



responsive responsible resilient

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

Key performance indicators

Revenue

£128m +7%

2021	£128m
2020	£120m

Adjusted EBITDA¹

£32.0m +5%

2021	£32.0m
2020	£30.4m

FTE Employees³

1,325 +10%

2021	1,325
2020	1,203

Adjusted diluted earnings per share²

9.8p +2%

2021	9.8p
2020	9.6p

Proposed full year dividend

6.7p +2%

2021	6.7p
2020	6.6p

Net debt⁴

£50.4m -10%

2021	£50.4m
2020	£56.1m

Profit before tax

£11.4m +3%

2021	£11.4m
2020	£11.1m

Basic EPS

4.4p +22%

2021	4.4p
2020	3.6p

1 Adjusted EBITDA excludes the impact of share-based payment costs, fair value adjustments of contingent consideration, and exceptional costs.

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.

3 As at year end.

4 Excluding lease liabilities.

we would like to say a huge **thank you**

to all of our staff who have shown incredible resilience and resourcefulness in the face of the pandemic, and worked in partnership with our clients to deliver for the members of the pension schemes we serve.



Our culture and values have been shown more than ever this year and we are extremely proud of what XPS has achieved.



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 and can invest in solutions for the benefit 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.

16

Locations

Our 16 locations give us access to staff, expertise and clients across the UK.

>1,500

pension scheme clients

A large and diverse client base.

delivering high levels of client service

Why invest in XPS?

Award-winning brand with a strong reputation

Third Party Administrator of the year (Professional Pensions), Software of the Year Award (Actuarial Post) and Technology services of the year (Pensions Expert), Employee Engagement category (UK Employee Experience Awards), XPS Pensions Group won Best Business Culture Transformation Initiative and the overall Gold Award winner for Business Culture.

Diversified and long standing client base

A large and diverse client base built up of over 1,500 pension scheme clients. Client churn across advisory clients was less than 2% during the year.

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. The defined contribution market is rapidly growing and we are well placed to grow our presence in the DC consulting space.

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.

www.xpsgroup.com/services/xps-pensions/

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.

www.xpsgroup.com/services/xps-investment/

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.

www.xpsgroup.com/services/xps-administration/

nationalpensiontrust

The National Pension Trust is a industry recognised multi-employer DC scheme. XPS administration provides the administration and consulting services, and are 'Founders' of the Trust. The National Pension Trust provides benefits for 47,000 members with assets under management of over £1,096m.

<https://www.nationalpensiontrust.com/>

XPS Self Invested Pensions

XPS Self Invested Pensions is an award winning SIPP and SSAS pension provider, trustee, and administrator, which has specialised in self invested pensions for more than 40 years. While we have been an integral part of XPS Pensions Group for many years, our change of name from Xafinity to XPS branding reflects the growing desire of clients and advisers to use only the strongest providers with deep professional experience of pensions.

www.xpselfinvestedpensions.com/

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.

Experienced management team

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

Scalable, well-invested technology platform

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

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.

creating value through our unique business model

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 1,300+ people work from 16 locations around the UK.

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.

More than 90% of our revenues are recurring and we have a loyal base of clients who have worked with us over many years.

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 2021. For won and lost clients the revenue is defined as recurring if it meets the above criteria for the period they were a client.

How we maximise value

Clear Strategy
Read page 10

Seizing Market Opportunities
Read page 8

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 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

Generating value for all our stakeholders

CLIENTS

- Specialist insight and expertise leading to better outcomes
- Quality of service and efficiency through our technology platform
- Value for money

EMPLOYEES

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

SHAREHOLDERS

- Strong cash generation and dividends. More than £44m 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

our strategic framework



Our Purpose

Why we exist

Our Vision

What we want to achieve

**Our People
Our Business**

>1,300

Employees

40+ years of providing pension services

**Our Values
Our Culture**



We are ambitious



We do the right thing

We have a clear strategy to deliver profitable organic growth, providing services that have an important societal value, looking after the long term financial wellbeing of millions of people in UK pension schemes.

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

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.

94%

Of staff agreed XPS is a good company to work for

5

Services

Pensions, Investment, Administration, Self Invested pensions & National Pension Trust

Our Strategic Priorities



Regulatory change



Expand services



Grow market share



Mergers & acquisitions

Discover more on pages 10-11



We are agile



We are helpful



We are experts

we operate in a specialist market, where regulation is driving change

Our primary marketplace is the UK workplace pensions sector.

We provide consulting and administration services relating to defined benefit (DB) and defined contribution (DC) schemes. DB schemes face significant challenges to ensure they are sufficiently funded in the long term to provide members with their full benefits

- There are >5,300 DB schemes in the UK, with aggregate liabilities of over £2 trillion.¹
- These schemes are long dated; there are 9.9 million DB scheme members and 57% are yet to retire. Benefit payments from DB schemes will continue for decades into the future, and are not forecast to peak until 15+ years from now.¹

These schemes are heavily regulated and trustees and companies require compliance, investment, actuarial and risk management advice in addition to cost effective administration services.

DC pension provision is a growing and evolving market. We provide consulting and administration services to DC schemes, and also operate a DC master trust called 'National Pension Trust'.

We also provide administration services in the SSAS and SIPP market.

¹ The Purple Book, PPF, December 2020.

² Advisory is Pensions Actuarial and Pensions Investment consulting.

1,200

Greater than 1,200 advisory² clients at 31 March 2021

928,000

Members' pensions we administer

£1,096m

Assets under Management in NPT

Key market drivers



Evolving regulation

The new Pensions Act that comes into force this year aims to provide greater safeguards for the DB market. In combination with new regulations being introduced by the Pensions Regulator, it increases the pressure on the corporate sponsors of pensions schemes that are in deficit. The new regulations require higher levels of funding and/or security for schemes, and bring in criminal penalties for those who neglect their responsibilities to members. These developments mean our clients need advice on new investment and de-risking strategies that our Advisory division (the combination of Pensions Actuarial & Consulting and Investment Consulting) can provide.

The Competitions and Markets Authority (CMA) review also continues to drive opportunities for our Pensions Investment Consulting division in the area of fiduciary management oversight. This summer sees the deadline for trustees to competitively tender fiduciary appointments that were not tendered when set up, and we have been engaged by many trustee boards to support with this. This in turn creates new client relationships that can lead to opportunities for us to provide a wider range of services.

Recent court rulings that all Guaranteed Minimum Pension (GMP) benefits in UK pension plans must be equalised for males and females has created a challenge for around 90% of all UK DB schemes. Across the industry, there is a large amount of work to be done, that will probably take years to complete, to advise on and then implement solutions to equalise GMPs. XPS is providing pragmatic solutions to clients to complete this complex work.

90%

The percentage of DB schemes that will need GMP advice & rectification



DC Master trusts

DC pension provision has become much more challenging for employers in recent years, following the advent in 2015 of 'Freedom & Choice', which meant members of such schemes no longer needed to purchase an annuity at retirement. This, and other regulatory changes, have made running a single trust DC scheme (as many employers did) increasingly complex and expensive to do.

DC Master Trusts are umbrella vehicles that aim to provide a workplace pension that can be used by multiple unrelated employers who can each benefit from the economies of scale of a larger vehicle to be able to provide a high quality modern DC scheme in a cost effective way.

The master trust market is growing fast, with £38 billion AuM as at 31 December 2019*, predicted to grow to £200 billion in 2025 and £340 billion in 2030**.

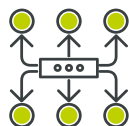
Since 2019 all master trusts required authorisation by the Pensions Regulator. The authorisation process was necessarily rigorous and saw the number of master trusts reduce from over 80 to 38 today***.

The XPS master trust is called National Pension Trust and is fully authorised, benefiting from these trends.

- * 2020 Master Trust Survey EY Pension Consulting 2020
- ** Source: Master Trust and GPP Default Report, April 2021 Corporate Adviser Intelligence
- *** Source: The Pensions Regulator website April 2021

£340bn

Predicted AuM in master trusts by 2030



Pensions administration outsourcing

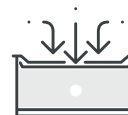
For many years there has been a trend for companies undertaking pensions administration 'in house' to outsource this work to a third party. This has been driven by the increasing complexity of pension regulation. Currently there are over 150 large pension schemes where the administration has yet to be outsourced, and we expect a number of these to come to the market in the coming years.

The trend to outsource the pensions administration of large schemes is likely to accelerate following the pandemic as in-house teams struggled to be able to cope with the sudden shift to remote working. Alongside the opportunity to win 'first time outsourcings', early contracts from 5-10 years ago are now coming up for renewal and clients are looking for improved service standards, leading to organisations switching suppliers.

With our strong reputation, endorsed by our second year winning 'Pensions Administration Firm of the Year' in 2020, XPS is well positioned to compete in this growing market segment.

150

Large pension schemes still being administered in house



Market consolidation

With regulations and government oversight increasing, there is an emerging trend towards the consolidation of small DB and DC schemes driven by need to drive scale to reduce costs, reduce risk and enhance governance and invest to improve member security. XPS has deep expertise in the provision of services to small schemes and has developed a number of service offerings to specifically address this market opportunity.

More widely, the market of service providers is fragmented. We expect consolidation to continue at all levels within the market, particularly at the top end and this dynamic presents growth opportunities for firms like XPS in the 'mid-tier'. At the other end of the spectrum, there is a long tail of small providers of consulting and administration services, and we expect to see these consolidate. As the largest independent specialist in the sector, XPS will take advantage of the opportunities this presents to grow its business inorganically, in line with its strategy.

3

EPS enhancing bolt on deals completed by XPS in 2 years

We are a forward-looking and ambitious business. Our strategy remains focused on achieving profitable growth.

our strategic priorities



Regulatory change



Expand services

As the pensions regulatory landscape evolves over time, our clients need our support to make changes in order to comply.

We provide a full range of the services that pension trustees and corporate sponsors need, but for many clients we only provide one service and could do more.

Progress

There is more regulatory change in our industry at this time than at perhaps any time in the last 15 years. The Pensions Scheme Act 2021 is now law, and it brings tougher Pensions Regulator powers and a strengthening of the funding regime for defined benefit schemes, with regulations on the latter expected in Q1 2022. There is also GMP equalisation, with schemes needing to do lots to correct how they have treated men and women unequally historically, and the CMA review deadlines for fiduciary reviews are in Q2 2021. Our clients need a lot of support to navigate through these challenges.

Our aim in this area is not simply to increase the number of service lines that clients use us for, but also to continually innovate and develop broader solutions as the market evolves and requirements develop. We do the former by building strong trusted relationships and providing excellent service to clients to enable us to discuss wider services. We do the latter through developing a culture of innovation, augmented by strategic hires.

Priorities for 2021

- Key focus on supporting clients address Covid-19 uncertainty and The Pensions Regulator guidance
- Demand growing for GMP equalisation services
- CMA review continues to drive strong demand for FM oversight services

- DC consulting – New Head of DC joined from AON to grow business
- Risk transfer – Increasing activity and pipeline
- NPT – Assets under management crossed £1bn threshold during the year
- Member Analytics – bring deeper insight into the membership characteristic of UK pension schemes

KPIs

GMP PROJECTS IN THE PIPELINE

238

MEMBER ANALYTICS MANDATES IN THE YEAR

106

Our objective is to become the clearly differentiated alternative firm to the 'Big 3' and the pre-eminent mid-tier pensions consulting firm.

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.

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.”



Grow market share

We seek to grow our business by winning 'new logo' clients – pension schemes and sponsors with whom we have no prior relationship.

XPS has become a strong brand, recognised for high quality in the market with an offering that combines scale (and the ability to invest) with agility (we move quickly and provide a very tailored approach). We use technology to express our ideas and bring insight, including our award winning actuarial and investment software Radar. New business activity remained suppressed in the year with the exception of Investment Consulting due to the pandemic.

- New business pipeline steadily growing towards pre-pandemic levels
- Investment Consulting business winning on larger clients
- Market Force initiative launched to drive external opportunities

INVESTMENT CONSULTING CLIENTS WITH ASSETS >£500M

28



Mergers & acquisitions

We operate in a fragmented market, and have an opportunity to grow through acquisitions that can boost our scale and capability in some specialist areas.

During the year we successfully integrated two small acquisitions made in the prior year – Trigon and Royal London. These have both bedded in very well, each delivering a strong RoI and with happy staff and clients, and deliver on the Group's strategic objectives. We now have a very strong platform to do further similar deals.

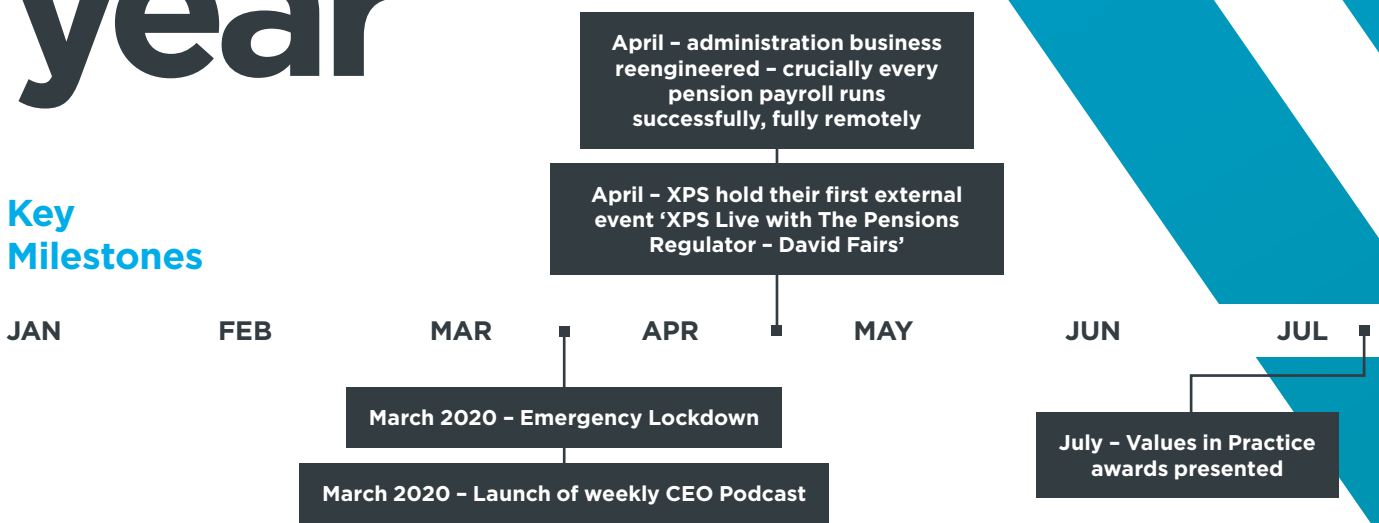
- Deals completed previously continue to deliver and enhance shareholder value
- M&A opportunities restarting following slowdown during the year

ACQUISITIONS IN THE LAST 3 YEARS

3

2020/21 – an unprecedented year

Key Milestones



Our year began as the pandemic was unfolding and the country went into lockdown with all the associated uncertainty, so it is particularly pleasing to report a strong revenue performance, demonstrating the resilience of our business model and strong client base. Key to this was re-engineering the business processes to deliver with almost everyone working from home and we are enormously proud of how our staff rose to this challenge. Our focus throughout has been on their well-being – not only making sure they had the right technology to do their job but also on supporting their morale and mental health.

As the year rolled on, it became even more important to maintain momentum as many staff struggled with isolation and home schooling so our work with the Mental Health Foundation, and lots of initiatives aimed at creating a sense of togetherness, were critical to ensuring that our teams felt well looked after and that they continued to look after their clients successfully. Now there is a change of mood and a sense of excitement building as we look forward to society opening up again, and for us this is happening against both market and regulatory opportunities for the business.

To make sure we have a motivated and engaged workforce as we move into the next phase of our development, we are launching ‘My XPS My Choice’, a framework to let our people choose how they want to work going forward, whether in the office, at home or a hybrid. Our senior staff will have a responsibility to protect our social capital as we still need to engender teamwork, develop our junior staff and maintain our innovative culture, but we want to offer choice and flexibility, measuring output not input and ensuring we are a modern 21st century employer.

We firmly believe that our culture translates directly into how we perform as a business so it was particularly satisfying to win not only the Best Business Culture Transformation Initiative at the Business Culture Awards 2020, but to also win the overall Gold Award for the entire event. External recognition of the importance we place on our culture and values was also reflected in the Gold award we won in the employee engagement category at the 2020 UK Employee Experience Awards.

A strong financial performance

Our results bear testament to the strength of our business. We provide essential services to clients and whilst we had to adapt to the challenges presented by the pandemic, we responded well. Total revenue increased 7% to £127.9 million (FY 2020: £119.8 million) driven by organic growth in all three pensions divisions along with the full year effect of the acquisitions of Royal London Corporate Pensions Services and Trigon Pensions.

Adjusted EBITDA increased 5% to £32.0 million and statutory profit before tax also increased 3% to £11.4 million. This is a pleasing outcome for the year, as it was delivered despite the challenges of Covid-19, which did impact on our efficiency in some areas of the business and also slowed some new business opportunities that we would otherwise have expected to see.

We saw growth in both of the consulting businesses that together make up our Advisory business. In Pensions Actuarial and Consulting, revenue was up 3% on last year at £60.7 million (FY 2020: £58.8 million), largely driven by new business won in 2020 coming on stream in H1 and growing activity on GMP equalisation in H2.



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 Officer

August - Radar version 3 launched as we continued to invest in technology

November - Mental Health training for managers and allies, overall winner of the British Culture awards

AUG

SEP

OCT

NOV

DEC

JAN

FEB

October - Radar wins 'Actuarial Software of the Year' for second year running

October - Staff Survey - 94% of staff agree XPS is successfully managing the pandemic on employees

Feb 2021 - XPS confirmed actuary and investment consultant to £2.5bn scheme as new business opportunities open up



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 Officer

In Pensions Investment and Consulting, strong growth reflected the excellent new business success we have been achieving for a sustained period of time, and also strong client demand for advice in volatile financial markets. Revenues increased by 21% to £11.6 million (FY 2020: £9.6 million). The expansion of this team is yielding results as we now have the scale to target bigger mandates, with a number of large mandates won in H2 that will help us to continue to grow in this area.

In Pensions Administration, revenue increased by 9% to £46.8 million (FY 2020: £42.9 million), underpinned by new contracts won prior to the pandemic coming on stream.

We also saw strong growth in National Pensions Trust ('NPT'), our defined contribution master trust. Assets under management grew by 69%, to over £1.0bn, with growth underpinned by transfers into the trust and annual contributions in respect of active members. We are continuing to invest in the NPT proposition and have a healthy pipeline of opportunities.

Our SIP business saw revenues decline by 8%, caused by the reduction in the bank base rate at the beginning of the pandemic, and the decline in economic activity over the year. However, the underlying performance of the business was good, with strong new business momentum in H2, and it is well placed to achieve organic growth in the coming year.

Regulation continues to drive change

Our clients are facing multiple changes in pension regulation and we will continue to work closely with them to help them comply with the evolving environment and protect the interests of their members. The most significant area of new regulation is the Pensions Schemes Act 2021 which will bring in new funding requirements and provide greater safeguards for defined benefit schemes. These regulations will increase the pressure on many scheme-sponsors and keep pensions high on the corporate agenda.

The outcome of the Competition and Markets (CMA) Review continues to drive opportunities in the area of fiduciary management oversight. During FY 2021 we won 32 new appointments to provide independent oversight of fiduciary appointments. These appointments are pleasing in their own

right, and also because they build new relationships that potentially open up wider opportunities for the Group.

Another increasingly busy area is GMP equalisation, where recent court cases have given rise to the need to make adjustments to defined benefit schemes where historically men and women have not been treated equally. This is a highly technical area and we have developed market leading, pragmatic approaches that have both successfully delivered projects in FY 2021 and have generated a strong pipeline of work for the years ahead.

Market developments provide potential opportunity

There are still a number of pension schemes where the administration is provided by the sponsor through an 'in-house' team. In recent years there has been a trend to outsource the administration of these schemes to a specialist third party provider. This has been a strong driver of growth for the Pensions Administration division historically.

The pandemic made it harder still for small in-house teams to provide pensions administration which could potentially accelerate the outsourcing trend of recent years as scale becomes more important to control costs and provide access to technology.

The trend to consolidation and mergers within the industry continues and as one of the largest independent firms in the market, we are well placed to benefit from these market dynamics.

Delivering on our strategic priorities

Whilst we have seen some deferral of new business activity and discretionary projects as trustees and sponsors focused on dealing with the pandemic, we continued to make good progress on delivering our strategic priorities. Our ambition is to become the pre-eminent independent mid-tier pensions consulting firm and the XPS brand and footprint means we now offer a clearly differentiated alternative to the 'Big 3'.

We continue to broaden our services both in relation to defined benefit schemes, where we deployed our member profiling techniques to help clients understand the potential impact of Covid-19 on pension scheme longevity, and defined contribution schemes where we have developed a variety of new services aimed at supporting clients with the changing regulatory backdrop.

Ongoing investment in our award winning software, Radar, yielded benefits for both clients and the business, gaining external recognition once again, winning 'Actuarial Software of the Year' for the second year running.

With the exception of the Investment Consulting division where we achieved a strong new business performance, winning new clients has been slower during the year due to the pandemic. Despite this, we have still achieved success where opportunities have arisen. In Pensions Administration, we were delighted to win the first time outsourcing of a £2bn+ defined benefit scheme from the IT sector, and we will take on this role early in our new financial year. In early 2021, we were appointed as Actuarial and Investment advisors to a £2.5bn+ defined benefit scheme in the hospitality sector. The market is beginning to open up again and our pipeline is strengthening – these wins and our prior track record give us confidence that we will continue to gain market share during the year ahead.

It was a strong year for NPT, with 69% year on year growth in assets to over £1bn, driven by transfers in, contributions and investment returns. This is another area of the business where we continue to invest in technology to develop a market leading platform for the future.

The two businesses we acquired in 2019, Trigon and Royal London Corporate Pensions Services, were successfully bedded in during the year and are now fully integrated and delivering positive returns. Further growth through M&A remains a strategic priority. We look for transactions that will be a good cultural fit, easy to integrate, and with a strategic upside. A good example of this is the Kier Pensions Unit in 2018, which boosted our presence in the public sector administration market. This continues to open further opportunities for us, and we were delighted this year to win the all-Wales Police pensions administration contract.

