement with PwC since 2017. It offers independent oversight of operational and risk management activities, with audit reports and relevant findings presented to the Committee. This year it focussed on the Investment Management business and no significant control weaknesses were identified. The Internal Audit programme is supported by a number of regular assurance activities which are carried out by the Risk and Compliance teams, which look at the design and effectiveness of internal controls for key processes.

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 2020 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. The Committee was satisfied that, taken as a whole, the Annual Report is fair, balanced and understandable and provides the necessary information.

Risk

XPS Group have continued to enhance our risk management framework. This is supported by a strong culture, active engagement from staff and a clear direction from Executive Management.

The rollout of the updated risk management framework is now complete and supports a common approach across all businesses and support functions in the Group. This includes a clear articulation of the key risks, the appetite the Group has for each of these and the controls that are in place to manage these risks within their stated appetites.

The framework 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.

A new reporting framework has been deployed as part of this work which provides Executive Management with regular updates on our overall risk profile and detailed reports on risks that may require action to keep within appetite. This framework includes information on relevant Key Risk Indicators as well as summarising root-cause analysis reviews for incidents and errors.

The Risk Management Committee continues to meet on a regular basis to discuss risks and issues as well as ensuring that the framework is meeting the needs of the Group's stakeholders. This committee also acts as the mechanism by which risks reported at business level can be considered in the context of the Group and whether escalation is required.

Risk resources within the business have also been reorganised, with a central team created to support all businesses within the Group and ensure best practices are applied consistently. Part of the responsibilities of this new team is to integrate the existing external assurance activities carried out across the Group into the audit plans to be approved by Executive Management. These assurance activities include certifications to ISO 9001 and ISO 27001, AAF 01/06, IIP and the IoA Quality Assurance Scheme ('QAS').

The Audit and Risk Committee regularly reviews the wider internal control processes and enlists external support to review and test when it is deemed necessary. Recognising the importance of the protection of data assets and business resilience, the Committee considers these specific risks at each of its meetings, along with the development of the frameworks to effectively manage them.

We are pleased to note that our Risk Management frameworks have proved effective in allowing the Group to successfully react to the recent Coronavirus pandemic, allowing us to continue to provide our services and manage the new and changing risk environment.

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
24 June 2020

Remuneration at a glance

Our remuneration principles

The overall remuneration policy is designed to promote the long-term success of the Group whilst ensuring it does not support inappropriate risk-taking. The Remuneration Committee has developed the Directors' Remuneration Policy with the following principles in mind:

Aligned with colleagues – by striving for a consistent approach to reward for the Executive Directors and Senior Management. This is evidenced with fixed and variable pay strategies being aligned e.g the bonus arrangement and performance share plan ("PSP") applies to both.

Aligned with shareholders – in order to motivate Executive Directors and incentivise the delivery of sustained performance over the long term, and to promote alignment with shareholders' interests.

Aligned with clients – the continued strategy to become the pre-eminent pensions consulting and administration firm in the UK at the same time as achieving sustainable growth through investing in client services, technology and staff demonstrates the commitment to provide an agile, high-quality and market-leading service that puts client satisfaction at the heart of the business.

Aligned with financial performance – to motivate Executive Directors and support the delivery of the Group's financial and strategic business targets.

Competitive – remuneration packages are reviewed annually and benchmarked by reference to the external market. This allows us to attract and retain highly talented people, who know that good performance will be rewarded.

Designed to encourage retention – deferred variable remuneration does not give rise to any immediate entitlement. PSP awards normally require the participant to be employed continuously by the Group until at least the third anniversary of grant in order to vest in full.

Our Executive Directors' remuneration at a glance

Our current remuneration structure

		2020	2021	2022	2023	2024	Key features of the policy	How we implemented the policy
Fixed Pay	Salary and benefits	⟶					Broadly aligned with the pay budget for other employees	**No salary increment since 2018**
Short-term variable pay Financial/functional and personal objectives set with reference to business plans approved by the Board	Cash bonus	⟶					>The maximum opportunity is 150% of salary and potentially payable in cash and deferred shares. Malus and clawback provisions apply. > Bonus is payable subject to the achievement of performance conditions (financial and personal objectives) which will be set by the Remuneration Committee. Malus and clawback provisions apply.	**The Co-CEO's were awarded 45% of salary and the CFO was awarded 33.75% of salary, as determined by the Remuneration Committee.** **2019 bonuses were paid on financial performance as well as personal objectives (detailed on pages 89 to 90).**
Long-term variable pay Stretching performance conditions measured over a three-year period with a further two-year post -performance holding period. Performance conditions based upon adjusted earnings per share / TSR to comparator group.	XPS Performance Share Plan ('PSP')	⟶	⟶	⟶	⇢	⇢	> Maximum 'normal' grant level is 150% of salary. Malus and clawback provisions apply. > Aligned with long-term business strategy to become the pre-eminent pensions consulting and administration firm in the UK and delivery of shareholder value due to strong cash generation and non-cyclical demand for services.	**The February 2017 PSP award is subject to underlying EPS performance and relative TSR performance to 31 March 2020. The overall payout for the award is equal to 40.3% of maximum.**
Share ownership guidelines	Share ownership guidelines	⟶	⟶	⟶	⟶	⟶	> Significant share ownership guidelines for all Executive Directors as follows; No maximum but no less than 200% of salary for all Executive Directors.	

Remuneration at a glance: pay outcomes for the year

2019/20 Fixed remuneration

Base salary		Pension	
Co-CEOs £288,000	CFO £202,207	Co-CEOs 6% of salary	CFO 6% of salary

These pension contributions are in line with the average contribution levels across the Group.

Annual bonus

The financial element of these bonuses is based on Group Profit Before Tax ('PBT'). The reported Group Adjusted PBT for 2019/20 would normally have resulted in a bonus payment of 42% of the maximum for this element of the bonus. When combined with the performance against strategic objectives, this would have led to bonuses of 50% of the maximum. However, following discussions with the Executive Directors, the Remuneration Committee agreed that the level of bonus payable be reduced from 50% of maximum to 30% of maximum. This has resulted in the bonus outturn for the Executive Directors being aligned with that for other members of staff. Details of financial and personal objectives can be found on pages 89 to 91.

£m	Threshold (£0,00)	Target (£0,00)	Maximum (£0,00)	Actual (£0,00)	Payout (% of this element)
Group Adj. PBT (75% of potential)	23,400	24,886	25,621	24,100	42%

Delivering fair and reasonable remuneration

The Remuneration Committee continues to ensure a robust link between strategy, reward and performance whilst remaining committed to fairness and transparency.

Margaret Snowdon, OBE
Chair of the Remuneration Committee

Membership and attendance

Chair	
Margaret Snowdon	6/6
Committee members	
Tom Cross Brown	6/6
Alan Bannatyne	6/6
Sarah Ing	6/6
Attending by invitation	
Co-CEOs	
CFO	
COO	
HR Director	

Dear Shareholder,
XPS Pensions Group has continued to make good progress against the strategy the Board has agreed. During the year ended 31 March 2020, we have completed the exit from the Transitional Services Agreement with Punter Southall Group, continued to develop the XPS brand, continued to expand the Group with the acquisitions of RL Corporate Pension Services Limited and Trigon Professional Services Limited and won awards for Pensions Actuarial Firm of the Year and Third Party Administrator of the Year at the UK Pensions Awards 2019. We have also achieved some very encouraging new business wins.

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 9% with Adjusted Diluted Earnings Per Share remaining constant with the prior year. This builds on growth in Adjusted Diluted Earnings Per Share since XPS was floated on the London Stock Exchange in 2017 of 35%.

Board and Committee changes
During the year, Mike Ainslie stepped down from the Board and his appointment as Chief Financial Officer. Snehal Shah was appointed Executive Director and Chief Financial Officer, effective July 2019. Sarah Ing was appointed to the Board as an Independent Non-Executive Director effective May 2019. Remuneration/fee arrangements for both new Directors are set out within this report. Upon appointment, Sarah Ing also joined the Remuneration Committee. The Committee is now formed of Tom Cross Brown, Alan Bannatyne, Sarah Ing and myself.

Engaging with our stakeholders
Shareholders
At last year's Annual General Meeting held on 12 September 2019, the Remuneration Committee was pleased that shareholders approved the Remuneration Report with 99.96% of votes for, an increase from 79.99% the prior year. We are grateful for the ongoing shareholder engagement and constructive feedback allowing us to ensure we are able to reflect the views of shareholders in the decisions that the Remuneration Committee makes.

Employees
The Employee Engagement Group, chaired by myself as Designated Employee Engagement Non-Executive Director, considers Executive Director Remuneration, taking account of employee views. The Employee Engagement Group was set up with the purpose of providing an 'employee voice' to the Board by raising any matters or issues highlighted by employees. It is a forum for employees to share ideas and concerns with the Board in a consultative manner and is not a decision-making group. One area of focus for the Employee Engagement Group is reward and remuneration of Executive Directors; members are asked to provide feedback on the Directors' Remuneration Policy and their remuneration arrangements. This improves engagement between the Board and Group employees.

"Seeing the Remuneration Committee engage in open discussion with the Employee Engagement Group on the proposed Policy has been beneficial in increasing my confidence in our internal processes and my motivation to work for a company which values the opinions of their employees from all locations and at all levels of seniority."

Abigail Watts – Consultant
Member of the Employee Engagement Group

Directors' Remuneration Policy

The current Directors' Remuneration Policy was approved by shareholders at the 2017 AGM and therefore is due for renewal which will be sought at the 2020 AGM. Due to the ongoing COVID-19 pandemic, the Company has been unable to hold meetings with shareholders to fully consult on the updated policy as would have been preferred. Therefore the Company has updated the policy to satisfy the Corporate Governance Code 2018 required changes and intends to seek approval for an updated Directors Remuneration Policy again at the Company's 2021 AGM.

The proposed Directors' Remuneration Policy can be found on pages 79 to 85. The Committee has considered the factors set out in Provision 40 of the Corporate Governance Code 2018. Remuneration is designed to be relatively simple and fully disclosed in the Directors' Remuneration Report. The size of potential awards under the annual bonus and the PSP is capped and not considered excessive in the context of wider market practice. In line with the Code, when determining variable pay outcomes the Committee will look at performance in the round, including from a risk perspective, to ensure that pay-outs are reflective of overall performance and the shareholder experience. We set targets under the incentive schemes which are designed to be challenging but achievable and which do not encourage inappropriate risk-taking. All variable pay awards are also subject to malus and clawback. We believe that the strong governance culture across the Group is reflected by the rigour with which executive remuneration is considered by the Committee.

Remuneration of the Executive Directors for 2020/21

The table below summarises our intended approach to the remuneration of the Executive Directors for 2020/2021.

Component of remuneration	Summary of approach
Base salary and benefits	Base salary and benefits are reviewed annually on 1 April in light of a number of factors, including the approach to salary reviews more generally across the Group. Annual salary reviews have been deferred until 1 October 2020, due to the ongoing COVID-19 pandemic. The base salaries of the Co-Chief Executive Officers have not been increased for the 2020/21 financial year and therefore remain: Ben Bramhall – £288,000 Paul Cuff – £288,000 On 1 October 2020. The base salary for the Chief Financial Officer will be increased by 2% and will be therefore: Snehal Shah – £243,270
Pension	Defined contribution/cash supplements of 6% are paid and are aligned with the levels available for employees.
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 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 with a requirement to maintain a shareholding post cessation of employment being introduced.

Annual bonus payments for 2019/20

The financial element of these bonuses is based on Group Profit Before Tax ('PBT'). The reported Group Adjusted PBT for 2019/20 would normally have resulted in a bonus payment of 42% of the maximum for this element of the bonus. When combined with the performance against strategic objectives, this would have led to bonuses of 50% of the maximum. However, following discussions with the Executive Directors, the Remuneration Committee agreed that the level of bonus payable be reduced from 50% of maximum to 30% of maximum. This has resulted in the bonus outturn for the Executive Directors being aligned with that for other members of staff.

On this basis, the bonus outturn for 2019/20 for the Executive Directors is as follows:

Executive Director	% of salary	% of bonus maximum
Ben Bramhall	45%	30%
Paul Cuff	45%	30%
Snehal Shah	33.75%	30%

Vesting outcomes for the 2017 PSP awards

The February 2017 PSP award is subject to underlying EPS performance and relative TSR performance to 31 March 2020. The overall pay-out for the award is equal to 40.3% of maximum.

The Committee considers that the Remuneration Policy operated as intended during 2019/20 and that remuneration outcomes are consistent with the Group performance and appropriately reflect performance delivered for our shareholders over the respective periods. Other than that mentioned above, the Committee felt that no discretion needed to be applied for these remuneration outcomes.

Updated share arrangements for employees

The Remuneration Committee has considered updated share arrangements for all employees across the Group, excluding the Executive Directors. The Company will grant deferred Restricted Stock Units ('RSUs') under the Company's existing Performance Share Plan ('PSP'). The awards will have a three-year vesting period, dependent upon remaining in employment with the Company, and no underlying performance conditions attached. The award levels have been correspondingly reduced. The Company believes these arrangements will be viewed as valuable by staff, in comparison to the current arrangements, acting as an effective tool for retention and attraction of the best talent whilst maintaining a direct link to the Company's share price.

Other activities to note

The Remuneration Committee reviewed the Group's gender pay gap analyses and action plans. I have also played an active role throughout the year on the Group's Diversity, Equality and Inclusion Working Group, in addition to chairing the Employee Engagement Group.

I trust that you find this report to be informative and transparent and I hope to receive your support for the Directors' Remuneration Policy and Report at the AGM. I am keen to encourage ongoing open dialogue with our shareholders regarding executive remuneration and welcome all engagement.:

Margaret Snowdon, OBE
Chair of the Remuneration Committee
24 June 2020

Directors' Remuneration Policy 2020

This Remuneration Policy, which has been approved by the Board, 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 as set out in this section of the Directors' Remuneration Report will take effect for all payments made to Directors with effect from the conclusion of the forthcoming AGM (in place of the current policy approved at the 2017 AGM). The new policy is very similar to the current one, save for the following minor changes to the way it is operated for Executives:

- Pension provision is capped at 6% of salary, rather than 8% permitted under the previous policy;
- Remuneration Committee ability to adjust the PSP outturn has been incorporated (this ability was already in place for the annual bonus);
- Clawback and malus provisions applied to the annual bonus and PSP have been updated; and
- Post-cessation share ownership guideline is being introduced.

Element and purpose	Policy and operation	Maximum	Performance measures
Base salary 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. Other elements of remuneration may also change. In these cases, any exceptional increase will not exceed 20% of salary a year.	n/a
Benefits in kind 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
Pension To provide retirement benefits	Executive Directors participating in the pension plan benefit from matching annual Group contributions of 6% 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 6% of salary. Executive Directors' employer's contribution levels are aligned to the contribution levels for the majority of the workforce.	n/a

Element and purpose	Policy and operation	Maximum	Performance measures
Annual bonus To motivate Executive Directors and support the delivery of the Group's financial and strategic business target over a one-year operating cycle	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. The Remuneration Committee retains the flexibility to pay annual bonus outcomes in cash and/or deferred shares (which may allow for dividend roll-up). Clawback and malus provision apply as explained in more detail in the notes to this Policy table.	The maximum annual bonus opportunity is 150% of base salary. For 2020/21, the maximum opportunity will be 150% of base salary for the Co-CEOs and 112.5% of salary for the other Executive Directors.	Bonuses will be payable subject to the achievement of performance conditions which will be set by the Remuneration Committee. 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 payout of more than 20% of the maximum portion of overall annual bonus attributable to that measure, with a sliding scale to full payout 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 retains the discretion to adjust the bonus outturn accordingly.
Performance Share Plan To motivate Executive Directors and incentivise the delivery of sustained performance over the long term, and to promote alignment with shareholders' interests	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. 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). 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. Clawback and malus provisions applied are explained in more detail in the notes to this Policy table.	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% allowable in exceptional circumstances.	The Remuneration Committee may impose such conditions as it considers appropriate which must be satisfied before any award will vest. All awards made to Executive Directors will be subject to performance conditions which measure performance over a period normally no less than three years. No more than 25% of awards vest for attaining the threshold level of performance. Formulaic outcome of all PSP performance measures will also be subject to the Committee considering that the proposed levels, 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 retains the discretion to adjust the PSP outturn accordingly.