People

We have assembled a strong and experienced management team that has served the business well during these uncertain times. We are grateful for their perseverance and commitment as the pressures of the year ebbed and flowed and for the resilience and flexibility of all our people – they deserve our heartfelt thanks.

In addition to Sophia Singleton who joined us as Head of Defined Contribution, a further key appointment during the year was the recruitment of our first Chief Information Officer, Jonathan Marchant, who joined us from Paypoint in May 2021. Jonathan will have a broad remit to drive all aspects of our technology agenda, from cyber-security to innovation in how we deliver services to clients.

This was the inaugural year for our Values in Practice Awards, celebrating people and teams who have gone above and beyond in the way they looked after each other and clients and truly embodied our values. One of the highlights of the year was reading through the more than 80 submissions nominating teams and individuals – it made us hugely proud to see so many examples of people truly rising to the challenges the pandemic had thrown at us. Presenting the awards to the winners was a hugely enjoyable and somewhat emotional moment for all involved.

Building a sustainable business

As our business grows, our ambition is to ensure that we do so in a responsible and sustainable way. We recognise that this is a journey and we are working on embedding principles of ESG and sustainability throughout XPS with a strong focus on collaboration and robust governance.

We have a strong societal purpose to help make pension schemes safe and secure for the members who will rely on them for financial security in later life. We continue to deploy innovative solutions and use of proprietary technology to achieve better outcomes for our clients and pension scheme members. We aim to be a good corporate citizen and participate in industry debates to shape better policies and more effective governance of our industry.

We also work very hard to protect and enhance the wellbeing of our employees, and this guides our decision-making. When the pandemic struck, our priority from the beginning was the safety and wellbeing of our colleagues, clients and other stakeholders. We worked hard to ensure we could support our clients whilst at the same time keeping our people in good spirits, well supported and with a strong feeling of inclusion and togetherness. We understood that everyone was facing challenges, but everyone's challenges were different.

We sent weekly voice messages to all staff providing a personal update about how things were. XPS produced bespoke videos on all aspects of working from home, on mindfulness, positivity, sleep and simple practical things to help; we put in place policies to support people. We did not furlough anyone, re-deploying staff where necessary. Colleagues who could not work because of Covid-19 – directly or indirectly because of looking after vulnerable dependents, or for childcare reasons – remained on full pay so they could concentrate on what they needed to do.

We created XPS communities around things we all love such as films, music, or exercise. To help during the depths of winter and lockdown 3, we even offered staff a 3-month Netflix subscription to help them through the dark nights at home.

In our annual staff survey, 94% of our people agreed that we are a good company to work for and, as mentioned above, in November we won the Business Culture Award Gold Award for our commitment and success in inclusive culture and values.

Our environmental journey continues – we have ambitious goals and are developing plans to make us carbon neutral in the future. The reengineering of the business processes undertaken during the past year has given us a more sustainable foundation to take this forward.

We have established a Board Sustainability Committee that is responsible for the sustainability strategy and providing oversight of the Group's performance against the sustainability framework. The Sustainability Committee is chaired by Non-Executive Director Sarah Ing and further details of its composition and activities can be found on our website and on page 16 to 20 of the Annual Report.

Outlook

The FY 2021 results demonstrate the resilience of our business, with a high proportion of our revenues being non-discretionary and recurring as they are received for essential services. As such, we remain well protected against scenarios in which the pandemic continues to disrupt economic activity.

Part of our strategy is to grow the services we provide to existing clients

in response to regulatory and market changes where clients need support. At the current time, the volume of regulatory change is high across a variety of areas. A new Pensions Bill became law in early 2021 and is expected to lead to changes to the way that schemes are funded and regulated. This will impact each of our Advisory clients, and all will need support in due course. There are numerous other regulatory changes that we expect will lead to continued strong client demand, including working through GMP equalisation, which drives activity in both our Advisory and Administration businesses.

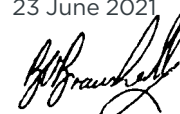
Another part of our strategy is to grow through gaining market share. After strong momentum at the end of FY 2020, new logo opportunities in the Pensions Actuarial & Consulting and Pensions Administration businesses slowed significantly during FY 2021 as processes were put on hold during the pandemic. This will impact the new business contribution to growth in the near-term – however we are seeing signs of the pipeline strengthening. New business opportunities in Pensions Investment Consulting have remained strong throughout, driven in part by the CMA Review remedies being implemented.

M&A is also a core part of our strategy. We have successfully integrated each of the three 'bolt-on' acquisitions we have done in recent years. We operate in a fragmented market, with a scalable platform and a strong infrastructure, and as such are well placed to grow through further M&A.

Overall, the Group is well positioned to emerge from the pandemic able to take advantage of favourable end market dynamics and the busy regulatory backdrop for pensions. The Group is well placed to continue to deliver at least mid-single digit percentage organic growth in revenues over the medium term. The Group has traded in line with expectations in the first two months of the financial year.



Paul Cuff
Co-chief Executive Officer
23 June 2021



Ben Bramhall
Co-chief Executive Officer
23 June 2021

Doing the right thing is extremely important to us. We are committed to acting in an ethical and responsible way and have a strong framework centred on our values.

strengthening our focus on responsible business



Our sustainability framework builds on the good work we have been doing for some time and crucially helps us focus our efforts where we could and should do more. In my view, taking responsibility for how we operate is very important, both for today and how we can have a positive impact in the future on our environment and broader society.”

Snehal Shah
Chief Financial Officer

As XPS Pensions Group grows, our ambition is to ensure that we do so in a responsible and sustainable way.

We recognise that this is a journey and we are working on embedding principles of ESG and sustainability throughout XPS with a strong focus on collaboration and robust governance.

We have established a Board Sustainability Committee that is responsible for the sustainability strategy and providing oversight of the Group's performance against the sustainability framework. The Sustainability Committee is chaired by Non-Executive Director Sarah Ing and further details of its composition and activities can be found on page 49. Operational responsibility for the framework sits with the Executive Committee and in particular:

- 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; and
- The Chief Operating Officer has responsibility for health and safety, the environment and charity and community activity.

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

To assist in our communication and focus the sustainability efforts of the Group, the Sustainability Committee has reviewed the framework we established for Corporate Responsibility last year and further developed our approach in light of evolving business and stakeholder requirements. Our updated sustainability framework is set out on the next page.

	Focusing on Governance	Focusing on our employees	Focusing on our clients	Focusing on our communities	Focusing on our environment
Goal	Operate to a high standard of Corporate Governance	Create a supportive environment where employees can thrive	Help clients and scheme members achieve better outcomes	Create a positive impact wherever we operate and for the wider society. Work with local communities supporting charities in the locations where we operate	Reduce our impact on the environment and help others to do the same
Material topics	Business ethics and values	Employee engagement	Sustainable products & services	Community engagement	Energy usage & climate change
	Corporate Governance	Diversity & inclusion	Responsible investment	Charitable giving	Environmentally friendly culture
	Human rights & modern slavery	Learning & development	Cyber Security & Data Privacy	Supply chain management	
		Employee wellbeing			

We are working on embedding our principles of responsible business through our focus on strong governance, collaborative partnerships and increased stakeholder engagement.

Focusing on Governance

We have in place robust governance, policies and practices to ensure we maintain the highest standards of ethical behaviour in all we do as well as operate to the highest standards of Corporate Governance.

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. 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 reviews 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.

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.

Human rights and modern slavery

We aspire to conduct business in a way that values and respects the human rights of all our stakeholders. We comply with all relevant legislation, including the UK Modern Slavery Act.

Corporate Governance

Please refer to pages 34 to 72 for our report on Corporate Governance.

Focusing on our Employees

We strongly believe that our employees are key to the success of 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.

Employee Engagement

With the pandemic in 2020, communication with our employees increased and this was using a range of channels including intranet, podcasts and video. We wanted to make sure staff were informed and did not feel isolated.

Our Employee Engagement Group, which was created in 2019, has helped grow the business through more employee collaboration and input on key decisions.

Our 2020 Engagement Survey attracted an 80% response rate (2019: 87%). The engagement results were shared openly across the business and Business Heads worked with their teams to discuss the results and together create and implement action plans to address feedback.

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.

During the year, we gave colleagues the opportunity to submit their diversity data on a voluntary and anonymous basis and this data was entered into our new HR system. This will enable us to analyse, report and understand our workforce composition, forming the basis of targeted initiatives to drive diversity and inclusion and measure change.

We are also partnering with an external diversity consultancy to progress the development of our diversity and inclusion strategy.

XPS's gender diversity at the year-end is shown below. The Group has a good gender balance overall and we continue to work to increase the number of women in senior positions.

80%

of our employees completed the survey

94%

of staff agreed XPS is a good company to work for

86%

of staff believe XPS is inclusive, and values each person for what they bring to the Company

Gender split data

Group total: 1,380

2021



2020



Partners total: 73

2021



2020



Board total: 7

2021



2020



Other employees total: 1,300

2021



2020



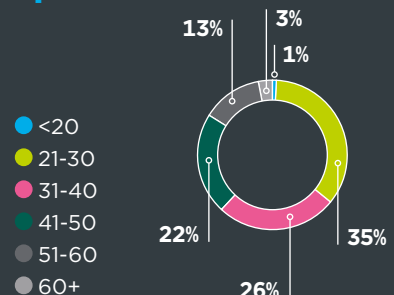
Female
Male

Disability

4.6%

of colleagues disclose that they have a disability.

Multi-generational split



Whilst we continued to have a gender pay gap in 2020, we are delighted to report a reduction in that gap from 2019. Reducing the gender pay gap continues to provide the opportunity to encourage the diversity of our teams and remains an important corporate objective both for now and the future. Further detail can be found on our website.

Learning and development

We continue to work with employees offering professional training, mentoring and workshops designed to accelerate the progress of colleagues.

During the year we delivered nearly 17,000 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, 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. We continued to provide support for employees studying for professional qualifications, and a range of bespoke technical programmes exist across all areas of our business.

Employee wellbeing

We provide a comprehensive formal and informal support structure for employees which includes private medical insurance, permanent health insurance, critical illness and life cover for all employees.

We also provide an employee assistance programme, access to a second medical opinion referral service and counselling.

We continue to partner with the Mental Health Foundation and Mental Health at Work in sharing information and promoting good mental health. All line managers have received mental health training in the last year and we have also launched a Mental Health Allies programme with over 60 trained allies. We have signed up to the BITC Mental Health Work Commitment as we believe in a healthy, supportive working culture, where everyone is comfortable raising issues and problems.

Focusing on our Clients

We help clients through innovative services and use of proprietary technology to achieve better outcomes for clients and scheme members.

Sustainable products and services

We have a wide reach of clients, and for some of the scheme members where we provide administration services, some may be vulnerable. Our Scam Service has been created to protect the needs of pensioners and to create better outcomes for clients. Another example of sustainable development is providing information in an accessible format for scheme members who are visually impaired.

We are proud to be a signatory of the United Nations-supported Principles for Responsible Investment (PRI). We have committed to uphold the six principles of the PRI and be held accountable. Further information is available on our website.

We work with our clients to incorporate their specific requirements on responsible and sustainable investing. XPS believes that taking a sustainable approach will be of growing importance for many of our clients and to assist them we are awarding funds a 'sustainable' designation where the fund demonstrates the right combination of attributes. Our vision is to offer clients an independently vetted sustainable choice across all asset classes.

Cybersecurity and Data privacy

We embed information security within our culture. We do this by implementing effective policies and technical controls to safeguard our customers' information. We also focus on data privacy and being transparent about how and where we are using client data. Data is one of our most valuable assets and we must ensure that the information we hold is accurate, secure and managed appropriately.

A central part of our staff training is the ever-growing threat of cyber-attacks and the logistical, reputational, and financial damage this can cause.

Because our employees are our first line of defence in protecting client, employee and corporate information, we have regular communication for staff awareness. This policy applies to all staff and contractors, all of whom receive compulsory training.

Focusing on our Communities

We help communities by working with charities supporting the disadvantaged and championing those causes where we can make a difference.

Community engagement

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

Charitable giving

We have continued our partnership with the Mental Health Foundation and Tax Help for Older People. Our employees have fundraised for local charities. In total, over £37,000 was given to charities.

Supply chain management

We aim to encourage and work with suppliers to achieve the highest standards within our supply chain. We are committed to working with our supply base to ensure that together we can achieve wider social, economic and environmental benefits.

Focusing on our 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.

Energy usage

The Group continues to review its activities and operations in order to identify and evaluate environmental aspects and impacts. Initially this has concentrated on the area where we believe we can have the largest impact: energy usage, but is also considering other important aspects such as travel, waste products and water consumption. This work has been supported by our Environmental Management System ('EMS') that is due to be certified to ISO 14001 by the end of 2021. Specific initiatives include the increased usage of video

conferencing facilities for both internal and client meetings to reduce the amount of staff and client travel, and options to reduce the amount of printed materials required.

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

Annual greenhouse gas emissions and energy use data for the period 1 April 2020 to 31 March 2021:

Fiscal year 2020–2021

	Current reporting year 2020–2021	Comparison reporting year 2019–2020
Total scope 1 emissions (tCO ₂ e)	212.0	267.4
Total scope 2 emissions (tCO ₂ e)	350.3	547.7
Total scope 1 + scope 2 emissions (tCO ₂ e)	562.3	815.0
Energy consumption used to calculate above emissions (kWh)	2,655,443	3,329,067
Revenue (£m)	127.9	119.8
Scope 1 + scope 2 emissions intensity (tCO ₂ e/£m)	4.40	6.81
Total scope 3 emissions (tCO ₂ e)	1,928	
Total scope 1+ scope 2+ scope 3 emissions (tCO ₂ e)	2,490	
Energy consumption used to calculate above emissions (kWh)	12,720,256	
Scope 1 + scope 2 + scope 3 emissions intensity (tCO ₂ e/£m)	19.47	

Notes:

1 tCO₂e = Tonnes of CO₂ 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 Pilo Ltd, using a methodology in line with ISAE 3410.

5 Scope 3 emission figures include business travel, employee commuting and domestic energy usage to support staff working from home during the Covid-19 pandemic in response to government guidance.

Like for like comparisons between scope 1 and 2 emissions against the previous reporting period show a reduction in emissions data across the Group's offices.

This reflects the fact a majority of staff worked from home in response to government Covid-19 guidance so the energy consumed in these offices was lower.

The increase in domestic emissions due to staff working from home has been calculated and included in scope 3 emissions data for the 2020-2021 period. This results in an overall increase in emissions since the previous year, although like for like comparisons are not applicable as this is the first year scope 3 data has been included.

Emission figures for 2020-2021 are higher than the comparison reporting year for a number of factors. These include increased numbers of staff, additional scope 2 data being available for inclusion and the introduction of supply chain scope 3 data for the first time this year. These figures also take into account the increased numbers of staff working from home during the period due to the Covid-19 pandemic and the associated additional domestic emissions.

Task Force on Climate-related Financial Disclosures (TCFD) Reporting

Work is underway to ensure that the Group fully complies with the new TCFD requirements by the time we report on the financial year ending 31 March 2022.

An initial gap analysis has been completed, with an action plan to compliance agreed.

Environmentally friendly culture

In 2020 we were in the process of creating a more environmentally focused workspace, with green champions promoting an environmentally alert culture. With lockdown coming to an end we intend to roll out a number of green initiatives in the coming year. This is assisted by the adoption of a hybrid working model involving less travel. This will also allow us to reduce our overall paper consumption alongside the planned reduction in core printed stationery and letterheads. We will also be increasing our collaboration with new and existing suppliers to the use of sustainable products and energy sources.

Key focus areas for 2021

- Create a more responsible business focused culture at XPS.
- Focus on inclusion in everything we do including to attract, retain and develop colleagues, and how we engage others.
- Share our expertise for the benefit of pension scheme trustees, members and sponsoring employers.
- Reduce the environmental impact of our operations with the aim to present options to the Board by the end of 2021, on becoming net zero.
- Continue to support local and national charities through donations and supporting our colleagues in their fundraising activities.

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 20
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 Parental Bereavement Leave Policy Time off (excluding Annual Leave) Policy Menopause Policy	Reflecting the needs of our stakeholders: Colleagues, see pages 18-19 & 29 Diversity, see pages 18, 38 & 45
Respect for human rights	Data Privacy Policy Modern Slavery Information and Cyber Security Policy ¹	Reflecting the needs of our stakeholders: Suppliers, see pages 17 & 19
Social matters	CSR Policy ¹ Vulnerable Customer Policy ¹	Reflecting the needs of our stakeholders: Clients, see pages 19 & 29
Anti-corruption and anti-bribery	Bribery and Gifts Policy ¹ Whistleblowing Policy ¹ Financial Crime Policy ¹	Reflecting the needs of our stakeholders: Clients, see page 28 Reflecting the needs of our stakeholders: Colleagues, see pages 17 & 29
Description of principal risks and impact of business activity		Helping the transition to a sustainable low-carbon economy: Risk management, see page 20 Risk overview 2020 themes, see pages 30 & 31 Our principal risks, see pages 32 & 33
Description of our business model		Our business model, see pages 4 & 5
Non-financial key performance indicators		Operating responsibly for our stakeholders, see page 18

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 2020.

When the pandemic struck, our priority from the beginning was the safety and well-being of our staff. With 928,000 members under administration, we also needed to ensure continuity of service to our clients and the pension schemes we support.

maintain and support

Supporting our staff

Our aim was to support our clients whilst at the same time keeping our people engaged and well supported. Our CEOs sent a weekly voice message to all of our staff, that was both an update from around the Company but also a really personal and honest message about how things were in a wider sense that people valued for its authenticity.

We created bespoke videos on all aspects of working from home, including mindfulness, positivity, sleep, and these videos contained practical things to help. These were well received and subsequently distributed more widely to clients, our suppliers and wider contacts. We created XPS communities – covering things we all love, like films, music, exercise and more. With the return of lockdown in the depths of winter,

we gave all of our staff a three-month Netflix subscription to help them through the dark nights at home.

As a strong, profitable business, we did not furlough anyone and put policies in place to support staff who could not work as a result of Covid-19, either directly or because they were looking after vulnerable dependents, or for childcare reasons. They also remained on full pay. We did not take up any Government support on offer other than the automatic deferral of VAT payment at the start of the pandemic which was applied to all companies in the UK.

Maintaining customer service

We worked quickly to transition to a remote working model that would fully support our clients and maintain our high levels of customer service. This entailed some re-engineering of our processes, particularly in our

Pensions Administration business which was primarily an office-based environment. The changes that this required were implemented smoothly and effectively, ensuring we continued to pay pensions every month, without any disruption.

Living/reinforcing our values

This was the inaugural year for our Values in Practice Programme, celebrating people and teams who have gone above and beyond in the way they looked after each other and clients and truly embodied our values. It seemed particularly important to mark this during this year when our people had risen to the challenges that the pandemic had thrown at us. There were more than 80 submissions nominating teams and individuals and the presentation of the awards was actually a somewhat emotional moment for all involved.



A note of thanks to you and the business for my VIP award. I was overcome by a wave of emotion (all positive) when I opened the delivery box containing my award. It's an honour and I feel privileged to work for a company that doesn't just go through the motions. XPS actively implements the values it promotes and this is reflected throughout the Company and workplace."

A member of our IT team in Reading



Thank you for this morning's Office Tour I found it very interesting. I just want to say Thank You; I have only been a part of the XPS family since December. I have been extremely impressed with how XPS has managed this crisis. Compared to my previous employers you made me feel welcome and I 100% believe in everything that XPS stands for."

A member of our administration team in Middlesbrough

External recognition of the importance we placed on our culture and values was also reflected in the Gold award we won in the employee engagement category at the 2020 UK Employee Experience Awards. We also won not only the Best Business Culture Transformation Initiative at the Business Culture awards 2020, but also the overall Gold Award for the entire event.

Summary

We are very proud of the evidence that all of this worked. In our annual staff survey, 94% of our people agreed that we are a good company to work for and we produced a strong financial performance in a year of unprecedented change.



It was another strong year of growth for the business as Group revenues grew 7% year on year with 6% organic growth year on year. Adjusted EBITDA grew 5% year on year translating into a 17% increase in adjusted operating cash-flow. Statutory profit before tax grew 3% year on year.



another strong year of growth

The business adapted well to remote working in response to the Covid-19 pandemic and the financial results are a testament to the hard work and dedication of all our colleagues as they continued to serve clients well and looked after each other. During what has been an incredibly challenging year for all, we are proud to have stood by our colleagues and continued to serve all our stakeholders. We did not furlough any staff or make any pandemic related redundancies and neither did we take up any other financial help on offer from Government, other than the automatic deferral of the VAT payment at the start of the pandemic which applied to all companies in the UK.

Significant accounting matters

Adjusted numbers

We continue to show 'adjusted' numbers in our results to better reflect the underlying business performance. The 'adjusted' numbers exclude 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 but help to explain the progress within the underlying business.

Group income statement

	FY 2021 £m	FY 2020 £m	Change %
Revenue			
Pensions Actuarial & Consulting	60.7	58.8	3%
Pensions Investment Consulting	11.6	9.6	21%
Total Advisory	72.3	68.4	6%
Pensions Administration	46.8	42.9	9%
SIP	5.6	6.1	(8%)
NPT	3.2	2.4	35%
Total Revenue	127.9	119.8	7%
Adj. EBITDA¹	32.0	30.4	5%
Depreciation & Amortisation	(4.9)	(4.2)	(17%)
Adj. EBIT¹	27.1	26.2	3%
Exceptional & non-trading items	(13.9)	(12.8)	(9%)
Net finance expense	(1.8)	(2.3)	22%
Profit before tax	11.4	11.1	3%
Income tax expense	(2.4)	(3.7)	34%
Profit after tax	9.0	7.4	22%

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.

Revenue

Total Group revenues grew 7% year on year with all divisions apart from SIP achieving year on year growth.

Pensions Actuarial and Consulting is the Group's largest business. Despite the challenges of working from home as well as a lack of new business pitches in the first half of the year owing to the pandemic, the division achieved 3% year on year growth in revenues.

Pensions Investment Consulting had another strong year with a number of new client mandates as well as continued growth in FM oversight appointments following the CMA ruling in 2019. Revenues in this division grew 21% year on year.

Pensions Administration revenues grew 9% year on year with a number of new client wins coming on stream during the year. Pensions Administration accounted for 37% of the Group revenues (FY 2020: 36%).

SIP revenues were down 8% on prior year, primarily due to the reduction in the bank base rate. The National Pensions Trust ('NPT') business has performed well with revenue growing 35% year on year; with a faster-than-

expected recovery in asset prices, as well as additional asset transfers; total assets under management are now over £1.0 billion.

Operating costs

Total operating costs (excluding exceptional and non-trading items) for the Group grew by 8% or £7.4 million year on year. The main drivers for the cost increases are an increase in headcount as the business grows (1,325 FTE v 1,203 last year), continued investment in IT (particularly cyber security), higher bonus cost in light of the strong financial performance and the full year impact of the two bolt-on acquisitions in FY 2020. This was partially offset by lower travel and entertainment costs.

As a result, the Group's adjusted EBITDA grew by 5% year on year. Adjusted EBITDA margin was 25%; (FY 2020: 25%). Statutory profit before tax grew by 3% year on year.

Exceptional and non-trading items

Exceptional and non-trading items in the year totalled £13.9 million (FY 2020: £12.8 million). Amortisation of acquired intangible assets amounted to £6.6 million (FY 2020: £7.1 million). Share based payment charges were £4.9 million (FY 2020: £2.2 million)

driven mainly by a higher expectation of vesting compared to the prior year. Exceptional costs arising as a result of the Covid-19 pandemic were £2.0 million (FY 2020: £0.3 million). £1.0 million of this was spent on providing IT equipment such as laptops, monitors etc. to all our staff, some of whom were entirely office based prior to the pandemic. The other £1.0 million is a non-cash charge for significantly higher than normal holiday pay accrual as the holiday cycle was disrupted by the pandemic and a higher than normal level of holiday was carried forward at the end of the holiday year in December 2020. The holiday pay accrual will unwind during FY 2022 and the resulting benefit will also be shown within exceptional items as a credit in FY 2022. Restructuring costs of £0.4 million (FY 2020: £1.9 million) were incurred on the integration of bolt on acquisitions completed in the prior year. The Group also incurred corporate transaction costs of £0.2 million (FY 2020: £0.9 million) in the year. This was partially offset by an exceptional credit of £0.4m in respect of the contingent consideration no longer payable for the Trigon acquisition.

Tax credit on the exceptional and non-trading items was £2.3 million (FY 2020: £0.1 million).

See notes to the financial statements for further information on the items detailed above.

Net finance costs

Net finance costs for the year were £2.0 million (FY 2020: £2.4 million). The decrease reflected the lower net debt in the year, and the reduction in the bank base rate.

Taxation

A tax charge of £4.7 million (FY 2020: £3.8 million) was recognised on adjusted profits (before exceptional and non-trading items) which represents an effective tax rate of 19% (FY 2020: 16%). The Group also recognised a tax credit of £2.3 million (FY 2020: £0.1 million) on exceptional and non-trading items, which resulted in an overall tax charge for the year of £2.4 million (FY 2020: £3.7 million).

The tax credit on exceptional and non-trading items was only £0.1m 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. The increase in corporation tax expected in FY 2024 to 25% will drive an increase in tax charges in FY 2022, once the rate has been enacted as the deferred tax liabilities are revalued at the higher rate.

Our businesses generate considerable tax revenue for the Government in the UK. For the year ended 31 March 2021, we paid corporation tax of £3.3 million (FY 2020: £3.5 million); we collected employment taxes of £22.8 million (FY 2020: £19.7 million) and VAT of £20.2 million (FY 2020: £16.5 million). Additionally, we have paid £1.2 million (FY 2020: £1.1 million) in business rates. The total tax contribution of the Group was therefore £47.5 million (FY 2020: £40.8 million).

EPS

The Basic EPS for FY 2021 is 4.4p (FY 2020: 3.6p). The year on year increase is mainly due to the higher profits as well as a higher tax credit of £2.3m on exceptional and non-trading items in FY 2021.

Adjusted fully diluted EPS of 9.8p was delivered in FY 2021 (FY 2020: 9.6p), an increase of 2% year on year.

Dividend

A final dividend of 4.4p is being proposed by the Board (FY 2020: 4.3p). The final dividend, if approved, which amounts to £9.0m (FY 2020: £8.8m), will be paid on 23 September 2021 to those shareholders on the register on 27 August 2021.

Cash flow, capital expenditure and financing

	31 March 2021 £m	31 March 2020 £m
Non-GAAP cash-flow		
Operating		
Adjusted EBITDA	32.0	30.4
Change in net working capital	4.9	0.6
Other	(0.7)	(0.1)
Adjusted operating cash-flow	36.2	30.9
OCF conversion	113%	102%
Financing & tax		
Net finance expense	(2.1)	(1.8)
Taxes paid	(3.3)	(3.5)
(Repayment of) / Proceeds from new loans	(11.5)	13.3
Repayment of lease liabilities	(2.6)	(2.0)
Share related movements	(3.4)	0.3
Net cash-flow after financing	13.3	37.2
Investing		
Acquisition (net of disposals)	(0.2)	(7.1)
Capex	(2.9)	(3.4)
Restricted cash (NPT)	(0.5)	(0.3)
Net cash-flow after investing	9.7	26.4
Dividends paid	(13.4)	(13.4)
Exceptional items	(2.1)	(4.1)
Movement in cash	(5.8)	8.9
Net debt	50.4	56.1
Leverage	1.74x	1.98x

FY 2021 has been another year of strong cash performance for the Group. Adjusted operating cash flow increased by £5.3 million driven by a £1.6 million increase in EBITDA and a £4.3 million improvement in net working capital. Other items were an outflow of £0.7 million compared to an outflow of £0.1 million in FY 2020. Overall, this resulted in adjusted operating cash flow conversion of 113% compared to 102% in the prior year.

Taxes paid in the year were £0.9 million higher than the income statement charge due to the current year tax credit in relation to exceptional items in the year which is largely a deferred tax.

During the year, the Group repaid £11.5 million of the RCF. Capital expenditure in the year amounted to £2.9 million (FY 2020: £3.4 million) with £0.7 million spent on leasehold improvements and office fit-outs and the remaining £2.2 million on IT equipment and software enhancements.

After paying £13.4 million in dividends and £2.1 million of exceptional costs, the Group cash balance decreased by £5.8 million year on year to close at £8.6 million. The Group had drawn down £59 million of its £80 million RCF at 31 March 2021, resulting in a net debt of £50.4 million, a decrease of £5.7 million year on year.

The existing revolving credit facility (RCF) of £80 million matures in December 2022. In June 2020 an additional £10 million was agreed with the lending banks in order to provide the Group with greater financial flexibility to navigate the potential challenges posed by the Covid-19 crisis. This additional facility was not required and was exited in March 2021.

Going concern

Details on the Directors continuing to adopt the going concern basis in preparing the Financial Statements can be found in the Viability Statement in the Strategic Report in the Annual Report. 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 34 in the Annual Report.



Snehal Shah
Chief Financial Officer
23 June 2021

engaging with stakeholders

Directors of the Company act in good faith to promote the long term success of the Company for the benefit benefit 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. The Board give careful consideration to balancing the views of all stakeholder groups.

You can read about the Group's principal risks and key mitigations, including those in relation to clients, employees and suppliers, on pages 30 to 33.

Clients

Board / Company engagement strategy

- The Company engages with clients through a client satisfaction survey, completed every two years, of which the Board reviews the results. The Board receives a monthly management report on newly won clients and clients at risk.
- During the year, the Company was unable to hold its usual Annual Client Conference and drinks reception due to the Covid-19 pandemic. The Company hosted 13 live client webcast events which were attended by Executive and Non-Executive Directors. The Company saw an uptake in client participation in comparison to the prior year.
- The Company and the Directors 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.

How feedback influences the Board agenda and decision-making

Client impact is at the centre of the business and Board decisions give significant consideration to this.

Throughout the Covid-19 pandemic, the Company's engagement with and delivery for clients has been of paramount importance to both the Board and Company. Client feedback has been shared with the Board regularly throughout the pandemic.

Shareholders

Board / Company engagement strategy

- The Board engages with Company shareholders in many ways. 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.
- Sarah Ing is appointed as the designated Shareholder Engagement Non-Executive Director. Sarah attends the Company's results presentations to analysts and shareholders. Sarah meets or speaks to shareholders and prospective investors as well as sell side analysts.

How feedback influences the Board agenda and decision-making

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.

During the year, the Remuneration Committee conducted a consultation on the 2021 Directors' Remuneration Policy, feedback resulted in the current policy remaining in place for another year.

Following feedback from shareholders, the Board formed a Sustainability Committee during the year. You can read the Committee report on page 49.

Regulators

Board / Company engagement strategy

- The Company works with the regulators by responding to requests, consultations, submitting returns as required and attending industry meetings.

How feedback influences the Board agenda and decision-making

Margaret Snowden, OBE is an advisor to 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.

Employees/Contractors

Board / Company engagement strategy

- Margaret Snowdon, OBE is appointed 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 survey, the results of which are analysed in detail, shared with the Board and an action plan agreed.
- An external and anonymous whistleblowing hotline is available to employees 24/7. Any reports can be escalated to the Board as required.

How feedback influences the Board agenda and decision-making

Employees have been at the forefront of the Company and Board's discussions and considerations throughout the year, especially in relation to the Covid-19 pandemic. Following consultation with employees and the Employee Engagement Group, the Company has announced 'My XPS, My Choice'; the trial of a new working model, empowering employees to make the choice of where they work going forwards. You can read more about this on the Company's website [xpsgroup.com](https://www.xpsgroup.com).

The employee 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 and transparency around performance reviews, the internal promotions process and remuneration;
- Improved communication between departments;
- Resourcing and work/life balance; and
- Employee connection to the XPS brand and culture.

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 during the review of the Directors' Remuneration Policy.

Suppliers

Board / Company engagement strategy

- The Company has a designated procurement team and an external company who engage with and carry out due diligence on its 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.

How feedback influences the Board agenda and decision-making

The Company is committed to sourcing products ethically and sustainably, and establishing long-term, open and fair relationships with its suppliers.

Communities, Charities and Environment*

Board / Company engagement strategy

- This year the Company and Board enhanced their consideration of the Company's Sustainability and ESG matters by forming a Sustainability Committee, chaired by Sarah Ing (Non-Executive Director). The Committee report can be found within the Governance Report on page 49.
- XPS has a community support strategy involving employees and local offices fundraise for local charities.
- XPS remains partnered with the Mental Health Foundation, voted for by employees as the charity of choice annually since 2019.
- 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 XPS Investment business provides an offering to clients advising on ESG matters and making sustainable investments.

How feedback influences the Board agenda and decision-making

The Sustainability Committee was created in the year and is working through understanding the interests of various stakeholders and developing the Group's approach to sustainability. The Committee is working to identify the key issues requiring greater focus and improvement.

The Board receives updates from the Sustainability Committee on a regular basis.

During the year, all Board members attended an externally facilitated training session on The Growing Importance of ESG.

* Read more about the Company's engagement and commitment on page 20 and the Company website [xpsgroup.com](https://www.xpsgroup.com).

principal risks and uncertainties

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 seeks to avoid risk where it sees it as unrewarded or it cannot be well managed or understood.

Over the last year our risk management frameworks have been fundamental to enabling us to react effectively to the Covid-19 pandemic. The controls in place allowed us to support the pivot to higher numbers of staff working from home, whilst maintaining the protections in place to continue to serve our clients in a robust manner. These controls were reviewed throughout the year and have been enhanced to address the changes in the external threat environment such as the worldwide increase in phishing and ransomware attacks. Whilst parts of our supply chain were impacted we had sufficient resilience designed and in place to ensure we maintained our high levels of service to our clients and the members we support, whilst at the same time protecting our staff.

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

- The appointment of a Head of Assurance who is responsible for co-ordinating the assurance activities within the Group (AAF, ISO etc.) and ensuring opportunities to enhance controls are effectively implemented.
- The re-appointment of PwC to support the internal audit programme, as agreed with the Audit and Risk Committee.
- The introduction of a new Third Party Assurance framework, which tiers suppliers and uses risk-based questionnaires to validate the appropriate controls frameworks are in place.
- The embedding of the Executive level Risk Management Committee to monitor existing risks, discuss new risks and agree prioritisation of mitigation activities.
- The expansion of the dedicated Information Security team, including the introduction of several additional technical security enhancements.
- The development of the Environmental Management System to manage our impact on the environment and support SECR and TCFD reporting.

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 exceed the Group's appetite.

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

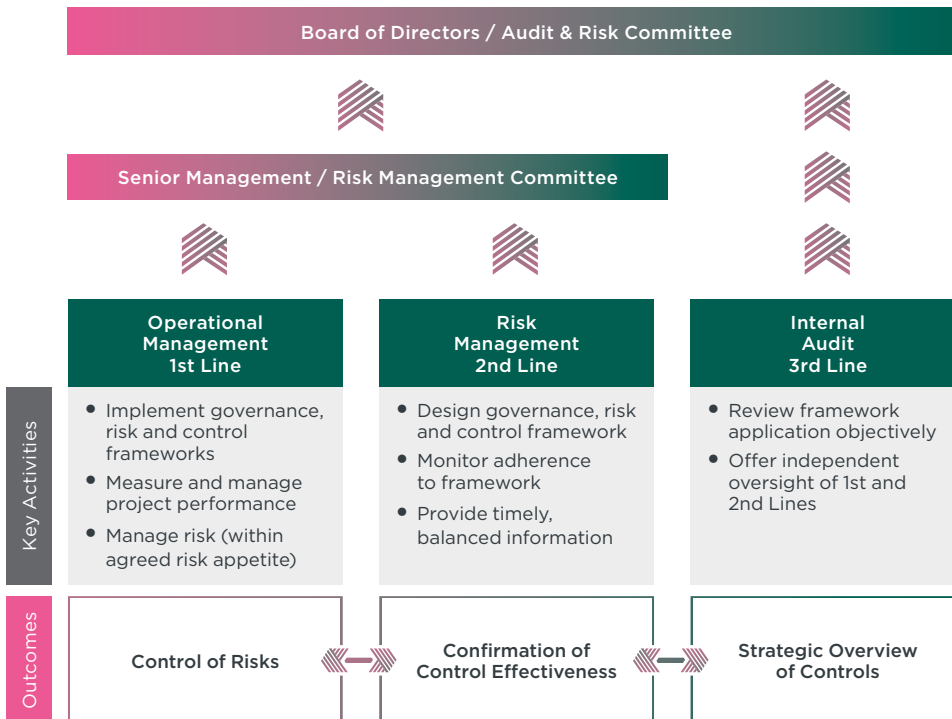
These include general business risks that are faced by the Group and are comparable to those that would be faced by similar businesses operating in the pensions sector.

These general business risks include:

- Political/ Economic/ 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:

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.
Financial performance	Risks relating to the failure to monitor and appropriately manage the financial performance of the Group on an ongoing basis which could lead to poor management decisions, higher costs and/or inaccurate external financial reporting.	The Group has a highly qualified and experienced financial reporting team. There is an extensive financial controls framework in place and key controls are regularly reviewed by internal and external audits. The Group undertakes detailed bottom-up budgeting and reforecasting exercises with the final budget and reforecast approved by the Board. Management information is published on a regular basis and the Executive Committee reviews the financial performance of the Group at least monthly. The Board receives and scrutinises financial performance of the Group at each Board meeting.
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. Staff use standardised documented processes and checklists for key processes. Higher risk work is identified with peer review and additional signoff 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 preventing individuals from making fraudulent payments or transfers. These controls are supported with staff vetting, training and awareness and are regularly independently audited. Insurance arrangements are in place to protect against larger claims.
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/ 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 ensure 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 SLA's 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 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 from 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.

Covid-19 (Coronavirus)

The outbreak of the Covid-19 virus significantly altered normal business operating conditions during 2020. The Group adapted its operations in order to keep staff safe and was able to continue client servicing without interruption. Our existing business continuity plans and technology infrastructure ensured a resilient response to the pandemic was possible. All staff have been subject to home working periods and throughout have maintained our client service and other obligations. The Executive Covid-19 Crisis Team was convened at the outset of the pandemic to oversee key decisions and continues to meet on a regular basis to agree and co-ordinate the mitigating actions required. Assessment of the potential impacts of Covid-19 on the Group principal risks has been regularly completed, with oversight from the Risk Management Committee and input from the Audit and Risk Committee. Although the external conditions created significant challenges, our strong

control environment and prompt management actions have resulted in resilient and stable residual risk positions across the organisation's risk profile. There is still uncertainty with regard to the medium- and long-term consequences of Covid-19, particularly with regard to the potential implications for markets and economies. The Group continues to review the external environment and monitor any potential horizon risks.

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 do not believe there to be any additional emerging risks that are not already addressed within the principal risks and uncertainties section.

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 Strategic Report has been approved by the Board and signed by order of the Board:



Paul Cuff
Co-chief Executive Officer
23 June 2021



Ben Bramhall
Co-chief Executive Officer
23 June 2021

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 73 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 2024. 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.

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 30 to 33. In addition, Note 2 on page 97 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 Group had £9 million of cash at 31 March 2021 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 considered the ongoing impact of the Covid-19 pandemic on the liquidity of the Group and the Group's banking covenants. An additional facility, which was negotiated in June 2020 was not required and so the Group exited it early in March 2021.

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.

robust corporate governance is vital and provides a sustainable platform for success and growth of the Group



I am immensely proud of the way XPS employees have united, during a challenging year, to support each other and our clients.”

Tom Cross Brown
Chairman

Covid-19 pandemic

I am pleased to report that the Board operated smoothly and effectively throughout the year, despite not being able to meet physically due to the global Covid-19 pandemic. The Board met virtually on a regular basis to discuss the pandemic's impact on the Group and its stakeholders. The Board had particular regard to the views of and potential impact on the Group's stakeholders throughout. I am proud to say that XPS employees have worked exceptionally well in unprecedented times, supporting each other and our clients.

Sustainability Committee

During the year, a Sustainability Committee of the Board was formed. The Committee supports the Board in discharging its oversight responsibilities of the Company's ESG impact and initiatives. The Sustainability Committee is chaired by Sarah Ing (Independent Non-Executive Director) and made up of five other members including Margaret Snowden, OBE (Independent Non-Executive Director) and Snehal Shah (Chief Financial Officer). The Committee met three times during the year, to establish its purpose and key areas of focus.

The Committee will consider measurable targets in relation to the Company's ESG initiatives and impact and looks forward to reporting on this next year. You can read the Sustainability Committee report on page 49 of the Governance Report.

Board effectiveness improvements

In 2020, we conducted our first external Board evaluation. We have since worked to make improvements as detailed on page 43 of the Governance Report. This year, the Board carried out an internal evaluation of its effectiveness during the year, the process and findings can be found on page 43.

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

Tom Cross Brown
Chairman
23 June 2021



The Board is committed to maintaining high standards of corporate governance and sustainability, in the interest of all of XPS' stakeholders."



Statement of compliance with the UK Corporate Governance Code

In 2020, 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 36 to 38,
- (ii) Division of Responsibilities: pages 40 to 41,
- (iii) Composition, Succession and Evaluation: pages 39 and 42 to 45,
- (iv) Audit, Risk and Internal Control: pages 46 to 48,
- (v) Remuneration: pages 50 to 72.

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



Paul Cuff
Co-Chief Executive
Officer



Ben Bramhall
Co-Chief Executive
Officer



Snehal Shah
Chief Financial Officer

Board attendance

12/12

11/12¹

11/12¹

12/12

Committee membership/Committee attendance

○ 8/8
● 2/2

○ 3/3

Appointed

January 2017

October 2016

April 2014

July 2019

Strengths and experience

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

Key strengths:

- Qualified actuary with 20+ years of experience in the pensions industry
- Responsible for raising the profile of XPS in the market, generating new business and the Group strategy with regard to M&A opportunities and technology 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

Key strengths:

- Qualified actuary with 20+ years of experience in the pensions industry
- Responsible for day-to-day operation of the business, including provision of services to existing clients, revenue generation and the Group's people strategy
- 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

Key strengths:

- Chartered accountant with 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 Ladbroke's 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

¹ Directors were absent at an ad hoc Board meeting due to a prior engagement, they were briefed ahead of the meeting.



Margaret Snowdon OBE
Independent
Non-Executive Director



Alan Bannatyne
Senior Independent
Non-Executive Director



Sarah Ing
Independent
Non-Executive Director

12/12

11/12¹

12/12

○ 4/4
● 8/8
○ 2/2
○ 3/3

● 4/4
○ 8/8
○ 2/2

○ 4/4
○ 8/8
○ 2/2
● 3/3

January 2017

January 2017

May 2019

Key strengths:

- 40+ years of 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
- Previous Non-Executive Director of The Pensions Regulator
- Appointed an OBE in 2010 and received many awards for her contribution to pensions

Current external listed company directorships / key appointments:

- Non-Executive member of Phoenix Group With Profits Committee
- Advisory Board Member of Moneyhub Financial Technology Limited
- Trustee of The Pension SuperFund
- Chair of Pension Scams Industry Group
- Non-Executive Director of the Pensions Policy Institute
- Non Executive Member of the ReAssure Group With Profits Fairness Committee

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

Key strengths:

- Chartered accountant
- 30+ years of 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 Remuneration Committee
- Director of Liontrust ESG Trust plc

Key to Committee Membership**Audit & Risk**

- Committee Member
- Committee Chair

Remuneration

- Committee Member
- Committee Chair

Nomination

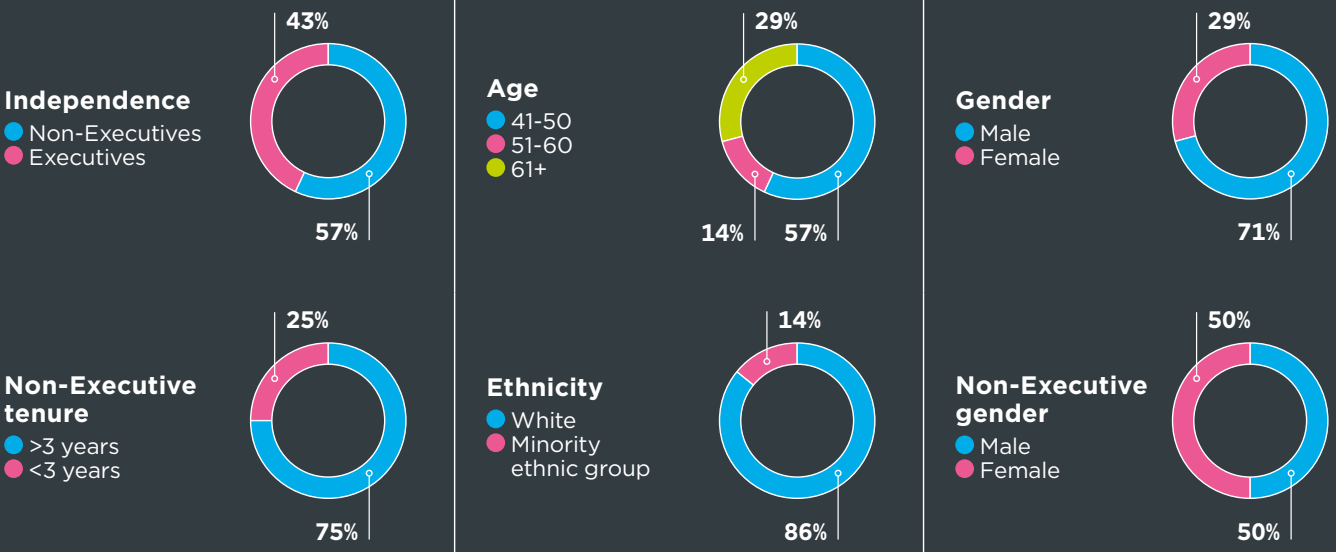
- Committee Member
- Committee Chair

Sustainability

- Committee Member
- Committee Chair

we believe that a commitment to diversity, equality and inclusion is key to sustainable success

Board Composition



Director skills and experience

Board members with core / 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.