Element and purpose	Policy and operation	Maximum	Performance measures
Share ownership guidelines To promote stewardship and to further align the interests of Executive Directors with those of shareholders	The share ownership guidelines encourage Executive Directors to build or maintain (as appropriate) a shareholding in the Company. 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. From the 2020 AGM, Executive Directors will be required to maintain a shareholding in the Company for a two-year period after stepping down from that position, being in the first year, the lesser of the guideline level or the Executive Directors' actual relevant shareholding at leaving and reducing to 50% of this requirement in the second year. For the purpose of this requirement, the Executive Directors' actual relevant shareholding will include shares vesting under any of the Company's discretionary share incentive arrangements (including any deferred bonus shares) from awards granted after the date the policy was adopted but excludes shares acquired and the release of shares under share incentive plans where the grant occurred prior to the adoption of the policy. The Committee will retain the discretion to remove the holding requirement if it is deemed to be inappropriate.	No maximum level but not less than 200% of base salary for any Executive Director.	n/a
All-employee share plans 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	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. These all-employee share plans are established under HMRC tax-advantaged regimes and follow the usual form for such plans.	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.	Consistent with normal practice, such awards would not be subject to performance conditions.

Element and purpose	Policy and operation	Maximum	Performance measures
Chairman and Non-Executive Directors' fees To enable the Company to recruit and retain Company Chairs and Non-Executive Directors of the highest calibre, at the appropriate cost	The fees paid to the Chairman and Non-Executive Directors aim to be competitive with other listed companies of equivalent size and complexity. 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. The Chairman and Non-Executive Directors do not participate in any new cash or share incentive plans. 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. 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. 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 or other Board Committees or to the Designated Employee Engagement NED 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..	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. Any increases in fee levels made will be appropriately disclosed.	n/a

Notes to the Policy table

1. **Stating maxima for each element of the Remuneration Policy**
   The Regulations and related investor guidance encourage companies to disclose a cap within which each element of the Directors' Remuneration Policy will operate. Where maximum amounts for elements of remuneration have been set within the Policy, these will operate simply as caps and are not indicative of any aspiration.
2. **Travel and hospitality**
   While the Committee does not consider it to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality, whether paid for by the Company or another, and business travel for Directors (and in exceptional circumstances their families) may technically come within the applicable rules, and so the Committee expressly reserves the right for the Committee to authorise such activities.
3. **Past obligations**
   In addition to the above elements of remuneration, any commitment made prior to, but due to be fulfilled after, the approval and implementation of this Remuneration Policy will be honoured.
4. **Malus/clawback**
   The Committee may apply malus (being the ability to withhold or reduce a payment/vesting) and clawback (the ability to reclaim some or all of a payment/vesting) to an award under the annual bonus or PSP where there are circumstances which would justify such action. The relevant circumstances where these powers of recovery may operate include:
   - the Company materially misstated its financial results for any reason and that misstatement would result or resulted either directly or indirectly in an award being granted or vesting to a greater extent than would have been the case had that misstatement not been made;
   - the extent to which any performance target and/or any other condition was satisfied was based on an error, or on inaccurate or misleading information or assumptions which resulted either directly or indirectly in an award being granted or vesting to a greater extent than would have been the case had that error not been made;
   - circumstances arose (or continued to arise) during the vesting period (including any holding period) of an award which would have warranted the summary dismissal of the participant; or
   - there is a sufficiently significant impact on the reputation of the Company (including a Company failure) to justify the operation of malus or clawback.

Normally, clawback can operate for up to two years following the vesting of an award.

5. **Performance conditions**
   The performance-related elements of remuneration take into account the Group's risk policies and systems, and are designed to align the senior executives' interests with those of shareholders. The Committee reviews the metrics used and targets set for the Group Executive Directors and senior management (not just the Executive Directors) every year, in order to ensure that they are aligned with the Group's strategy and to ensure an appropriate level of consistency.
6. **Differences between the Policy in respect of Remuneration for Directors and the Policy on remuneration for other staff**
   While the appropriate benchmarks vary by role, the Company seeks to apply the philosophy behind this policy across the Company as a whole. Where the Group's pay policy for Directors differs from its pay policies for groups of staff, this reflects the appropriate market rate position and/or typical practice for the relevant roles. The Company takes into account pay levels, bonus opportunity and share awards applied across the Group as a whole when setting the Executive Directors' Remuneration Policy.
7. **Committee discretions**
   The Committee will operate the annual bonus plan and PSP according to their respective rules and the above Remuneration Policy table. The Committee retains discretion, consistent with market practice, in a number or respects, in relation to the operation and administration of these plans. This discretion includes, but is not limited to, the following:
   - The selection of participants;
   - The timing of grant of awards;
   - The size of an award/bonus opportunity subject to the maximum limits set out in the Remuneration Policy table and the rules of the relevant plan;
   - The determination of performance against targets and resultant vesting/pay-outs;
   - Discretion required when dealing with a change of control or restructuring of the Company;
   - Determination of the treatment of leavers based on the rules of the relevant plan and the appropriate treatment chosen;
   - Adjustments required in certain circumstances (e.g. rights issue, corporate restructuring events and special dividends); and
   - The annual review of performance measures, weightings and targets from year to year.

In addition, while performance measures and targets used in the annual bonus plan and PSP will generally remain unaltered, if events occur which the Committee determines would make a different or amended target a fairer measure of performance, such amended or different targets can be set provided they are not materially more or less difficult to satisfy, having regard to the event in question.

Any use of the above discretion would, where relevant, be explained in the Annual Report on Directors' Remuneration and may, where appropriate and practicable, be the subject of consultation with the Company's major shareholders.

The Committee may make minor amendments to the Remuneration Policy set out above for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without obtaining shareholder approval for that amendment.

Remuneration Policy on recruitment

The Company's recruitment remuneration policy aims to give the Committee sufficient flexibility to secure the appointment and promotion of high-calibre executives to strengthen the management team and secure the skill sets to deliver our strategic aims.

In terms of the principles for setting a package for a new Executive Director, the starting point for the Committee will be to apply the Remuneration Policy for Executive Directors as set out above and structure a package in accordance with that Policy. Consistent with the DRR Regulations, any caps contained within the policy for fixed pay do not apply to new recruits, although the Committee would not envisage exceeding these caps in practice unless absolutely necessary.

The annual bonus plan and PSP, including the maximum award levels, will operate as detailed in the general Remuneration Policy in relation to any newly-appointed Executive Director. For an internal appointment, any variable pay element awarded in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment as appropriate.

For both external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as it considers appropriate.

For external candidates, it may be necessary to make additional awards in connection with the recruitment to buyout awards forfeited by the individual on leaving a previous employer. Any recruitment-related awards which are not buyouts will be subject to the limits of the annual bonus plan and PSP as stated in the general policy. Details of any recruitment-related awards will be appropriately disclosed.

For any buyouts the Company will not pay more than is necessary in the view of the Committee and will be limited in value to what the Committee considers to be a fair estimate of the value of the awards foregone. The Committee will in all cases seek, in the first instance, to deliver any such awards under the terms of the existing annual bonus plan and PSP. It may, however, be necessary in some cases to make buyout awards on terms that are more bespoke than the existing annual bonus plan and PSP.

All buyouts, whether under the annual bonus plan, PSP or otherwise, will take due account of the service obligations and performance requirements for any remuneration relinquished by the individual when leaving a previous employer. The Committee will seek, where it is practicable to do so, to make buyouts subject to what are, in its opinion, comparable requirements in respect of service and performance. However, the Committee may choose to relax this requirement in certain cases, such as where the service and/or performance requirements are materially completed, or where such factors are, in the view of the Committee, reflected in some other way, such as a significant discount to the face value of the awards forfeited, and where the Committee considers it to be in the interests of shareholders.

Service contracts

Executive Directors

Ben Bramhall and Paul Cuff entered into a service agreement with the Company that was effective upon Admission and dated 16 February 2017. Snehal Shah entered into a service agreement with the Company that was effective 28 May 2019, the date of his employment beginning, although Snehal was not appointed as Chief Financial Officer until FCA approval was received on 9 July 2019. 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.

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 nine months' written notice for the Co-CEO, six months for CFO 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.

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 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 three 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 three years under the Articles but intend to retire and submit themselves for re-election by shareholders each year at the annual general meeting.

Remuneration Policy on termination
The Committee will consider treatments on a termination having regard to all of the relevant facts and circumstances available at that time. This policy applies both to any negotiations linked to notice periods on a termination and any treatments that the Committee may choose to apply under the discretions available to it under the terms of the annual bonus plan and PSP. The potential treatments on termination under these plans are as follows:

Annual bonus plan
If an Executive Director resigns or is dismissed for cause before the bonus payment date, the right to receive any bonus normally lapses (unless the Committee determines otherwise). If an Executive Director ceases employment before the bonus date because of death, injury, ill health, disability or any other reason determined by the Committee, such bonus will be payable as the Committee in its absolute discretion determines taking into account the circumstances for leaving, time in employment and performance. Similar treatment will apply in the event of a change in control of the Company.

Performance Share Plan ('PSP')
The Committee's Policy is in accordance with the rules of the Performance Share Plan 2017. If, during the performance or vesting period, a participant:
- resigns or is dismissed for cause, awards will normally lapse in full; and
- ceases to be employed due to death, ill health, injury or disability, retirement with the agreement of the participant's employer, redundancy, the sale or transfer of the participant's employing company or business out of the Group (other than on change of control), or for other reasons specifically approved by the Committee, the award will vest immediately to the extent that the Committee determines. The Committee will determine the extent to which an award will vest taking into account the extent to which the performance conditions have been met and, where appropriate, the period that has expired to the date of cessation.

If a participant ceases employment during the holding period, performance-vested awards will normally be retained and vest as normal at the end of the holding period (unless the Committee exercises its discretion to allow awards to vest early on cessation in suitable cases).

The all-staff Share Save scheme provides treatments for leavers in line with HMRC rules for such plans.

The Company has the power to enter into settlement agreements with Directors and to pay compensation to settle potential legal claims. In addition, and consistent with market practice, in the event of the termination of an Executive Director, the Company may make a contribution towards that individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees will be disclosed as part of the detail of termination arrangements.

External appointments
The Company's policy on external appointments permits an Executive Director, subject to the approval of the Chairman, to serve as a Non-Executive director for normally no more than one other organisation where this does not conflict with the individual's duties to the Company. When an Executive Director takes such a role, they may be entitled to retain any fees which they earn from that appointment.

Statement of consideration of employment conditions elsewhere in the Company
The Committee receives regular updates on overall pay and conditions in the Company which enables it to take the wider workforce remuneration into account when setting the policy for executive remuneration. Whilst the Committee does not consult directly with employees as part of the process for reviewing executive pay, the Committee does receive insights from the broader employee population via an employee engagement group. Accordingly, the Committee confirms that the new Policy has been designed with due regard to the policy for remuneration of employees across the Group.

The Remuneration Policy for other employees is based on broadly consistent principles as described above. Annual salary reviews across the Company take into account Company performance, relevant pay and market conditions and salary levels for similar roles in comparable companies.

Other members of senior management participate in similar annual bonus arrangements to the Executive Directors, although award sizes vary by organisational level. Share incentive awards may also be granted to a broader population than the Executive Directors although the award sizes and terms of the awards vary. The Company operates discretionary bonus schemes for eligible groups of employees under which a bonus is payable subject to the achievement of appropriate targets. All eligible employees may participate in the Company's Share Save scheme on identical terms.

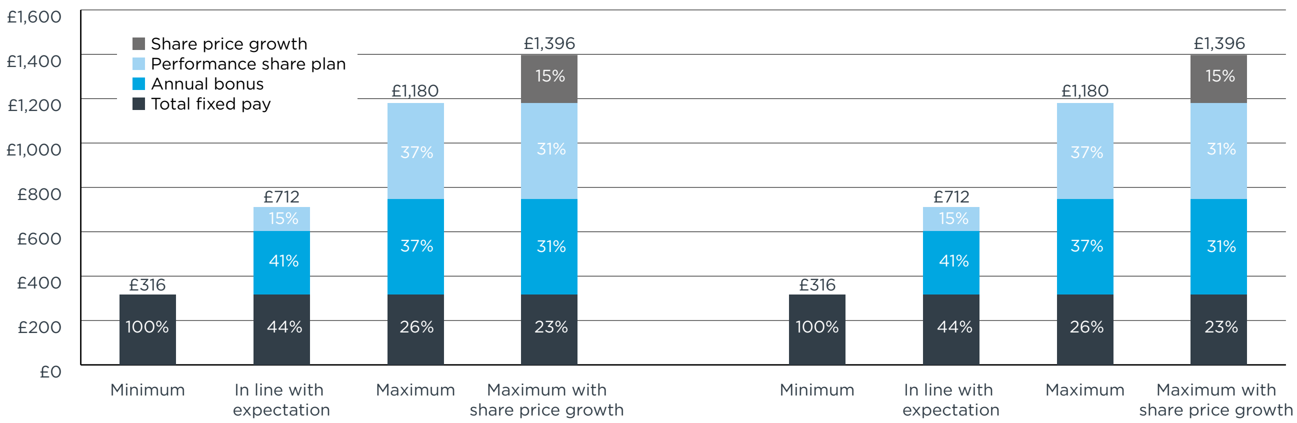
Statement of consideration of shareholders' views
The Committee considers shareholder views received during the year and at each AGM, as well as guidance from shareholder representative bodies more broadly, when determining the remuneration policy and its implementation. The Committee seeks to build an active and productive dialogue with investors on developments on the remuneration aspects of corporate governance generally and it will consult with major shareholders in advance of any material change to the structure and/or operation of the policy and will seek formal shareholder approval for any such change if required.

Illustrations of application of the Directors' Remuneration Policy

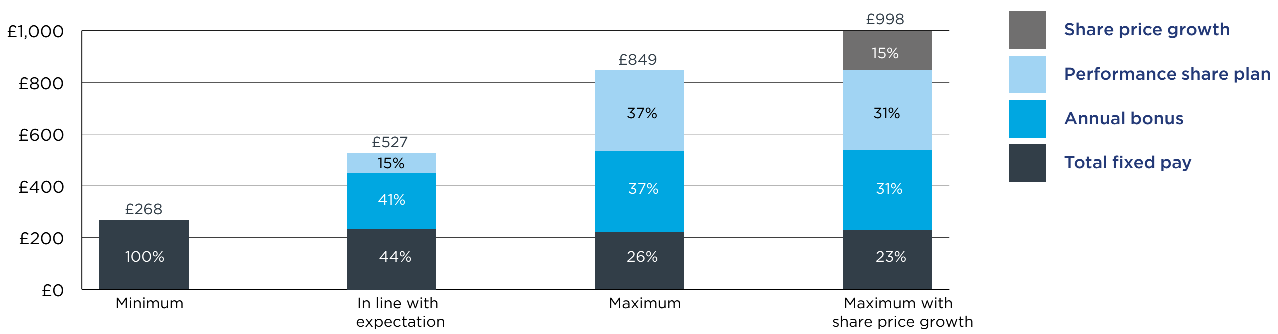
The charts below show how the Remuneration Policy set out above will be applied for Executive Directors in the financial year 2020/21 based on three performance scenarios and using the assumptions below.

Minimum	• Consists of base salary, benefits and pension; • Base salary is the salary to be paid in the 2020/21 financial year; • Benefits measured as benefits paid in the year ended 31 March 2020; and • Pension measured as the defined contribution or cash allowance in lieu of Company contributions of 6%
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 CFO • PSP: consists of the face value of awards (150% of base salary for Co-CEOs and 125% of base salary for the CFO) 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

Ben Bramhall – Co-Chief Executive **Paul Cuff – Co-Chief Executive**



Snehal Shah – Chief Financial Officer



ANNUAL REPORT ON REMUNERATION

Remuneration Committee membership

The Remuneration Committee is chaired by Margaret Snowdon OBE, who is an Independent Non-Executive Director. Tom Cross Brown, Alan Bannatyne and Sarah Ing are also members of the Committee. Sarah Ing joined the Committee with effect from her appointment date of 17 May 2019. 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. All members attended every Committee meeting throughout the year; the attendance table can be found on pages 52 to 53.

Other individuals, such as the Co-Chief Executive Officers, the Chief Financial Officer, the Chief Operating Officer, the HR Director 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 has formal terms of reference which can be viewed on the Company's website: 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 2019/20 financial year were £78,472 (2018/19: £88,492). FIT's fees are charged on the basis of the firm's standard terms of business for advice provided.

Service contracts

The Executive Directors service contracts are of indefinite duration. Tom Cross Brown, Alan Bannatyne and Margaret Snowdon's current 3 year appointment terms expire on 23 January 2023. Sarah Ing's current three-year appointment term expires on 6 May 2022.

The following (audited) section provides details of how the Directors were paid during the financial year to 31 March 2020.

Director		Salary/fees £	Taxable benefits[6] £	Bonus[7] £	Long-term incentives[8] £	Pension[9] £	Total remuneration £
Executive Directors							
Ben Bramhall	2020	288,000	10,850	129,600	142,823	20,793[1]	592,066
	2019	288,000	11,206	51,840	–	11,757	362,803
Paul Cuff	2020	288,000	10,850	129,600	142,823	20,793[1]	592,066
	2019	288,000	11,206	51,840	–	11,757	362,803
Mike Ainslie[2]	2020	63,000	2,476	–	37,472	2,812	105,760
	2019	252,000	10,301	34,020	–	11,248	307,569
Snehal Shah[3]	2020	202,207	8,601	67,078	–	13,009	290,895
	2019	–	–	–	–	–	–
Jonathan Bernstein	2020	–	–	–	–	–	–
	2019	252,000	10,981	34,020	–	20,088	317,089
John Batting	2020	–	–	–	–	–	–
	2019	258,370	3,521	34,880	–	33,907	330,678

Non-Executive Directors							
Tom Cross Brown – Chair of Board & Chair of Nomination Committee	2020 2019	120,000 120,000	– –	– –	– –	– –	120,000 120,000
Alan Bannatyne – Chair of Audit & Risk Committee & Senior Independent Director	2020 2019	75,000 75,000	– –	– –	– –	– –	75,000 75,000
Margaret Snowdon – Chair of Remuneration Committee & Designated Employee Engagement NED	2020 2019	67,500[10] 65,000	– –	– –	– –	– –	67,500 65,000
Sarah Ing[4]	2020 2019	53,199 –	– –	– –	– –	– –	53,199 –
Jonathan Punter [5]	2020 2019	27,143 60,000	– –	– –	– –	– –	27,143 60,000
Total	2020 2019	1,184,049 1,658,370	32,777 47,215	326,278 206,600	323,118 –	57,407 88,757	1,923,629 2,000,942

1 Pension values for Ben Bramhall and Paul Cuff include backdated shortfall in pension contribution. The shortfall was in respect to associated increase in pension contributions following the annual salary increase in April 2018 and reflect what they were entitled to receive in pension contributions. The aggregate pension contribution received for 2019 and 2020 equates to 6% of salary over the two-year period.
2 Mike Ainslie retired from the Board of Directors on 30 June 2019.
3 Snehal Shah joined the Company on 28 May 2019.
4 Sarah Ing joined the Company on 17 May 2019.
5 Jonathan Punter retired from the Board of Directors on 12 September 2019.
6 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.
7 No element of annual bonus was deferred in respect of bonuses shown.
8 The outturn for the February 2017 PSP which vests in June 2020 is expected to be 40.3% and the vesting share price has been estimated at 136.7 pence, based on the three-month average share price ending 31 March 2020. The grant share price for the award was 139 pence and accordingly the relevant figures are reflective of a decrease of 1.6% in the Company's share price comparing the award price to the vesting price. Details of the performance measures and targets applicable to the 2017 PSP are set out on page 92.
9 Pension values shown all relate either to pension contributions or to cash allowances in lieu of pension.
10 Margaret Snowdon received an additional £5,000 fee for the role of Employee Engagement Non-Executive Director.

2019/20 annual bonus (audited)

The Executive Directors' annual bonus targets were set at the beginning of the financial year. The financial targets which account for 75% of the annual bonus were set based on Group PBT. The Group PBT targets set are shown below. The threshold target required an increase in operational performance from the prior year and the whole performance range was set above the prior year's range once the impact of exiting from the discounted Transitional Services Agreement, which led to an increase of approximately £2 million in 2019/20 costs, is incorporated (consistent with the adjustment to the cost base of the Group that was made when assessing the 2018/19 annual bonus as reported last year). For example, the threshold bonus target was 5% higher than the prior year after allowance for this adjustment, and the maximum bonus target was 15% above the prior year.

£m	Threshold (£0,00)	Target (£0,00)	Maximum (£0,00)	Actual (£0,00)	Payout (% of this element)
Group Adj. PBT (75% of potential)	£23,400	£24,886	£25,621	£24,100	42%

The personal performance goals which account for 25% 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.

The individual objectives which were used to assess performance are:

Ben Bramhall – Co-CEO

Measure	Target	Performance	Assessment
Employees Maintain high levels of staff engagement and embed a strong culture based on XPS values	• At least 75% of staff agreeing 'XPS is a good place to work' in annual employee survey	• 86% agree or strongly agree that XPS is a good company to work for (only 2% disagree). • Positive feedback recently received in relation to how the business has treated and communicated with staff regarding COVID-19	100%
Customers Relationships and services to clients	• Building strong professional relationships with major clients	• Key successes in year in relation to building relationships • Remaining 'Senior Retiree' clients successfully transitioned	75%
Strategy execution Make demonstrable progress in delivery of the strategy	• Measured by comparing transaction outcome to projections presented to the Board	• Progress made and work halted in relation to one project	50%
Efficiency and Process Improvement	• Implement common working and billing practices across the pensions business to achieve improved operational efficiency resulting in aggregate increase in realisation.	• Financial performance shows underlying EBITDA grew by more than revenue, after normalising for impact of TSA/bonus accrual, demonstrating increase in overall business efficiency.	75%

Paul Cuff – Co-CEO

Measure	Target	Performance	Assessment
Employees Maintain high levels of staff engagement and embed a strong culture based on XPS values	• At least 75% of staff agreeing 'XPS is a good place to work' in annual employee survey	• 86% agree or strongly agree that XPS is a good company to work for (only 2% disagree) • Positive feedback recently received in relation to how the business has treated and communicated with staff regarding COVID-19	100%
Customers Relationships and services to existing clients	• Building strong professional relationships with major clients	• Demonstrated successful development of relationships with a number of clients	50%
Achieve new client wins	• Achieve new client wins in the pensions business with expected 'full year' recurring revenue target	• Significant new client wins for Pensions and other service lines	75%
Strategy Execution Make demonstrable progress in delivery of the strategy	• Measured by comparing transaction outcome to projections presented to the Board	• A number of projects successfully executed during the year with good integration into the XPS Group • Other opportunities progressed	50%

Snehal Shah – CFO

Measure	Target	Performance	Assessment
Induction	• Ensure a smooth transition from the previous CFO • Build strong working relationships with key people within the business • Carry out a review of finance function to ensure it has appropriate post-TSA capabilities	• Transition from the previous CFO was managed effectively • Made highly effective changes to the finance team	100%
Internal Reporting	• Implement a revised monthly process to facilitate a robust review of the financial performance of the business	• The monthly process has been implemented and is working effectively with high-quality management information	100%
	• Improve the quality of Board materials including improved KPIs to provide more granular analysis of performance against our strategy and outlook	• Completed with positive Board feedback	75%
Budgeting & Forecasting	• Implement a budgeting and three-year forecasting process to facilitate Board approval of internal budgets and analyst guidance, as well as consideration of any business investment	• Rigorous reforecast and budgeting process introduced	75%
Investor relations Communication with shareholders, analysts and public markets	• Develop IR plan with appropriate level of granularity and KPIs within financial disclosures	• Frequent dialogue with shareholders and analysts with positive feedback from shareholders received • Increased analyst coverage	80%

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 light of the high standards of attainment of each of the Executive Directors' the Remuneration Committee assessed that performance against the targets would result in 75% of maximum for this element of bonus to be payable.

	Weightings	Outcomes		
		Ben Bramhall	Paul Cuff	Snehal Shah
Financial performance (% of this element)	75%	42%	42%	42%
Strategic performance (% of this element)	25%	75%	75%	75%
Total performance outcome (% of maximum)		50%	50%	50%
Total performance outcome (% of salary)		75%	75%	57%
Total performance outcome (£)		£217k	£217k	£112k
Agreed actual outcome (£) (1)		£130k	£130k	£67k

1. Following discussions with the executive directors, the Remuneration Committee agreed that the level of bonus payable be reduced from 50% of maximum to 30% of maximum. This has resulted in the bonus outturn for the Executive Directors being aligned with that for other members of staff.

Statement of Directors' shareholding and share interests (audited)

For each Director, the total number of Directors' interests in shares at 31 March 2020 was as follows:

Director	Ben Bramhall	Paul Cuff	Snehal Shah	Tom Cross Brown	Alan Bannatyne	Margaret Snowdon	Sarah Ing
Number of ordinary shares held as at 31 March 2020	1,536,578	796,406	–	38,861	36,594	30,303	15,000
Share ownership requirement (% of salary)	200%	200%	200%	n/a	n/a	n/a	n/a
Share ownership requirement met?	Y	Y	N	n/a	n/a	n/a	n/a
Holding as % of March 2020 salary	587%	304%	0%(1)	n/a	n/a	n/a	n/a
Number of ordinary shares held as at 31 March 2019	1,509,380	768,450	-	38,861	36,594	–	–

1. In line with the Directors Remuneration Policy, Snehal Shah will retain 50% of vested shares until he reaches the 200% ownership requirement. Snehal's awards remain unvested at present.

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 2020 and 24 June 2020.

Under the current share ownership guidelines, the Executive Directors are required to build and maintain a shareholding equivalent to at least 200% of salary. The new Directors' Remuneration Policy also introduces a requirement for Executive Directors to maintain a shareholding for a period after leaving the Board.

Awards granted in the year under the PSP (audited)

The following nominal cost option PSP awards were granted in September 2019. Reflecting the prevailing share price at the time of grant, the award levels for the Co-CEOs were reduced from the policy award level of 150% of salary to 125% of salary. The award level for the CFO was not adjusted as the award level reflected that agreed as part of the recruitment process.

These awards vest in 2022 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 on page 92.

Director	Date of grant	Basis of award (% of salary)	Face value of awards at grant[1]	Number of shares under award	Date of vesting
Ben Bramhall	18 September 2019	125%	360,000	313,043	September 2022
Paul Cuff	18 September 2019	125%	360,000	313,043	September 2022
Snehal Shah	18 September 2019	125%	298,125	259,239	September 2022

1. Based on the share price of £1.15 on 17 September 2019.

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 2019	Interests awarded during the year	Interests vested during the year	Interests lapsed during the year	Interests held at 31 March 2020	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
	18 September 2019	0.05p	—	313,043	—	—	313,043	September 2022
Paul Cuff	16 February 2017	0.05p	258,992	—	—	—	258,992	June 2020
	26 July 2018	0.05p	241,340	—	—	—	241,340	July 2021
	18 September 2019	0.05p	—	313,043	—	—	313,043	September 2022
Michael Ainslie	16 February 2017	0.05p	188,848	—	—	120,897	67,951	June 2020
	26 July 2018	0.05p	175,977	—	—	148,706	27,271	July 2021
Snehal Shah	18 September 2019	0.05p	—	259,239	—	—	259,239	September 2022

Vesting outcomes for the 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 June 2020 subject to performance relating to (i) adjusted Earnings per Share ('EPS') targets as to 50% of the award, and (ii) Relative Total Shareholder Return ('TSR') targets as to the remaining 50% of the award.

The original EPS target range required compound annual growth of 3% above CPI for threshold vesting, increasing to a requirement for growth of 7% above CPI for maximum vesting. As previously reported, with the agreement of the Executive Directors, the Remuneration Committee significantly raised the level of EPS growth required in the light of the strategic business planning work undertaken following grant.

The details of the revised EPS and TSR target ranges and performance against them are shown in the table below.

Diluted Adjusted EPS for the three-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%
Actual performance[1]:	
CAG of 11.3% above CPI	49.8%

1. Performance against the original EPS target range would have resulted in 100% of this portion of the award vesting. The measurement of the EPS performance took into account the impact of Board approved transactions completed since the date of grant of the awards that were not envisaged when the revised targets were set to ensure a like-for-like comparison. These were the disposal of the HR Trustees business and the Healthcare business. In addition, the impact of the use of shares held by the EBT to settle bonus payments has been neutralised by reducing the EPS for FY 2019/20 to ensure the outturn is an accurate reflection of operational 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%
Actual performance:	
Between median and upper quartile	30.9%

The TSR Comparator Group consisted 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.

Based on the above the percentage of the total award vesting is 40.3% of maximum. Details of the shares under award and their estimated value (based on the three-month average share price at 31 March 2020 of 136.7 pence per share) is as follows:

Executive	Maximum number of shares	Number of shares to vest	Number of shares to lapse	Estimated value vesting £[1]
Ben Bramhall	258,992	104,479	154,513	142,823
Paul Cuff	258,992	104,479	154,513	142,823
Michael Ainslie	67,951	27,412	40,540	37,472

1. Based on the three-month average share price to 31 March 2020.

The awards also receive the value of dividend equivalents.

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') 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 three-year period to the end of FY 2020/21	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%

XPS Pensions Group's TSR ranking vs a Comparator Group [1] 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%

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

2019/20 PSP Awards (granted in September 2019)

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 2022 subject to performance relating to (i) adjusted Earnings per Share ('EPS') targets as to 50% of the award, and (ii) Relative Total Shareholder Return ('TSR') targets as to the remaining 50% of the award. The EPS target range was set considering both the internal and external expectations for EPS performance over the next three years. The details of the EPS and TSR target ranges are shown in the table below.

Diluted Adjusted EPS[1] for the three-year period to the end of FY 2021/22	Portion of award vesting
Compound annual growth in EPS ('CAG') of less than 3% above CPI	0%
CAG of 3% above CPI	25%
CAG between 3% and 7% above CPI	Between 25% and 100% on a straight-line basis
CAG of 7% or more above CPI	100%

1. Measured by normalising to allow for the variance in costs due to the discount received by the Group in respect the Transitional Services Agreement and the use of shares held by the EBT to settle bonus payments, to ensure the outturn is an accurate reflection of operational performance.

XPS Pensions Group's TSR ranking vs a Comparator Group [2] 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%

2. The TSR Comparator Group consists of the constituents of the FTSE Small Cap Index (excluding investment trusts) 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)

Other than the payments to Mike Ainslie outlined on page 94, there were no payments to past Directors in the financial year 2019/20 (2018/19: nil).

Payments for loss of office (audited)

No payments were made to any Director in respect of loss of office in the financial year 2019/20 (2018/19: nil).

Compensation arrangements for Mike Ainslie

As reported in last year's Remuneration Report, Mike Ainslie stepped down as Chief Financial Officer with effect from 30 June 2019.

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

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

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

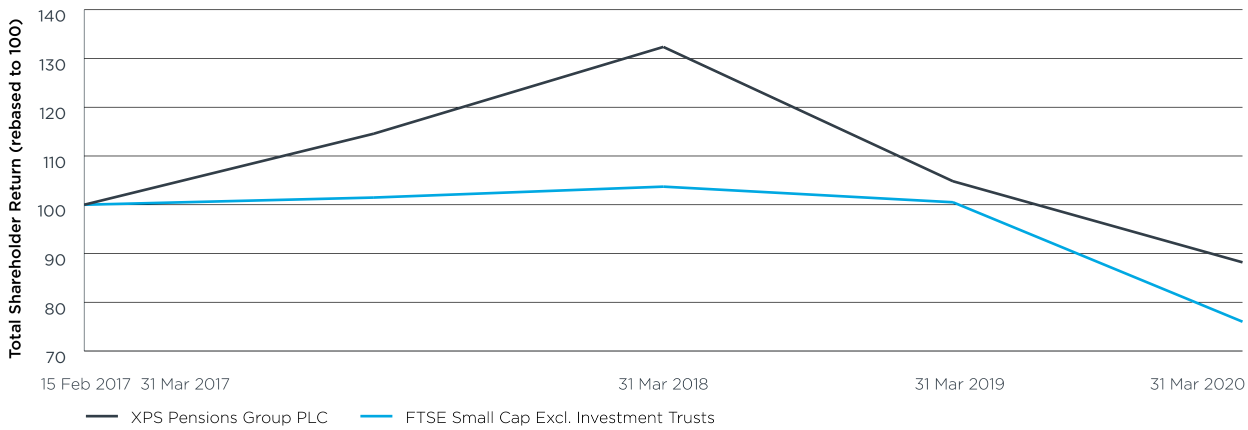
He did not participate in the 2019/20 bonus scheme (although he served for three months of the financial year) nor did he receive a 2019/20 PSP award.