The Board benefits from the wide experience of its Non-Executive Directors. Biographical details of all Board members are given on pages 36 to 37.

Board Committees

The Board operates in accordance with the Company's Articles of Association and has an Audit and Risk Committee, a Remuneration Committee, a Nomination Committee and a Sustainability 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 four main Board Committees are available on the Company's website at <https://www.xpsgroup.com/investors/corporate-governance/board-committees/>.

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, Margaret Snowdon, OBE chairs the Remuneration Committee and Sarah Ing chairs the Sustainability 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 46 to 48.

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 2020, 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 50 to 72.

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 44 to 45.

The role of the Sustainability Committee is to support the Board's oversight responsibilities of the Company's environmental, social and governance impact and initiatives. Further details are given in the Sustainability Committee report on page 49.

Executive Committee

The Co-Chief Executive Officers operate a Group Executive Committee to support them in the performance of their duties, including the development and implementation of strategy and the day-to-day operational management of the business. During the year the Committee was comprised of the Executive Directors, the Chief Operating Officer, Head of Advisory, Managing Director of Administration, Head of Investment, General Counsel and HR Director. The Company has since appointed a Chief Information Officer who has joined the Executive Committee. Further details of the Executive Committee, including biographical details for each member, can be found on the Company's website: <https://www.xpsgroup.com/investors/corporate-governance/other-committees/>

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 Group'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 Group and promotes the long-term sustainable success of the Group'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 XPS 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, including 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 reviews the business strategy for the year ahead at the beginning of each financial year, receives strategy updates at each Board meeting 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 to 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 four times in the financial year and at its meeting in June 2021 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.

Embedding culture

The Board recognises the importance of its role in setting the tone of the Group's culture, championing the behaviours the Group expects to see and embedding these throughout the Group. In addition to the Board, the Executive Committee upholds the Group's values and ensures that the importance of compliance and integrity is recognised at all levels throughout the Group. Sustainability 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. 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. The behaviours we aim to adopt in our new working model, 'My XPS, My Choice', are also aligned to our values in the form of a Behaviours Charter.

We also celebrate the XPS - Values In Practice Awards annually, recognising employees and teams who have demonstrated the Group's values in an exceptional way.

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.

We...



are
ambitious



do the
right thing



are agile



are helpful



are experts

As a Group we identified our stakeholders and the ways in which we engage with them and consider their views during decision-making. Further details can be found within our section 172 statement on pages 28 to 29.

Employee engagement

As a Group we pride ourselves on effective employee engagement. Margaret Snowden, OBE is the Group’s designated Employee Engagement Non-Executive Director and Chairs the Group’s Employee Engagement Group. Margaret reports back to the Board after every Employee Engagement Group meeting and acts as the ‘employee voice’ at Board meetings. The Group conducts an employee survey annually and the Board considers the results as a whole.

Annual General Meeting

The Company’s Annual General Meeting (‘AGM’) will take place at 12pm on Tuesday 7 September 2021 at the Group’s Reading office. The AGM notice setting out the resolutions to be proposed at the meeting and including explanatory notes, together with this Annual Report and Accounts, will be available on the Company’s website (www.xpsgroup.com) 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.

Board evaluation

The Board acknowledges that the Code requires regular external Board evaluations (as a company below FTSE 350) and conducted an external board evaluation in 2020, facilitated by Ceradas Limited (‘Ceradas’).

In 2021, the Board conducted an internal evaluation conducted by the Company Secretary and Chairman, using questionnaires and covering all aspects of Board effectiveness, including the Committees of the Board. All Board members completed the evaluation.

2021 outcome

The overall outcome of the evaluation process was positive. The following actions were identified to further improve the effectiveness of the Board:

- The Board would consider other mechanisms for shareholder engagement, including holding a capital markets day, and would develop the Group’s Investor Relations function with external support; and
- The Board would work cohesively to continue key strategic themes and continue to hold an annual Board strategy session.

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 2021, led by the Senior Independent Director. The Senior Independent Director also engaged with the Executive Directors separately for their feedback. The results of that process were communicated by the Senior Independent Director to the Board at its meeting in May 2021.

2020 evaluation outcomes and progress

The 2020 evaluation identified the following areas for improvement, which have been improved as follows:

Actions from 2020	Improvements
Developing protocols to ensure consistency between Board reports, to facilitate Board discussion and decision-making.	Board reporting has developed and is more focused, consistent and flags key discussion items.
Further reporting to support the Board’s discussions about strategic priorities and post-acquisition appraisals.	The Co-CEOs report has been developed to focus on strategic priorities. A post acquisition appraisal process and structure has been agreed with the Board and appraisals have been completed in relation to the Royal London and Trigon bolt-on acquisitions.
Further development of the Board and Audit and Risk Committee’s annual and ongoing overviews of internal controls and associated procedures.	Reviews of internal controls and associated procedures have increased during the year and the Audit and Risk Committee have received presentations on various business areas and their control environment.
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.	The Board has established a process for sharing shareholder feedback amongst Board members.

succession planning is a key component of good governance



A strong, diverse, qualified and competent Board and Senior Management team have been imperative to the continued growth of the Group throughout an extraordinary year.

Committee 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-Chief Executive Officers

Chief Financial Officer

Dear Shareholder,

I am pleased to present the report of the Nomination Committee for the year-ended 31 March 2021. The Committee has met twice during the 2020/21 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 terms of reference of the Committee are reviewed annually and available on the Company's website www.xpsgroup.com.

Membership of the Committee

The members of the Committee are myself, Alan Bannatyne, Margaret Snowdon, OBE and Sarah Ing. Members of the management team, including the Executive Directors, are invited to Committee meetings as the agenda dictates.

Board changes

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

Sustainability Committee

During the year, a Sustainability Committee was formed. The Committee is chaired by Sarah Ing (Non-Executive Director), the other members are Margaret Snowdon, OBE (Non-Executive Director), Snehal Shah (Chief Financial Officer), Charlotte West (Head of Employee Engagement), Adrian Davison (Head of Risk) and Sarita Gosrani (Head of ESG for the Investment Business).

Board effectiveness evaluation

In 2020, an external Board effectiveness evaluation was completed, you can read about the improvements made as a result of this on page 43. During the year, an internally facilitated Board effectiveness evaluation was completed, further details of the outcomes can be found on page 43.

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, at least bi-annually.

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.

Diversity, equality and inclusion

The Company has an established Diversity, Equality and Inclusion Group (DEIG), 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.

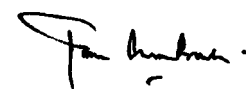
The Company acknowledges that there remains a gender pay gap within the business which reflects a higher proportion of males in higher paid roles than females. Whilst this is partly a challenge of the UK industry in which the Company operates, with a male-dominated actuarial profession,

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 partnered with a specialist diversity and inclusion consultant, to drive forward our D&I strategy in 2021.

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 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 Group's gender balance, including senior management, on page 18 in the Responsible Business section.



Tom Cross Brown

Chair of the Nomination Committee
23 June 2021

delivering independent oversight



The Committee supports the Board by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of the financial statements and the Group's Annual Report.

Dear Shareholder,

I am pleased to present the report of the Audit and Risk Committee for the year ended 31 March 2021. The Committee met four times during the 2020/21 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 Snowden, OBE. The Board is satisfied that the Audit and Risk Committee as a whole has competence relevant to the sector in which the Group operates and that I and Sarah Ing have recent relevant financial experience as can be seen in our biographies included on pages 36 to 37 of the Annual Report.

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

Committee Membership and Attendance

Chair

Alan Bannatyne	4/4
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Committee Members

Sarah Ing	4/4
Margaret Snowden, OBE	4/4

Attending by invitation

Non-Executive Chairman	
Co-Chief Executive Officers	
Chief Financial Officer	
Chief Operating Officer	
Financial Controller	
Head of Risk	
General Counsel	

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, Andrew Radford, was appointed in September 2020.

During the year the Committee undertook an audit tender exercise. The process was detailed and robust and involved invited firms meeting senior management from across the Group to allow them to consider the key risks relevant to XPS. After review of their written proposals and presentations, the Committee decided to retain BDO LLP as the Company's Auditor.

The Committee is responsible for making recommendations on the independence of the Group'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 98.

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 Group'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.
Amortisation of customer relationship intangible assets	
The Group reviews its intangible assets and related amortisation annually. The Group considered whether there was new information or more experience which would lead to a change in the amortisation method and rate used for these assets.	Following a detailed review, a change in estimate was applied to a sub set of the customer relationship asset. The amortisation method was changed from reducing balance to straight line. In addition, the useful economic life of the assets in question was reviewed and extended from 10 to 20 years. This is in line with similar assets, and is evidenced by customer retention levels. This change was reviewed by the Committee and BDO, and it was agreed to be appropriate.
Presentation and disclosure of exceptional and non-trading items	
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.	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. With regard to the Covid-19 related exceptional costs management judgements have been challenged both by the Committee and by BDO, and they have both concluded the classification as exceptional to be appropriate.
Exceptional and non-trading items in the year totalled £13.9 million (2020: £12.8 million). In particular, management have made a number of judgements regarding costs arising due to the Covid-19 pandemic. For more details, see Note 6 to the Financial Statements on page 99.	

Internal Audit

An Internal Audit function has been in operation, 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 in addition to the annual programme of reviews, it also focused on the Pensions Investment Consulting 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 internal 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 2021 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

We 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 standardised risk management framework 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, legislative changes and the external threat environment.

A 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 ('RMC') 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. The RMC 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.

The Group Risk Team supports all businesses within the Group and ensures best practices are applied consistently. This team is also responsible for co-ordinating the existing external assurance activities carried out across the Group into the audit plans approved by Executive Management, to ensure all risks and controls are considered and assessed appropriately.

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 Covid-19 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
23 June 2021

sustainability is fundamental to our mission



I am enthusiastic about the new Board Sustainability Committee. XPS's sustainable strategy needs to be at the heart of what we are and how we act.

Committee Membership and Attendance

Chair

Sarah Ing 3/3

Committee Members

Margaret Snowdon, OBE	3/3
Snehal Shah	3/3
Charlotte West	3/3
Adrian Davison	3/3
Sarita Gosrani	3/3

The Sustainability Committee was created to support the Board with considering, reviewing and driving initiatives for matters related to environmental, social and governance (ESG) that have a material impact on business strategy, business performance and the long-term sustainability of the Company. The Committee has oversight of the views and interests of the internal and external stakeholders of the Company including employees, customers and community relating to sustainability.

Membership of the Committee

The members of the Committee are myself, Margaret Snowdon, OBE, Snehal Shah (CFO), Charlotte West (Head of Employee Engagement), Adrian Davison (Head of Risk) and Sarita Gosrani (Head of ESG for the Investment business). Other Board members and members of the management team are invited to meetings as the agenda dictates.

The Role of the Committee

The Group has been involved in a wide variety of sustainability-related activities during the year and one the key aims for the Sustainability Committee is to ensure that the Group's activities and reporting on ESG/sustainability matters are brought together in a coherent way; and to provide oversight and challenge thereof.

As a business we are committed to acting responsibly in our mission for better outcomes for scheme members and society. We are 'ambitious' to do the right thing for all of our stakeholders and especially our people who are at the core of what we do.

The Committee has met three times during the 2020/21 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 Focus of the Committee

The Committee has set out the Group's key areas of focus - governance, our employees, our clients, our communities and our environment.

The Committee discussed current practices in each of the key areas identified above and is working to set aspirational goals in key areas.

At a high level, the focus for the year ahead includes:

- Oversight of progress to embed the Group sustainability strategy and steps towards its commitments;
- Engaging with key stakeholders, respond to their feedback and concerns, report on progress, and embed sustainability in corporate culture and Board decision making; and

- Understanding and driving key sustainability topics to support the fulfilment of the Committee's duties.

The Committee is also responsible for the Group's reporting on ESG/Sustainability matters. Refer to pages 16 to 21 of the Strategic Report. As part of this remit, the Committee reviews and challenges activities carried out within the business aligned with the sustainability strategy (approved by the Board) ensuring that the strategy is embedded throughout the organisation. The Committee will keep sustainability best practice under review, referring to thought leadership, and monitors the Group's position regarding relevant emerging sustainability issues.

The terms of reference of the Committee are reviewed annually and available on the Company's website www.xpsgroup.com.

Sarah Ing

Chair of the Sustainability Committee
23 June 2021

remuneration at a glance

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

Aligned with colleagues – by striving for as consistent as possible an approach between the Executive Directors and Senior Management.

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.

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 and to reward performance – deferred variable remuneration does not give rise to any immediate entitlement. Long-term incentive 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

		Key features of the policy	How we implemented the policy
Fixed Pay	Salary and benefits	Annual increases will not exceed 7.5% + RPI (April 2021: 10.4%) or the average increase of employees across the Group in any given year, whichever is higher.	Increases of 9% applied effective 1 April 2021 as the first phase of a market-adjustment. This is the first increase for three years and is below the general level of salary growth across the Group since 1 April 2018. A second increase is intended to be made from 1 April 2022 – see page 54.
Short-term variable pay Financial/functional and personal objectives set with reference to business plans approved by the Board.	Cash bonus	The maximum opportunity for 2020/21 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-CEOs were awarded 102% of salary and the CFO was awarded 77% of salary, as determined by the Remuneration Committee. These payments amounted to 68% of maximum. Bonuses were paid on financial performance as well as personal objectives (detailed on pages 63 to 64).
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 July 2018 PSP award is subject to underlying EPS performance and relative TSR performance. The overall payout for the award is equal to an estimated 21.3% of maximum.
Share ownership guidelines	Share ownership guidelines	Minimum shareholding of 200% of base salary for any Executive Director with requirements applying for a two-year period post termination of employment.	

Remuneration at a glance: pay outcomes for the year

2020/21 Fixed remuneration

Base salary		Pension	
Co-CEOs	CFO	Co-CEOs	CFO
£288,000	£243,270	6% of salary	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 2020/21 resulted in a bonus payment of 67% of the maximum for this element of the bonus. When combined with the performance against strategic objectives, this led to bonuses of 68% of the maximum. Further details of financial and personal objectives can be found on pages 63 to 64.

£m	Threshold (£'000)	Target (£'000)	Maximum (£'000)	Actual (£'000)	Payout (% of this element)
Group Adj. PBT (75% of potential)	24,660	25,215	26,180	25,230	67%

delivering fair remuneration for performance



The Remuneration Committee continues to ensure a robust link between the execution of strategy, reward and performance and is committed to fairness and transparency.

Margaret Snowden, OBE
Chair of the Remuneration Committee

Dear Shareholder,

The Directors' Remuneration Report for the year ended 31 March 2021 contains:

- my annual statement;
- the annual report on remuneration which describes how the Directors' Remuneration Policy has been applied in the 2020/21 financial year and how it will be implemented in the 2021/22 financial year; and
- the Directors' Remuneration Policy which, following engagement with our largest shareholders in 2021, remains unchanged since it was approved at the 2020 AGM.

Membership and attendance

Chair	
Margaret Snowden	8/8
Committee Members	
Tom Cross Brown	8/8
Alan Bannatyne	8/8
Sarah Ing	8/8
Attending by invitation	
Co-CEOs	
CFO	
COO	
HR Director	

Response to Covid-19

During the year ended 31 March 2021, we continued to manage the challenges that the pandemic presented throughout the year and produced a robust financial performance, which demonstrated the resilience of the Group's business model and strong client base. At a Group level, total revenues grew 7% year on year. Excluding the contribution from acquisitions, revenues grew by 6% in the year.

The Group delivered Adjusted Diluted Earnings Per Share of 9.8p. This builds on growth in Adjusted Diluted Earnings Per Share since XPS was floated on the London Stock Exchange in 2017 of 36%.

At the same time, we concentrated on the mental health and well-being of our colleagues. No XPS Group employees were furloughed during the pandemic and no Government assistance was received. Policies were put in place to support staff who could not work as normal because of the pandemic and the Group has increased its dividend throughout the pandemic. You can read more about the Company's response to Covid-19 and how we supported our staff on pages 22 and 33.

Engaging with our stakeholders

Shareholders

At last year's Annual General Meeting held on 8th September 2020, the Remuneration Committee was pleased that shareholders approved the Directors' Remuneration Policy with 96.06% and the Remuneration Report with 99.98% of votes for. 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, which I chair as XPS Group's Employee Engagement Director, considers Executive Directors' 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. It meets at least twice a year and has met virtually during the pandemic. 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.

The Directors' Remuneration Policy 2020

I said last year that the pandemic prevented us from holding meetings with our largest shareholders to consult on the proposed new incentive arrangements. We asked shareholders to approve a new Policy in 2020 on the basis that we would seek approval for a fresh Directors' Remuneration Policy at the Company's 2021 AGM. In April and May of this year, I engaged with several of our largest shareholders about changes to our approach to long-term incentive arrangements. This entailed reducing the maximum value of both short-term and long-term incentives and the replacement performance shares with time-vested restricted shares. Our original proposal was to increase the value of long-term remuneration, as opposed to making any market-related increases to fixed pay. The proposed changes were designed to ensure greater internal alignment in our approach to remuneration as we already award restricted shares for senior employees below the Board. I listened carefully to our largest investors and am very grateful for their constructive input. In the light of their views, we have decided to make no further changes to the Directors' Remuneration Policy but rather to work within the Policy to enhance its effectiveness. The decisions we have subsequently agreed reflect the mixed views of our largest

shareholders on restricted shares in place of performance shares and, at the same time, many were concerned to ensure that the remuneration packages of the Executive Directors were more competitive and said that a significant adjustment to basic salaries was necessary to align them to the market. Our investors are well aware that base salaries are low and have given us strong encouragement to remedy this.

The changes to the operation of the 2020 Directors' Remuneration Policy

1 Phased adjustments to the base salaries of the Executive Directors

The current Directors' Remuneration Policy, which was developed as part of the IPO process in 2017, was heavily influenced by the selling shareholders. During their period of ownership and at the point of their sale, more emphasis on variable pay and fixed pay was kept deliberately low.

The consequence is that:

- Base salaries are low against the FTSE Small Cap market and other similarly-sized companies, even after applying a discount for having Co-CEOs and leaving aside the fact that each of them have client-facing responsibilities in addition to their Executive management and Board responsibilities. Their salaries are significantly below the market at c.70% of the discounted lower quartile (60% of the unadjusted lower quartile). The CFO's salary is also below the lower quartile position.
- Even though total variable pay at 300% of base salary for the Co-CEOs is high (as a percentage of salary) when compared with FTSE Small Cap practice, their total target and total maximum pay is well below the market median for similarly-sized companies and nearer to the lower quartile. The CFO's total variable pay (as a percentage of salary) is also above the median position and yet his total target and maximum remuneration are at or around the lower quartile of the market for comparable roles. This is because salary levels are relatively low.

The Remuneration Committee has therefore decided to increase the base salaries of the Executive Directors in two phases:

- 9% with effect from 1 April 2021. This is the first increase for three years and is below the general level of increases for employees across the Group since 1 April 2018; and
- 6% with effect from 1 April 2022 (subject to continued strong performance both corporate and individual).

This still leaves target and maximum total remuneration for all the Executive Directors below the market median.

2 Continuation of awards under the performance share plan with current measures and new weightings

The Remuneration Committee has reviewed the current performance measures of Adjusted EPS growth and relative Total Shareholder Return (measured against the FTSE Small Cap excluding investment trusts) and takes the view that EPS and returns to shareholders both absolute and relative remain key performance indicators and should be retained. They are transparent, fair and well understood by all and support our desire for simplicity of design. Given the importance of earnings and profitability as a driver of shareholder value, we have also decided to increase the weighting of Adjusted EPS to 75% of the total (with relative TSR having a weighting of 25%).

As we have made these decisions, we have thought carefully about XPS, our employees and the culture that we want to encourage. We recruit highly skilled people who are motivated to perform well. This is just as true of the Executive Directors as it is of all employees.

The Directors' Remuneration Policy can be found on pages 56 to 60.

Remuneration of the Executive Directors for 2021/22

The table below summarises our intended approach to the remuneration of the Executive Directors for 2021/2022.