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

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

Review of past performance and CEO remuneration table (unaudited)

The graph below shows the TSR of the Company and the FTSE Small Cap Index (excluding investment trusts) over the period from Admission to 31 March 2020. This is considered an appropriate comparator for XPS Pensions Group which is a constituent of the FTSE Small Cap Index.



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

		Single total figure of remuneration	Annual bonus payout as % of maximum	Long-term incentive vesting rates as % of maximum
2020	Ben Bramhall	£592,066	30%(1)	40.3%
	Paul Cuff	£592,066	30%(1)	40.3%
2019	Ben Bramhall	£362,803	12%(2)	n/a
	Paul Cuff	£362,803	12%(2)	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

1. The bonus was reduced with the agreement of the Co-CEO's from the formulaic outcome of 50%.
2. The bonus was reduced with the agreement of the Co-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	0%	0%	3%
Annual bonus	150%	150%	2%
All taxable benefits	(3)%	(3)%	(23)%

CEO pay ratio

The table below sets out the pay ratios for the Group Chief Executives in relation to the equivalent pay for the lower quartile, median and upper quartile employees (calculated on a full-time basis).

Year	Method		25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Option A	Total pay ratio	24:1	13:1	11:1

Notes:
1. The Company determined the remuneration figures at each quartile with reference to a date of 31 March 2020.
2. The Group used calculation option A as this is widely regarded as the method resulting in the most robust analysis.
3. The calculation is based on full-time equivalent FTE salary calculated on the same basis as the single figure table.
4. The Committee has reviewed the employee data and believes the median pay ratio to be consistent with the pay, reward and progression policies for the Company's UK employees over the period.

The total pay and benefits and the salary component of total pay and benefits for the employee at each of the 25th percentile, the median and the 75th percentile are shown below:

£	25th percentile	Median	75th percentile
Salary	£23,500	£32,366	£47,000
Total pay and benefits	£25,074	£34,920	£51,904

Relative importance of spend on pay (unaudited)

The table below details the change in total staff pay between financial years 2018/19 and 2019/20 as detailed in Note 10 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	2019/20 £'000	2018/19 £'000
Total gross staff pay	16%	56,077	48,484
Distributions to shareholders	2%	13,412	13,206

Statement of shareholder voting

The table below shows the outcome of the advisory vote on the 2018/19 Directors' Remuneration Report at the Annual General Meeting held on 12 September 2019 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 2017 AGM	122,743,535	98.40	1,993,027	0
Directors' Remuneration Report 2019 AGM	162,678,130	99.96	71,699	1,689,700

Implementation of Policy for 2020/21 (unaudited information)

Base salary

Base salaries are as follows; the next annual review will be effective from 1 April 2021.
- Ben Bramhall: £288,000
- Paul Cuff: £288,000
- Snehal Shah: £243,270 (inclusive of an increase of 2% planned under the annual salary review proceeding on 1 October 2020).

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 87. There is no intention to introduce additional benefits in 2020/21.

Pension
Contribution rates are currently 6% of base salary. 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.

Annual bonus
Bonus maxima of 150% of salary will be applied for the Co-Chief Executive Officers and 112.5% for the Chief Financial Officer.

The weightings are as follows: 75% 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% 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 2020/21 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 2020/21. 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 Small Cap 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.

The Non-Executive Directors are entitled to a fee of £60,000 p.a., with an additional fee of £10,000 p.a. for the Chair of the Audit & Risk Committee and £5,000 p.a. for each of the Senior Independent Director, Chair of the Remuneration Committee and to the designated Non-Executive Director for workforce engagement.

This report was reviewed and approved by the Board of Directors on 24 June 2020 and was signed on its behalf by:

Margaret Snowdon OBE
Chair of the Remuneration Committee
24 June 2020

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 2020. The Governance section on pages 50 to 96 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, engagement with stakeholders, 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 GB00BDDN1T20, SEDOL number BDDN1T2, 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:

Results and dividend

The Group's audited financial statements for the year ended 31 March 2020 are set out on pages 108 to 148 and the Company's audited financial statements are set out on pages 149 to 154. The Group's profit after taxation for the year ended 31 March 20120 was £7.4 million (2019: 11.5 million). An interim dividend of 2.3p per ordinary share (2019: 2.3p) was paid on 6 February 2020. The Directors recommend a final dividend for the year of 4.3p per ordinary share (2019: 4.3p) to be paid on 24 September 2020 to shareholders on the register on 28 August 2020. Further information regarding dividend policy and payments can be found in the Financial Review on page 30 and in Note 37 to the Financial Statements on page 148.

Post balance sheet events

There have been no significant post balance sheet events to report since 31 March 2020.

Directors

The current Directors of the Company, with summaries of their key skills and experience, are set out in the Governance section on pages 50 to 51 and 54. Directors on the Board during the year and up to the date of this report are as follows:

Tom Cross Brown
Ben Bramhall
Paul Cuff
Snehal Shah (appointed 9 July 2019)
Alan Bannatyne
Margaret Snowdon
Sarah Ing
Mike Ainslie (stepped down 27 June 2019)
Jonathan Punter (stepped down 12 September 2019)

Details of the Directors' service contracts are shown in the Report of the Remuneration Committee on page 80 to 81.

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 74 to 96.

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.

Information	Location within Annual Report
Likely future developments in the business of the Company	Strategic Report (pages 14 to 27)
Equality and diversity	Co-Chief Executive Officers' Report (page 10 to 13) and Corporate Governance Report (page 69)
Employee involvement	Co-Chief Executive Officers' Report (page 12), s172 Statement (page 46 to 47) and Corporate Governance Report (page 66)
Directors' share interests	Directors' Remuneration Report (page 91)
Emissions and energy consumption	Strategic Report (page 41)
Financial risk management objectives and policies	Note 2 to the financial statements (page 122)
Directors' regard to foster business relationships	Strategic Report (page 46 to 47)

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, who served as a Non-Executive Director during the year until 12 September 2019, is materially interested given his position as Chief Executive of PSGL. As mentioned previously, the TSA concluded ahead of the two-year agreement for the majority of Group functions.

Capital structure

The Company's issued ordinary share capital and total voting rights at 31 March 2020 and the date of this report were respectively 203,904,546 and 204,008,840 ordinary shares (each with a par value of 0.05p and all fully paid). There were no ordinary shares held in treasury. 512,407 ordinary shares were held in the Employee Benefit Trust. Further details of the Company's issued share capital are given in Note 29 of the Financial Statements on page 140.

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.

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 Xafinity Employee Benefit Trust holds 512,407 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 at the bottom of the page 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 2020 and 31 May 2020 (being the latest practicable date prior to publication of this Annual Report).

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 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 will offer themselves for re-election at the 2020 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 2019 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 2020 Annual General Meeting.

Political donations

No political contributions were made, or political expenditure incurred, by the Company and its subsidiaries during the year (2019: £nil).

Provisions on change of control

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

The Company's £90 million agreement with HSBC Bank plc and the Bank of Ireland in multicurrency revolving facilities, with a further uncommitted facility of up to £10 million, 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.

	At 31 March 2020		At 31 May 2020	
Shareholder	Number of ordinary shares	Percentage of total voting rights	Number of ordinary shares	Percentage of total voting rights
Punter Southall Group Limited	22,707,543	11.14	22,618,215	11.09
Schroder Investment Management	20,061,733	9.84	20,086,733	9.85
Gresham House	7,739,277	3.80	16,782,927	8.23
AXA Investment Managers	16,392,288	8.04	16,392,288	8.04
Invesco	15,721,116	7.71	15,711,599	7.70
Franklin Templeton Investments	13,219,633	6.48	13,619,633	6.68
Unicorn Asset Management	11,645,664	5.71	12,130,000	5.95

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.

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 65 of the Governance Report.

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 pages 80 and 85.
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 97 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 98 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:

Snehal Shah
Chief Financial Officer
24 June 2020

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 the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

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 Internal Communications and Company Secretarial teams 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.

Snehal Shah
Chief Financial Officer
24 June 2020

Financial Statements

Financial Statements

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 2020 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 2020 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 Directors' confirmation set out on page 100 in the Annual Report that they have carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the Annual Report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the Directors' statement set out on page 112 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 35 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.

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	How we addressed the key audit matter in the audit
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 separate performance obligations embedded in a contract, and the allocation of the transaction price to these performance obligations. Revenue is only recognised when performance obligations have been met. Identification of the separate performance obligations and price allocation is complex and involves judgement. Refer to Note 1 (Accounting Policies) in the financial statements for the revenue recognition policy. 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 the application of the standard.	We identified the Group's revenue streams and tested that the related revenue recognition policy is in accordance with IFRS 15. We utilised our IT audit specialists to assist in our review of revenue transactions and to identity transactions which did not appear to arise from standard billing arrangements. We then agreed a sample of any such transactions to underlying documentation to gain an understanding of the transaction and check that the related revenue had been appropriately recognised. We tested a sample of revenue transactions for each material income stream by agreeing back to timecard data, invoice, confirmation of approval to bill by project managers and receipt of payment to check the existence of revenue and that it was accurately recorded. 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 by reference to customers' payment trends historically. We tested deferred income on a sample basis by re-calculating deferrals based on invoice amounts and periods to which they relate and reviewing SSAS income for revenue deferrals not made. Where contracts exist, for a sample we have checked that revenue is being recognised in accordance with the terms of the contract as well as the requirements of applicable accounting standards. 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. **Key observations** Our testing did not identify any material misstatements in the amount of revenue recognised or issues with the revenue recognition policy and judgements made.

Key audit matter	How we addressed the key audit matter in the audit
Going concern and impairment considerations relating to Coronavirus During the course of the audit and finalisation of the financial statements, the potential impact of Coronavirus has become apparent. As a result, management (including the Board and Audit Committee) invested a significant amount of time to consider the implications to the Group. Refer to Note 1 (Accounting Policies) in the financial statements for the going concern consideration. Management considered implications for the Group's going concern assessment, impairment of intangibles and appropriate disclosure in the Annual Report and financial statements. No impairment of assets was considered necessary. Due to the level of judgement applied by management in performing their assessments this was considered to be an area of focus for our audit.	In relation to going concern we reviewed management's reverse stress test scenarios and the options available to management in order to mitigate the impacts. We challenged management on the key assumptions by considering the reasonableness of the inputs and by sensitising the outcomes included in the scenarios. These key assumptions include the impact on revenue, EBITDA and debt collection. We also confirmed management's mitigating actions are within their control. We reviewed post year-end cash collection to determine whether there had been any impact and reviewed post year-end management information to consider if revenues had been negatively impacted. We agreed to signed supporting documentation that bank covenants have been relaxed and reviewed forecasts to consider whether covenants are expected to be breached. We also confirmed that additional facilities have been granted. We considered the potential impact on the balance sheet, specifically around intangibles and right of use assets. This included a full impairment review for intangible assets which used the reforecast figures to consider the impact of Coronavirus. We reviewed the disclosures in the financial statements in relation to the potential impacts of the Coronavirus for consistency with the management's assessment.

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
Overall materiality	£546,000 (2019: £615,000)	£240,000 (2019: £240,000)
How we determined it	Materiality was based on 5% of profit before tax (2019: based on 5% of profit before tax excluding accelerated amortisation of £4.8 million for the Punter Southall brand). £546,000 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 44% (2019: 39%) of Group materiality.
Rationale for benchmark applied	We determined profit before tax as our benchmark for materiality on the basis that profit before tax is a key performance indicator used by the market.	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 1% to 91% of Group materiality.

Performance materiality was set at £382,000 (2019: £430,000) for the Group, representing 70% (2019: 70%) of materiality. 70% of materiality was selected as there have historically been a low number of audit adjustments, a limited number of balances are subject to estimation and based on our assessment of the overall control environment. The same percentage was applied to each component materiality including the Parent Company.

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £22,000 (2019: £25,000), being 4% (2019: 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, seven trading subsidiaries, all 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 entities were carried out by the Group audit team given the need for statutory audit requirements for all 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. The scope of the audit was tailored to ensure that specific testing was performed over the Key Audit Matters described above.

Capability of the audit to detect irregularities, including fraud

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.

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, Head of Risk, department Heads, the Board and the Audit Committee;
- enquiries of the legal team and compliance department including the Head of Compliance and Money Laundering Reporting Officer;
- 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 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. 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 100** – 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, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting set out on pages 70-73** – 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 50-65** – 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' Responsibility Statement set out on page 100, 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.

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. 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 at the AGM on 12 September 2019 to audit the financial statements for the year ended 31 March 2020. The period of total uninterrupted engagement is seven years, covering the years ended 31 March 2014 to 31 March 2020. We were first appointed by the Directors on 15 April 2013.

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.

BDO LLP

Simon Brooker
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
24 June 2020

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 2020

	Note	Year ended 31 March 2020			Year ended 31 March 2019		
		Trading items £'000	Non-trading and exceptional items £'000	Total £'000	Trading items £'000	Non-trading and exceptional items £'000	Total £'000
Revenue	8	**119,753**	**–**	**119,753**	109,890	–	109,890
Other operating income	4	**–**	**–**	**–**	–	6,459	6,459
Administrative expenses	9	**(93,488)**	**(12,824)**	**(106,312)**	(83,861)	(19,575)	(103,436)
Profit/(loss) from operating activities		**26,265**	**(12,824)**	**13,441**	26,029	(13,116)	12,913
Finance income	14	**8**	**–**	**8**	17	–	17
Finance costs	14	**(2,378)**	**–**	**(2,378)**	(1,760)	196	(1,564)
Profit/(loss) before tax		**23,895**	**(12,824)**	**11,071**	24,286	(12,920)	11,366
Income tax (expense)/credit	15	**(3,812)**	**140**	**(3,672)**	(4,225)	3,230	(995)
Profit/(loss) and total comprehensive income/(loss) for the year from continuing operations		**20,083**	**(12,684)**	**7,399**	20,061	(9,690)	10,371
Profit on discontinued operation, net of tax	16	**–**	**–**	**–**	1,137	–	1,137
Profit/(loss) after tax		**20,083**	**(12,684)**	**7,399**	21,198	(9,690)	11,508
Memo							
EBITDA		**30,430**	**(5,671)**	**24,759**	27,442	(1,386)	26,056
Depreciation and amortisation		**(4,165)**	**(7,153)**	**(11,318)**	(1,413)	(11,730)	(13,143)
Profit/(loss) from operating activities		**26,265**	**(12,824)**	**13,441**	26,029	(13,116)	12,913

				Pence			Pence
Earnings per share attributable to the ordinary equity holders of the Company:							
Profit or loss:							
Basic earnings per share	35	**9.9**	**–**	**3.6**	10.0	–	5.7
Diluted earnings per share	35	**9.6**	**–**	**3.6**	9.9	–	5.6
Profit or loss from continuing operations:							
Basic earnings per share	35	**9.9**	**–**	**3.6**	9.9	–	5.1
Diluted earnings per share	35	**9.6**	**–**	**3.6**	9.8	–	5.0

The notes on pages 112 to 148 form part of these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	17	**3,017**	2,104
Right-of-use assets	32	**12,965**	–
Intangible assets	18	**210,601**	208,218
Deferred tax assets	19	**669**	840
Other financial assets	20	**1,300**	1,000
		228,552	212,162
Current assets			
Trade and other receivables	21	**34,358**	33,075
Cash and cash equivalents	22	**14,432**	5,539
		48,790	38,614
Total assets		**277,342**	250,776
Liabilities			
Non-current liabilities			
Loans and borrowings	23	**70,186**	56,962
Lease liabilities	32	**10,269**	–
Deferred income tax liabilities	19	**17,561**	16,370
		98,016	73,332
Current liabilities			
Loans and borrowings	23	**–**	49
Lease liabilities	32	**2,538**	–
Provisions for other liabilities and charges	27	**2,743**	2,033
Trade and other payables	25	**19,349**	17,414
Current income tax liabilities	26	**994**	1,393
Deferred consideration	28	**757**	152
		26,381	21,041
Total liabilities		**124,397**	94,373
Net assets		**152,945**	156,403
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	29	**102**	102
Share premium	30	**116,797**	116,795
Merger relief reserve	30	**48,687**	48,687
Investment in own shares held in trust	30	**(529)**	(167)
Accumulated deficit	30	**(12,112)**	(9,014)
Total equity		**152,945**	156,403

The notes on pages 112 to 148 form part of these Financial Statements.

The Financial Statements were approved by the Board of Directors on 24 June 2020 and were signed on its behalf by:

Snehal Shah
Chief Financial Officer
24 June 2020
Registered number: 08279139

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	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 2018 (as restated for IFRS 15)	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 (note 37)	–	–	–	–	(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 (note 13)	–	–	–	–	2,859	2,859
Deferred tax movement in respect of long-term incentives (note 19)	–	–	–	–	(148)	(148)
Total contributions by and distributions to owners	–	13	298	–	(8,794)	(8,483)
Balance at 31 March 2019	102	116,795	(167)	48,687	(9,014)	156,403
Balance at 1 April 2019	**102**	**116,795**	**(167)**	**48,687**	**(9,014)**	**156,403**
Comprehensive income and total comprehensive income for the year	**–**	**–**	**–**	**–**	**7,399**	**7,399**
Contributions by and distributions to owners:						
Share capital issued	**–**	**2**	**–**	**–**	**–**	**2**
Dividends paid (note 37)	**–**	**–**	**–**	**–**	**(13,412)**	**(13,412)**
Shares purchased by employee benefit trust for cash	**–**	**–**	**(499)**	**–**	**–**	**(499)**
Share-based payment expense – equity settled from employee benefit trust	**–**	**–**	**137**	**–**	**637**	**774**
Share-based payment expense – IFRS 2 charge in respect of long-term incentives (note 13)	**–**	**–**	**–**	**–**	**2,132**	**2,132**
Deferred tax movement in respect of long-term incentives (note 19)	**–**	**–**	**–**	**–**	**146**	**146**
Total contributions by and distributions to owners	**–**	**2**	**(362)**	**–**	**(10,497)**	**(10,857)**
Balance at 31 March 2020	**102**	**116,797**	**(529)**	**48,687**	**(12,112)**	**152,945**

The notes on pages 112 to 148 form part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Cash flows from operating activities			
Profit for the year		**7,399**	11,508
Adjustments for:			
Depreciation	17	**856**	841
Amortisation	18, 32	**10,462**	12,302
Finance income	14	**(8)**	(17)
Finance costs	14	**2,378**	1,564
Gain on sale of discontinued operations before tax	16	**–**	(1,164)
Share-based payment expense	13	**2,132**	2,859
Other operating income	4	**–**	(6,459)
Income tax expense	15	**3,672**	1,262
		26,891	22,696
Increase in trade and other receivables		**(750)**	(3,698)
Increase in trade and other payables		**1,284**	64
(Decrease)/increase in provisions		**(428)**	387
		26,997	19,449
Income tax paid		**(3,539)**	(3,941)
Net cash inflow from operating activities		**23,458**	15,508
Cash flows from investing activities			
Finance income received	14	**8**	17
Acquisition of subsidiaries, net of cash acquired	7,28	**(7,544)**	(4,925)
Disposal of discontinued operations	21	**427**	550
Purchases of property, plant and equipment	17	**(2,021)**	(1,928)
Purchases of software	18	**(1,377)**	(715)
Increase in restricted cash balances – other financial assets	20	**(300)**	(1,000)
Net cash outflow from investing activities		**(10,807)**	(8,001)
Cash flows from financing activities			
Proceeds from the issue of share capital net of share issue costs	29	**2**	13
Proceeds from new loans net of capitalised costs		**13,250**	1,500
Sale of own shares		**774**	1,999
Purchase of ordinary shares by EBT		**(499)**	–
Interest paid		**(1,630)**	(1,644)
Lease interest paid		**(197)**	–
Payment of lease liabilities (2019: finance lease only)		**(2,046)**	(34)
Dividends paid to the holders of the parent		**(13,412)**	(13,206)
Net cash outflow from financing activities		**(3,758)**	(11,372)
Net increase/(decrease) in cash and cash equivalents		**8,893**	(3,865)
Cash and cash equivalents at start of the year		**5,539**	9,404
Cash and cash equivalents at end of year	22	**14,432**	5,539

The notes on pages 112 to 148 form part of these Financial Statements.

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 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 three 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.

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 — Over remaining life of the lease
- 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. In light of the COVID-19 pandemic in the UK, the Directors have undertaken additional assessments of the Group's ability to operate for the foreseeable future. This involved modelling various scenarios, including a worst case scenario, which is considered by the Directors to be prudent. Alongside the potential downturn in revenue, mitigating cost-saving actions have been identified to reduce any potential impact on the Group. Additionally, actions which the Group could take to protect the cash balance have been identified, if the situation requires them. These actions include reducing capital expenditure to exclude non-essential spend, and reducing or freezing discretionary cost items. The Directors have also negotiated a relaxation to the Group's banking covenants until September 2021, as well as access to an additional £10 million of loan facility, should this be required. The worst case scenarios modelled by the Directors indicate that with these additional funds, and the covenant relaxation, the Group is well placed to weather this outbreak and has sufficient liquidity to continue to operate and to discharge its liabilities as they fall due within the foreseeable future. The Directors, after reviewing the Group's budget and longer term forecast models, including the worst case scenario discussed above, 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, straight-line method
- Brands — 10 years, straight-line method
- Software — 3 to 5 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 straight-line basis and customer relationships recognised in 2013 which have an estimated useful life of 10 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.

1 Accounting policies continued

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.

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 required dilapidations 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 paid, 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 (contract assets for adjustments relating to fixed fees as described below). All performance obligations have been satisfied. Amounts billed in advance of work performed are deferred in the statement of financial position as deferred income (contract liabilities for adjustments relating to fixed fees as described below).

Performance obligations and timing of revenue recognition

Performance obligations in contracts with customers are typically satisfied as services are rendered. In most cases, revenue is recognised on an over time basis. This is because effort has been expended by the business on fulfilling the performance obligations in the contract and the contracts would require payment for time and effort spent by the Group on progressing the contracts in the event of the customer cancelling the contract for any reason other than the Group's failure to perform its obligations under the contract. Invoices are in most cases raised monthly, based on timesheet data for Pensions actuarial and consulting work and Pensions investment consulting. For Pensions Administration services, invoices are typically raised monthly based on services provided. Payments is typically due 30 days from date of invoice. The services by the Group range from actuarial and investment consultancy to administration of pension schemes. Additionally, the Group has a SSAS and SIPP business which provides services to small self-administered pension schemes and self-invested pensions plans. The Group also provides a defined contribution master pension trust for employers offering 'full freedom and choice', called the National Pension Trust.

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 revenue recognition adjustment to the regular invoice issued to the customer. 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 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.

Additionally, some of the fixed fee contracts include an element for investment strategic reviews. This is a distinct performance obligation, which has been assessed under IFRS 15 and it was determined that an adjustment is required to recognise the revenue for this performance obligation in the specific periods that the work is undertaken.

For the fixed fee customers where an adjustment is required, payment is made monthly over a three-year period. The revenue recognition for triennial valuations takes place over the 15-month period after the valuation date, so there can be up to 35 months variance between the date of billing and revenue recognition. For strategic reviews, the variance can also be up to 35 months, depending on the timing of the review within the three-year contract window. Any variance between the timing of payment and the timing of revenue recognition will be recognised as either a contract asset (where the performance obligations met to date exceed the value billed from the contract to date), or as a contract liability (where the value billed to date from the contract exceeds the performance obligations met to date).

1 Accounting policies continued

Determining the transaction price and allocating amounts to performance obligations

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 and/or the strategic review. This has been calculated based on the expected time required to perform these obligations for each specific customer. To ensure that the revenue is allocated to the relevant period, the Group has determined the timespan for the triennial valuation work, and the separate stages of this work. A percentage has been applied to each stage, based on the proportion of total effort. For strategic reviews, which are a smaller piece of work, the Group makes an assessment at the end of each relevant period of the percentage complete for each review.

Judgement is required for these contracts in determining the value attributable to the triennial valuation work and the strategic reviews, and also to the stage of completion at each reporting period. The judgements made are based on experience, and have been validated by comparison to timesheet data.

The remainder of revenue from fixed fee contracts is recognised on a monthly basis, as the services provided tend to be evenly spread over the life of the contract.

Services provided under contracts which do not include a fixed fee are recognised at a price quoted within the contract which typically varies depending on the level of seniority of the employee providing the service. 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 and non-trading items

To assist in understanding its underlying performance, the Group has defined the following items of pre-tax income and expense as non-trading as they either reflect items which are exceptional in nature or size or are associated with the amortisation of acquired intangibles. Items treated as non-trading or exceptional include:

- profits or losses on disposal of assets or businesses;
- corporate transaction and restructuring costs;
- amortisation of acquired intangibles;
- changes in the fair value of contingent consideration;
- share-based payments; and
- the related tax effect of these items.

Any other non-recurring items are considered individually for classification as non-trading or exceptional by virtue of their nature or size.

The separate disclosure of these items allows a clearer understanding of the trading performance on a consistent and comparable basis, together with an understanding of the effect of non-recurring or large individual transactions upon the overall profitability of the Group.

The non-trading items have been included within the appropriate classifications in the consolidated income statement. Further details are given in note 6.

Leases and payments

The Group's accounting policies for leases are set out in note 32.

Identifying leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:
(a) There is an identified asset;
(b) The Group obtains substantially all the economic benefits from use of the asset; and
(c) The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are predetermined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

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.

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. The prior year statement of comprehensive income is restated for comparative presentations of any current year 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 2019
IFRS 16 Leases is a new standard which has been adopted in the annual Financial Statements for the year ended 31 March 2020. It has given rise to changes in the Group's accounting policies. IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease, which were previously issued by the IFRS Interpretations Committee.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained.

1 Accounting policies continued

(a) Transition method and practical expedients utilised

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 April 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some classes of leases for short-term leases with a lease term of 12 months or less.

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases of office space, which had previously been classified as operating leases.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee company's incremental borrowing rate as at 1 April 2019. The lessee company's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted average rate applied was 2.60%.

The office space right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, rent-free periods and an adjustment for costs of removal and restoring.

A section of one of the Group's offices was sub-leased – under IFRS 16 this sub-lease is treated as a lease receivable. The sub-leased element is excluded from the asset value of that office.

The right-of-use assets will be depreciated over the life of the lease, which is between one and ten years. The right-of-use assets are included in non-current assets in the Statement of Financial Position. The lease liabilities are shown separately in the Statement of Financial Position. At interim, the right-of-use assets were included within property, plant and equipment, however for the Financial Statements as at 31 March 2020, these have been presented in their own category, to keep the assets distinct from other assets not held under a lease.

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 April 2019:

	Adjustments	31 March 2019 As originally presented £'000	IFRS 16 £'000	**1 April 2019 £'000**
Assets				
Office equipment	(a)	1,126	(252)	**874**
Right-of-use assets	(b)	–	9,488	**9,488**
Prepayments	(c)	3,744	(378)	**3,366**
Lease receivable	(d)	–	43	**43**
Liabilities				
Accrued expenses	(e)	7,474	(505)	**6,969**
Dilapidation provision	(f)	517	493	**1,010**
Loans and borrowings	(g)	57,011	(261)	**56,750**
Lease liabilities	(h)	–	9,174	**9,174**

(a) Property, plant and equipment was adjusted to reclassify leases previously classified as finance type to right-of-use assets. The adjustment reduced the cost of property, plant and equipment by £261,000 and accumulated depreciation by £9,000 for a net adjustment of £252,000.

(b) The adjustment to right-of-use assets is as follows:

	£'000
Adjustment noted in (a) – finance type leases	252
Operating type leases	9,236
Right-of-use assets	9,488

(c) Prepayments was adjusted for office rental expenses paid in advance. These amounts were included in the calculation of the right-of-use assets.

(d) The lease receivable balance relates to a sub-lease for one of the Group's offices.

(e) Accrued expenses were adjusted for rent-free periods contained within the leases for several of the Group's office buildings. Upon implementation of IFRS 16, these amounts were included in the calculation of the right-of-use assets.

(f) Dilapidations provision was adjusted to hold the full provision required for each office. Previously, the provision had been charged monthly to administrative expenses over the life of the lease.

(g) Loans and borrowings were adjusted to reclassify leases previously classified as finance type to lease liabilities.

(h) The following table reconciles the minimum lease commitments disclosed in the Group's 31 March 2019 annual financial statements to the amount of lease liabilities recognised on 1 April 2019:

	1 April 2019 £'000
Minimum operating lease commitment at 31 March 2019	4,554
Less: short-term leases not recognised under IFRS 16	(90)
Plus: effect of extension options reasonably certain to be exercised	5,907
Undiscounted lease payments	10,371
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(1,458)
Lease liabilities for leases classified as operating type under IAS 17	8,913
Plus: leases previously classified as finance type under IAS 17	261
Lease liabilities recognised at 1 April 2019	9,174

Included in profit or loss for the period are £2,567,000 of amortisation of right-of-use assets and £288,000 of finance expense on lease liabilities. Short-term leases included in profit or loss for the period amounted to £162,000.

(b) Significant accounting policies subsequent to transition

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the lessee company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of a termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

1 Accounting policies continued

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of any lease.

Other new and amended standards and Interpretations issued by the IASB that apply for the first time in these annual financial statements (including IFRIC 23 Uncertainty over Income Tax Treatments) 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 2020, and therefore have not been applied in preparing XPS Pensions Group's financial statements. They are not expected to have a material impact on the Group's consolidated Financial Statements. These include IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (amendment – definition of material), IFRS 3 Business Combinations (amendment – definition of Business), and a revised conceptual framework for Financial Reporting.

The other standards, interpretations and amendments issued by the IASB (of which some are still 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 judgement, 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 estimates, 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. See note 18 for more detail.

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 applies 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 completed through the 15-month valuation process.

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. See note 27 for more detail.

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.

See note 7 for more detail.

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 re-measured 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. See note 28 for more detail.

Incremental borrowing rate
On application of IFRS 16, an assessment of the appropriate Incremental Borrowing Rate ('IBR') to be used for property lease present value calculations was required. In the first instance, the leases were reviewed to see if a rate was disclosed within them which could be used. As no rates were identified from the lease documents, the IBR calculated was based on the borrowing rate available to the Company entering into the lease (which corresponded to the Group's RCF rate), adjusted to take into consideration UK Government bond rates corresponding to the length of the lease term. This rate was then adjusted for the lessee company's risk profile, and the difference between five years (the initial term of the Group's RCF) and the lease term based on UK bond yield adjustment as a percentage.

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, lease liabilities, 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. Further details relating to the current year position are provided in note 31.

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. Senior loans are linked to LIBOR. The Group earns income in relation to client 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.

COVID-19 risk

The COVID-19 outbreak in the UK in the early months of 2020 poses a risk to the Group both operationally and in terms of cash management. The Group is, to an extent, sheltered from the full impact of COVID-19 in comparison to many businesses due to the nature of its activities and clients, being largely trustees of pension schemes rather than commercial businesses. The Group's Risk Management Committee holds regular meetings to discuss the ongoing situation, and the Board has taken steps to mitigate the impact of the virus on the Group. In March 2020, the Group took steps to enable over 98% of its employees to work effectively entirely from home. The IT risk environment was monitored carefully over this period – and additional monitoring and filtering was put in place to protect the business from threats from phishing emails. Mandatory IT security awareness training for employees was increased, and supplemented with phishing simulation tests to assess weaknesses and focus additional training. The Board has assessed the impact of COVID-19 on the budget, and undertook a reforecast exercise in early FY21. Additionally, the banking covenants were renegotiated with the Group's lenders, and agreement was reached to extend the Group's revolving credit facility.