Component of remuneration	Summary of approach																		
Base salary and benefits	<p>Base salary and benefits are reviewed annually on 1 April 2021 in light of a number of factors, including the approach to salary reviews more generally across the Group. The base salaries of the Co-Chief Executive Officers have been increased by 9% for the 2021/22 financial year:</p> <p>Ben Bramhall – £313,920 Paul Cuff – £313,920</p> <p>This is the first increase since 1 April 2018 and is below the general level of salary increases across the Group since then:</p> <table border="1"> <thead> <tr> <th></th> <th>1 April 2019</th> <th>1 April 2020</th> <th>1 April 2021</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Co-CEOs</td> <td>0%</td> <td>0%</td> <td>9.0%</td> <td>9.0%</td> </tr> <tr> <td>Average Staff</td> <td>3.0%</td> <td>3.2%</td> <td>3.2%</td> <td>9.7%</td> </tr> </tbody> </table> <p>The base salary for the Chief Financial Officer has also been increased by 9% (reflecting Snehal's growing experience in the role) and will therefore be: Snehal Shah – £265,160</p> <p>In all three cases this is the first intended increase of two. The second increase of 6% will, subject to continuing strong corporate and individual performance, be implemented from 1 April 2022.</p>					1 April 2019	1 April 2020	1 April 2021	Total	Co-CEOs	0%	0%	9.0%	9.0%	Average Staff	3.0%	3.2%	3.2%	9.7%
	1 April 2019	1 April 2020	1 April 2021	Total															
Co-CEOs	0%	0%	9.0%	9.0%															
Average Staff	3.0%	3.2%	3.2%	9.7%															
Pension	<p>Defined contribution/cash supplements of 6% are paid and are aligned with the levels available for new employees. This is well below the rate provided to many employees who have joined the business through the acquisitions we have made.</p>																		
Annual bonus	<p>Payable subject to the achievement of challenging financial/strategic/personal performance conditions. These are expected to incorporate sustainability, culture and technology-based goals. Malus and clawback provisions apply.</p> <p>Maximum bonus opportunity: Ben Bramhall – 150% of salary Paul Cuff – 150% of salary Snehal Shah – 112.5% of salary</p>																		
Long-term incentives	<p>Annual awards of performance shares. Shares vest, subject to the achievement of the performance conditions, after three years and are subject to a further 2-year holding period. Malus and clawback provisions apply. Maximum grant levels: Ben Bramhall – 150% of salary Paul Cuff – 150% of salary Snehal Shah – 125% of salary</p>																		
All-employee share plans	<p>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.</p>																		
Share ownership guidelines	<p>Executive Directors are subject to a minimum shareholding requirement of 200% of salary with a requirement to maintain a shareholding post cessation of employment at 200% for one year and 100% for a second year.</p>																		

Annual bonus payments for 2020/21

The financial element of these bonuses is based on Group Profit Before Tax ('PBT'). The reported Group Adjusted PBT for 2020/21 has resulted in a bonus payment of 67% of the maximum for this element of the bonus. When combined with the performance against strategic objectives, this leads to bonuses of 68% of the maximum.

On this basis, the bonus outturn for 2020/21 for the Executive Directors is as follows:

Executive Director	% of salary	% of maximum
Ben Bramhall	102%	68%
Paul Cuff	102%	68%
Snehal Shah	77%	68%

Vesting outcomes for the 2018 PSP awards

The July 2018 PSP award is subject to underlying EPS performance and relative TSR performance. The estimated overall pay-out for the award is equal to 21.3% of maximum.

The Committee considers that the Policy operated as intended during 2020/21 and that remuneration outcomes are consistent with the Group performance and appropriately reflect performance delivered for our shareholders over the respective periods. The Committee felt that no discretion needed to be applied for these remuneration outcomes.

Other activities to note

The Remuneration Committee reviewed the Group's gender pay gap analyses and action plans. I have also continued to play 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 our decisions this year as described in the Directors' Remuneration Report at the AGM. I am keen to encourage ongoing open dialogue with our shareholders on executive remuneration and welcome all engagement.



Margaret Snowden, OBE
Chair of the Remuneration Committee
23 June 2021

Directors' Remuneration Policy 2020

This Directors' Remuneration Policy, which has been approved by the Board and shareholders, has been prepared in accordance with 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 was approved last year and took effect in respect of all payments made to Directors with effect from the conclusion of the 2020 AGM at which it was approved. The Policy as approved can be found at <https://www.xpsgroup.com/investors/results-reports-and-presentations>. We have reproduced some of the main sections of the Directors' Policy here for the convenience of our shareholders even though we have not, as envisaged before the engagement process with investors made any changes to it.

Summary of Decision-Making Process and Changes to Policy

The Remuneration Committee's review of the Directors' Remuneration Policy followed a robust process which included discussions on the content of the Policy at Remuneration Committee meetings during the year. The Committee considered the input from management and independent advisors, as well as consulting with major shareholders and proxy and advisory services. The input from investors was critical in influencing our view that we should work within the Policy as approved in 2020.

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
<p>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</p>	<p>Annual bonus plan levels and the appropriateness of measures are reviewed annually to ensure they continue to support our strategy. Once set, performance measures and targets will generally remain unchanged for the year, except to reflect events (e.g. corporate acquisitions, other major transactions) where the Committee considers it to be necessary in its opinion to make appropriate adjustments.</p> <p>The Remuneration Committee retains the flexibility to pay annual bonus outcomes in cash and/or deferred shares (which may allow for dividend roll-up). The number of shares (or the cash equivalent) subject to deferral may be increased to reflect the value of dividends that would have been paid in respect of any record dates falling during the deferral period.</p> <p>Clawback and malus provision apply as explained in more detail in the notes to this Policy table.</p>	<p>The maximum annual bonus opportunity is 150% of base salary. For 2021/22, the maximum opportunity will be 150% of base salary for the Co-CEOs and 112.5% of salary for other Executive Directors.</p>	<p>Bonuses will be payable subject to the achievement of performance conditions which will be set by the Remuneration Committee.</p> <p>The targets may be financial and/or personal and strategic. The intended weighting of these measures is not less than 60% financial. Where a sliding scale of targets is used, attaining the threshold level of performance for any measure will not typically produce a 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.</p>
<p>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</p>	<p>Awards under the PSP may be granted as nil/nominal cost options which vest to the extent performance conditions are satisfied over a period normally of at least three years.</p> <p>Awards will vest at the end of the specified vesting period at the discretion of the Remuneration Committee and are subject to a further holding period of two years (or such shorter period so that the period from the date of grant until the end of the holding period will be equal to five years).</p> <p>The PSP rules allow that the number of shares (or the cash equivalent) subject to vested PSP awards may be increased to reflect the value of dividends that would have been paid in respect of any record dates falling between the grant of awards and the expiry of any vesting period.</p> <p>Clawback and malus provisions applied are explained in more detail in the notes to this Policy table.</p>	<p>The market value of shares to be awarded to Executive Directors in respect of any year will normally be up to 150% of base salary, with awards of a maximum of 200% allowable in exceptional circumstances.</p>	<p>The Remuneration Committee may impose such conditions as it considers appropriate which must be satisfied before any award will vest.</p> <p>All awards made to Executive Directors will be subject to performance conditions which measure performance over a period normally no less than three years. Awards in 2021 will be subject to EPS and relative TSR performance weighted 75/25.</p> <p>No more than 25% of awards vest for attaining the threshold level of performance.</p> <p>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.</p>

Element and purpose	Policy and operation	Maximum	Performance measures
<p>Share ownership guidelines To promote stewardship and to further align the interests of Executive Directors with those of shareholders</p>	<p>The share ownership guidelines encourage Executive Directors to build or maintain (as appropriate) a shareholding in the Company.</p> <p>Minimum shareholding of 200% of base salary for any Executive Director.</p> <p>If any Executive Director does not meet the guideline, they will be expected to retain up to 50% of the net of tax number of shares vesting under any of the Company's discretionary share incentive arrangements (including any deferred bonus shares) until the guideline is met.</p> <p>Executive Directors are 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 each Executive Director's relevant shareholding at leaving and reducing to 50% of this requirement in the second year.</p> <p>For the purpose of this requirement, the 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 8 September 2020, but excludes shares acquired and the release of shares under share incentive plans where the grant occurred prior to this date. The Committee retains the discretion to remove the holding requirement if it is deemed to be inappropriate.</p>	n/a	n/a
<p>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</p>	<p>The Executive Directors will be entitled to participate in all of the Company's employee share plans, including the Share Save Plan, on the same terms as other employees.</p> <p>These all-employee share plans are established under HMRC tax-advantaged regimes and follow the usual form for such plans.</p>	<p>The maximum participation levels for all-employee share plans will be the limits for such plans set by HMRC from time to time. However the Company may impose lower limits on a scheme-by-scheme basis.</p>	<p>Consistent with normal practice and/or HMRC requirements, such awards would not be subject to performance conditions.</p>

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

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 of 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.

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. Shareholders' views have directly led to the Remuneration Committee's decisions on pay in 2021.

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. 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 8 times during the year. All members attended every Committee meeting throughout the year; the attendance table can be found on pages 36 to 37.

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. 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 2020/21 financial year were £68,649 (2019/20: £78,472). 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 three-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 2021.

Director		Salary/fees £	Taxable benefits ¹ £	Bonus ² £	Long-term incentives ³ £	Pension ⁴ £	Total remuneration £	Total fixed pay £	Total variable pay £
Executive Directors									
Ben Bramhall	2021	288,000	10,813	293,760	64,160	16,275	673,008	315,088	357,920
	2020	288,000	10,850	129,600	120,029	20,793 ⁵	569,272	319,643	249,629
Paul Cuff	2021	288,000	10,613	293,760	64,160	16,275	672,808	314,888	357,920
	2020	288,000	10,850	129,600	120,029	20,793 ⁵	569,272	319,643	249,629
Snehal Shah ⁶	2021	243,270	10,555	186,102	-	13,930	453,857	267,755	186,102
	2020	202,207	8,601	67,078	-	13,009	290,895	223,817	67,078
Mike Ainslie ⁷	2021	-	-	-	-	-	-	-	-
	2020	63,000	2,476	-	31,492	2,812	99,780	68,288	31,492
Non-Executive Directors									
Tom Cross Brown - Chair of Board & Chair of Nomination Committee	2021	120,000	-	-	-	-	120,000	120,000	-
	2020	120,000	-	-	-	-	120,000	120,000	-
Alan Bannatyne - Chair of Audit & Risk Committee & Senior Independent Director	2021	75,000	-	-	-	-	75,000	75,000	-
	2020	75,000	-	-	-	-	75,000	75,000	-
Margaret Snowdon - Chair of Remuneration Committee & Designated Employee Engagement NED	2021	70,000	-	-	-	-	70,000	70,000	-
	2020	67,500	-	-	-	-	67,500	67,500	-
Sarah Ing ⁸ Chair of Sustainability Committee	2021	60,873	-	-	-	-	60,873	60,873	-
	2020	53,199	-	-	-	-	53,199	53,199	-
Jonathan Punter ⁹	2021	-	-	-	-	-	-	-	-
	2020	27,143	-	-	-	-	27,143	27,143	-
Total	2021	1,145,143	31,981	773,622	128,320	46,480	2,125,546	1,223,604	901,942
	2020	1,184,049	32,777	326,278	271,550	57,407	1,872,061	1,274,233	597,828

1 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.

2 No element of annual bonus was deferred in respect of bonuses shown. Their current beneficial shareholdings are shown on page 65.

3 The outturn for the July 2018 PSP which vests in July 2021 is expected to be 21.3% and the vesting share price has been estimated at 124.99 pence, based on the three-month average share price ending 31 March 2021. The grant share price for the award was 179 pence and accordingly the relevant figures are reflective of a decrease of 30.2% in the Company's share price comparing the award price to the vesting price. Details of the performance measures and targets applicable to the 2018 PSP are set out on pages 66 to 67. The outturn for the February 2017 PSP which vested on 30 June 2020 was 40.3% and the value has been updated reflecting the actual vesting share price of £1.15 and the dividend equivalents.

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

5 Pension values for Ben Bramhall and Paul Cuff for 2020 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 equated to 6% of salary over the two-year period.

6 Snehal Shah joined the Company on 28 May 2019.

7 Mike Ainslie retired from the Board of Directors on 30 June 2019.

8 Sarah Ing joined the Company on 17 May 2019.

9 Jonathan Punter retired from the Board of Directors on 12 September 2019.

2020/21 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.

£m	Threshold (£'000)	Target (£'000)	Maximum (£'000)	Actual (£'000)	Payout (% of this element)
Group Adj. PBT (75% of potential)	24,660	25,215	26,180	25,230	67%

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. The management of the consequences of Covid-19 became a key task and the same goals were set for the Co-CEOs. Details of the measures, to the extent they are not commercially sensitive, are outlined below.

Ben Bramhall & Paul Cuff - Co-CEOs

Measure	Target	Performance	Assessment
Maintain high levels of employee engagement and continue to embed a values-based culture	Employee satisfaction score above 80%.	2020 employee survey indicates 94% of staff agree that XPS is a good company to work for. Positive feedback received from employees around XPS reaction to the pandemic with strong leadership shown throughout. Group won awards at both the Employee Experience Awards and Business Culture Awards (at which it was the overall Gold winner).	100%
Implementation of plan to deliver specific technology enhancements to improve client and staff experience	Progress against delivery of implementation plan.	Implementation of technology strategy partially impacted by Covid as 'in year' focus on successfully developing robust infrastructure for 100% remote working. Notwithstanding this, further developments implemented to Radar (which won 'Actuarial Technology of the Year' for the second consecutive year) and success launch of Nexus, a new firm wide intranet, driving improved firm wide communications. Recruitment of experienced CIO to increase capability.	100%
Expand client base to support longer term growth of the business	Achieve net new business wins during the year with an estimated value of 2% of revenue.	New business pipeline heavily impacted by Covid and has remained suppressed which has limited opportunities to win new clients (notwithstanding some significant wins have been achieved). Attrition rate has increased slightly. Launch of Market Force initiative to support future pipeline development.	50%
Progress CSR plans to improve inclusivity / diversity, increase social impact and reduce environmental footprint	Tangible actions taken in relation to inclusivity / diversity and to reduce footprint / increase societal benefit.	Key focus on supporting Mental Health and wellbeing during the year through a range of initiatives. Further initiatives implemented to improve Diversity & Inclusion alongside design of new working model which will reduce environmental impact. Significant input into industry groups - for example, protecting members from scams.	75%

Snehal Shah – CFO

Measure	Target	Performance	Assessment
Improve operating cashflow conversion	Achieve operating cashflow conversion above 90%.	OCF conversion of over 90% achieved for the full year, despite the pandemic, and a strengthened process has been put in place around cash collection.	100%
Conduct an effective audit tender process (a first for the listed Group)	Tender completed during financial year.	Process was carried out efficiently and effectively with positive feedback from the Audit Committee chairman.	100%
Develop strategic forecasting model and implement post acquisition review process	Board review of projection model and post acquisition reviews.	Financial projection models have been completed and continue to be updated to reflect certain strategic initiatives. Post acquisition reviews carried out for Royal London and Trigon acquisitions with positive feedback from the Board on the process.	75%
Develop and implement a revised Investor Relations plan	Increase in Group analyst coverage and investor base.	Progress made in building relationships with new analysts, one of which has initiated coverage. Significant activity in H2 in respect of potential new shareholders which has results in several new institutions joining the shareholder register.	75%

Each objective is measurable (albeit some detail has been removed given the commercially sensitive nature), with target achievement levels 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 level of achievement. It also takes the view that, although the Executive Directors have personal accountabilities, their performance and activities are interconnected. For this reason the Remuneration Committee assessed the performance of the Executive Directors collectively and in the round and hence the performance outcome is the same.

The Committee also notes that the objectives were set before the pandemic and Management's focus changed to address the impact of Covid-19 on the business. In particular, the Group faced a number of operational challenges during the year to maintain service levels to clients and staff engagement. XPS reacted well to the challenges, and the Executive Directors showed strong leadership.

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 72% of maximum for this element of bonus to be payable.

	Weightings	Outcomes		
		Ben Bramhall	Paul Cuff	Snehal Shah
Financial performance (% of this element)	75%	67%	67%	67%
Strategic performance (% of this element)	25%	72%	72%	72%
Total performance outcome (% of maximum)		68%	68%	68%
Total performance outcome (% of salary)		102%	102%	77%
Total performance outcome (£)		£293,760	£293,760	£186,102

Statement of Directors' shareholding and share interests (audited)

For each Director, the total number of Directors' interests in shares at 31 March 2021 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 2021	1,591,699	856,763	-	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 2021 salary	677%	364%	-% ¹	n/a	n/a	n/a	n/a
Number of ordinary shares held as at 31 March 2020	1,536,578	796,406	-	38,861	36,594	30,303	15,000

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 2021 and 23 June 2021.

Under the share ownership guidelines, the Executive Directors are required to build and maintain a shareholding equivalent to at least 200% of salary and are required 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 November 2020.

These awards vest in 2023 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 66.

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	30 November 2020	150%	£432,000	348,387	November 2023
Paul Cuff	30 November 2020	150%	£432,000	348,387	November 2023
Snehal Shah	30 November 2020	125%	£298,125	240,423	November 2023

¹ Based on the share price of £1.24 on 27 November 2020.

Outstanding share plan awards (audited)

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

Director	Date of grant	Exercise	Interests held at 31 March 2020	Interests awarded during the year	Interests vested during the year	Interests lapsed during the year	Interests held at 31 March 2021	Vesting Period
Ben Bramhall	16 February 2017	0.05p	258,992	-	104,373	154,619	-	June 2020
	26 July 2018	0.05p	241,340	-	-	-	241,340	July 2021
	18 September 2019	0.05p	313,043	-	-	-	313,043	September 2022
	30 November 2020	0.05p	-	348,387	-	-	348,387	November 2023
Paul Cuff	16 February 2017	0.05p	258,992	-	104,373	154,619	-	June 2020
	26 July 2018	0.05p	241,340	-	-	-	241,340	July 2021
	18 September 2019	0.05p	313,043	-	-	-	313,043	September 2022
	30 November 2020	0.05p	-	348,387	-	-	348,387	November 2023
Snehal Shah	18 September 2019	0.05p	259,239	-	-	-	259,239	September 2022
	30 November 2020	0.05p	-	240,423	-	-	240,423	November 2023

Notes:

- On 24 July 2020, Paul Cuff exercised awards over 104,373 granted on 16 February 2017 and sold 44,016 shares to settle resultant tax and social security obligations. The closing share price on the day of exercise was £1.22.
- On 28 July 2020, Ben Bramhall exercised awards over 104,373 shares granted on 16 February 2017 and sold 49,252 shares to settle resultant tax and social security obligations. The closing share price on the day of exercise was £1.22.
- The highest mid-market price of the Company's ordinary shares during the year ended 31 March 2021 was £1.395 and the lowest was £1.075. The year-end price was £1.225.

Vesting outcomes for the 2018/19 PSP awards (granted in July 2018)

These awards comprise nominal cost options with an exercise price of 0.05p per option and vest in July 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 and performance against them 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%
Actual performance¹:	
CAG of 10.3% above CPI	42.5%

- To ensure a like-for-like comparison, the impact on EPS of IFRS 16 and of the use of shares held by the EBT following the IPO to settle bonus payments has been neutralised to ensure the outcome 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 performance²:	
Below median	0%

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

2 Based on performance to the end of March. This is an estimate as TSR performance will be measured to the third anniversary of the date of grant to 25th July 2021.

Based on the above the expected percentage of the total award vesting is 21.3% of maximum. Details of the shares under award and their estimated value (based on the three-month average share price at 31 March 2021 of 124.99 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	241,340	51,333	190,007	64,160
Paul Cuff	241,340	51,333	190,007	64,160

1 Based on the three-month average share price to 31 March 2021.

The awards also receive the value of dividend equivalents.

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 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.

2020/21 PSP Awards (granted in November 2020)

These awards comprise nominal cost options with an exercise price of 0.05p per option and vest in 2023 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 2022/23	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 use of shares held by the EBT to settle bonus payments and the impact of IFRS 16, 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)

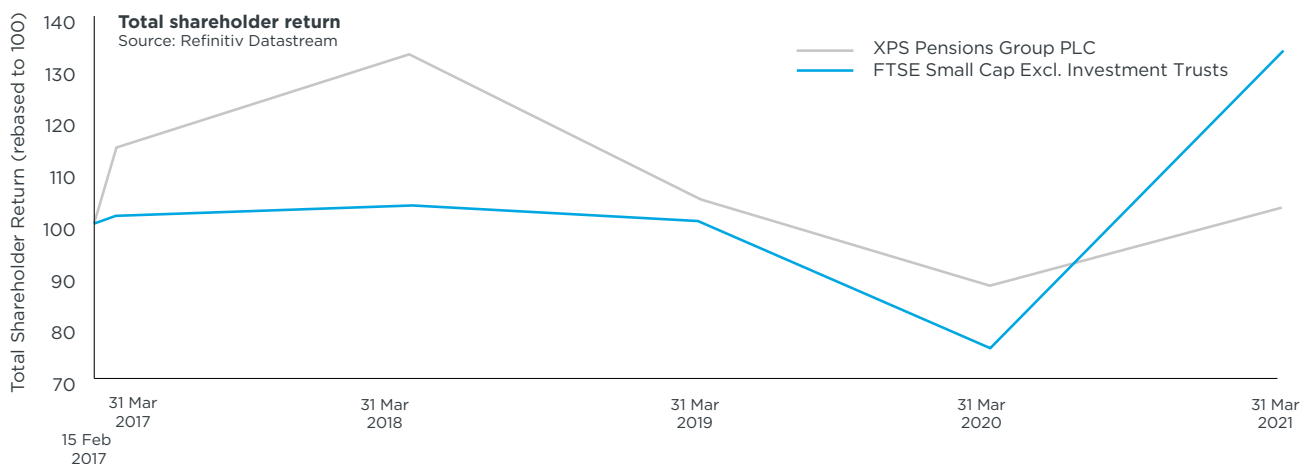
There were no payments to past Directors in the financial year 2020/21 (2019/20: nil).

Payments for loss of office (audited)

No payments were made to any Director in respect of loss of office in the financial year 2020/21 (2019/20: nil).

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 2021. This is considered an appropriate comparator for XPS Pensions Group which is a constituent of the FTSE Small Cap Index.



The table below shows the CEOs' single total figure remuneration since Admission and the level (as a percentage of maximum award) of payouts under the incentive plans:

		Single total figure of remuneration	Annual bonus payout as % of maximum	Long-term incentive vesting rates as % of maximum
2021	Ben Bramhall	£673,008	68%	21.3% ¹
	Paul Cuff	£672,808	68%	21.3% ¹
2020	Ben Bramhall	£569,272	30% ²	40.3%
	Paul Cuff	£569,272	30% ²	40.3%
2019	Ben Bramhall	£362,803	12% ³	n/a
	Paul Cuff	£362,803	12% ³	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 vesting rate relates to the July 2018 award that is due to vest in July 2021 and is, in part based on estimated vesting levels at 31 March 2021.