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 policy for managing capital is 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 processes 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, two 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.

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 2020 £'000	Year ended 31 March 2019 £'000
Fair value adjustment of contingently issuable ordinary shares (note 28)	**–**	6,459

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 2020 £'000	Year ended 31 March 2019 £'000
Audit services		
Fees payable in respect of the parent company and consolidated accounts	**161**	133
Fees payable in respect of the subsidiary accounts	**130**	63
	291	196
Audit-related services	**44**	42
Non-audit services		
Other assurance services	**–**	47
	–	47
Total	**335**	285

6 Non-trading and exceptional items

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Corporate transaction costs[1]		**(870)**	(724)
Restructuring costs[2]		**(1,904)**	(3,134)
Settlement of historical contractual dispute[3]		**(381)**	–
Other exceptional costs[4]		**(336)**	–
Exceptional items		**(3,491)**	(3,858)
Contingent consideration write back[5]		**–**	6,459
Share-based payment costs[6]	13	**(2,180)**	(3,987)
Amortisation of acquired intangibles[7]	18	**(7,153)**	(11,730)
Exceptional finance costs[8]		**–**	196
Non-trading items		**(9,333)**	(9,062)
Total before tax		**(12,824)**	(12,920)
Tax on adjusting items[9]		**140**	3,230
Adjusting items after taxation		**(12,684)**	(9,690)

1 Costs associated with the acquisitions of the Punter Southall companies, the Kier pensions administration unit, Royal London and Trigon acquisitions and other deal-related fees £870,000 (2019: £587,000), and costs relating to the disposal of the Healthcare business £nil (2019: £137,000).
2 Restructuring costs linked to the integration of the Xafinity and Punter Southall businesses, following the acquisition of Punter Southall Holdings Limited and its subsidiaries in January 2018, and the integration of the Royal London and Trigon businesses (2019: £3,134,000).
3 The Group agreed to pay £381,000 to a supplier in relation to an historic contractual dispute (2019: £nil).
4 Other exceptional costs includes costs relating to the impact of COVID-19 on the business (2019: £nil).
5 Contingent consideration revaluation relating to the share-based consideration for the Punter Southall acquisition.
6 Share-based payment expenses are included in non-trading and exceptional costs as they are significant non-cash costs which are excluded from the results for the purposes of measuring performance for PSP awards and dividend amounts.
7 During the year the Group incurred £7,153,000 of amortisation charges in relation to acquired intangible assets (customer relationships and brand) (2019: £11,730,000). The charge was significantly higher in the prior year due to an accelerated charge for brands acquired as part of the Punter Southall acquisition.
8 The unwinding of discount on contingent consideration relates to the share-based consideration for the Punter Southall acquisition – £nil (2019: £196,000).
9 The tax credit on non-trading items of £140,000 (2019: £3,230,000) represents 0% (2019: 25%) of the non-trading items incurred of £12,824,000 (2019: £12,920,000). This is different to the expected tax credit of 19% (2019: 19%), as various adjustments are made to tax including for deferred tax (including the change in the enacted rate), and the exclusion of amounts not allowable for tax.

7 Business combinations during the period

On 31 May 2019, the Group acquired 100% of the share capital of 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 pension schemes, covering 8,000 scheme members. The acquisition strengthens XPS's presence in the market for provision of full services to smaller defined benefit pension schemes. The entity was renamed in the year to XPS Pensions (RL) Limited.

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
Receivables	341	561	**902**
Cash	251	–	**251**
Payables	(83)	(580)	**(663)**
Corporation tax	(1)	–	**(1)**
Customer relationships	–	3,048	**3,048**
Deferred tax	14	(579)	**(565)**
Total net assets	522	2,450	**2,972**

Fair value of consideration paid

	£'000
Cash	**4,822**
Total consideration	**4,822**
Goodwill (note 18)	**1,850**

Since the interim results were announced, the Group has performed a thorough review of the fair value of assets acquired as part of the XPS Pensions (RL) Limited acquisition. As a result of this review, the customer relationship fair value was amended to align it with Group policies which were not accounted for in the interim accounts. Additionally, IFRS 15 was applied to XPS Pensions (RL) Limited, in line with the Group policy outlined in note 1. These adjustments led to a change in the value of goodwill recorded on acquisition.

On 31 October 2019, the Group acquired 100% of the share capital of Trigon Professional Services Limited from Trigon Pensions Holdings Limited. Trigon Professional Services Limited provides actuarial, administration, consultancy and investment advisory services. The transaction will further strengthen XPS's presence in the south-west of the UK, with the 40 Trigon staff based in Bristol joining the Group and doubling the size of XPS's presence in the city. The acquisition will create further opportunities in the local market, where Trigon already has a strong reputation for excellent client service.

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
Right-of-use asset	–	1,068	**1,068**
Receivables	428	10	**438**
Lease liability	–	(806)	**(806)**
Provisions	(90)	(247)	**(337)**
Payables	(346)	(29)	**(375)**
Customer relationships	–	2,152	**2,152**
Deferred tax liability	–	(409)	**(409)**
Total net assets	(8)	1,739	**1,731**

Fair value of consideration paid

	£'000
Cash	**2,825**
Contingent cash (note 28)	**757**
Total consideration	**3,582**
Goodwill (note 18)	**1,851**

Included within the acquired balance book value was a £90,000 dilapidation provision. The premises lease related to the Trigon office was subsequently transferred to another Group company.

Contingent consideration

The value of the contingent cash consideration for the Trigon acquisition in the contract is up to a maximum of £1.1 million, based on the Trigon subsidiary meeting certain revenue thresholds in the year following the date of acquisition. The value attributed to the contingent consideration included in consideration has been determined using Group revenue forecasts. The contingent consideration is payable in December 2020.

In both acquisitions, 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 from the above acquisitions is not deductible for tax purposes.

Since the acquisition date, XPS Pensions (RL) Limited has contributed £3,159,000 to Group revenues and £638,000 to Group profit before tax.

7 Business combinations during the period continued

Since the acquisition date, Trigon Professional Services Limited has contributed £950,000 to Group revenues and £24,000 to Group profit before tax.

If both acquisitions had occurred on 1 April 2019, Group revenue would have been £121,599,000 and Group profit before tax for the year would have been £11,396,000.

Acquisition expenses

Costs relating to the above acquisitions totalled £870,000, and are included within exceptional costs.

8 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 2020 £'000	Year ended 31 March 2019 £'000
Pensions Actuarial & Consulting	**58,802**	56,735
Pensions Administration	**42,945**	37,492
Pensions Investment Consulting	**9,551**	8,121
National Pension Trust ('NPT')	**2,393**	1,444
SIPP[1]	**6,062**	6,098
Total – Continuing operations	**119,753**	109,890
Discontinued operations	**–**	423
Total	**119,753**	110,313

1 Self Invested Pensions (SIPP) business, incorporating both SIPP and SSAS products.

9 Administrative expenses

Included in the operating profit for the year are the following:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Expenses by nature		
Staff costs (note 10)	**66,753**	59,235
Depreciation and amortisation	**11,318**	13,143
Operating lease costs	**162**	2,248
Premises costs (excluding rent accounted for under IFRS 16 Leases)	**2,332**	1,981
Exceptional items (note 6)	**3,491**	3,858
Other general business costs	**22,256**	22,971
Total	**106,312**	103,436

10 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 2020 Number of employees	Year ended 31 March 2019 Number of employees
Operational	**1,129**	976
Administration	**58**	42
Sales and marketing	**22**	21
	1,209	1,039

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Wages and salaries	**54,537**	47,110
Social security contributions and similar taxes	**5,692**	4,996
Defined contribution pension cost	**2,804**	2,543
Other long-term employee benefits	**1,540**	1,374
Share-based payment costs (note 13)	**2,180**	3,212
	66,753	59,235

11 Employee benefits

Defined contribution plan

The Company operates a defined contribution pension plan. Outstanding contributions at the year end were £nil (2019: £253,000).

12 Directors' emoluments

The Directors were remunerated for their services by the Group and their emoluments are disclosed below.

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Aggregate emoluments	**1,900**	1,971
Company contributions to money purchase pension plans	**24**	30
	1,924	2,001

	Year ended 31 March 2020 Number of Directors	Year ended 31 March 2019 Number of Directors
At 31 March 2020, retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	**3**	3

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
The emoluments of the highest paid Director, including benefits and share-based payments	**592**	363

13 Share-based payment costs

The Group operates a number of equity-settled share-based remuneration schemes for employees:. Performance Share Plans ('PSP') are operational 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 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 2020 £'000	Year ended 31 March 2019 £'000
Performance Share Plan awards and SAYE scheme	**2,132**	2,859
Social security cost on Performance Share Plan awards and SAYE scheme	**48**	246
Share-based payments	**2,180**	3,105
Accrued bonus to be settled from EBT	**–**	775
Social security cost on accrued bonus to be settled from EBT	**–**	107
Total	**2,180**	3,987

The fair value of Executive 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 2020	Year ended 31 March 2019
Weighted average exercise price of options issued during the period (pence)	**0.05**	0.05
Expected volatility (%)	**36%**	25%
Expected life beyond vesting date (years)	**3**	3
Risk-free rate (%)	**0.46%**	0.79%
Dividend yield (%)	**–**	–

The fair value of Staff 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 2020	Year ended 31 March 2019
Weighted average exercise price of options issued during the period (pence)	**0.05**	0.05
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 2020	Year ended 31 March 2019
Weighted average exercise price of options issued during the period (pence)	**78.0**	147.2
Expected volatility (%)	**32%**	25%
Expected life beyond vesting date (years)	**3.35**	3.35
Risk-free rate (%)	**0.42%**	0.92%
Dividend yield (%)	**5.60%**	3.60%

The normal approach to estimate expected volatility is to look at the historical volatility of the Group's share price over the most recent period. However, as the Group floated in 2017 in accordance with IFRS 2, the approach has been to use historical volatility of other similar entities to determine a proxy for the Group's volatility. The constituents of the FTSE Small Cap Index at the date of grant have been used for this purpose for both PSP and SAYE grants.

As at 31 March 2020, in respect of the Group's ordinary shares of 0.05p each: 2,750,750 Executive PSP options had been granted and remained outstanding, at an exercise price of 0.05p per share; 7,996,727 Staff PSP options had been granted and remained outstanding, at an exercise price of 0.05p per share; 210,647 SAYE options had been granted and remained outstanding, at an exercise price of 130.2p per share; 139,740 SAYE options had been granted and remained outstanding, at an exercise price of 147.2p per share; and 4,017,288 SAYE options had been granted and remained outstanding, at an exercise price of 78p per share.

		2020 Weighted average exercise price (pence)	2020 Number	2019 Weighted average exercise price (pence)	2019 Number
Executive PSP	Outstanding at 1 April	**0.05**	**1,877,606**	0.05	927,029
	Granted during the year	**0.05**	**1,152,183**	0.05	950,577
	Forfeited during the year	**0.05**	**(279,039)**	–	–
	Outstanding at 31 March	**0.05**	**2,750,750**	0.05	1,877,606
Staff PSP	Outstanding at 1 April	**0.05**	**5,155,853**	0.05	3,642,510
	Granted during the year	**0.05**	**3,167,051**	0.05	1,674,283
	Forfeited during the year	**0.05**	**(290,712)**	0.05	(136,658)
	Exercised during the year	**0.05**	**(30,289)**	0.05	(23,461)
	Cancelled during the year	**0.05**	**(5,176)**	0.05	(821)
	Outstanding at 31 March	**0.05**	**7,996,727**	0.05	5,155,853
SAYE	Outstanding at 1 April	**139.67**	**1,821,624**	130.20	910,386
	Granted during the year	**78.0**	**4,148,818**	147.20	1,039,746
	Forfeited during the year	**119.53**	**(45,923)**	133.74	(118,679)
	Exercised during the year	**130.20**	**(1,382)**	130.20	(9,829)
	Cancelled during the year	**135.61**	**(1,555,462)**	–	–
	Outstanding at 31 March	**82.73**	**4,367,675**	139.67	1,821,624

The exercise price of options outstanding at 31 March 2020 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 (2019: £0.0005 to £1.472). Their weighted average contractual life was three years (2019: three years).

Of the total number of options outstanding at 31 March 2020, nil (2019: 59,954) had vested and were exercisable.

The weighted average fair value of each option granted during the year was £0.68 (2019: £1.26).

The weighted average share price on date of exercise was £1.33 (2019: £1.70).

14 Finance income and expense

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest income on bank deposits	8	17
Finance income	8	17
Interest expense on bank loans	1,746	1,422
Other costs of borrowing	315	286
Interest on leases	288	7
Other finance expense	29	45
Unwinding of discount on contingent consideration	–	(196)
Finance expenses	2,378	1,564

Other costs of borrowing largely represent the amortisation expense of capitalised loan arrangement fees on the Group's bank debt.

15 Income tax expense

Recognised in the statement of comprehensive income

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Current tax expense		
Current year	3,687	3,942
Adjustment in respect of prior year	(549)	(366)
Total current tax expense	3,138	3,576
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	534	(2,314)
Total income tax expense	3,672	1,262

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Continuing and discontinued operations:		
Income tax expense from continuing operations	3,672	995
Income tax expense from discontinued operation (note 16)	–	267
	3,672	1,262

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Profit for the year	7,399	11,508
Total tax expense	3,672	1,262
Profit before income tax	11,071	12,770
Tax using the UK corporation tax rate of 19% (2019: 19%)	2,103	2,426
Non-deductible expenses	225	703
Gain on revaluation not allowable	–	(1,227)
Fixed asset differences	–	17
Adjustment in respect of prior periods	(549)	(366)
Amounts (charged)/credited directly to equity or otherwise transferred	146	(148)
Excess relief on exercise of share options	(7)	(134)
Effect of tax rate change	1,754	(9)
Total tax expense	3,672	1,262

The standard rate of Corporation tax in the UK was 19% (2019: 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 2020, which is not lower than 19% (2019: 17%). Deferred tax not recognised relates to finance expense losses in a prior year and their future recoverability is uncertain. At 31 March 2020, the total unrecognised deferred tax asset in respect of these losses was approximately £1.2 million (2019: £1.2 million).

16 Discontinued operations

There were no operations discontinued in the year to 31 March 2020. On 30 September 2018, the Group disposed of its Healthcare segment, which is the only operation presented as discontinued in the year to 31 March 2019.

Result of discontinued operations	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
Cash consideration received	–	550
Deferred cash consideration	–	614
Total consideration received	–	1,164
Pre-tax gain on disposal of discontinued operation	–	1,164

The profit from disposal of discontinued operations was determined as follows:

Result of discontinued operations	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
Revenue	–	423
Expenses	–	(183)
Profit before tax	–	240
Gain from selling discontinued operations	–	1,164
Tax expense	–	(267)
Profit for the year	–	1,137

Earnings per share from discontinued operations	**Year ended 31 March 2020 pence**	Year ended 31 March 2019 pence
Basic earnings per share	–	0.6
Diluted earnings per share	–	0.6

Statement of cash flows

The statement of cash flows includes the following amounts relating to discontinued operations:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Operating activities	–	323
Net cash from discontinued operations	–	323

Adjusted profit before tax from discontinued operations:	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
Profit and adjusted profit from operating activities in discontinued operations	–	240
Adjusted profit before tax	–	240
Tax	–	(46)
Adjusted profit after tax	–	194

17 Property, plant and equipment

	Leasehold improvements £'000	Office equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
Balance at 1 April 2019	1,562	1,544	806	3,912
Reclassification due to adoption of IFRS 16 (note 1)	–	(261)	–	(261)
Additions	1,176	484	361	2,021
Disposals	–	(169)	(452)	(621)
Balance at 31 March 2020	**2,738**	**1,598**	**715**	**5,051**
Accumulated depreciation				
Balance at 1 April 2019	933	418	457	1,808
Reclassification due to adoption of IFRS 16 (note 1)	–	(9)	–	(9)
Depreciation charge for the year	182	485	189	856
Disposals	–	(169)	(452)	(621)
Balance at 31 March 2020	**1,115**	**725**	**194**	**2,034**
Net book value				
Balance at 1 April 2019	629	1,126	349	2,104
Balance at 31 March 2020	**1,623**	**873**	**521**	**3,017**

	Leasehold improvements £'000	Office equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
Balance at 1 April 2018	1,060	633	921	2,614
Additions	558	1,184	186	1,928
Disposals	(56)	(273)	(301)	(630)
Balance at 31 March 2019	1,562	1,544	806	3,912
Accumulated depreciation				
Balance at 1 April 2018	705	317	575	1,597
Depreciation charge for the year	284	374	183	841
Disposals	(56)	(273)	(301)	(630)
Balance at 31 March 2019	933	418	457	1,808
Net book value				
Balance at 1 April 2018	355	316	346	1,017
Balance at 31 March 2019	629	1,126	349	2,104

18 Intangible assets

Group	Goodwill £'000	Customer relationships £'000	Brands £'000	Software £'000	Total £'000
Cost					
Balance at 1 April 2019	116,593	118,105	6,036	2,534	243,268
Acquired through business combinations	3,701	5,200	–	–	8,901
Additions	–	–	–	1,377	1,377
Disposals	–	–	–	(264)	(264)
Balance at 31 March 2020	**120,294**	**123,305**	**6,036**	**3,647**	**253,282**
Accumulated amortisation					
Balance at 1 April 2019	–	28,437	5,791	822	35,050
Amortisation for the year	–	7,090	63	742	7,895
Disposals	–	–	–	(264)	(264)
Balance at 31 March 2020	**–**	**35,527**	**5,854**	**1,300**	**42,681**
Net book value					
Balance at 1 April 2019	116,593	89,668	245	1,712	208,218
Balance at 31 March 2020	**120,294**	**87,778**	**182**	**2,347**	**210,601**

	Goodwill £'000	Customer relationships £'000	Brands £'000	Software £'000	Total £'000
Cost					
Balance at 1 April 2018	115,585	115,000	6,036	2,248	238,869
Acquired through business combinations	923	3,105	–	–	4,028
Additions	–	–	–	715	715
Disposal	(101)	–	–	(429)	(530)
Reassessment of fair value of net assets	186	–	–	–	186
Balance at 31 March 2019	116,593	118,105	6,036	2,534	243,268
Accumulated amortisation					
Balance at 1 April 2018	–	21,585	913	679	23,177
Amortisation for the year	–	6,852	4,878	572	12,302
Disposals	–	–	–	(429)	(429)
Balance at 31 March 2019	–	28,437	5,791	822	35,050
Net book value					
Balance at 1 April 2018	115,585	93,415	5,123	1,569	215,692
Balance at 31 March 2019	116,593	89,668	245	1,712	208,218

The prior year comparative table has been updated to correct an error in the classification in the 31 March 2019 published financial statements which had no impact on net book value. The customer relationships of £7,767,000 were incorrectly shown as disposals in the year to 31 March 2019, and £20,454 were incorrectly shown as disposals in the year to 31 March 2017. These have both been corrected to £nil. The disposal shown in cost and accumulated depreciation were the same value, and so there was no net impact on the carrying amount of these assets at 31 March 2019 or 1 April 2017 and no impact on the consolidated statement of comprehensive income.

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 two 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 £4.8 million relating to the Punter Southall brand in the prior year. Had the amortisation of the brand not been accelerated, the charge in the year would have been £2.8 million, so the impact of the change in useful life has led to an increased amortisation charge in the prior year of £2 million. Deferred tax relating to the intangible asset of £0.9 million was credited to the accounts in the prior year.

18 Intangible assets continued

At 31 March 2020, the remaining amortisation period for customer relationships assets prior to the Punter Southall acquisition in January 2018 was four 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 ten years. The customer relationships recognised from the in-year acquisitions will be amortised over ten years.

Material customer relationships included in the balance above are: customer relationships arising from the February 2013 acquisition with a net book value ('NBV') of £23.2 million(2019: £25.8 million), PS Actuarial customer relationships with a NBV of £49.2 million (2019: £51.9 million), PS Admin customer relationships with a NBV of £7.6 million (2019: £8.6 million), and Kier customer relationships with a NBV of £2.7 million (2019: £3.0 million).

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 36, 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.

The carrying value of goodwill was assessed based on the three cash-generating units that were identified in prior years. The two new acquisitions in the year have been included in CGU 1, as this is the main CGU for all activities outside of the two Punter Southall CGUs identified as a part of that acquisition. The customers and activities of the in-year acquisitions are consistent with the type of customer and activities for the other subsidiaries in CGU 1. Additionally, the in-year acquisitions provide services across multiple lines, whereas CGUs 2 and 3 are specific to a service line.

The three CGUs to which goodwill has been allocated are:
CGU 1 – Former Xafinity businesses, Royal London and Trigon acquisitions

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:

	2020			2019		
	CGU 1	**CGU 2**	**CGU 3**	CGU 1	CGU 2	CGU 3
Discount rate pre-tax	**10.9%**	**10.9%**	**10.9%**	15%	12%	19%
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)	**9.0%**	**9.1%**	**8.7%**	4.4%	4.1%	12.5%
Growth rate applied beyond approved forecast period to year 8	**5%**	**5%**	**5%**	6%	4%	8%

The discount rate comprises two elements, the cost of debt and the cost of equity, to derive a blended cost of capital demanded by all providers of capital. The cost of equity is based on the following components:
- Beta: calculated to estimate how volatile the Group's equity is compared to the FTSE Small Cap index;
- Risk-free rate: using a 30-year UK gilts as a proxy for the risk-free rate;
- Equity risk premium: the implied rate as at 31 March 2020 is used to assess the price of risk in equity markets; and
- Small cap premium: an additional size premium is applied to the Group's cost of equity to account for extra risk.

The cost of debt represents the cost of capital for the Group's drawn Revolving Credit Facility and is based on average borrowings during the year.

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 macroeconomic outlooks. Such forecast rates have been accurate in the past, so the Directors believe they will be sufficiently representative of actual results. The growth rate beyond the forecast period is not expected to include any impact from the COVID-19 outbreak.

The growth rate is applied up to eight years, this is due to the longevity of the customer relationships held by the Group.

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.

Goodwill allocated to cash-generating units:	2020 £'000	2019 £'000
Goodwill – XPS Pensions Consulting Limited, Xafinity SIPP Services Limited, Xafinity Pensions Consulting Limited and subsidiaries, XPS Pensions (RL) Limited, Trigon Professional Services Limited (CGU 1):	**28,483**	24,782
Goodwill – XPS Investment Limited, XPS Pensions Limited (CGU 2):	**79,314**	79,314
Goodwill – XPS Holdings Limited, XPS Administration Holdings Limited, XPS Administration Limited (CGU 3):	**12,497**	12,497
	120,294	116,593

On review, the Directors are satisfied that no impairment has taken place throughout the historical financial period.

Sensitivity analysis of assumptions

The Group performed further sensitivity analysis by recalculating the fair value of the net assets in the three CGUs on a 'worst-case' basis following the outbreak in the United Kingdom of COVID-19. Potential impacts on revenue were considered, alongside mitigating factors that the Group would take if necessary. This analysis showed that even in this potential worst case scenario, there was no requirement for impairment of any of the CGUs.

19 Deferred income tax

Analysis of the breakdown and movement of deferred tax during the year is as follows:

	Balance at 1 April 2019 £'000	Recognised in income £'000	Recognised in equity £'000	Acquisitions £'000	**31 March 2020 £'000**	**31 March 2020 Assets £'000**	**31 March 2020 Liabilities £'000**
Property, plant and equipment	(196)	194	–	–	**(2)**	**2**	**–**
Capital gains	717	–	–	–	**717**	**–**	**717**
Short-term temporary differences	(644)	137	(146)	(14)	**(667)**	**667**	**–**
Business combinations	15,653	203	–	988	**16,844**	**–**	**16,844**
	15,530	534	(146)	974	**16,892**	**669**	**17,561**

	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)	–	–	(196)	196	–
Capital gains	717	–	–	–	717	–	717
Short-term temporary differences	(689)	(103)	148	–	(644)	644	–
Business combinations	17,225	(2,100)	–	528	15,653	–	15,653
	17,168	(2,314)	148	528	15,530	840	16,370

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 2020, which is not lower than 19% (2019: 17%).

20 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 £1.3 million 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.

21 Trade and other receivables

	31 March 2020 £'000	31 March 2019 £'000
Trade receivables	**18,541**	17,171
Less: provision for impairment of trade receivables	**(674)**	(426)
Net trade receivables	**17,867**	16,745
Accrued income	**11,477**	10,692
Contract assets	**1,528**	938
Total financial assets other than cash and cash equivalents carried at amortised cost	**30,872**	28,375
Prepayments	**3,086**	3,744
Accrued consideration	**109**	614
Other receivables includes £186,000 (2019: £186,000) of capitalised loan arrangement fees	**291**	342
Total trade and other receivables	**34,358**	33,075

The carrying value of trade and other receivables carried at amortised cost approximates to fair value.

31 March 2020	Current	Past due 0-30 days	Past due 31-90 days	Past due more than 90 days	Total £'000
Expected loss rate	**0%**	**0%**	**0%**	**15%**	
Gross carrying amount	**9,968**	**4,114**	**2,186**	**2,273**	**18,541**
Loss provision	**4**	**3**	**6**	**336**	**349**
Amendment for specific bad debt provision	**(4)**	**(3)**	**(6)**	**338**	**325**
Total	**–**	**–**	**–**	**674**	**674**

31 March 2019	Current	Past due 0-30 days	Past due 31-90 days	Past due more than 90 days	Total £'000
Expected loss rate	0%	0%	0%	25%	
Gross carrying amount	10,537	3,373	1,845	1,416	17,171
Loss provision	12	10	6	603	631
Amendment for specific bad debt provision	(12)	(10)	(6)	(177)	(205)
Total	–	–	–	426	426

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 period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers such as Brexit and COVID-19. The Group has identified the gross domestic product ('GDP'), unemployment rate and inflation rate as the key macroeconomic factors in the UK.

Once the IFRS 9 approach has been calculated, the Group then calculates a specific debt provision based on age of debt and specific client knowledge. The provision is then adjusted to take this detail into account.

Of the March 2019 contract asset balance of £0.9 million, £0.5 million was recognised in revenue in the year.

22 Cash and cash equivalents

	31 March 2020 £'000	31 March 2019 £'000
Cash and cash equivalents per statement of financial position	**14,432**	5,539
Cash and cash equivalents per statement of cash flows	**14,432**	5,539

The balance is comprised solely of cash at bank and on hand.

23 Loans and borrowings

31 March 2020	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
Drawn Revolving Credit Facility	–	–	70,500	70,500	70,500
Capitalised debt arrangement fees	–	(186)	(128)	(314)	(314)
Sub-total	**–**	**(186)**	**70,372**	**70,186**	**70,186**
Capitalised debt arrangement fees shown as current assets on balance sheet	(186)	–	–	–	(186)
Total	**(186)**	**(186)**	**70,372**	**70,186**	**70,000**

31 March 2019	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
Drawn Revolving Credit Facility	–	–	57,250	57,250	57,250
Capitalised senior debt arrangement fees	–	(186)	(314)	(500)	(500)
Finance lease	49	51	161	212	261
Sub-total	49	(135)	57,097	56,962	57,011
Capitalised debt arrangement fees shown as current assets on balance sheet	(186)	–	–	–	(186)
Total	(137)	(135)	57,097	56,962	56,825

The book value and fair value of loans and borrowings are not materially different.

Terms and debt repayment schedule

31 March 2020	Amount £'000	Currency	Nominal interest rate	Year of maturity
Revolving Credit Facility – A	**38,000**	**GBP**	**1.75% above LIBOR**	**2022**
Revolving Credit Facility – B	**32,500**	**GBP**	**1.75% above LIBOR**	**2022**

31 March 2019	Amount £'000	Currency	Nominal interest rate	Year of maturity
Revolving Credit Facility – A	38,000	GBP	1.75% above LIBOR	2022
Revolving Credit Facility – B	19,250	GBP	1.75% above LIBOR	2022

At 31 March 2020, the Group had drawn down £70,500,000 (2019: £57,250,000) of its £80,000,000 Revolving Credit Facility. The Revolving Credit Facility available to the Group was increased to £90,000,000 in June 2020.

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).

24 Reconciliation of liabilities arising from financing activities

	31 March 2019 £'000	Cash flows £'000	Non-cash change Liability to asset £'000	Non-cash change Adoption of IFRS 16 £'000	Non-cash change New leases/ interest this year £'000	**31 March 2020 £'000**
Long-term borrowings	57,250	13,250	–	–	–	**70,500**
Capitalised debt arrangement fees	(686)	–	186	–	–	**(500)**
Lease liabilities	261	(2,243)	708	8,913	5,168	**12,807**
Total liabilities from financing activities	56,825	11,007	894	8,913	5,168	**82,807**

	31 March 2018 £'000	Cash flows £'000	Non-cash change Liability to asset £'000	Non-cash change Other £'000	31 March 2019 £'000
Long-term borrowings	55,750	1,500	–	–	57,250
Capitalised debt arrangement fees	(872)	–	186	–	(686)
Lease liabilities	35	(34)	(1)	261	261
Total liabilities from financing activities	54,913	1,466	185	261	56,825

25 Trade and other payables

	31 March 2020 £'000	31 March 2019 £'000
Trade payables	**2,523**	2,716
Accrued expenses	**7,634**	7,474
Interest payable	**270**	22
Other payables	**176**	667
Total financial liabilities excluding leases, loans and borrowings, classified as financial liabilities at amortised cost	**10,603**	10,879
Other payables – tax and social security payments	**1,551**	1,453
Other payables – VAT	**4,723**	2,883
Deferred income	**1,276**	1,415
Contract liabilities	**1,196**	784
Total trade and other payables	**19,349**	17,414

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates to fair value.

Of the March 2019 contract liability balance of £0.8 million, £0.5 million was recognised in revenue in the year.

26 Current income tax liabilities

	31 March 2020 £'000	31 March 2019 £'000
Tax payable	**994**	1,393

27 Provisions for other liabilities and charges

31 March 2020	Social security costs on Performance Share Plan £'000	Dilapidations £'000	Professional indemnity £'000	Total £'000
Current				
Balance at 1 April 2019	425	517	1,091	2,033
Provisions made during the year	47	895	405	1,347
Provisions used during the year	–	(48)	(399)	(447)
Provisions released unused during the year	–	–	(280)	(280)
On acquisition	–	90	–	90
Balance at 31 March 2020	**472**	**1,454**	**817**	**2,743**

31 March 2019	Social security costs on Performance Share Plan £'000	Dilapidations £'000	Professional indemnity £'000	Total £'000
Current				
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)
Balance at 31 March 2019	425	517	1,091	2,033

Social security costs (National Insurance) are payable on gains made by employees on exercise of share options granted to them. The eventual liability to National Insurance is dependent on:
- The market price of the Company's shares at the date of exercise;
- The number of options that will be exercised; and
- The prevailing rate of National Insurance at the date of exercise.

Dilapidations relate to the estimate cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The cost is recognised within the depreciation of the right-of-use asset over the remaining term of the lease. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

The dilapidations provision will be utilised at the end of the lease of the asset to which it relates.

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, after 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. The provision relating to potential professional indemnity claims is updated depending on the status of each individual claim.

28 Deferred consideration

	Balance at 1 April 2019 £'000	Acquisition £'000	Fair value adjustment £'000	Settled in year £'000	**31 March 2020 £'000**
Contingent cash consideration	152	757	(4)	(148)	**757**
Balance at 31 March 2020	152	757	(4)	(148)	**757**

	Balance at 1 April 2018 £'000	Fair value adjustment £'000	Unwinding of discount £'000	Settled in year £'000	31 March 2019 £'000
Contingently issuable ordinary shares	6,655	(6,459)	(196)	–	–
Contingent cash consideration	1,677	(100)	–	(1,425)	152
Balance at 31 March 2019	8,332	(6,559)	(196)	(1,425)	152

29 Share capital

	Ordinary shares ('000) 31 March 2020	Ordinary shares (£'000) 31 March 2020	Ordinary shares ('000) 31 March 2019	Ordinary shares (£'000) 31 March 2019
In issue at the beginning of the year	**203,873**	**102**	203,840	102
Issued during the year	**32**	**–**	33	–
In issue at the end of the year	**203,905**	**102**	203,873	102

	31 March 2020 ('000)	31 March 2020 (£'000)	31 March 2019 ('000)	31 March 2019 (£'000)
Allotted, called up and fully paid				
Ordinary shares of 0.05p (2019: 0.05p) each	**203,393**	**102**	203,182	102
Shares held by the Group's Employee Benefit Trust				
Ordinary shares of 0.05p (2019: 0.05p) each	**512**	**–**	691	–
Shares classified in shareholders' funds	**203,905**	**102**	203,873	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.