2 The bonus was reduced with the agreement of the Co-CEOs from the formulaic outcome of 50%.

3 The bonus was reduced with the agreement of the Co-CEOs from the formulaic outcome of 54%.

Percentage change in remuneration of Directors and Employees (unaudited)

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

	Percentage change in remuneration from 31/03/2020 to 31/03/2021		
	Percentage change in base salary %	Percentage change in benefits %	Percentage change in bonus %
Ben Bramhall	0%	-	127%
Paul Cuff	0%	-2%	127%
Snehal Shah ¹	20%	23%	177%
Tom Cross Brown	0%	-	-
Alan Bannatyne	0%	-	-
Margaret Snowdon	4%	-	-
Sarah Ing ²	14%	-	-
All UK employees	3.2%	1%	68%

1 Snehal Shah was appointed as a Director on 28 May 2019; accordingly the percentage difference shown represents a comparison between a full year (2021) and a part year (2020).

2 Sarah Ing was appointed as Non-Executive Director on 17 May 2019; accordingly the percentage difference shown represents a comparison between a full year (2021) and a part year (2020).

CEO pay

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
2021	Option A	Total pay ratio	27:1	19:1	13:1
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 2021.

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 salary calculated on the same basis as the single figure table.

4 This year the ratios have increased compared to the previous year, this reflects how the single figures for the Group Chief Executives have increased year on year, influenced by the reduction in bonus payment from the formulaic outcome last year.

5 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	£23,345	£32,500	£46,586
Total pay and benefits	£25,140	£35,401	£52,370

Relative importance of spend on pay (unaudited)

The table below details the change in total staff pay between financial years 2019/20 and 2020/21 as detailed in Note 9 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.

	2020/21	2019/20	% change
Total gross staff pay	63,379	56,077	13
Distributions to shareholders	13,480	13,412	1

Statement of shareholder voting

The table below shows the outcome of the binding vote on the Directors' Remuneration Policy and the advisory vote on the 2019/20 Directors' Remuneration Report at the Annual General Meeting held on 8 September 2020.

AGM resolution	Votes for	%	Votes against	Votes withheld
Directors' Remuneration Policy	160,263,927	96.06	6,575,827	3,625
Directors' Remuneration Report	165,126,508	99.98	31,764	1,685,107

Implementation of Policy for 2021/22 (unaudited information)

This section provides an overview of how the Committee is proposing to implement the Remuneration Policy in the year ending 31 March 2022.

Base salary

Base salaries are as follows with effect from 1 April 2021. The next annual review will be effective from 1 April 2022 and it is the intention to increase salaries by 6%, subject to continuing good corporate and individual performance.

- Ben Bramhall: £313,920
- Paul Cuff: £313,920
- Snehal Shah: £265,160

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 62. There is no intention to introduce additional benefits in 2021/22.

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 2021/22 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 2021/22. There are two performance criteria and they are based on EPS and relative Total Shareholder Return ('TSR') performance. In 2021 the vesting of three-quarters of the shares under award will be subject to EPS performance and the remaining quarter subject to relative Total Shareholder Return. The awards will normally vest three years after grant based upon performance. 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 2023/24	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%

The EPS target range was set considering both the internal and external expectations for EPS performance over the next three years

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 award levels will be no more than 150% of salary for the Co-CEOs and 125% for the CFO.

Minimum Shareholding Requirement

To align the interests of Executive Directors with those of shareholders, they are required to build and maintain significant holdings of shares in the Group over time. The minimum shareholding requirement for Executive Directors are 200% of base salary for the Co-CEOs and for the CFO.

In addition, Executive Directors will be required to maintain their full minimum shareholding requirement for one year post-cessation of employment, and hold 50% of the requirement for a second year.

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, Chair of the Sustainability Committee and to the designated Non-Executive Director for workforce engagement.

This report was reviewed and approved by the Board of Directors on 23 June 2021 and was signed on its behalf by:



Margaret Snowden OBE
Chair of the Remuneration Committee
23 June 2021

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 2021.

The Governance section on pages 34 to 72 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.

XPS Pensions Group plc is a member of the FTSE All-Share Index, trading under the ticker symbol XAF.

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

Going concern

Please refer to the going concern statement in the Strategic Report on page 27 and the viability statement on page 33 for details on the assessment carried out by the Directors with regards to going concern.

Results and dividend

The Group's audited financial statements for the year ended 31 March 2021 are set out on pages 84 to 121 and the Company's audited financial statements are set out on pages 122 to 127. The Group's profit after taxation for the year ended 31 March 2021 was £9.0 million (2020: 7.4 million).

An interim dividend of 2.3p per ordinary share (2020: 2.3p) was paid on 4 February 2021. The Directors recommend a final dividend for the year of 4.4p per ordinary share (2020: 4.3p) to be paid on 23 September 2021 to shareholders on the register on 27 August 2021. Further information regarding dividend policy and payments can be found in the Financial Review on page 26 and in Note 35 to the Financial Statements on page 121.

Post balance sheet events

There have been no significant post balance sheet events to report since 31 March 2021.

Directors

The current Directors of the Company, with summaries of their key skills and experience, are set out in the

Governance section on pages 36 to 38. 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
Alan Bannatyne
Margaret Snowden, OBE
Sarah Ing

Details of the Directors' service contracts are shown in the Report of the Remuneration Committee on page 62.

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 65 to 68.

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 18 to 19)
Equality and diversity	Co-Chief Executive Officers' Report (pages 12 to 15)
Employee involvement	Co-Chief Executive Officers' Report (pages 14 to 15), s172 Statement (pages 28 to 29) and Corporate Governance Report (page 43)
Directors' share interests	Directors' Remuneration Report (page 65)
Emissions and energy consumption	Strategic Report (page 20)
Financial risk management objectives and policies	Note 2 to the financial statements (page 97)
Directors' regard to foster business relationships	Strategic Report (pages 28 to 29)

Capital structure

The Company's issued ordinary share capital and total voting rights at 31 March 2021 and the date of this report were respectively 205,116,523 and 205,151,471 ordinary shares (each with a par value of 0.05p and all fully paid). There were no ordinary shares held in treasury. 2,011,864 ordinary shares were held in the Employee Benefit Trust as at 31 March 2021 and 1,895,659 were held as at the date of this report. Further details of the Company's issued share capital are given in Note 27 of the Financial Statements on page 113.

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.

As at the date of this report, the Trustee of the Group's Employee Benefit Trust holds 1,895,659 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 2021 and 31 May 2021 (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 2021 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 2020 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 2021 Annual General Meeting.

Political donations

No political contributions were made, or political expenditure incurred, by the Company and its subsidiaries during the year (2020: £nil).

Provisions on change of control

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

The Company's £80 million agreement with HSBC Bank plc and the Bank of Ireland in multicurrency revolving facilities, with a further uncommitted facility of up to £20 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.

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 in the Governance Report on page 43.

Shareholder	At 31 March 2021		At 31 May 2021	
	Number of ordinary shares	Percentage of total voting rights	Number of ordinary shares	Percentage of total voting rights
Punter Southall Group Limited	22,692,543	11.06	22,692,543	11.06
Gresham House	22,240,765	10.84	25,005,765	12.19
Fidelity International	16,415,242	8.00	16,481,065	8.03
Schroder Investment Management	16,226,175	7.91	15,486,140	7.55
Unicorn Asset Management	12,650,000	6.17	9,300,000	4.53
AXA Investment Managers	11,534,039	5.62	10,284,039	5.01
Premier Miton Investors	11,332,320	5.52	12,006,261	5.85

Listing Rule ('LR') disclosures

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

Item	Location
Interest capitalised	None
Publication of unaudited financial information	Not applicable
Details of long-term incentive schemes	Details of the Company's long-term incentive scheme can be found in the Remuneration Committee Report on page 54
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	None
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 Group's Employee Benefit Trust - see page 74 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
23 June 2021

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) adopted pursuant to Regulation (EC) No 1606/2002 as it applies to 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 adopted pursuant to Regulation EC 1606/2002 as it applies to 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;
- 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
23 June 2021

Opinion on the financial statements

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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

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 2021 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 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 accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union,

and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the Audit Committee, we were reappointed by the shareholders at the AGM on 8 September 2020 to audit the financial statements for the year ended 31 March 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is eight years, covering the years ending 31 March 2014 to 31 March 2021. We remain 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. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Due to the level of judgement applied by management in their going concern assessment as a result of the ongoing Covid-19 pandemic, we considered going concern to be a key audit matter.

Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue

to adopt the going concern basis of accounting and in response to the Key Audit Matter included:

- Assessing the Directors' going concern assessment and forecasts, including the reasonableness of their assumptions applied and reverse stress case sensitivities using our knowledge of the business;
- Assessing the reasonableness of underlying forecast model against the Directors' historical forecast accuracy, including an assessment of the period to May 2021 actuals against budget;
- Reviewing the terms and period of the Group's bank facility agreement and consideration of the sufficiency of the facility available;
- Considering the Group's compliance with banking covenants and related headroom in light of the Directors' reverse stress test assessment;
- Considering the options available to management to mitigate the impact of reverse stress test scenarios and whether such actions are within their control;
- Considering the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure and the forecasts and reverse stress test assessment prepared by the Directors.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	100% (2020: 100%) of Group profit before tax 100% (2020: 100%) of Group revenue 100% (2020: 100%) of Group total assets		
Key audit matters		2021	2020
	Revenue recognition	✓	✓
	Going concern relating to Coronavirus	✓	✓
Materiality	Group financial statements as a whole £568,000 (2020:£546,000) based on 5% (2020: 5%) of profit before tax		

An overview of the scope of our audit

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. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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 statutory audit requirements for all components.

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. In addition to the matter described in the Conclusions relating to going concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Revenue recognition</p>	
<p>The accounting policy for revenue is disclosed in note 1 of the consolidated financial statements.</p>	<p>We identified the Group's revenue streams and tested that the related revenue recognition policy is in accordance with the requirements of the applicable accounting standards.</p>
<p>The segmental information relating to Group revenue is disclosed in note 7 to the consolidated financial statements.</p>	<p>We reviewed revenue transactions to identify transactions which are outside of the normal revenue cycle. 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.</p>
<p>Accounting standards require 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. There is a risk that incorrect revenue is recognised due to the judgements involved in the application of the applicable accounting standards.</p>	<p>We tested a sample of revenue transactions for each material income stream by agreeing back to timecard data, invoice, and receipt of payment to check the existence of revenue and that it was accurately recorded.</p>
<p>The significant revenue risk revolves around the existence and valuation of revenue residing within accrued income at the year-end for the Pensions, Advisory and Consulting streams. Billing occurs monthly, quarterly, or in the case of SSAS services, annually.</p>	<p>We agreed a sample of accrued income to pre year-end timecard data to check existence of revenue. 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.</p>
<p>Services may be billed in arrears, as in the case of pensions advisory work noted above, or in advance as is the case with SSAS revenue. The manual nature of the SSAS deferral creates a significant risk in the calculation of the deferred income element of this revenue.</p>	<p>We tested deferred income on a sample basis by re-calculating deferrals based on invoice amounts and periods to which they relate, agreeing consistency of these period year on year, agreeing these to supporting documentation and reviewing SSAS income for revenue deferrals not made.</p>
<p>Whilst not considered part of the significant risk, completeness of revenue is considered, particularly where revenue is captured based on the timecard system. There is a risk that incomplete revenue is recorded within the accounting system.</p>	<p>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.</p>
	<p>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 any material exceptions noted to underlying support. In addition, completeness of timecards is addressed through our data analytics testing by identifying outliers for example missing employees.</p>
	<p>Key observations:</p> <p>Our testing did not identify any material misstatements in the amount of revenue recognised or issues with the revenue recognition policy and judgements made.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. 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 a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2021	2020	2021	2020
Materiality	£568,000	£546,000	£240,000	£240,000
Basis for determining materiality	5% of profit before tax		42% of Group materiality	44% of Group materiality
Rationale for the 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.		Capped at 42% (2020: 44%) of Group materiality given the assessment of the components aggregation risk.	
Performance materiality	£404,000	£382,000	£168,000	£168,000
Basis for determining performance materiality	70% of overall materiality based on our knowledge of the Group and Parent Company, history of errors in previous periods and management's attitude to proposed adjustments			

Component materiality

We set materiality for each component of the Group based on a percentage of between 1% to 95% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £6,500 to £540,000. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £23,000 (2020: £22,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	<ul style="list-style-type: none"> • The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 73; and • The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 33.
Other Code provisions	<ul style="list-style-type: none"> • Directors' statement on fair, balanced and understandable set out on page 76; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 33; • The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 30-33 ; and • The section describing the work of the Audit Committee set out on pages 46-48.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>
Directors' remuneration	<p>In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none"> • 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, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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. We considered the significant laws and regulations to be the Companies Act 2006, applicable accounting standards, the Financial Conduct Authority's regulations and the Listing Rules.

We assessed the susceptibility of the financial statements to material misstatement, including fraud and discussed among the audit engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud.

We considered our knowledge of the nature of the industry, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration and performance targets. We considered the fraud risk areas to be management override and revenue recognition.

In response to the risk of management override, we tested the appropriateness of journal entries made through the year by applying specific criteria to detect possible irregularities and fraud, we performed a detailed review of the Group's year-end adjusting entries, and assessed whether the judgements made in significant accounting estimates were indicative of potential bias. Our procedures in response to the risk of fraud in revenue recognition are set out in the Key Audit Matters section above.

Our procedures also included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management, Head of Risk, the Board and the Audit Committee concerning instances of fraud and errors, and actual and potential litigation and claims;
- enquiries of the compliance department including the Head of Compliance and Money Laundering Reporting Officer concerning instances of fraud;
- review of minutes of Board meetings throughout the year for any instances of fraud or error; and
- obtaining an understanding 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.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, 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. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

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.



Andrew Radford (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
23 June 2021

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

	Note	Year ended 31 March 2021			Year ended 31 March 2020		
		Trading items £'000	Non-trading and exceptional items £'000	Total £'000	Trading items £'000	Non-trading and exceptional items £'000	Total £'000
Revenue	7	127,931	-	127,931	119,753	-	119,753
Other operating income	4	-	421	421	-	-	-
Administrative expenses	8	(100,848)	(14,092)	(114,940)	(93,488)	(12,824)	(106,312)
Profit/(loss) from operating activities		27,083	(13,671)	13,412	26,265	(12,824)	13,441
Finance income	13	3	-	3	8	-	8
Finance costs	13	(1,857)	(188)	(2,045)	(2,378)	-	(2,378)
Profit/(loss) before tax		25,229	(13,859)	11,370	23,895	(12,824)	11,071
Income tax (expense)/credit	14	(4,741)	2,334	(2,407)	(3,812)	140	(3,672)
Profit/(loss) after tax and total comprehensive income/(loss) for the year		20,488	(11,525)	8,963	20,083	(12,684)	7,399
Memo							
EBITDA		32,011	(7,124)	24,887	30,430	(5,671)	24,759
Depreciation and amortisation		(4,928)	(6,547)	(11,475)	(4,165)	(7,153)	(11,318)
Profit/(loss) from operating activities		27,083	(13,671)	13,412	26,265	(12,824)	13,441
		Pence Adjusted		Pence	Pence Adjusted		Pence
Earnings per share attributable to the ordinary equity holders of the Company:							
Basic earnings per share	33	10.0	-	4.4	9.9	-	3.6
Diluted earnings per share	33	9.8	-	4.3	9.6	-	3.6

The notes on pages 88 to 121 form part of these Financial Statements.

	Note	31 March 2021 £'000	31 March 2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	15	3,197	3,017
Right-of-use assets	30	12,228	12,965
Intangible assets	16	204,784	210,601
Deferred tax assets	17	767	669
Other financial assets	18	1,780	1,300
		222,756	228,552
Current assets			
Trade and other receivables	19	34,635	34,708
Cash and cash equivalents	20	8,623	14,432
		43,258	49,140
Total assets		266,014	277,692
Liabilities			
Non-current liabilities			
Loans and borrowings	21	58,876	70,186
Lease liabilities	30	9,612	10,269
Provisions for other liabilities and charges	25	1,678	1,550
Deferred income tax liabilities	17	16,390	17,561
		86,556	99,566
Current liabilities			
Lease liabilities	30	2,458	2,538
Provisions for other liabilities and charges	25	1,384	1,543
Trade and other payables	23	25,140	19,349
Current income tax liabilities	24	1,410	994
Deferred consideration	26	-	757
		30,392	25,181
Total liabilities		116,948	124,747
Net assets		149,066	152,945
Equity and liabilities			
Equity attributable to owners of the Parent			
Share capital	27	103	102
Share premium	28	116,797	116,797
Merger relief reserve	28	48,687	48,687
Investment in own shares held in trust	28	(2,563)	(529)
Accumulated deficit	28	(13,958)	(12,112)
Total equity		149,066	152,945

The notes on pages 88 to 121 form part of these Financial Statements.

The Financial Statements were approved by the Board of Directors on 23 June 2021 and were signed on its behalf by:



Snehal Shah
Chief Financial Officer
23 June 2021

Registered number: 08279139

	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Investment in own shares £'000	Accumulated deficit £'000	Total equity/ (deficit) £'000
Balance at 1 April 2019	102	116,795	48,687	(167)	(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 35)	-	-	-	-	(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 12)	-	-	-	-	2,132	2,132
Deferred tax movement in respect of long-term incentives (note 17)	-	-	-	-	146	146
Total contributions by and distributions to owners	-	2	-	(362)	(10,497)	(10,857)
Balance at 31 March 2020	102	116,797	48,687	(529)	(12,112)	152,945
Balance at 1 April 2020	102	116,797	48,687	(529)	(12,112)	152,945
Comprehensive income and total comprehensive income for the year	-	-	-	-	8,963	8,963
Contributions by and distributions to owners:						
Share capital issued	1	-	-	-	-	1
Dividends paid (note 35)	-	-	-	-	(13,480)	(13,480)
Dividend equivalents paid on exercised share options	-	-	-	-	(441)	(441)
Shares purchased by Employee Benefit Trust for cash	-	-	-	(3,170)	-	(3,170)
Share-based payment expense - equity settled from Employee Benefit Trust	-	-	-	1,136	(973)	163
Share-based payment expense - IFRS 2 charge in respect of long-term incentives (note 12)	-	-	-	-	4,082	4,082
Deferred tax movement in respect of long-term incentives (note 17)	-	-	-	-	3	3
Total contributions by and distributions to owners	1	-	-	(2,034)	(10,809)	(12,842)
Balance at 31 March 2021	103	116,797	48,687	(2,563)	(13,958)	149,066

The notes on pages 88 to 121 form part of these Financial Statements.

	Note	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Cash flows from operating activities			
Profit for the year		8,963	7,399
Adjustments for:			
Depreciation	15	974	856
Depreciation of right-of-use assets	30	2,892	2,567
Amortisation	16	7,609	7,895
Finance income	13	(3)	(8)
Finance costs	13	2,045	2,378
Share-based payment expense	12	4,082	2,132
Other operating income	4	(421)	-
Income tax expense	14	2,407	3,672
		28,548	26,891
Increase in trade and other receivables		(36)	(1,100)
Increase in trade and other payables		6,040	1,284
Decrease in provisions		(373)	(78)
		34,179	26,997
Income tax paid		(3,304)	(3,539)
Net cash inflow from operating activities		30,875	23,458
Cash flows from investing activities			
Finance income received	13	3	8
Acquisition of subsidiaries, net of cash acquired	26	(336)	(7,544)
Disposal of healthcare business	19	104	427
Purchases of property, plant and equipment	15	(1,154)	(2,021)
Purchases of software	16	(1,743)	(1,377)
Increase in restricted cash balances – other financial assets	18	(480)	(300)
Net cash outflow from investing activities		(3,606)	(10,807)
Cash flows from financing activities			
Proceeds from the issue of share capital net of share issue costs	27	1	2
Proceeds from new loans net of capitalised costs		-	13,250
Repayment of loans		(11,500)	-
Payment relating to extension of loan facility		(188)	-
Sale of own shares		163	774
Purchase of ordinary shares by EBT		(3,170)	(499)
Interest paid		(1,562)	(1,630)
Lease interest paid		(335)	(197)
Payment of lease liabilities		(2,566)	(2,046)
Dividends paid to the holders of the Parent		(13,480)	(13,412)
Dividend equivalents paid on exercise of share options		(441)	-
Net cash outflow from financing activities		(33,078)	(3,758)
Net (decrease)/increase in cash and cash equivalents		(5,809)	8,893
Cash and cash equivalents at start of year		14,432	5,539
Cash and cash equivalents at end of year	20	8,623	14,432

In the Consolidated Financial Statements for the year ended 31 March 2020, depreciation of right-of-use assets had been included within amortisation. The prior year column above has been restated to show this amount on a separate line.

Additionally, there have been prior year adjustments to provisions and trade and other receivables relating to an insurance reimbursement asset. The prior year movements for these categories have been restated to reflect this. This adjustment is within net assets in the Statement of Financial Position and there is no change in the previously reported total net assets or reserves.

The notes on pages 88 to 121 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 in conformity with the requirements of the Companies Act 2006, and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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. Certain items within the Statement of Financial Position have been restated. More information on these restatements can be found in notes 19, 23 and 25.

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.

Defacto 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 defacto 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; and
- 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, with the exception of right-of-use assets and lease liabilities, which are measured at the present value of the lease liability discounted at acquisition date IBR, with an adjustment to right-of-use assets to reflect favourable/non-favourable lease terms. 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 undertook an additional assessment of the Group's ability to operate for the foreseeable future. This involved modelling a worst case scenario, which was considered by the Directors to be prudent. Alongside the potential downturn in revenue, mitigating cost-saving actions were identified to reduce any potential impact on the Group. Additionally, actions which the Group could have taken to protect the cash balance were identified, if the situation required them. These actions included reducing capital expenditure to exclude non-essential spend and reducing or freezing discretionary cost items. The worst case scenarios modelled by the Directors indicated that the Group was well placed to weather the continued impact of the pandemic and has sufficient liquidity to continue to operate and to discharge its liabilities as they fall due within the foreseeable future. For the year ended 31 March 2022, the Directors have modelled a scenario at which the banking covenants would be broken, which is the point at which going concern would be threatened. The headroom between this scenario and current performance, and the budget, is significant and a decrease of this magnitude is considered to be unlikely.