30 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.

31 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; and
- Level 3: unobservable inputs for the asset or liability.

The contingent consideration balance in the Statement of Financial Position is a level 3 financial 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 2020 £'000	Carrying Amount 31 March 2019 £'000
Trade receivables	**18,541**	17,171
Provision for impairment of trade receivables	**(674)**	(426)
Net trade receivables due	**17,867**	16,745
Accrued income	**11,477**	10,692
Contract assets	**1,528**	938
Cash and cash equivalents	**14,432**	5,539
	45,304	33,914

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

	31 March 2020 £'000	31 March 2019 £'000
Not past due	**9,968**	10,537
Past due 0-30 days	**4,114**	3,373
Past due 31-90 days	**2,186**	1,845
Past due more than 90 days	**2,273**	1,416
	18,541	17,171
Movement in impairment allowance for trade receivables		
Balance at start of the year	**426**	293
Increase during the year	**525**	308
Receivable written off during the year as uncollectable	**(13)**	(6)
Reversal of allowances	**(264)**	(169)
Balance at end of the year	**674**	426

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 £674,000 (2019: £426,000) is adequate in respect of trade receivables. 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 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.

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.

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.

31 Financial instruments continued

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 2020 £'000**
Trade and other payables	10,603	–	–	–	–	**10,603**
Leases	806	2,072	2,600	4,920	3,754	**14,152**
Loans and borrowings	–	–	–	70,500	–	**70,500**
Bank interest	425	1,108	1,156	709	–	**3,398**
	11,834	3,180	3,756	76,129	3,754	**98,653**

	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

The Group does not have any concerns over meeting its liabilities as they fall due, as the forecasts prepared indicate sufficient cash receipts in each period to cover liabilities.

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 2020 £'000	31 March 2019 £'000
Total equity	**152,945**	156,403

32 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted on 1 April 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 April 2019, see Note 1. The following policies apply subsequent to the date of initial application, 1 April 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the lessee company's incremental borrowing rate on commencement of the lease is used. Other variable lease payments are expensed in the period to which they relate.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations – see note 27).

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. When the Group revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at a revised discount rate to that applied on lease commencement. The carrying value of lease liabilities is also revised when the variable element of future lease payments dependent on a rate or index is revised, however this will use the original discount rate. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:
- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- In all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and the right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right for the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Nature of leasing activities (in the capacity as lessee)

The Group leases a number of properties in the UK. In some instances the rent is reviewed and may be reset periodically to market rental rates. In other cases the periodic rent is fixed over the lease term. The Group also leases certain items of equipment (photocopiers). Leases of photocopiers comprise only fixed payments over the lease terms. The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the balance sheet date to lease payments that are variable.

31 March 2020	Lease contracts Number	Fixed payments %	Variable payments %	Sensitivity £'000
Property leases with periodic uplifts to market rentals	9	–	66	± 293
Property leases with fixed payments	9	32	–	–
Leases of plant and equipment	2	2	–	–
	20	34	66	± 293

The Group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Group will consider whether the absence of a break clause would exposes the Group to excessive risk. Typically factors considered in deciding to negotiate a break clause include:
- the length of the lease term;
- whether the location represents a new area of operations for the Group.

At 31 March 2020, the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because it was considered reasonably certain that the Group would not exercise its right to break the lease. Total lease payments of £5,867,572 (2019: £5,951,218) are potentially avoidable were the Group to exercise break clauses at the earliest opportunity.

32 Leases continued

Right-of-use assets	Land and buildings £'000	Office equipment £'000	Total £'000
At 1 April 2019	9,236	252	9,488
Additions	5,247	31	5,278
Amortisation	(2,511)	(56)	(2,567)
Effect of modification to lease terms	766	–	766
At 31 March 2020	**12,738**	**227**	**12,965**

Lease liabilities	Land and buildings £'000	Office equipment £'000	Total £'000
At 1 April 2019	8,913	261	9,174
Additions	4,849	31	4,880
Interest expense	280	8	288
Effect of modification to lease terms	708	-	708
Lease payments	(2,181)	(62)	(2,243)
At 31 March 2020	**12,569**	**238**	**12,807**

	31 March 2020 £'000
Short-term lease expense	**168**
Low value lease expense	**(6)**
Aggregate undiscounted commitments for short-term leases	**162**

The maturity of the lease liabilities are as follows:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Up to 3 months	**716**	12
Between 3 and 12 months	**1,822**	37
Between 1 and 2 years	**2,329**	51
Between 2 and 5 years	**4,411**	161
More than 5 years	**3,529**	–
	12,807	261

33 Notes supporting statement of cash flows

Cash and cash equivalents for the purposes of the statement of cash flows comprise:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Cash at bank available on demand	**14,432**	5,539

34 Related party transactions

Key management emoluments during the year

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Emoluments	**1,557**	1,651
Share-based payment	**(203)**	429
Company contributions to money purchase pension plans	**24**	30
Social security costs	**138**	322
	1,516	2,432

Share-based payments are a credit in the current period, due to a revision of the estimate of the expected vesting of historical awards.

Non-Executive emoluments during the year

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Emoluments	**343**	320
Social security costs	**42**	40
	385	360

Services provided to related parties during the year

	31 March 2020 £'000	31 March 2019 £'000
PSFM Limited	**5**	38
PS Independent Trustees Limited	**14**	10
PSFM SIPP Limited	**–**	1
Punter Southall Group Limited	**57**	31
Psigma Investment Management Limited	**3**	–
Punter Southall Analytics Limited	**–**	12
Punter Southall Defined Contribution Consulting Limited	**–**	32
Punter Southall Governance Services Limited	**7**	–
	86	124

During the period the Group provided services of £85,581 (2019: £124,640) 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 (resigned 12 September 2019) is the Chief Executive of Punter Southall Group.

Services received from related parties during the year

	31 March 2020 £'000	31 March 2019 £'000
Punter Southall Group Limited	**1,823**	3,355
CAMRADATA Analytical Services Limited	**26**	30
Punter Southall Defined Contribution Consulting Limited	**–**	2
Independent Transition Management Limited	**–**	2,076
PS Independent Trustees Limited	**9**	1
Punter Southall Health and Protection Limited	**–**	3
Donna Cuff	**23**	43
	1,881	5,510

34 Related party transactions continued

During the period the Group paid administration costs of £1,881,397 (2019: £5,509,407) 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).

Amounts receivable/(payable) to related parties at the balance sheet date

	31 March 2020 £'000	31 March 2019 £'000
CAMRADATA Analytical Services Limited	–	(19)
Independent Transition Management Limited	–	(206)
Punter Southall Governance Services Limited	5	–
Punter Southall Group Limited	(17)	(386)
PS Independent Trustees Limited	–	12
Punter Southall Defined Contribution Consulting Limited	2	10
Psigma Investment Management Limited	3	–
PSFM Limited	(2)	–
	(9)	(589)

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.

35 Earnings per share

	Continuing operations 31 March 2020 £'000	Discontinued operations 31 March 2020 £'000	Total 31 March 2020 £'000	Continuing operations 31 March 2019 £'000	Discontinued operations 31 March 2019 £'000	Total 31 March 2019 £'000
Profit for the year	7,399	–	7,399	10,371	1,137	11,508
	'000	'000	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	203,301	203,301	203,301	203,167	203,167	203,167
Diluted weighted average number of ordinary shares	208,219	208,219	208,219	205,221	205,221	205,221
Basic earnings per share (pence)	3.6	–	3.6	5.1	0.6	5.7
Diluted earnings per share (pence)	3.6	–	3.6	5.0	0.6	5.6

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, 2021 and 2022. 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, 2018 and 2019, and these will vest in 2020, 2021 and 2022 respectively. These shares are reflected in the diluted number of shares and diluted earnings per share calculations.

Adjusted earnings per share

	Continuing operations 31 March 2020 £'000	Discontinued operations 31 March 2020 £'000	Total 31 March 2020 £'000	Continuing operations 31 March 2019 £'000	Discontinued operations 31 March 2019 £'000	Total 31 March 2019 £'000
Adjusted profit after tax (notes 6, 16)	**20,083**	**–**	**20,083**	20,061	194	20,255
Adjusted earnings per share (pence)	**9.9**	**–**	**9.9**	9.9	0.1	10.0
Diluted adjusted earnings per share (pence)	**9.6**	**–**	**9.6**	9.8	0.1	9.9

36 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	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
XPS Administration Holdings Limited	09655671	Holding Company	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
XPS Administration Limited	09428346	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
XPS Investment Limited	06242672	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
XPS Pensions Limited	03842603	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
XPS Pensions (RL) Limited	05817049	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
Trigon Professional Services Limited	12085392	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB

XPS Pensions Group plc directly owns XPS Financing Limited. All other subsidiaries disclosed are indirectly owned by other Group companies.

37 Dividends

Amounts recognised as distributions to equity holders of the parent in the year

	31 March 2020 £'000	31 March 2019 £'000
Final dividend for the year ended 31 March 2019: 4.3p per share (2018: 4.2p per share)	**8,738**	8,533
Interim dividend for the year ended 31 March 2020: 2.3p (2019: 2.3p) per ordinary share was paid during the year	**4,674**	4,673
	13,412	13,206

The recommended final dividend payable in respect of the year ended 31 March 2020 is £8.8 million or 4.3p per share (2019: £8.8 million).

The proposed dividend has not been accrued as a liability as at 31 March 2020 as it is subject to approval at the Annual General Meeting.

	31 March 2020 £'000	31 March 2019 £'000
Proposed final dividend for year ended 31 March 2020	**8,835**	8,767

The Trustee of the Xafinity Employee Benefit Trust has waived its entitlement to dividends.

The Company statement of changes in equity shows that the Company has positive reserves of £2,516,000. 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.

38 Ultimate controlling party

The Directors do not consider that there is an ultimate controlling party.

STATEMENT OF FINANCIAL POSITION – COMPANY
AS AT 31 MARCH 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
Assets			
Non-current assets			
Investments	5	**22,097**	19,115
		22,097	19,115
Current assets			
Trade and other receivables	6	**200,447**	184,847
		200,447	184,847
Total assets		**222,544**	203,962
Liabilities			
Current liabilities			
Trade and other payables	7	**33,207**	18,421
		33,207	18,421
Total liabilities		**33,207**	18,421
Net assets		**189,337**	185,541
Equity and liabilities			
Share capital	8	**102**	102
Share premium	9	**116,797**	116,795
Merger relief reserve	9	**48,687**	48,687
Other reserve	9	**21,235**	18,253
Retained profit	9	**2,516**	1,704
Total equity		**189,337**	185,541

The notes on pages 152 to 154 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 £14,224,000 (2019: £14,020,000).

These Financial Statements were approved by the Board of Directors on 24 June 2020 and were signed on its behalf by:

Snehal Shah
Chief Financial Officer
24 June 2020
Registered number: 08279139

STATEMENT OF CHANGES IN EQUITY – COMPANY
FOR THE YEAR ENDED 31 MARCH 2020

	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Other reserve £'000	Retained profit £'000	Total £'000
Balance at 1 April 2018	102	116,782	48,687	13,581	890	180,042
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)
Balance at 31 March 2019	102	116,795	48,687	18,253	1,704	185,541
Balance at 1 April 2019	102	116,795	48,687	18,253	1,704	185,541
Comprehensive income and total comprehensive income for the year	–	–	–	–	14,224	14,224
Contributions by and distributions to owners						
Share capital issued	–	2	–	–	–	2
Share-based payment expense – equity settled from employee benefit trust	–	–	–	773	–	773
Share-based payment expense – IFRS 2 charge in respect of long-term incentives	–	–	–	2,063	–	2,063
Deferred tax movement in respect of long-term incentives	–	–	–	146	–	146
Dividends paid	–	–	–	–	(13,412)	(13,412)
Total contributions by and distributions to owners	–	2	–	2,982	(13,412)	(10,428)
Balance at 31 March 2020	**102**	**116,797**	**48,687**	**21,235**	**2,516**	**189,337**

The notes on pages 152 to 154 form part of these Financial Statements.

STATEMENT OF CASH FLOWS – COMPANY
FOR THE YEAR ENDED 31 MARCH 2020

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 152 to 154 form part of these Financial Statements.

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 Company's accounting policies. The Company 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. There are no critical judgements or estimates to disclose.

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 paid 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.

Changes in accounting policies – New standards, interpretations, and amendments effective from 1 April 2019

IFRS 16 Leases is a new standard which has been adopted in the annual financial statements for the year ended 31 March 2020, however its impact has not been material on the Company. IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. Under IFRS 16, the Company reviewed all contracts with suppliers to determine if there were any lease assets and liabilities to be recognised. Following this review, it was determined that the Company did not have any lease assets and liabilities requiring recognition.

New standards and interpretations adopted and not yet adopted

A number of new standards, amendments to standards, and interpretations are not effective for 2020, and therefore have not been applied in preparing XPS Pension Group plc's financial statements. These standards, interpretations and amendments issued by the IASB (of which some are still subject to endorsement by the European Union), but not yet effective are not expected to have a material impact on the Company's financial statements.

2 Financial risk management

The Company is a holding company and has limited exposure to financial risks. Details of the financial risks management are contained in the Group accounts (note 2) and details of their application to the Company is included in note 10 of the Company 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 2020 (2019: none).

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 (2019: £nil) were paid on behalf of the Directors.

5 Investments in subsidiaries

	31 March 2020 £'000	31 March 2019 £'000
At the beginning of the year	**19,115**	14,443
In relation to XPS Pensions Consulting Limited	**1,156**	3,479
In relation to Xafinity SIPP Services Limited	**72**	57
In relation to XPS Pensions Limited	**1,006**	813
In relation to XPS Administration Limited	**680**	297
In relation to XPS Investment Limited	**61**	26
In relation to XPS Pensions (RL) Limited	**7**	–
At the end of the year	**22,097**	19,115

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 represent 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 36 of the Group accounts are indirectly owned by other group companies.

6 Trade and other receivables

	31 March 2020 £'000	31 March 2019 £'000
Receivables due from related parties	**200,447**	184,847

7 Trade and other payables

	31 March 2020 £'000	31 March 2019 £'000
Payables due to related parties	**31,705**	17,667
Other payables – corporation tax	**1,502**	754
Total trade and other payables	**33,207**	18,421

8 Share capital

Details on the share capital of the Company are contained in the Group Financial Statements.

9 Reserves

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
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.
Retained profit	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

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 2020 £'000	Carrying amount 31 March 2019 £'000
Receivables due from related parties	**200,447**	184,847

Loans from related parties are repayable on demand. Credit risk for receivables due from related parties has not increased significantly since their initial recognition.

Liquidity risk

The Company does not have any significant liquidity risk, as its receivables and payables are all with related parties.

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 continues 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.

Management of capital	31 March 2020 £'000	31 March 2019 £'000
Total equity	**189,337**	185,541

11 Related party transactions

Amounts receivable from/(payable to) related parties at the balance sheet date

	31 March 2020 £'000	31 March 2019 £'000
Loans to related parties	**200,447**	184,847
Loans from related parties	**(31,705)**	(17,667)
	168,742	167,180

All transactions with related parties are made in the ordinary course of business and balances outstanding at the reporting date are unsecured. Loans are repayable on demand and accrue interest at a rate in line with the Group's bank borrowing rate. 2.68% was applied in the year (2019: 2.34%). All related parties are part of the XPS Pensions Group.

12 Ultimate controlling party

The Directors do not consider that there is an ultimate controlling party.

COMPANY INFORMATION

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Phoenix House
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RG1 1NB

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Zoe Adlam

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