In addition to the above, the Group negotiated an additional loan facility of £10 million until June 2021, and a relaxation of the Group's banking covenants. This additional facility was not required, and the Group cancelled it early (in March 2021). The Group in fact continued to pay down debt, with a repayment in the year of £11.5 million.

The Group's current revolving credit facility is due to end in December 2022. The Directors have begun a process to negotiate a new facility, and expect that this will be concluded within FY22.

The Directors have reviewed the historical accuracy of the Group's budgeting and forecasting. The Group's financial performance in the year ended 31 March 2021 was in line with the budget demonstrating the robustness of the Group's budgeting and forecasting which underpins the going concern assessment.

The Directors, after reviewing the Group's budget and longer term forecast models, including the worst case scenario referred to 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 and customer relationships recognised in 2013, all of which have an estimated useful life of 20 years, on a straight-line basis.

1 Accounting policies *continued*

Intangible assets and goodwill *continued*

The Group has reviewed the estimated useful lives for intangible assets, and has elected to make a prospective change to the estimated useful life for certain customer relationship assets. Previously, customer relationships recognised in 2013 were being amortised on a reducing balance basis over 10 years. The Group has deemed it appropriate to amortise these on a straight line basis over 20 years. This is consistent with the customer relationship assets within the PS Actuarial CGU and also is consistent with the length of customer relationships held by the Group. This change is prospective. This change in estimate has reduced the amortisation in the year ended 31 March 2021 by £782,000.

Contingent consideration

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

Impairment of non-financial assets

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

Financial assets

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

Amortised cost

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

Cash and cash equivalents comprise cash balances and call deposits.

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

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. These are recognised as a gross amount, with any amounts covered by insurance recognised as an asset within current assets, in line with IAS 37.

Social security costs provisions represent estimates of the Group's National Insurance contributions liability on the cost of the Group's Performance and Deferred Share Plans.

Provisions for liabilities and other charges have been restated for the year ended 31 March 2020 to accurately reflect the split between current and non-current provisions. Previously, all provisions had been shown as current. Additionally, professional indemnity provisions have been restated to present the gross liability within provisions. The increase in provision is offset by an insurance reimbursement asset, shown in current assets. The only change to the comparatives is in respect of these restatements. These amendments do not affect the net assets in the prior year, and do not have any impact on the Statement of Comprehensive Income, and so a third balance sheet has not been presented.

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).

1 Accounting policies continued

Revenue continued

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. Payment 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).

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

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.

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.

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 25).

1 Accounting policies continued

Expenses continued

Leases and payments 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. When the Group revises its estimate of the term of any lease (because, for example, it re-assesses 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 new discount rate. 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 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 to 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 not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Where lease liability changes due to change in lease term (for example, due to utilisation of an extension option) a new discount rate is used. This rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the Group's incremental borrowing rate at the date of reassessment if the interest rate implicit in the lease cannot be readily determined. The same rate is used for changes in index rates or a rate used to determine future lease payments.

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 and Deferred 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).

The Deferred Share Plans (DSPs) do not have any market performance conditions or non-market performance vesting conditions, they only have service vesting conditions. The fair value for DSPs is the share price on the date of grant.

The total amount expensed to the Group is recognised over the vesting period of the award. Where a share award is cancelled, the share-based payment charge is accelerated at that point in time and all remaining unvested charge is immediately expensed to the Group.

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

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 2020

New and amended Standards and interpretations issued by the IASB that apply for the first time in these annual financial statements (including 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), IFRS 9 (Interest rate benchmark reform – IBOR 'phase 2'), and IFRS 16 (Covid-19-Related rent concessions)) 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. The Group did not use IFRS 16 Covid-19 related rent concessions.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards, and interpretations are not effective for 2021, 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.

The other standards, interpretations and amendments issued by the IASB (of which some are still subject to endorsement by the UK), 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.

1 Accounting policies continued

Critical accounting estimates and judgements continued

Fair values of intangible assets continued

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 16 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 estimates are 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. The recognised deferred tax assets for the Group relate to share-based payments, whereby a corporation tax asset will arise in the future on the exercise of share options issued to Executive Directors and senior staff under performance share plans and deferred share plans. See note 17 for details of the carrying amount of the deferred tax assets.

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. The expected liability to the Group is disclosed as a gross figure in the provision, with the amount covered by the Group's insurance disclosed as a receivable. See note 25 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.

The Group has elected to make a prospective change to the estimated useful life for certain customer relationship assets. Previously, customer relationships recognised in 2013 were being amortised on a reducing balance basis over 10 years. The Group has deemed it appropriate to amortise these on a straight line basis over 20 years. This is consistent with the customer relationship assets within the PS Actuarial CGU and also is consistent with the length of customer relationships held by the Group. This change is prospective. This change in estimate has reduced the amortisation in the year ended 31 March 2021 by £782,000, and the closing net book value of customer relationship assets is £81,294,000. See note 16 for further 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. Due to the impact of Covid-19 in the year, more judgement was required in applying our exceptional item policy. As part of this assessment, a key judgement was to determine whether it was appropriate that holiday pay accrual met the criteria of being treated as an exceptional item, taking into account our Group policy and the guidance issued by the FRC. Please see note 6 for further details.

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 29.

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.

The Group's current revolving credit facility is due to expire in December 2022. The Group has initiated the process to secure a new facility, and expect to complete this within FY22.

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 posed an initial risk to the Group on an operational level. 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 the 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 banking covenants were renegotiated with the Group's lenders, and agreement was reached to extend the Group's revolving credit facility, as a precaution. The extension to the facility was not needed, and was ended early in March 2021. The covenant relaxation that was negotiated due to the Covid-19 pandemic has also ended, without causing any concerns in terms of meeting the original covenants.

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 contingent consideration for the Trigon acquisition in October 2019. The balance of the contingent consideration was paid by the Group in January 2021. 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 2021 £'000	Year ended 31 March 2020 £'000
Fair value adjustment of contingent consideration (notes 6, 26)	421	-

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 2021 £'000	Year ended 31 March 2020 £'000
Audit services		
Fees payable in respect of the Parent Company and consolidated accounts	187	161
Fees payable in respect of the subsidiary accounts	140	130
	327	291
Audit related services	43	44
Non-audit services		
Other assurance services	-	-
	-	-
Total	370	335

6 Non-trading and exceptional items

	Note	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Corporate transaction costs ¹		(226)	(870)
Restructuring costs ²		(367)	(1,904)
Settlement of historical contractual dispute		-	(381)
Other exceptional costs ³		(2,028)	(336)
Exceptional items		(2,621)	(3,491)
Contingent consideration write back ⁴	4, 26	421	-
Share-based payment costs ⁵	12	(4,924)	(2,180)
Amortisation of acquired intangibles ⁶	16	(6,547)	(7,153)
Exceptional finance costs ³		(188)	-
Non-trading items		(11,238)	(9,333)
Total before tax		(13,859)	(12,824)
Tax on adjusting items ⁷		2,334	140
Adjusting items after taxation		(11,525)	(12,684)

1 Costs associated with aborted acquisitions of £226,000 (2020: £870,000 relating to acquisitions by the Group).

2 Costs related to the integration of prior year acquisitions of £367,000 (2020: £1,904,000, which also included costs relating to exiting the IT transitional services agreement linked to the Punter Southall acquisition in January 2018).

3 Other exceptional costs of £2,028,000 were incurred as a result of one off impact of Covid-19 on the business. This includes an increase in holiday pay accrual due to higher carry forward of annual leave by employees of £966,000 (2020: £nil), one off costs incurred in enabling home working for all employees (mainly IT costs) of £966,000 (2020: £265,000), and dual running costs relating to a delayed office move of £96,000 (2020: £71,000). £188,000 of exceptional finance costs (2020: £nil) were incurred in renegotiating the covenants and additional £10 million RCF in light of the Covid-19 pandemic. The non-cash charge for the holiday pay accrual arose as the holiday cycle was disrupted by the pandemic and a higher than normal level of holiday was carried forward at the end of the holiday year in December 2020. The holiday pay accrual has been stable prior to the pandemic. It is expected that a significant proportion of the holiday pay accrual will reverse out in the year ending 31 March 2022, as the Group has changed its holiday policy in the year to align the holiday year with the accounting year and as a result there will be no cash outflow in respect of this charge. The reversal of the accrual in the next financial year will also be treated as an exceptional credit. Due to its one off nature, the size of the holiday pay accrual in the year ended 31 March 2021 as well as the corresponding reversal in the next financial year, it is deemed appropriate to disclose the amount separately from the underlying business performance.

4 Contingent consideration revaluation credit of £421,000 relating to the reduction in the deferred cash-settled consideration for the Trigon acquisition (2020: £nil).

5 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. Additionally, the largely non-cash charges go directly to equity and so have a limited impact on the reserves of the Group. They are therefore shown as a non-trading item to give clarity to users of the accounts on the profit figures that dividends and PSP performance are based on.

6 During the year the Group incurred £6,547,000 of amortisation charges in relation to acquired intangible assets (customer relationships and brand) (2020: £7,153,000).

7 The tax credit on non-trading and exceptional items of £2,334,000 (2020: £140,000) represents 17% (2020: 0%) of the non-trading and exceptional items incurred of £13,858,000 (2020: £12,824,000). This is different to the expected tax credit of 19% (2020: 19%), as not all non-trading and exceptional items are allowable for tax.

7 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 2021 £'000	Year ended 31 March 2020 £'000
Pensions Actuarial & Consulting	60,687	58,802
Pensions Administration	46,813	42,945
Pensions Investment Consulting	11,585	9,551
National Pension Trust ('NPT')	3,239	2,393
SIP ¹	5,607	6,062
Total	127,931	119,753

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

8 Administrative expenses

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Expenses by nature		
Staff costs (note 9)	77,963	66,753
Depreciation and amortisation	11,475	11,318
Operating lease costs	-	162
Premises costs (excluding rent accounted for under IFRS 16 Leases)	2,674	2,332
Exceptional items (note 6)	2,621	3,491
Other general business costs	20,207	22,256
Total	114,940	106,312

9 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 2021 Number of employees	Year ended 31 March 2020 Number of employees
Operational	1,202	1,129
Administration	93	58
Sales and marketing	20	22
	1,315	1,209

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Wages and salaries	62,050	54,537
Social security contributions and similar taxes	6,529	5,692
Defined contribution pension cost	3,131	2,804
Other long-term employee benefits	1,329	1,540
Share-based payment costs (note 12)	4,924	2,180
	77,963	66,753

10 Employee benefits

Defined contribution plan

The Company operates a defined contribution pension plan. Outstanding contributions at the year end were £nil (2020: £nil).

11 Directors' emoluments

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Aggregate emoluments	1,967	1,900
Company contributions to money purchase pension plans	30	24
	1,997	1,924

Share-based payment expense for Directors was £509,000 (2020: credit of £203,000)

	Year ended 31 March 2021 Number of directors	Year ended 31 March 2020 Number of directors
At 31 March 2021, retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	3	3

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
The emoluments of the highest paid Director, including benefits and share-based payments	835	592

12 Share-based payment costs

The Group operates a number of equity-settled share-based remuneration schemes for employees: Performance Share Plans (PSP) for Executive Directors and other key senior personnel, and Deferred Share Plans (DSP) for key senior personnel from July 2020. All employees are also eligible to participate in the Save as You Earn (SAYE) scheme, the only vesting condition being that the individual remains an employee of the Group over the savings period.

The Executive PSP award expense relates to annual awards over shares that vest subject to certain, stretching performance conditions, measured over a three-year period. Maximum 'normal' grant level is 150% of salary, capped at a maximum of 200% in exceptional circumstances. Malus and clawback provisions apply. The fair value of awards granted during the year was determined using certain assumptions around vesting. More information about the Executive PSP can be found in the Remuneration Report section of this Annual Report.

The Staff PSP (issued to key senior staff) relates to annual awards over shares that vest subject to certain performance conditions, measured over a three-year period. This scheme was replaced in July 2020 with a DSP, the only vesting criteria for the DSP is a service criteria. The fair value of awards under this scheme was determined using the share price on the date of grant.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Performance Share Plan awards, Deferred Share Plan awards and SAYE scheme	4,082	2,132
Social security cost on Performance Share Plan awards and Deferred Share Plan awards	684	48
Share-based payments	4,766	2,180
Bonus settled from EBT	139	-
Social security cost on bonus settled from EBT	19	-
Total	4,924	2,180

12 Share-based payment costs continued

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 2021	Year ended 31 March 2020
Weighted average exercise price of options issued during the period (pence)	0.05	0.05
Expected volatility (%)	44%	36%
Expected life beyond vesting date (years)	3	3
Risk-free rate (%)	-0.02%	0.46%
Dividend yield (%)	-	-

The Staff DSP options granted during the year had no performance criteria, other than a service condition. Therefore, the fair value of this award was the market value of shares on the date of the award.

The fair value of Staff PSP options granted during the prior period were calculated using the Monte Carlo valuation method. The inputs to the model were as follows:

	Year ended 31 March 2020
Weighted average exercise price of options issued during the period (pence)	0.05
Dividend yield (%)	-

No SAYE options were granted during the period. The inputs to the model in the prior year (using the Black-Scholes valuation method) were as follows:

	Year ended 31 March 2020
Weighted average exercise price of options issued during the period (pence)	78.0
Expected volatility (%)	32%
Expected life beyond vesting date (years)	3.35
Risk-free rate (%)	0.42%
Dividend yield (%)	5.60%

For the year ended 31 March 2021, the volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years. As the Group floated in 2017, for the year ended 31 March 2020, the approach was 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 were used for this purpose for both PSP and SAYE grants.

As at 31 March 2021, in respect of the Groups ordinary shares of 0.05p each, 2,820,143 Executive PSP options had been granted and remained outstanding, at an exercise price of 0.05p per share, 4,875,277 Staff PSP options had been granted and remained outstanding, at an exercise price of 0.05p per share, 2,252,443 Staff DSP options had been granted and remained outstanding, at an exercise price of 0.05p per share, 13,824 SAYE options had been granted and remained outstanding, at an exercise price of 130.2p per share, 114,066 SAYE options had been granted and remained outstanding, at an exercise price of 147.2p per share, and 3,755,615 SAYE options had been granted and remained outstanding, at an exercise price of 78p per share. The table below includes dividend equivalent shares on the PSP and DSP option figures where applicable.

		2021		2020	
		Weighted average Exercise price (pence)	Number	Weighted average Exercise price (pence)	Number
Executive PSP	Outstanding at 1 April	0.05	2,750,750	0.05	1,877,606
	Granted during the year	0.05	969,999	0.05	1,152,183
	Forfeited during the year	0.05	(201,680)	0.05	(279,039)
	Exercised during the year	0.05	(312,235)	-	-
	Cancelled during the year	0.05	(287,985)	-	-
	Outstanding at 31 March	0.05	2,918,849	0.05	2,750,750
Staff PSP	Outstanding at 1 April	0.05	7,996,727	0.05	5,155,853
	Granted during the year	-	-	0.05	3,167,051
	Forfeited during the year	0.05	(1,104,040)	0.05	(290,712)
	Exercised during the year	0.05	(1,784,325)	0.05	(30,289)
	Cancelled during the year	0.05	(62,451)	0.05	(5,176)
	Outstanding at 31 March	0.05	5,045,911	0.05	7,996,727
Staff DSP	Outstanding at 1 April	-	-	-	-
	Granted during the year	0.05	2,337,458	-	-
	Cancelled during the year	0.05	(6,180)	-	-
	Outstanding at 31 March	0.05	2,331,278	-	-
SAYE	Outstanding at 1 April	82.73	4,367,675	139.67	1,821,624
	Granted during the year	-	-	78.0	4,148,818
	Forfeited during the year	85.06	(154,043)	119.53	(45,923)
	Exercised during the year	-	-	130.20	(1,382)
	Cancelled during the year	111.21	(330,127)	135.61	(1,555,462)
	Outstanding at 31 March	80.22	3,883,505	82.73	4,367,675

The exercise price of options outstanding at 31 March 2021 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 (2020: £0.0005 to £1.472). Their weighted average contractual life was 3 years (2020: 3 years).

Of the total number of options outstanding at 31 March 2021, 506,580 (2020: nil) had vested and were exercisable. The weighted average fair value of each option granted during the year was £1.10 (2020: £0.68).

The weighted average share price on date of exercise was £1.21 (2020: £1.33).

13 Finance income and expense

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Interest income on bank deposits	3	8
Finance income	3	8
Interest expense on bank loans	1,171	1,746
Other costs of borrowing	317	315
Interest on leases	340	288
Other finance expense	29	29
Finance expenses - trading	1,857	2,378
Exceptional finance costs (note 6)	188	-
Finance expenses	2,045	2,378

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

14 Income tax expense

Recognised in the statement of comprehensive income

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Current tax expense		
Current year	3,785	3,687
Adjustment in respect of prior year	(112)	(549)
Total current tax expense	3,673	3,138
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	(1,266)	534
Total income tax expense	2,407	3,672

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Profit for the year	8,963	7,399
Total tax expense	2,407	3,672
Profit before income tax	11,370	11,071
Tax using the UK corporation tax rate of 19% (2020: 19%)	2,160	2,103
Non-deductible expenses	1,002	225
Other operating income not taxable	(80)	-
Fixed asset differences	(85)	-
Adjustment in respect of prior periods	(112)	(549)
Amounts credited directly to equity or otherwise transferred	3	146
Excess relief on exercise of share options	(481)	(7)
Effect of tax rate change	-	1,754
Total tax expense	2,407	3,672

The standard rate of corporation tax in the UK was 19% (2020: 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 2021, which is not lower than 19% (2020: 19%). Deferred tax not recognised relates to finance expense losses in a prior year and their future recoverability is uncertain. At 31 March 2021 the total unrecognised deferred tax asset in respect of these losses was approximately £1.2m (2020: £1.2m).

The Chancellor has confirmed an increase in corporation tax from 19% to 25% in the March 2021 budget. This is to take effect from 1 April 2023. As this rate was substantively enacted post year end, no adjustment has been made to the deferred tax values in these financial statements. This will however affect deferred tax rates in future years.

15 Property, plant and equipment

	Leasehold improvements £'000	Office Equipment £'000	Fixtures and Fittings £'000	Total £'000
Cost				
Balance at 1 April 2020	2,738	1,598	715	5,051
Additions	513	448	193	1,154
Disposals	(123)	(323)	(76)	(522)
Balance at 31 March 2021	3,128	1,723	832	5,683
Accumulated depreciation				
Balance at 1 April 2020	1,115	725	194	2,034
Depreciation charge for the year	262	598	114	974
Disposals	(123)	(323)	(76)	(522)
Balance at 31 March 2021	1,254	1,000	232	2,486
Net book value				
Balance at 1 April 2020	1,623	873	521	3,017
Balance at 31 March 2021	1,874	723	600	3,197

	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	-	(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	-	(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

16 Intangible assets

Group	Goodwill £'000	Customer relationships £'000	Brands £'000	Software £'000	Total £'000
Cost					
Balance at 1 April 2020	120,294	123,305	6,036	3,647	253,282
Additions	-	-	-	1,743	1,743
Disposals	-	-	-	(314)	(314)
Reassessment of fair value of net assets	49	-	-	-	49
Balance at 31 March 2021	120,343	123,305	6,036	5,076	254,760
Accumulated amortisation					
Balance at 1 April 2020	-	35,527	5,854	1,300	42,681
Amortisation for the year	-	6,484	63	1,062	7,609
Disposals	-	-	-	(314)	(314)
Balance at 31 March 2021	-	42,011	5,917	2,048	49,976
Net book value					
Balance at 1 April 2020	120,294	87,778	182	2,347	210,601
Balance at 31 March 2021	120,343	81,294	119	3,028	204,784

	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
Disposal	-	-	-	(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

During the year, the amortisation rates for the Group's various intangible assets was reviewed. The review highlighted that Customer relationship assets held prior to the Punter Southall acquisition had a longer expected useful life than had first been assessed, this was validated by performing analysis on the relationships still in existence, and by comparison to similar assets acquired in the Punter Southall acquisition. As a result of the work done, it was determined that the amortisation rate and expected useful life for these assets needed to be updated to a 20 year expected life. This change is considered to be an adjustment of an estimate, and is prospective. It has reduced the amortisation in the year ended 31 March 2021 by £782,000.

At 31 March 2021, the remaining amortisation period for Customer relationships assets held prior to the Punter Southall acquisition in January 2018 was 12 years. The customer relationship asset acquired as part of the purchase of the Punter Southall group of companies for the Actuarial CGU will be amortised over 20 years, and for the Administrative CGU over 10 years. The customer relationships recognised from the prior year acquisitions (XPS Pensions RL Limited and XPS Pensions Trigon Limited) will be amortised over 10 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 £21.4m (2020: £23.2m), PS Actuarial customer relationships with a NBV of £46.4m (2020: £49.2m), PS Admin customer relationships with a NBV of £6.6m (2020: £7.6m), Kier customer relationships with a NBV of £2.4m (2020: £2.7m), and Royal London customer relationships with a NBV of £2.5m (2020: £2.8m).

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 34, 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 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:

	2021			2020		
	CGU 1	CGU 2	CGU 3	CGU 1	CGU 2	CGU 3
Discount rate pre-tax	9.9%	9.9%	9.9%	10.9%	10.9%	10.9%
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)	6.4%	8.1%	1.9%	9.0%	9.1%	8.7%
Growth rate applied beyond approved forecast period to year 8	5%	5%	5%	5%	5%	5%

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 SmallCap index
- Risk-free rate: using a 20-year UK Government bond yield as a proxy for the risk-free rate
- Equity risk premium: the implied rate as at 31 March 2021 is used to assess the price of risk in equity markets
- Small company premium: an additional size premium is applied to the Group's cost of equity in 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 8 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, so the Directors are satisfied that no impairment has arisen during the financial period.

	2021 £'000	2020 £'000
Goodwill allocated to cash-generating units:		
Goodwill - XPS Pensions Consulting Limited, XPS SIPP Services Limited, Xafinity Pensions Consulting Limited and subsidiaries, XPS Pensions (RL) Limited, XPS Pensions (Trigon) Limited (CGU 1):	28,532	28,483
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
	120,343	120,294

16 Intangible assets continued**Sensitivity analysis of assumptions**

The Group performed further sensitivity analysis by recalculating the fair value of the net assets of the Group on a 'worst-case' basis following the outbreak in the United Kingdom of Covid-19. For the Group, the worst-case would be breaching the banking covenants on leverage, as that could lead to the Group's revolving credit facility being withdrawn. The size of the impact on revenue to reach this point was considered, alongside mitigating factors that the Group would take if necessary. This analysis showed that this potential worst case scenario is considered unlikely to materialise, and so there was no requirement for impairment.

17 Deferred income tax

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

	Balance at 1 April 2020 £'000	Recognised in income £'000	Recognised in equity £'000	31 March 2021 £'000	31 March 2021 Assets £'000	31 March 2021 Liabilities £'000
Property, plant and equipment	(2)	53	-	51	-	51
Capital gains	717	-	-	717	-	717
Short-term temporary differences	(667)	(97)	(3)	(767)	767	-
Business combinations	16,844	(1,222)	-	15,622	-	15,622
	16,892	(1,266)	(3)	15,623	767	16,390

	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

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 2021, which is not lower than 19% (2020: 19%).

The Chancellor has confirmed an increase in corporation tax from 19% to 25% in the March 2021 budget. This is to take effect from 1 April 2023. As this rate has not yet been substantively enacted, no adjustment has been made to the deferred tax values in these financial statements. This will however affect deferred tax rates in future years. Had the rate been substantively enacted at 31 March 2021, the deferred tax liability would have increased by £4,389,000.

18 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 £1,780,000 (2020: £1,300,000) 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.

19 Trade and other receivables

	31 March 2021 £'000	31 March 2020 Restated £'000
Trade receivables	17,382	18,541
Less: provision for impairment of trade receivables	(350)	(674)
Net trade receivables	17,032	17,867
Accrued income	12,147	11,477
Contract assets	1,149	1,528
Insurance reimbursement asset	-	350
Total financial assets other than cash and cash equivalents carried at amortised cost	30,328	31,222
Prepayments	4,068	3,086
Accrued consideration	-	109
Other receivables includes £186,000 (2020: £186,000) of capitalised loan arrangement fees	239	291
Total trade and other receivables	34,635	34,708

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

31 March 2021	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%	11%	
Gross carrying amount	12,146	2,814	1,225	1,197	17,382
Loss provision	2	1	1	131	135
Amendment for specific bad debt provision	(2)	(1)	(1)	219	215
Total	-	-	-	350	350

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

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. 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 2020 contract asset balance of £1,528,000, £1,100,000 was billed in the year. Of the March 2019 contract asset balance of £938,000, £500,000 was billed in the year ended 31 March 2020. The March 2021 contract asset balance is expected to be billed in the year ending 31 March 2022 (£982,000), and the year ending 31 March 2023 (£167,000). The March 2020 contract asset balance was to be billed in the years ending 31 March 2021 (£1,100,000) and 31 March 2023 (£428,000).

An adjustment has been made to the prior year balance sheet, to disclose an insurance reimbursement asset of £350,000. This offsets with an increase in the professional indemnity provision of £350,000, so there is no overall impact on the net assets of the Group. The asset relates to insurance coverage on a claim which has been largely settled in the year ended 31 March 2021, and as such the asset has been utilised in the current year.

20 Cash and cash equivalents

	31 March 2021 £'000	31 March 2020 £'000
Cash and cash equivalents per statement of financial position	8,623	14,432
Cash and cash equivalents per statement of cash flows	8,623	14,432

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

21 Loans and borrowings

31 March 2021	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	-	59,000	-	59,000	59,000
Capitalised debt arrangement fees	-	(124)	-	(124)	(124)
Sub-total	-	58,876	-	58,876	58,876
Capitalised debt arrangement fees shown as current assets on balance sheet	(186)	-	-	-	(186)
Total	(186)	58,876	-	58,876	58,690

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

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

Terms and debt repayment schedule

31 March 2021	Amount £'000	Currency	Nominal interest rate	Year of maturity
Revolving Credit Facility - A	38,000	GBP	1.5% above LIBOR	2022
Revolving Credit Facility - B	21,000	GBP	1.5% above LIBOR	2022

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

At 31 March 2021, the Group had drawn down £59,000,000 (2020: £70,500,000) of its £80,000,000 Revolving Credit Facility. The Revolving Credit Facility available to the Group was increased by £10,000,000 to £90,000,000 in June 2020 due to uncertainties arising from the Covid-19 pandemic, this additional £10,000,000 was not required and was therefore cancelled in March 2021.

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), Xfinity Pensions Consulting Limited (and its subsidiaries), XPS SIPP Services Limited, and XPS Holdings Limited (and its subsidiaries). The security is over all the assets of the companies which are obligors to the loans.

The Group is in the early stages of discussions on refinancing, as the current facility ends in December 2022. It is expected that this process will be completed by the next balance sheet date, and so the new facility will be based on a replacement rate for LIBOR. It is not yet known what that rate will be.

22 Reconciliation of liabilities arising from financing activities

	31 March 2020 £'000	Cash flows £'000	Non-cash change Liability to asset £'000	Non-cash change New leases / interest this year £'000	31 March 2021 £'000
Long-term borrowings	70,500	(11,500)	-	-	59,000
Capitalised debt arrangement fees	(500)	-	186	4	(310)
Lease liabilities	12,807	(2,901)	50	2,114	12,070
Total liabilities from financing activities	82,807	(14,401)	236	2,118	70,760

	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

23 Trade and other payables

	31 March 2021 £'000	31 March 2020 £'000
Trade payables	5,382	3,190
Accrued expenses	10,603	6,967
Interest payable	10	270
Other payables	624	176
Total financial liabilities excluding leases, loans and borrowings, classified as financial liabilities at amortised cost	16,619	10,603
Other payables – tax and social security payments	1,934	1,551
Other payables – VAT	3,802	4,723
Deferred income	1,557	1,276
Contract liabilities	1,228	1,196
Total trade and other payables	25,140	19,349

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates to fair value. The prior year figures have been amended to move £667,000 of late trade payable invoices from accrued expenses to trade payables. This change has no impact on the current liabilities of the Group or underlying working capital.

Of the March 2020 contract liability balance of £1,200,000, £600,000 was recognised in revenue in the year. Of the March 2019 contract liability balance of £784,000, £500,000 was recognised in revenue in the year ended 31 March 2020.

24 Current income tax liabilities

	31 March 2021 £'000	31 March 2020 £'000
Tax payable	1,410	994
	1,410	994

25 Provisions for other liabilities and charges

31 March 2021	Social security costs on Performance and Deferred Share Plans £'000	Dilapidations £'000	Professional Indemnity £'000	Total £'000
Balance at 1 April 2020	472	1,454	1,167	3,093
Provisions made during the year	624	342	573	1,539
Provisions used during the year	(350)	(84)	(1,065)	(1,499)
Provisions released unused during the year	-	-	(71)	(71)
Balance at 31 March 2021	746	1,712	604	3,062
Due within one year or less	420	360	604	1,384
Due after more than one year	326	1,352	-	1,678
	746	1,712	604	3,062

31 March 2020 - Restated	Social security costs on Performance and Deferred Share Plans £'000	Dilapidations £'000	Professional Indemnity £'000	Total £'000
Balance at 1 April 2019	425	517	1,091	2,033
Provisions made during the year	47	895	755	1,697
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	1,167	3,093
Due within one year or less	292	84	1,167	1,543
Due after more than one year	180	1,370	-	1,550
	472	1,454	1,167	3,093

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 Group'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 estimated 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.

Provisions for liabilities and other charges have been restated for the year ended 31 March 2020 to accurately reflect the split between current and non-current provisions. Previously, all provisions had been shown as current.

Additionally, the prior year professional indemnity balance has been restated as it had been previously disclosed net of a £350,000 insurance receivable asset. This asset is now disclosed within Trade and other receivables in the Statement of Financial Position (note 19). These restatements have no overall impact on the net assets of the Group, and do not have any impact on the Statement of Comprehensive Income, and as such a third balance sheet has not been presented.

26 Deferred consideration

	Balance at 1 April 2020 £'000	Acquisition £'000	Fair value adjustment £'000	Settled in year £'000	31 March 2021 £'000
Contingent cash consideration	757	-	(421)	(336)	-
Balance at 31 March 2021	757	-	(421)	(336)	-

	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

27 Share capital

	Ordinary shares (£'000) 31 March 2021	Ordinary shares (£'000) 31 March 2021	Ordinary shares (£'000) 31 March 2020	Ordinary shares (£'000) 31 March 2020
In issue at the beginning of the year	203,905	102	203,873	102
Issued during the year	1,212	1	32	-
In issue at the end of the year	205,117	103	203,905	102

	31 March 2021 (£'000)	31 March 2021 (£'000)	31 March 2020 (£'000)	31 March 2020 (£'000)
Allotted, called up and fully paid				
Ordinary shares of 0.05p (2020: 0.05p) each	203,105	102	203,393	102
Shares held by the Group's Employee Benefit Trust				
Ordinary shares of 0.05p (2020: 0.05p) each	2,012	1	512	-
Shares classified in shareholders' funds	205,117	103	203,905	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.

28 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.
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.
Investment in own shares:	Cost of own shares held by the EBT.

29 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 Group's finance team performs 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.

The Group currently holds level 2 and level 3 financial assets and liabilities.

Credit risk

The maximum exposure to credit risk at the reporting date was:

	Carrying Amount 31 March 2021 £'000	Carrying Amount 31 March 2020 Restated £'000
Trade receivables	17,382	18,541
Provision for impairment of trade receivables	(350)	(674)
Net trade receivables due	17,032	17,867
Accrued income	12,147	11,477
Contract assets	1,149	1,528
Insurance reimbursement asset	-	350
Cash and cash equivalents	8,623	14,432
	38,951	45,654

Credit risk mitigation

The ageing of trade receivables at the reporting date was:

	31 March 2021 £'000	31 March 2020 £'000
Not past due	12,146	9,968
Past due 0-30 days	2,814	4,114
Past due 31-90 days	1,225	2,186
Past due more than 90 days	1,197	2,273
	17,382	18,541
Movement in impairment allowance for trade receivables		
Balance at start of the year	674	426
Increase during the year	172	525
Receivable written off during the year as uncollectable	(3)	(13)
Reversal of allowances	(493)	(264)
Balance at end of the year	350	674

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 £350,000 (2020: £674,000) 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.

The Group have considered whether any provision needs to be made for credit losses on contract assets, and concluded that there are none.

Cash flow risk

The 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. 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 2021 £'000
Trade and other payables	16,619	-	-	-	-	16,619
Leases	810	1,949	2,203	4,615	3,706	13,283
Loans and borrowings	-	-	59,000	-	-	59,000
Bank interest	246	727	739	-	-	1,712
	17,675	2,676	61,942	4,615	3,706	90,614
	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

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 2021 £'000	31 March 2020 £'000
Total equity	149,066	152,945

30 Leases

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 2021	Lease contracts Number	Fixed payments %	Variable payments %	Sensitivity £'000
Property leases with periodic uplifts to market rentals	8	-	74	± 307
Property leases with fixed payments	9	25	-	-
Leases of plant and equipment	2	1	-	-
	19	26	74	± 307

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 expose 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 2021, the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because on both dates it was considered reasonably certain that the Group would not exercise its right to break the lease. Total lease payments of £6,138,038 (2020: £5,867,572) are potentially avoidable were the Group to exercise break clauses at the earliest opportunity.

Right-of-use assets	Land and buildings £'000	Office equipment £'000	Total £'000
At 1 April 2020	12,738	227	12,965
Additions	1,906	-	1,906
Depreciation	(2,830)	(62)	(2,892)
Effect of modification to lease terms	249	-	249
At 31 March 2021	12,063	165	12,228

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
Depreciation	(2,511)	(56)	(2,567)
Effect of modification to lease terms	766	-	766
At 31 March 2020	12,738	227	12,965

	Land and buildings £'000	Office equipment £'000	Total £'000
Lease liabilities			
At 1 April 2020	12,569	238	12,807
Additions	1,774	-	1,774
Interest expense	332	8	340
Effect of modification to lease terms	50	-	50
Lease payments	(2,833)	(68)	(2,901)
At 31 March 2021	11,892	178	12,070

	Land and buildings £'000	Office equipment £'000	Total £'000
Lease liabilities			
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 2021 £'000	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 2021 £'000	Year ended 31 March 2020 £'000
Up to 3 months	724	716
Between 3 and 12 months	1,734	1,822
Between 1 and 2 years	1,947	2,329
Between 2 and 5 years	4,137	4,411
More than 5 years	3,528	3,529
	12,070	12,807

31 Notes supporting statement of cash flows

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Cash at bank available on demand	8,623	14,432

32 Related party transactions

Key management emoluments during the year

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Emoluments	1,770	1,557
Share-based payment	509	(203)
Company contributions to money purchase pension plans	30	24
Social security costs	200	138
	2,509	1,516

The aggregate gains made by the Directors on the exercise of share options amounted to £128,320 (2020: £271,550).

Non-Executive emoluments during the year

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Emoluments	326	343
Social security costs	40	42
	366	385

Services provided to related parties

	31 March 2020 £'000
PSFM Limited	5
PS Independent Trustees Limited	14
Punter Southall Group Limited	57
Psigma Investment Management Limited	3
Punter Southall Governance Services Limited	7
	86

During the period the Group provided services of £nil (2020: £85,581) to other related parties. These transactions were included in turnover.

All companies listed above are part of the Punter Southall Group Limited group. They are no longer related parties of the Group as Jonathan Punter, Chief Executive of the Punter Southall Group, resigned as a Non-Executive Director of XPS Pensions Group in September 2019, therefore no amounts are disclosed for the year ended 31 March 2021.

Services received from related parties

	31 March 2020 £'000
Punter Southall Group Limited	1,823
CAMRADATA Analytical Services Limited	26
PS Independent Trustees Limited	9
Donna Cuff	23
	1,881

During the period the Group paid administration costs of £nil (2020: £1,881,397) to other related parties. These transactions were included in administrative expenses.

All companies listed above are part of the Punter Southall Group Limited group. They are no longer related parties of the Group as Jonathan Punter, Chief Executive of the Punter Southall Group, resigned as a Non-Executive Director of XPS Pensions Group in September 2019, therefore no amounts are disclosed for the year ended 31 March 2021. 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
Punter Southall Governance Services Limited	5
Punter Southall Group Limited	(17)
Punter Southall Defined Contribution Consulting Limited	2
Psigma Investment Management Limited	3
PSFM Limited	(2)
	(9)

All companies listed above are part of the Punter Southall Group Limited group. They are no longer related parties of the Group as Jonathan Punter, Chief Executive of the Punter Southall Group, resigned as a Non-Executive Director of XPS Pensions Group in September 2019, therefore no amounts are disclosed for the year ended 31 March 2021.

All transactions with related parties are made in the ordinary course of business and balances outstanding at the reporting date are unsecured.

33 Earnings per share

	31 March 2021 £'000	31 March 2020 £'000
Profit for the year	8,963	7,399
	'000	'000
Weighted average number of ordinary shares in issue	204,392	203,301
Diluted weighted average number of ordinary shares	209,850	208,219
Basic earnings per share (pence)	4.4	3.6
Diluted earnings per share (pence)	4.3	3.6

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 each year since the year ending 31 March 2017, these are subject to certain conditions, and each tranche of awards vest 3 years after the award date. Dividend yield shares relating to these awards will also be awarded upon vesting of the main awards, and will be settled in either cash or shares. Further shares have been issued under SAYE share schemes in the years ending 31 March 2018 and 2019, these will vest in the years ending 31 March 2021 and 2022 respectively. These shares are reflected in the diluted number of shares and diluted earnings per share calculations.

Adjusted earnings per share

	Total 31 March 2021 £'000	Total 31 March 2020 £'000
Adjusted profit after tax (note 6)	20,488	20,083
Adjusted earnings per share (pence)	10.0	9.9
Diluted adjusted earnings per share (pence)	9.8	9.6

34 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
XPS 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
XPS Pensions (Trigon) Limited	12085392	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB

35 Dividends

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

	31 March 2021 £'000	31 March 2020 £'000
Final dividend for the year ended 31 March 2020: 4.3p per share (2019: 4.3p per share)	8,795	8,738
Interim dividend for the year ended 31 March 2021: 2.3p (2020: 2.3p) per ordinary share was paid during the year	4,685	4,674
	13,480	13,412

The recommended final dividend payable in respect of the year ended 31 March 2021 is £9,025,000 or 4.4p per share (2020: £8,800,000).

The proposed dividend has not been accrued as a liability as at 31 March 2021 as it is subject to approval at the Annual General Meeting.

	31 March 2021 £'000	31 March 2020 £'000
Proposed final dividend for year ended 31 March 2021	9,025	8,835

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 £12,555,000. Therefore there are sufficient distributable reserves in XPS Pensions Group plc in order to pay the proposed final dividend.

36 Ultimate controlling party

The Directors do not consider that there is an ultimate controlling party.

	Note	31 March 2021 £'000	31 March 2020 Restated £'000
Assets			
Non-current assets			
Investments	5	26,345	22,097
Trade and other receivables	6	217,123	200,447
		243,468	222,544
Total assets		243,468	222,544
Current Liabilities			
Trade and other payables	7	39,843	33,207
		39,843	33,207
Total liabilities		39,843	33,207
Net assets		203,625	189,337
Equity and liabilities			
Share capital	8	103	102
Share premium	9	116,797	116,797
Merger relief reserve	9	48,687	48,687
Other reserve	9	25,483	21,235
Retained profit	9	12,555	2,516
Total equity		203,625	189,337

The notes on pages 124 to 127 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 £23,519,000 (2020: £14,224,000).

These Financial Statements were approved by the Board of Directors on 23 June 2021 and were signed on its behalf by:



Snehal Shah
Chief Financial Officer
23 June 2021

Registered number: 08279139

	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Other reserve £'000	Retained profit £'000	Total £'000
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
Balance at 1 April 2020	102	116,797	48,687	21,235	2,516	189,337
Comprehensive income and total comprehensive income for the year	-	-	-	-	23,519	23,519
Contributions by and distributions to owners						
Share capital issued	1	-	-	-	-	1
Share-based payment expense - equity settled from Employee Benefit Trust	-	-	-	163	-	163
Share-based payment expense - IFRS 2 charge in respect of long-term incentives	-	-	-	4,082	-	4,082
Deferred tax movement in respect of long-term incentives	-	-	-	3	-	3
Dividends paid	-	-	-	-	(13,480)	(13,480)
Total contributions by and distributions to owners	1	-	-	4,248	(13,480)	(9,231)
Balance at 31 March 2021	103	116,797	48,687	25,483	12,555	203,625

The appropriate filing of interim accounts showing sufficient reserves to pay the £13,480,000 dividend was undertaken.

The notes on pages 124 to 127 form part of these Financial Statements.

Statement of Cash Flows - Company

for the year ended 31 March 2021

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 124 to 127 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 in conformity with the requirements of the Companies Act 2006. 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 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.

The prior year balance sheet has been restated to reclassify related party receivables as non-current. This restatement has no overall impact on the net assets of the Company, however management believe this better reflects the nature of the receivable in line with IAS 1 and the business strategy. Whilst balances between related parties are repayable on demand, it is considered unlikely that the balances receivable from related parties will be settled within twelve months of the balance sheet date.

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 2020

New and amended Standards and interpretations issued by the IASB that apply for the first time in these annual financial statements (including IAS 1 Presentation of Financial Statements, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (amendment – definition of material), IFRS 3 Business Combinations (amendment – definition of Business), IFRS 9 (Interest rate benchmark reform – IBOR 'phase 2'), and IFRS 16 Covid-19-Related rent concessions)) do not impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

New standards and interpretations adopted and not yet adopted

A number of new standards, amendments to standards, and interpretations are not effective for 2021, 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 UK), 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 Company note 10.

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 2021 (2020: nil).

No Directors received remuneration for their services to the company during the year. Directors were remunerated for their services to the Group by a subsidiary company.

Pension contributions of £nil (2020: £nil) were paid on behalf of the Directors.

5 Investments in subsidiaries

	31 March 2021 £'000	31 March 2020 £'000
At the beginning of the year	22,097	19,115
In relation to XPS Pensions Consulting Limited	2,584	1,156
In relation to XPS SIPP Services Limited	91	72
In relation to XPS Pensions Limited	1,075	1,006
In relation to XPS Administration Limited	446	680
In relation to XPS Investment Limited	38	61
In relation to XPS Pensions (RL) Limited	12	7
In relation to XPS Pensions (Trigon) Limited	2	-
At the end of the year	26,345	22,097

Subsidiary	Ownership	Country of incorporation	Class of shares held	Principal activities	Registered address
XPS Financing Limited	100%	England and Wales	Ordinary	Holding company	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB

The additions to investments during the year represents amounts in respect of Performance Share Plan and Deferred 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 34 of the Group accounts are indirectly owned by other Group companies.

6 Trade and other receivables

	31 March 2021 £'000	31 March 2020 £'000
Receivables due from related parties	217,123	200,447

The trade and other receivables balance in the year ended 31 March 2020 has been restated as a non-current asset of the Company, in order to better reflect the nature of the receivable in line with IAS 1. This restatement has no overall impact on the net assets of the Company.

7 Trade and other payables

	31 March 2021 £'000	31 March 2020 £'000
Payables due to related parties	38,312	31,705
Other payables - corporation tax	1,531	1,502
Total trade and other payables	39,843	33,207

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 2021 £'000	Carrying amount 31 March 2020 £'000
Receivables due from related parties	217,123	200,447

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.

	31 March 2021 £'000	31 March 2020 £'000
Management of capital		
Total equity	203,625	189,337

11 Related party transactions

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

	31 March 2021 £'000	31 March 2020 £'000
Loans to related parties	217,123	200,447
Loans from related parties	(38,312)	(31,705)
	178,811	168,742

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. 1.88% was applied in the year (2020: 2.68%). 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.

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Company Secretary

Zoe Adlam

Financial Adviser and Broker

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EC2Y 9LY

Financial Adviser and Broker

RBC Capital Markets
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Auditor

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Registrar

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